

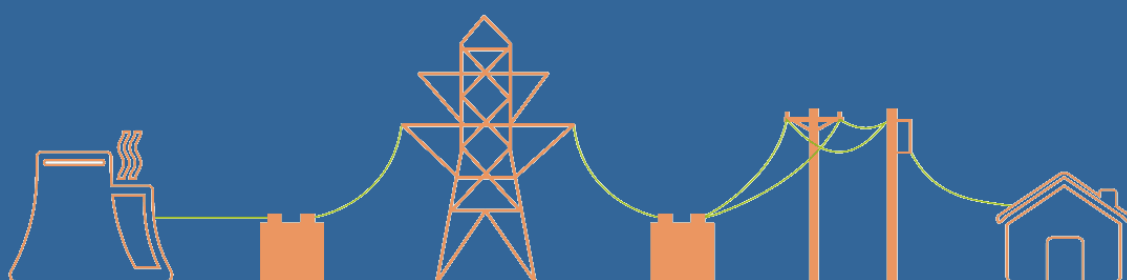
# Regulated retail electricity prices for 2020–21

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Applies to customers in regional Queensland

**Draft determination  
Information booklet**

March 2020



# Overview

## What is the QCA's role in setting electricity prices?

The Queensland Government has asked us to set regulated electricity prices (**notified prices**) for regional customers to apply from 1 July 2020 to 30 June 2021.

## What is this document?

This booklet gives an overview of draft prices, the price setting process, and **potential** customer bill impacts. It is **not a substitute** for the draft determination, and should be **read in conjunction with that**.

## What is our approach to determine notified prices?

Continuing to apply the  
**Uniform Tariff Policy**

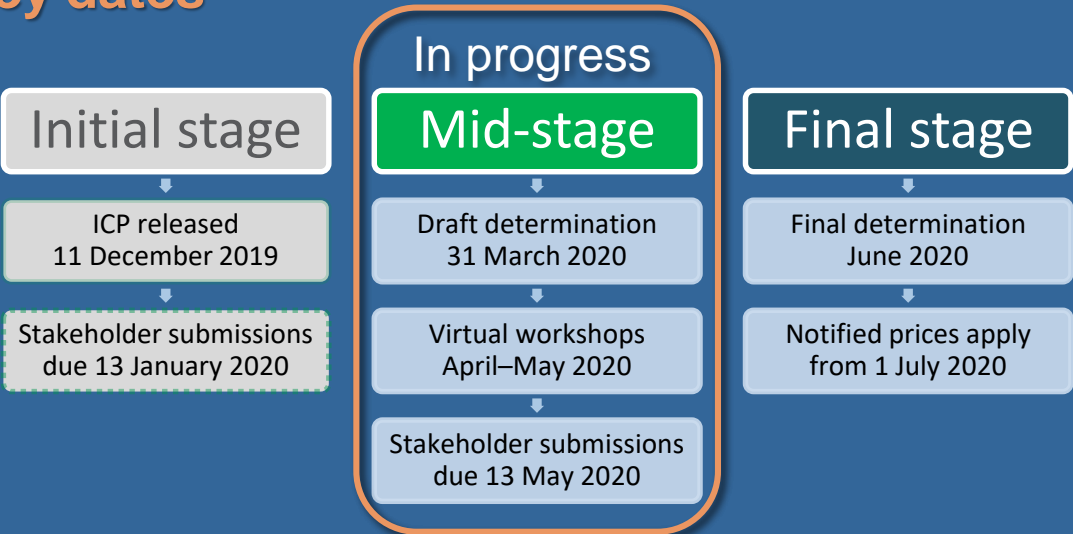
which provides that, **wherever possible**, customers of the same class **should pay no more for their electricity**, and should be able to pay for their electricity via **similar price structures**.

&

Continuing to use the  
**‘N+R’ framework**

In which network, energy, retail costs and other adjustments are **individually calculated** to determine prices for each tariff.

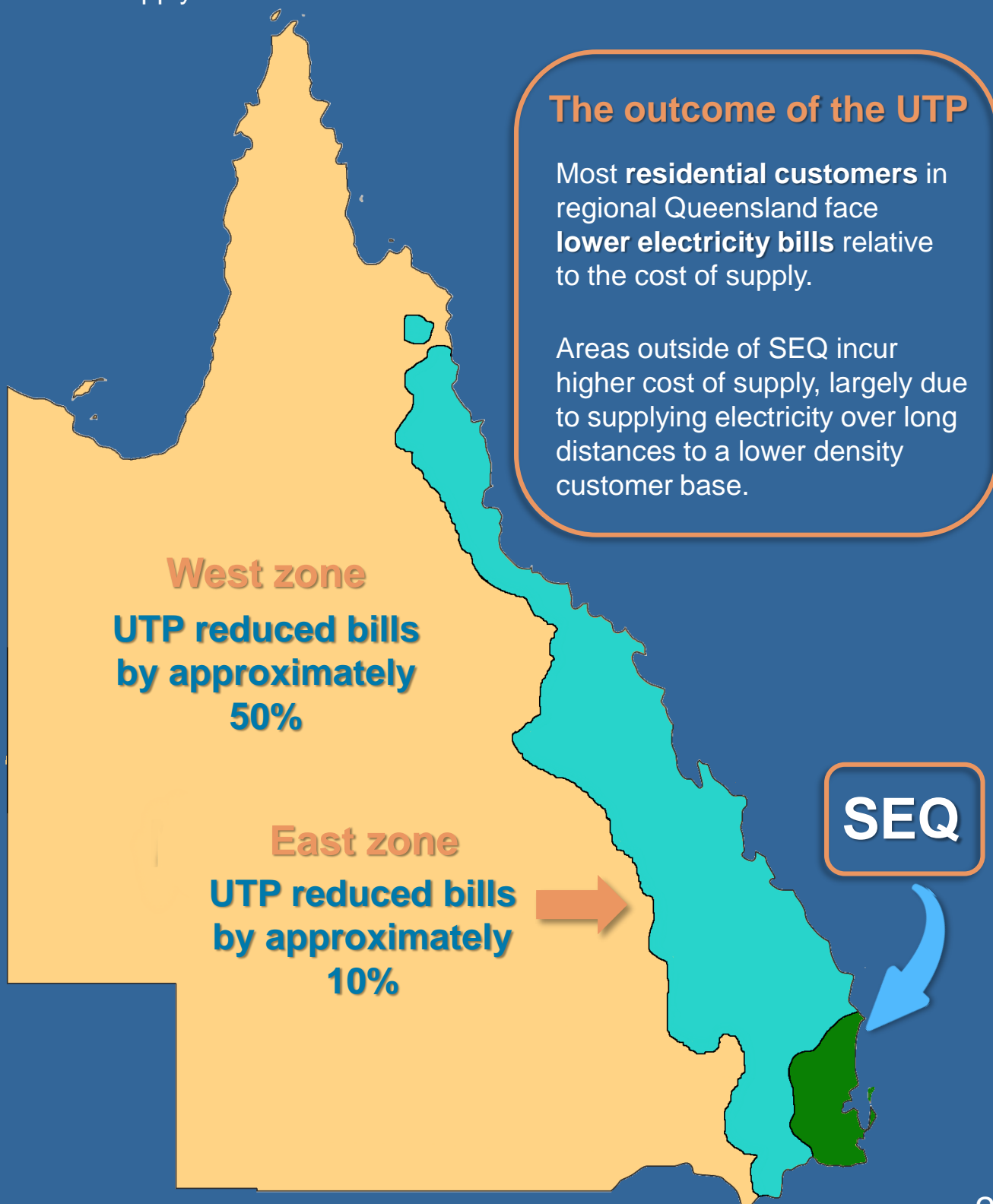
## Key dates



# How does the UTP impact electricity bills?

## What does the UTP mean for regional Queensland?

Prices for **small customers** are based on the cost of supply in **SEQ**, and for **large customers** prices are based on the Ergon region with the lowest cost of supply.



# What makes up my electricity bill?



## Retail costs

These include costs for customer services like call centres and administrative tasks (e.g. sending bills.)

## Energy costs

These include costs to buy electricity from the wholesale market. It also includes the costs to comply with 'green schemes' such as the Renewable Energy Target.



## Network costs

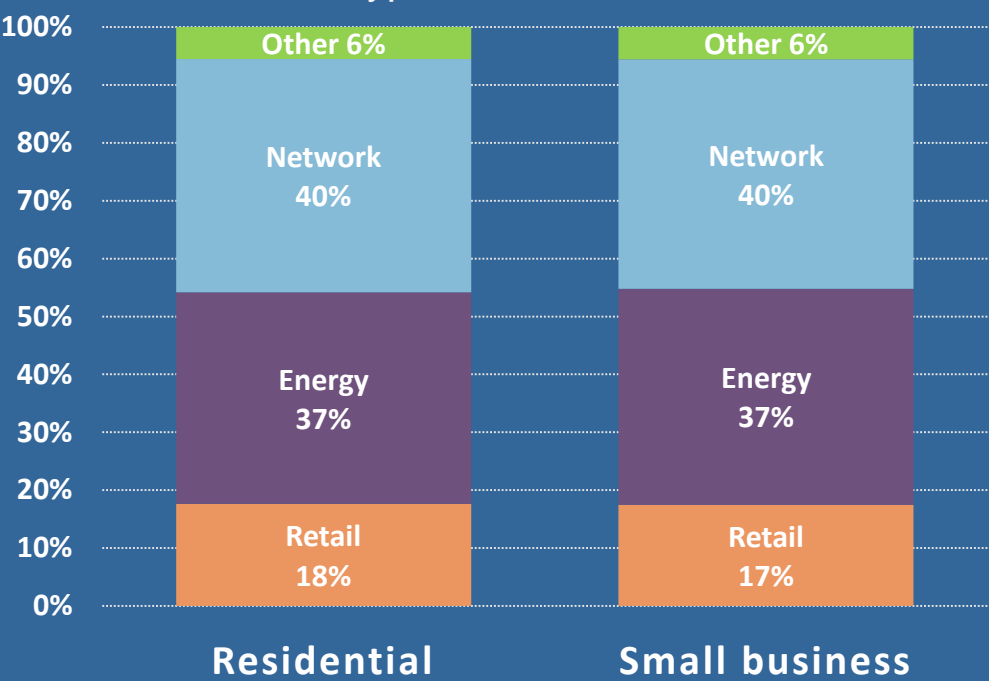
These include costs to transport electricity via the electricity network. It also includes other costs such as the solar bonus scheme.

## Other adjustments

These adjustments include matters that we are required to consider under our legal framework.



The chart shows how the components contributed to the bill of a typical customer



Percentage share has been rounded to the closest whole percent.

# How did we determine draft prices this year?

Using the N+R methodology, we have set each cost component of prices based on the following inputs.

## Small customers

Cost base—SEQ

## Large customers

Cost base—Ergon region  
(lowest cost)

### Retail

Estimated retail costs using the RBA's CPI forecasts and our previous estimates



Estimated retail costs using the RBA's CPI forecasts and our previous estimates

### Energy

Estimated energy costs using a market-based approach



Estimated energy costs using a market-based approach

### Network

Estimated network costs by indexing 2019–20 network prices with AER escalators



Estimated network costs by passing through AER approved network prices

### Other

Pass-through of under-recovered costs  
+  
standing offer adjustment



Pass-through of under-recovered costs  
+  
headroom allowance

# Small customer tariffs



## What does the draft determination mean for my prices?

Prices are **expected to decrease** mainly due to a projected reduction in network and energy costs



## Indicative bill impact

### Flat rate

**Tariff 11**

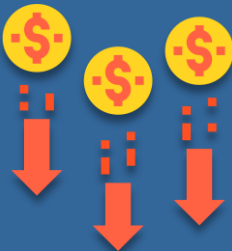
**5.3%  
lower**

**Tariff 20**

**5%  
lower**

**\$1,345**

**\$2,222**



**Down from  
\$1,420  
last year**

**Down from  
\$2,338  
last year**

### Controlled load

**Tariff 31**

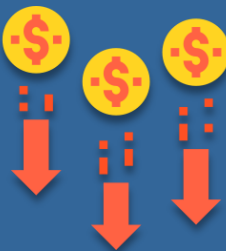
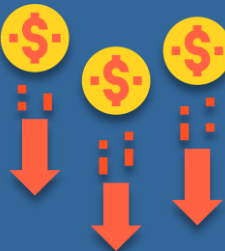
**1.3%  
lower**

**Tariff 33**

**5.7%  
lower**

**\$264**

**\$205**



**Down from  
\$267  
last year**

**Down from  
\$217  
last year**

Most residential customers are on tariff 11 and most small business customers are on tariff 20.

# Large customer tariffs



## What does the draft determination mean for my prices?

Prices are **expected to decrease** mainly due to a projected reduction in network and energy costs



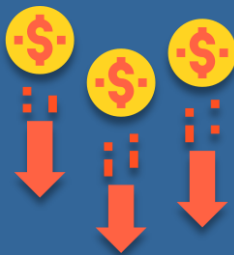
## Indicative bill impact

**Tariff 44**

**8.8%  
lower**



**\$51,516**



Down from  
**\$56,494**  
last year

**Tariff 45**

**6.8%  
lower**



**\$174,899**

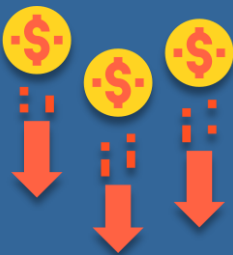


Down from  
**\$187,688**  
last year

**Tariff 46**

**5.7%  
lower**

**\$421,388**



Down from  
**\$447,008**  
last year

# Obsolete tariffs

## What are obsolete tariffs?

Legacy tariffs, some of which are more **heavily subsidised than standard tariffs**

## Which tariffs are obsolete?

Tariff 20(L), 21, 22 (small and large), 37, 47, 48, 62, 65, 66

## Who can access these tariffs?

Customers who are on obsolete tariffs are allowed to remain on them until they expire. Customers who move off obsolete tariffs, **cannot go back on.**

These tariffs have typically been accessed for:



Irrigation



Farming



Manufacturing

Prices for these tariffs have **not increased** since 2017–18.

## Obsolete tariffs are scheduled to expire

|             |   |
|-------------|---|
| 1 July 2021 | Tariff 20(L), 21, 22 (S and L), 37, 62, 65 and 66 |
| 1 July 2022 | Tariff 47 and 48                                  |

When obsolete tariffs expire customers on these tariffs will be required to move to standard business tariffs.



A significant number of customers could **reduce their electricity costs by moving** to a standard business tariff.

**Contact Ergon Energy** on 1300 135 210 to find out which standard tariff is best for you.



# Consultation

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We ask stakeholders to consider and provide submissions on the issues and approaches contained in the draft determination. We will consider stakeholder submissions received by the due date when making our final determination.

**Submissions on our draft determination are due by 13 May 2020**

To **make a submission**, follow this link to our [website](https://www.qca.org.au/submissions/) (<https://www.qca.org.au/submissions/>).

## Indicative workshop arrangements

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To inform stakeholders about our draft determination, we plan to hold stakeholder workshops during April/May 2020.

However, given the rapidly changing COVID-19 situation, we plan to hold virtual (rather than in-person) workshops this year, using video or phone conferencing.

More information will be available on our website soon.

To **keep up to date with the latest developments (including workshop information)**, you can subscribe to our [email alerts](https://www.qca.org.au/email-alerts/) (<https://www.qca.org.au/email-alerts/>).