Queensland Competition Authority

Final determination

Supplementary review: Regulated retail electricity prices 2020–21

Regional Queensland

October 2020

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1 ABOUT THIS REVIEW

1.1 What have we been asked to do?

We received two delegations from the Minister for Natural Resources, Mines and Energy (the Minister) asking us to set supplementary regulated retail electricity prices (supplementary notified prices) to apply in regional Queensland in 2020–21.

This task was delegated to us in accordance with the *Electricity Act 1994* (Electricity Act).[1]

Supplementary notified prices

New load control tariffs

On 24 June 2020, we received a delegation from the Minister to set three new load control tariffs:

- a primary load control tariff for small business customers
- a primary load control tariff for large business customers
- a secondary load control tariff for large business customers.

These new load control retail tariffs are to apply in regional Queensland from 1 November 2020.

Suite of eight additional retail tariffs

On 3 August 2020, we received a delegation from the Minister to set eight additional retail tariffs:

- a residential transitional demand tariff
- a residential demand tariff
- a residential time-of-use energy tariff
- a small business wide inclining fixed tariff
- a small business transitional demand tariff
- a small business demand tariff
- a small business time-of-use energy tariff
- a large business time-of-use demand tariff.

The suite of eight additional retail tariffs are to apply in regional Queensland from 1 January 2021.

The supplementary notified prices we have been asked to set are based on new network tariffs for Energex and Ergon Distribution recently approved by the Australian Energy Regulator (AER) as part of network tariff reforms (discussed further in section 3.1).

1.2 Scope of this review

This review is limited to setting the supplementary notified prices listed in section 1.1, having regard to the relevant legal framework. The framework is contained in the Electricity Act and sets out factors we must have regard to when making a price determination. [2] These are:

[1] Section 90AA of the Electricity Act.
[2] Section 90(5) of the Electricity Act.

- the actual costs of making, producing or supplying the goods or services
- the effect of the price determination on competition in the Queensland retail electricity market
- any matter we are required by delegation to consider.

We may also have regard to any other matter we consider relevant.[3]

Matters we must consider under the delegation

New load control tariffs

The Minister's delegation for the new load control tariffs includes the terms of reference, containing particular details and matters relevant to this price determination, namely:

- the period—the price determination for the new tariffs applies from 1 November 2020 to 30 June 2021
- the timeframes for publishing reports—including making the final price determination by 16 October 2020
- particular policies or principles—we are to set notified prices having regard to, among other matters, the Queensland Government's Uniform Tariff Policy (UTP)
- pricing methodology—we are to set notified prices having regard to the network plus retail (N+R) cost build-up methodology
- consultation—we are required to consult with stakeholders before making the final price determination and, taking into account the consultation already undertaken in developing the relevant network tariffs, consider the merits of additional consultation (including holding stakeholder workshops) on identified key issues.

A copy of the delegation, including the terms of reference, is provided in Appendix A.

Suite of eight additional retail tariffs

The Minister's delegation for the suite of eight additional retail tariffs includes the terms of reference, containing particular details and matters relevant to this price determination, namely:

- the period—the price determination for the new tariffs applies from 1 January 2021 to 30 June 2021
- the timeframes for publishing reports—including making the final price determination by 30 November 2020
- particular policies or principles—we are to set notified prices having regard to, among other matters, the government's UTP (noting the Minister has included clarifications to the definition of the UTP—see section 3.2)
- pricing methodology—we are to set notified prices having regard to the N+R cost build-up methodology
- consultation—we are required to consult with stakeholders before making the final price determination and consider the merits of additional consultation (including holding stakeholder workshops) on identified key issues.

[3] Section 90(5)(b) of the Electricity Act.

A copy of the delegation, including the terms of reference, is provided in Appendix A.

1.3 Review process and consultation

Draft determination

On 25 August 2020, we published a draft price determination and invited stakeholders to comment on it. In response, we received four stakeholder submissions. The report and submissions are available on our website.

Final determination

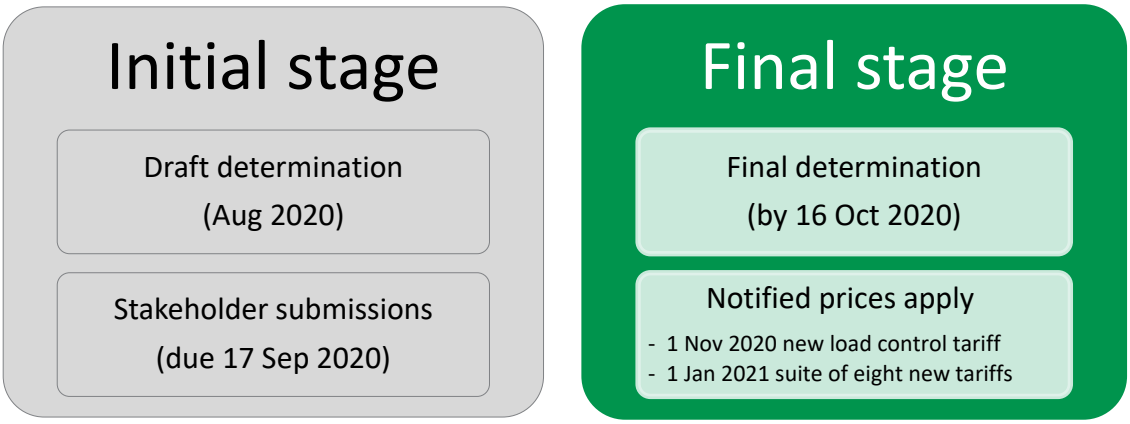
This final determination contains supplementary notified prices, presented as bundled prices appropriate to the retail tariff structure, to be added to the 2020–21 tariff schedule.

Given the timeframes, similar interested stakeholders and related subject matter contained in the two delegations, this final determination sets out our analysis for both the new load control and suite of additional retail tariffs.

This final determination has had regard to relevant factors in the Electricity Act, matters set out in the delegations, comments from stakeholders and our own analysis. Given the new tariffs are supplementary to the existing suite of notified prices in place, we also had regard to relevant aspects of the final determination of 2020–21 notified prices, including stakeholder comments made during that review where relevant. We have not reopened or reassessed the existing 2020–21 notified prices that we set recently and were published in the determination on 25 June 2020 (the June 2020 determination).

The supplementary notified prices set out in this determination use, where appropriate, the same approaches and inputs for relevant cost components as those recently considered and used in the June 2020 determination. This provides consistency between the supplementary and existing notified prices set in the June 2020 determination. It also ensures customers accessing new tariffs are not advantaged (or disadvantaged) compared to customers on the existing tariffs, purely based on the new tariffs applying from a later date (during 2020–21).

This is the final stage of our review process. The new load control notified prices set out in this final determination will apply from 1 November 2020, and the new suite of retail tariffs from 1 January 2021.



1.4 Structure of this paper

This report is structured as follows:

- Indicative bill impacts of additional notified prices (chapter 2)
- Overarching framework—policy and pricing matters (chapter 3)
- Cost build-up components—individual cost elements (chapter 4)
  - Network component (section 4.1)
  - Retail component (section 4.2)
    - Energy costs (section 4.2.1)
    - Retail costs (section 4.2.2)
- Other costs and pricing issues (chapter 5)
- Supplementary notified prices (chapter 6).

1.5 Supporting documents

Information booklet

An information booklet accompanies this report. It provides an 'at a glance' overview of the price setting process and supplementary notified prices (as contained in this report). It aims to help stakeholders become quickly informed of key issues and is designed to be read in conjunction with the final determination report (not as a substitute).

Technical appendices

The following appendices provide additional information:

- Appendix A: Minister's delegations
- Appendix B: References
- Appendix C: Energy cost approach
- Appendix D: DMO bill comparison and adjustment
- Appendix E: Data used to estimate customer impacts
- Appendix F: Build-up of final notified prices
- Appendix G: Gazette notices.[4]

[4] As the two sets of new retail tariffs have separate commencement dates, there are two notices to be published in the Queensland Government Gazette (see Technical Appendix G). The notice for the load control tariffs will be gazetted by 16 October 2020. The notice for the suite of eight new tariffs will be gazetted in November 2020.

2 INDICATIVE BILL IMPACTS OF FINAL PRICES

This chapter provides charts on potential bill impacts and may assist customers to understand the implications of shifting onto new retail tariffs.

The Minister's letter noted that the new load control network tariffs 'have been developed in consultation with businesses, including those on obsolete tariffs' and also that these tariffs 'form a key part of Energy Queensland's strategy to assist customers' transition to standard business tariffs'.

Based on this, the indicative bill impact charts below are an example of what a typical customer[5] would pay under an obsolete tariff, compared to the new small business load control tariff (tariff 34).[6]

However, it is important to note that:

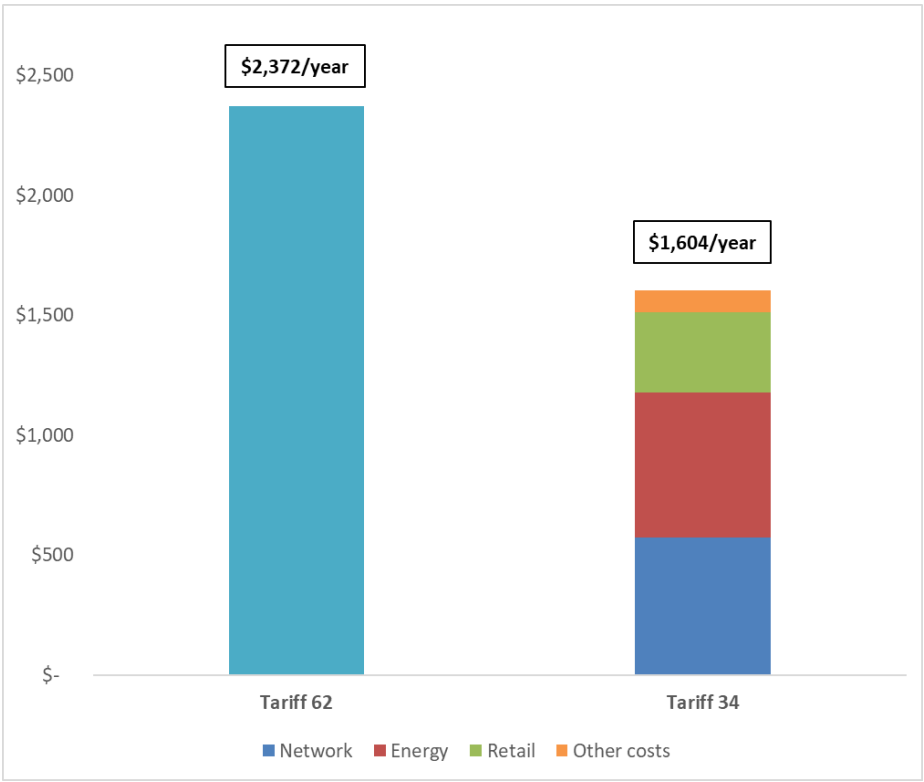
- tariff 34 is only available to small business customers
- unlike tariffs 62 to 65, tariff 34 is a load control tariff, with availability of supply controlled by the distribution business
- customers with different levels or patterns of usage, compared to the typical customer, may have different bill impacts.

We note Ergon Retail cautioned us with respect to communicating price outcomes of the new tariffs and recommended that we direct customers to its website for more information, including on key terms and conditions associated with the new load control tariffs.[7]

We strongly recommend that customers engage directly with Ergon Retail, including via the website link Ergon Retail provided, for advice and information on whether the new tariffs would be a suitable option. This is particularly important given the charts are indicative—we reiterate that bill impacts may differ based on a customer's individual usage.

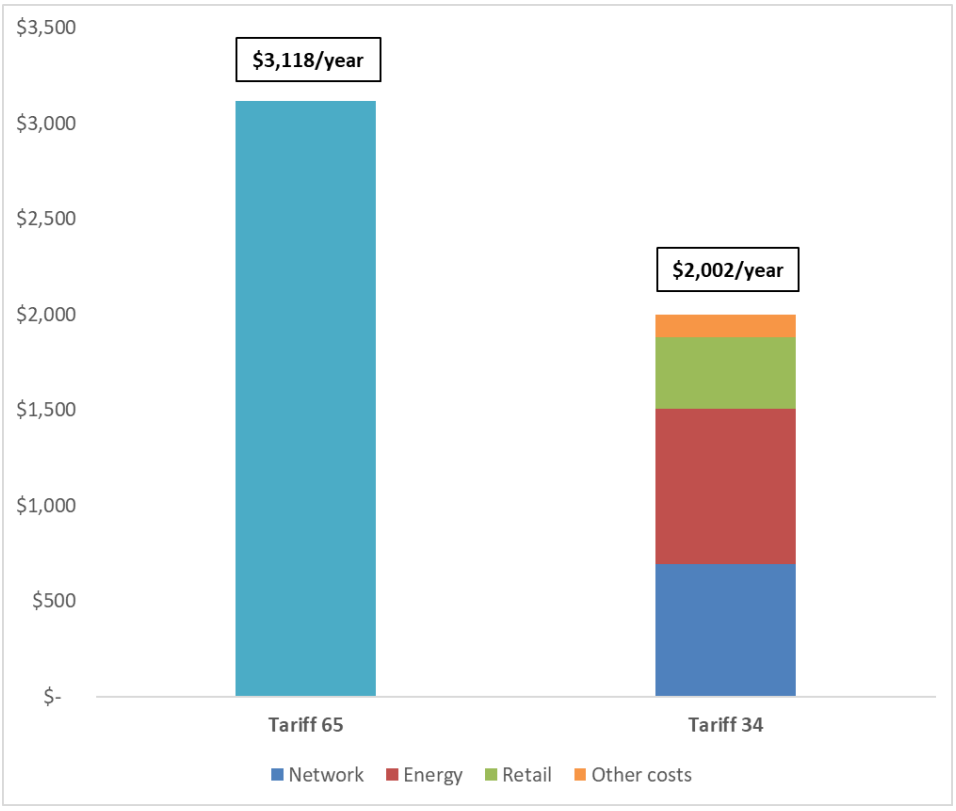
[5] The typical customer for a given tariff is the median or middle customer in terms of consumption among all customers on the same tariff in regional Queensland (see Appendix E).
[6] Metering charges are excluded from the bill impact analysis.
[7] Ergon Energy Network information can be found at https://www.ergon.com.au/network/network-management/demand-management/load-control-tariffs-for-business-customers.

Figure 1 Bill of a typical customer on tariff 62 moving to tariff 34 (GST inclusive)



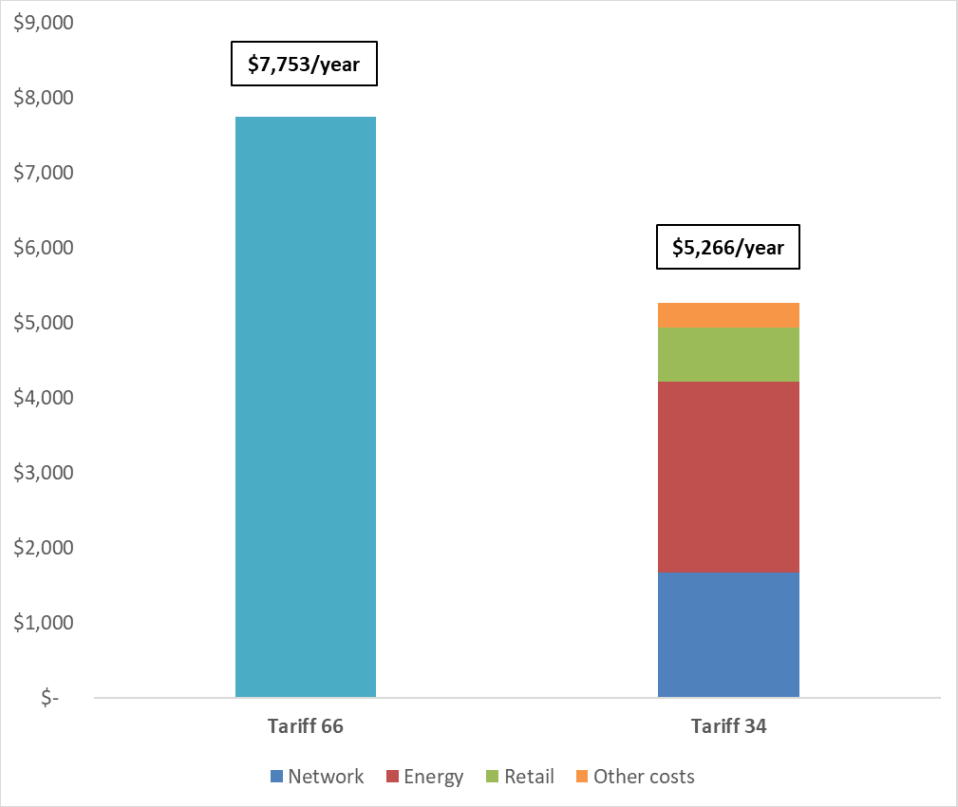
Note: Amounts are rounded to the closest dollar.

Figure 2 Bill of a typical customer on tariff 65 moving to tariff 34 (GST inclusive)



Note: Amounts are rounded to the closest dollar.

Figure 3 Bill of a typical customer on tariff 66 moving to tariff 34 (GST inclusive)



Note: Amounts are rounded to the closest dollar.

3 OVERARCHING FRAMEWORK—POLICY AND PRICING MATTERS

This chapter sets out the context and overarching framework matters relevant to this price determination. It discusses the:

- context to this review (section 3.1)
- approach for setting supplementary notified prices (section 3.2).

3.1 Context to this review

In December 2019, we commenced the review to set notified prices to apply in 2020–21. We released a number of reports and consulted with stakeholders on key issues relevant to setting the 2020–21 notified prices. The final determination for this review was published on 25 June 2020 (the June 2020 determination).

During that review, we noted the substantial reforms underway in the electricity sector, including the ongoing network tariff reforms that are part of the Australian Energy Regulator's (AER's) regulatory decisions on network costs and tariffs for the Queensland electricity distributors, Energex and Ergon Distribution. The complex and evolving nature of the network reforms, including the delays to the AER's regulatory process timeframes, meant there was less certainty around the network tariff structures and prices that would apply in 2020–21.

The AER published its final revenue and network tariff determinations for Energex and Ergon Distribution on 5 June 2020. The AER subsequently approved the 2020–21 network pricing proposals of Energex and Ergon Distribution on 25 and 30 June 2020 respectively.

The new network tariffs that were introduced as part of the reforms are:

- for the Energex area—four new demand tariffs, two new time-of-use (TOU) tariffs, new load control tariffs for small and large business customers and a new tariff, a wide inclining fixed tariff (WIFT[8]), for small business customers
- for the Ergon area—three new transitional network tariffs for customers on obsolete retail tariffs, three new TOU tariffs, five new demand tariffs, new load control tariffs for small and large business customers, and a WIFT for small business customers.[9]

Most, but not all, of the new network tariffs are reflected in the supplementary notified prices we are setting as part of this review.[10]

3.2 Approach for setting supplementary notified prices

We received two delegations to set supplementary notified prices. The terms of the delegations include largely similar matters for us to consider.

3.2.1 Matters in the delegations

The terms of the delegations require us to consider:

[8] The WIFT is a network tariff with an inclining block structure for fixed charges.
[9] More details on the AER's network regulatory determinations can be found on the AER's website.
[10] The Minister's delegations do not include several new network tariffs. Those tariffs are not scheduled to commence within 2020–21.

- the Queensland Government's UTP—which provides that, wherever possible, customers of the same class should pay no more for their electricity, and should pay for their electricity via similar price structures, regardless of their geographic location
- use of the network (N) plus retail (R) cost build-up methodology when setting notified prices, where the N component (network cost) is treated as a pass-through and the R component (energy and retail costs) is determined by the QCA.

In the August 2020 delegation, the Minister provided further information about the intended application of the UTP. Specifically, that the UTP 'should not limit standard contract customers outside the Energex distribution area accessing a wider choice of prices and price structures than may be available within the Energex distribution area'.[11] Further, the Minister said:

> A key aspect of the UTP is that regional customers, at a minimum, continue to be able to access price structures commonly available in South East Queensland (SEQ) regardless of underlying network tariff changes. Importantly, this should not limit the development and continued offering of additional retail price structures, even if those are not available in SEQ.[12]

The Minister said this has been the intent of the UTP as set out in previous delegations, including the delegation for setting the three new load control tariffs.[13]

3.2.2 Stakeholder comments

Stakeholders indicated support for the additional retail tariffs, particularly the load control tariffs[14], although QFF said we have 'failed to deliver a suite of tariffs that are sustainable for the irrigated food, foliage and fibre sectors'.[15] It also said the term of the new tariffs should be extended for a further six months to 1 January 2022 to allow customers enough time to undertake a full comparison of pricing.[16] Customers were also disappointed our price determination had not included the network tariffs that mirror the obsolete retail tariffs (tariffs 62, 65 and 66)[17], which expire in June 2021.[18]

While supporting the additional tariffs, Ergon Energy Retail emphasised the importance of customer education around the suitability of these tariffs based on the customer's unique circumstances. For example, it said customers adopting a load control tariff need to be aware their electricity supply may be shut off for several hours a day[19], and customers adopting a time-of-use tariff must understand their most beneficial outcome is to shift their usage to off-peak periods. It also said customers should be aware that when adopting a load control or time-of-use tariff, they will be responsible for the costs of meter and switchboard upgrades necessary to facilitate adoption of those tariffs.[20]

Stakeholders also commented on specific aspects of these tariffs.

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[11] Appendix A, section 2, delegation, schedule, cl. 2(a).
[12] Appendix A, section 2, Minister's letter, p. 2.
[13] Appendix A, section 2, Minister's letter, p. 2.
[14] Cotton Australia, sub. 1, p. 2; Ergon Energy Retail, sub. 2, p. 1; Canegrowers, sub. 4, p. 1.
[15] QFF, sub. 3, p. 2.
[16] QFF, sub. 3, p. 2.
[17] These tariffs were approved by the AER as part of Ergon Distribution's 2020–25 tariff structure statement. These network tariffs are scheduled to commence on 1 July 2021 and grandfathered immediately.
[18] Cotton Australia, sub. 1, p. 2; Canegrowers, sub. 4, p. 1.
[19] Ergon Energy Retail provided the following link to information it has prepared for customers about the new load control tariffs: https://www.ergon.com.au/network/network-management/demand-management/load-control-tariffs-for-business-customers
[20] Ergon Energy Retail, sub. 2, pp. 2–3.

Cotton Australia and QFF said the large business primary and secondary load control tariffs should be made available to connection asset customers[21] as well as large customers.[22] Cotton Australia said the QCA should recommend that customers in all areas have the option of using the large business load control tariffs, and that Ergon Distribution and the Queensland Government take immediate steps to ensure the load control signalling equipment required to access these tariffs is installed.[23]

Canegrowers and Cotton Australia raised concerns about the large business primary load control tariff being higher than the equivalent tariff available in Energex's distribution network. Cotton Australia said this should be comprehensively reviewed, with the aim of introducing a 'very significant reduction'; Canegrowers said this difference in pricing was inconsistent with the Queensland Government's UTP. [24]

Ergon Energy Retail commented on the upper band (Band 5) threshold for the daily supply charge for the two small business inclining band tariffs. It said this threshold should be amended to account for circumstances where a customer may concentrate their usage in some billing periods and may therefore unintentionally exceed the current band threshold in a year due to having a high average daily load.[25]

3.2.3 Analysis and final decision

Having regard to the relevant factors, we applied the UTP and N+R methodology to set the supplementary notified prices in this final determination. The key matters that are relevant to this assessment are:

- availability of tariffs
- tariff structures
- price levels.

Availability of tariffs

Under the N+R methodology for setting notified prices, network tariffs are used as the basis for setting retail tariffs. As noted above, significant changes arose from the network reforms to the underlying network tariffs for retail tariffs—particularly those in respect of small customers.

In the June 2020 determination, we did not introduce these new network tariffs at the retail level. This was primarily because we were unable to anticipate how retailers in south east Queensland (SEQ) would respond to the new network tariffs and package them into SEQ customer retail tariffs, particularly given the extent of changes that arose from the network tariff reforms. We considered this particularly relevant, given the UTP as expressed in that delegation provided that, among other things, customers of the same class should pay for their electricity via similar price structures, regardless of their geographic location. It was therefore not clear that introducing new retail tariffs based on the new network tariffs would be consistent with tariffs offered by retailers in SEQ.

[21] A connection asset customer is a large business customer whose required capacity generally exceeds 1500 kVA and annual energy usage generally exceeds 4 GWh.
[22] Cotton Australia, sub. 1, p. 3; QFF, sub. 3, p. 2.
[23] Cotton Australia, sub. 1, p. 2.
[24] Canegrowers, sub. 4, p. 2; Cotton Australia, sub. 1, p. 2.
[25] Ergon Energy Retail, sub. 2, p. 2.

However, the Minister has since clarified the intended application of the UTP on this matter, including that it should not limit the development and continued offering of additional retail price structures, even if those are not available in SEQ.

In consideration of those clarifications, we have introduced the supplementary notified prices based on the new load control retail tariffs and the suite of eight additional retail tariffs based on the equivalent network tariffs. These network tariffs are available in both the Energex and Ergon Distribution areas; as such, we are of the view the introduction of these supplementary notified prices is consistent with the UTP.

However, the new load control tariffs will not be available in the Essential Energy distribution area in regional Queensland. This is because there is no equivalent network tariff for these types of load control tariffs in the Essential Energy area (Energex and Ergon Distribution's network tariffs do not apply in this area).

We note stakeholder support for the introduction of these new tariff options at the retail level. Further, as these new retail tariffs are supplementary to those set in our June 2020 determination, they will provide customers with additional choice and not affect the retail tariffs already in effect.

We understand stakeholders have expressed interest in establishing retail tariffs based on the new network tariffs EQ plans to introduce in July 2021 to replace existing obsolete retail tariffs. We have not done so as part of this determination as it is beyond the scope of the Ministerial delegations (we discuss the reasons for this in section 5.5). Similarly, we cannot extend the term of the pricing period for the new tariffs beyond 30 June 2021, as suggested by QFF, because this would also go beyond the scope of our delegations.

With the introduction of these new tariff options for customers, we support the comments made by Ergon Energy Retail about the importance of customer education around the suitability of these tariffs. We consider retailers will have a critical role in providing information about these tariffs to customers to help customers understand and evaluate these tariffs, based on their unique circumstances.[26]

Before choosing a tariff, customers should consider whether the tariff is suitable for their own electricity usage and needs. They should be aware they may need to make meter and switchboard upgrades to access these tariffs. This is particularly the case for primary load control tariffs, which have not previously been available to many customers.

Table 1 List of new retail tariffs

New retail tariff	*Underlying network tariff*
Tariff 12B—residential time-of-use primary tariff	Residential time-of-use energy tariff
Tariff 14A—residential time-of-use monthly demand primary tariff	Residential transitional demand tariff27

[26] For example, Ergon Energy Retail has provided a link to information it has prepared for customers about the new load control tariffs: https://www.ergon.com.au/network/network-management/demand-management/load-control-tariffs-for-business-customers.

[27] This network tariff has the same structure as the residential demand network tariff but differs in terms of the rates (see, for example, AER, *Ergon Energy Distribution Determination 2020 to 2025–Amended Tariff Structure Statement*, final decision, June 2020, pp. 12–13; AER, *Energex Determination 2020 to 2025–Amended Tariff Structure Statement*, final decision, June 2020, pp. 12–13).

New retail tariff	*Underlying network tariff*
Tariff 14B—residential time-of-use monthly demand primary tariff	Residential demand tariff
Tariff 20A—small business inclining-band primary tariff[28]	Small business wide inclining fixed tariff
Tariff 22B—small business time-of-use inclining-band primary tariff	Small business time-of-use energy tariff
Tariff 24A—small business time-of-use monthly demand primary tariff	Small business transitional demand tariff29
Tariff 24B—small business time-of-use monthly demand primary tariff	Small business demand tariff
Tariff 34—small business flat-rate primary tariff with interruptible supply	Small business primary load control tariff
Tariff 50A—large business time-of-use monthly demand primary tariff	Large business time-of-use demand tariff
Tariff 60A—large business flat-rate primary tariff with interruptible supply	Large business primary load control tariff
Tariff 60B—large business flat-rate secondary tariff with interruptible supply	Large business secondary load control tariff

Tariff structures

The tariff structures for the supplementary notified prices are based on the corresponding network tariff structures the AER approved. This is consistent with the approach we took in previous price determinations.

However, this determination does not introduce the default network tariff assignment criteria for these new tariffs (e.g. those that establish particular network tariffs as default tariffs for certain customers, such as the small business WIFT).

As part of our June 2020 determination, we established default retail tariffs for small customers who do not nominate a tariff upon establishing an electricity account.[30] We have determined these should remain as the only default retail tariff assignments at this time. This is consistent with the view expressed by the Minister on this matter.[31]

Accordingly, the new retail tariffs will be available to customers within the relevant customer class on an opt-in basis, provided those customers have a meter compatible with the relevant tariff. This will allow customers to select the tariff that best meets their individual circumstances.

This is consistent with the Minister's view that 'it is important that retail customers are not constrained or treated differently simply as a result of the type of meter they have, provided the

[28] This tariff was numbered as tariff 23 in our draft determination. However, in response to feedback from Ergon Energy Retail, we have renumbered this tariff as tariff 20A as it and tariff 20 are both anytime tariffs.

[29] This network tariff has the same structure as the small business demand network tariff but differs in terms of the rates (see, for example, AER, *Ergon Energy Distribution Determination 2020 to 2025–Amended Tariff Structure Statement*, final decision, June 2020, pp. 12–13; AER, *Energex Determination 2020 to 2025–Amended Tariff Structure Statement*, final decision, June 2020, pp. 12–13).

[30] For residential customers, the default retail tariff is tariff 11 (residential flat-rate primary tariff); for small business customers, the default retail tariff is tariff 20 (small business flat-rate primary tariff).

[31] Appendix A, section 2, Minister's letter, pp. 1–2.

metering is appropriate for the tariff; or their level of consumption within a retail customer class'.[32]

While the existing default retail tariffs will remain, we have made an amendment to the default tariff assignment criteria for small customers that do not nominate a tariff and whose meter is already configured for a primary load control tariff (e.g. tariff 34). This is because of the specific meter configuration requirements necessary for access to a primary load control tariff. We understand the default tariff assignment criteria could result in reconfigurations being made to a customer's meter in order for the customer to be assigned to the default tariff, even if that customer may have wanted to retain access to the primary load control tariff. We consider it important for the retailer to engage with the customer in these circumstances to receive clear instructions from that customer before a tariff is assigned. Accordingly, we have made an amendment to the default tariff assignment criteria to ensure that a small customer in these circumstances must expressly nominate a tariff (i.e. no default retail tariff assignment will occur).

With regard to the new load control tariffs, the terms and conditions of these tariffs that the AER approved[33] have been incorporated, where necessary, into the tariff schedule to be published in the Queensland Government Gazette (see Appendix G). In addition, parts of the tariff schedule are amended to clarify certain obligations and requirements that reflect existing energy laws or other distribution requirements. We note Cotton Australia and QFF have proposed that the large business load control tariffs also be made available to connection asset customers. However, we have not classified these tariffs as connection asset customer tariffs at the retail-level, given the corresponding network tariffs have not been classified as such. This is particularly relevant given that connection asset customers are likely to have different energy usage and needs than standard large business customers.

As noted by Cotton Australia, customers in particular areas will not be able to access the large customer load control tariffs because the required network signalling equipment is not installed (this equipment allows the distributor to control the energy supply). This requirement is consistent with the terms and conditions of these tariffs at the network-level. While we understand the desire for these tariffs to be available in all areas, we have no jurisdiction to require the installation of this signalling technology—that is, network infrastructure and investment would be a matter for the distributor. As such, we encourage customers wanting access to these tariffs to engage with their retailer and Energy Queensland.

Further, as a consequence of the introduction of a small business primary load control tariff (tariff 34), the conditions of tariff 33 have been amended so that retailer discretion to make this tariff available to small customers as a primary tariff is limited to residential customers only. Any small business customers accessing tariff 33 as a primary tariff will need to be transferred to tariff 34 if the customer wants to maintain a primary load control tariff. It is important that retailers engage with any affected small business customers and assist their transition from tariff 33. For clarity, this should only affect small business customers that access tariff 33 as a primary tariff—these customers will continue to be able to access tariff 33 as a secondary tariff.

In response to Ergon Energy Retail's comments about the upper band (Band 5) that applies to the daily supply charge for the two small business inclining band tariffs, we have amended the band

[32] Appendix A, section 2, Minister's letter, pp. 1–2.

[33] Ergon Distribution, *Final Initial Pricing Proposal: Distribution services for 1 July 2020 to 30 June 2021*, June 2020, Appendix B; Energex, *Final Initial Pricing Proposal: Distribution services for 1 July 2020 to 30 June 2021*, June 2020, Appendix B.

threshold so that it applies to usage of 80,000 kWh per year and above. This approach provides consistency with the equivalent network tariff structure.

Price levels

In this determination, we set the supplementary notified prices having regard to the UTP, basing prices on:

- for small customers—the costs of supplying small customers in SEQ
- for large customers—the costs of supplying large customers in the Ergon Distribution area with the lowest cost of supply that is connected to the National Electricity Market (NEM) (i.e. east zone, transmission region one).

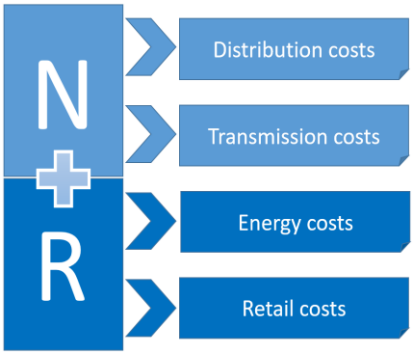
This is consistent with previous price determinations, including the June 2020 determination, and has benefitted most customers who would otherwise pay higher electricity prices (due to the higher cost of supplying electricity in regional Queensland).

We note stakeholders' comments regarding the price level being higher for the large business primary load control tariff when compared to the equivalent tariff in Energex's distribution area. This difference is due to the application of the UTP in respect of large customers (as described above). In conjunction with the N+R approach, this results in network cost component being based on the cost of supply in the Ergon east zone, transmission region one (not the costs of supply in the Energex area).

4 INDIVIDUAL COST BUILD-UP COMPONENTS

This chapter sets out our final decision on individual cost build-up components under the N+R approach, which we use to set the supplementary notified prices. The cost components discussed are:

- the network (N) component—distribution and transmission costs associated with transporting electricity to customers
- the retail (R) component—the costs of buying electricity from the NEM and on-selling it to customers.



4.1 Network

Network costs include the costs of transporting electricity through transmission and distribution networks. These costs are regulated by the AER.

The AER also regulates jurisdictional scheme charges, which form a component of network costs. In Queensland, these charges generally include the Solar Bonus Scheme (SBS) and AEMC levy costs.

4.1.1 Analysis and final decision

Having regard to the relevant factors, and absent any stakeholder comments on the matter[34], we have determined the N component of the supplementary notified prices by passing through the 2020–21 network prices that the AER approved. Consistent with the government's UTP, this means we used:

- for the new small customer retail tariffs, the relevant Energex network prices (being the prices that applies in SEQ)
- for the new large customer retail tariffs, the relevant network prices for Ergon Distribution's east zone, transmission region 1 (being the Ergon pricing zone connected to the NEM that has the lowest cost of supply).

This approach is consistent with the N+R methodology that has typically been applied in previous determinations, including the majority of the retail tariffs in the June 2020 determination. We note that, as part of our June 2020 determination, stakeholders were also supportive of this approach.[35]

The network prices we used are those the AER approved for Energex and Ergon Distribution on 25 and 30 June 2020 respectively. These approved network charges include the jurisdictional scheme amounts (such as the Solar Bonus Scheme (SBS) costs).[36]

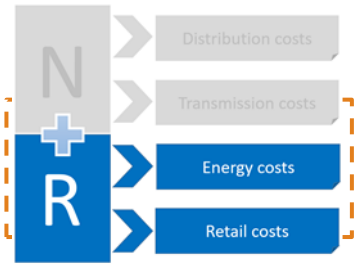
[34] Cotton Australia and Canegrowers made comments about the pricing of particular tariffs compared to tariffs available in the Energex distribution area. These comments are discussed in chapter 3.

[35] QCA, *Regulated retail prices for 2020–21 Regional Queensland*, final determination, June 2020, pp. 20–21 (the June 2020 determination).

[36] More details on the inclusion of SBS costs in notified prices for 2020–21 are in the June 2020 determination, section 3.3.1.

4.2 Retail component

The R component consists of energy and retail costs. These include the costs of retailers purchasing electricity to supply to their customers and running their general operations, and a return for the risk they face by operating in the market.



Given this is a supplementary determination, we decided to use the same approach to estimate the R component that we adopted for the June 2020 determination.

4.2.1 Energy costs

Energy costs are a key cost component of notified prices and include costs associated with wholesale energy costs (the costs of purchasing electricity from the NEM), other energy costs (including those associated with the Renewable Energy Target (RET)) and energy losses.

For this supplementary price review, we engaged ACIL Allen to provide expert advice to inform our review and energy cost estimates.[37]

Wholesale energy costs

Retailers incur wholesale energy costs when purchasing electricity from the NEM to meet the electricity demand of their customers. Retailers typically adopt a range of strategies to reduce their exposure to volatile wholesale electricity prices (spot price risk) when purchasing from the NEM, including pursuing hedging (financial), contractual and operational strategies.

For the June 2020 determination, we set wholesale energy costs based on ACIL Allen's estimates that use:

- a market hedging approach—to simulate expected spot prices that a retailer faces (having regard to the likely variation in demand profiles and generation/supply costs) and then estimate wholesale energy costs for a retailer that hedges spot price risk (through exchange-traded energy financial derivatives, i.e. ASX energy futures)
- market data until May 2020—to take into account the most current information (including developments that occurred over the summer period) and the potential impacts of covid-19 on the NEM, specifically through the incorporation of ASX contract data (these ASX contract prices reflect the market participants' views of any impacts of covid-19, as well as other drivers, on the NEM).

We considered that this approach was likely to produce robust estimates that best reflect the actual costs retailers incur when purchasing electricity from the NEM—among other reasons, because it uses the latest available market data at the time.

Stakeholder comments

Stakeholders commented on how we set the wholesale energy costs for the new tariffs, particularly the data and customer load profiles we used to set these costs. These comments are discussed as part of the analysis and final decision (below).

[37] ACIL Allen's final report is available on our website.

Analysis and final decision

Suite of eight new retail tariffs (excluding the new load control tariffs)

Ergon Retail proposed estimating time-varying wholesale energy prices for the new time-of-use retail tariffs.[38] However, at this stage, we consider such an approach to be inappropriate as this would be inconsistent with how wholesale energy costs were estimated for the existing time-of-use tariffs in June 2020.

Further, at this stage, only a small minority of customers in Queensland are on interval meters (which record electricity usage in 30-minute intervals) and the Australian Energy Market Operator (AEMO) does not publish load profiles for these customers. Most customers in Queensland are on accumulation meters, where the wholesale spot prices are averaged using the net system load profiles (published by AEMO) for financial settlements in the NEM.

For the suite of eight new retail tariffs, we used the same wholesale energy cost estimates used to set the 2020–21 notified prices. The approach for determining these new supplementary tariffs is therefore consistent with how we determined the existing tariffs in the June 2020 determination. Our approach and cost estimates, being recent, can be readily applied in setting these new tariffs.

To maintain consistency with the UTP requirements (see chapter 3), we set wholesale energy costs for these new retail tariffs based on:

- for small customers—the Energex net system load profile (NSLP)
- for large customers—the Ergon NSLP.

More details on the wholesale energy costs estimated in the June 2020 determination can be found in Appendix E and ACIL Allen's final report for the June 2020 determination.

New load control retail tariffs

For new retail tariffs without existing observable load profiles (i.e. the new load control tariffs), we had to estimate representative load profiles to determine the wholesale energy costs. As the availability (and load profiles) of these tariffs are controlled by Energex and Ergon Energy Network, we requested EQ's assistance to estimate appropriate representative load profiles.

EQ advised that, unlike tariff 33 (where availability is determined through time-of-day load control), the availability of the new load control tariffs is determined through targeted and localised load control, for which EQ may undertake manual load switching of specific loads. Therefore, there is unlikely to be a regular pattern of load control for each individual customer, which makes it challenging to estimate a representative profile. Considering the difficulties in deriving a representative profile, EQ's view was that the load profile of tariff 33 could be used for the purpose of developing wholesale energy cost estimates for the new load control tariffs.

Small business load control retail tariff

EQ provided us with load data of small business customers on load control tariffs (obtained as part of tariff trials). It considered that the data-set provides an indication of the load profiles of the new load control tariffs and the type of customers that would find these new tariffs attractive. However, EQ advised against using this data-set to estimate wholesale energy costs, as it is derived from a limited trial/sample and the load profiles would evolve over time as more customers move to these new load control tariffs.

[38] Ergon Energy Retail, sub. 2, p. 2.

QFF and Ergon Retail noted that there is an inconsistency in the methodology used to estimate wholesale energy costs for the new load control tariffs.[39] Ergon Retail suggested that given the load control tariffs (including tariff 33) have the same intent and structure, they should not be developed using different data inputs. However, Ergon Retail acknowledged our concerns relating to the appropriateness of using the tariff 33 load profile to estimate wholesale energy costs for the new load control tariffs.[40] Canegrowers stated that we should use the profile of tariff 33 to estimate wholesale energy costs for the new small business load control tariff as the trial data-set is not representative. It further noted this approach would result in lower variable charges for customers on this tariff.[41]

We considered these comments but were not convinced we should change our approach. Subject to data availability, we consider it is important to use a methodology and inputs that best reflect the load profiles and actual costs that retailers face when purchasing electricity from the NEM. The tariff trial data-set is likely to be more representative of the load profile of the new small business load control tariff than the current tariff 33 load profile due the following factors:

- Unlike tariff 33 (which is primarily designed for residential loads)[42], this new tariff is designed for small business customers with relatively large interruptible loads such as irrigation pumps and motors.
- The new small business load control tariff is designed to be a primary tariff, while tariff 33 is designed to be a secondary tariff.
- EQ's tariff trial targeted small business customers who expressed an interest in a new load control tariff. Therefore, compared to the load profile of tariff 33, the tariff trial data are more likely to reflect the type (and load profiles) of customers that would potentially move to this new tariff.
- The load of this new tariff is unlikely to exhibit the load switching pattern of tariff 33. As discussed, the load for this new tariff is determined through a localised and targeted control, while the load for tariff 33 is determined through a time-of-day control.
- EQ cautioned against the use of the tariff trial data, partly because these data were derived from a sample. We note that the load profiles of the tariff trial and tariff 33 are based on a sample of 80 and 200 customers respectively. Consequently, the fact that the trial tariff data-set is a sample does not necessarily mean that it is inferior to the load data of tariff 33.
- It is reasonable to assume the load profiles for the new load control tariffs would evolve over time as more customers switch to these new tariffs. However, this in itself should not be a reason to dismiss the tariff trial data, as any aggregate load profile evolves over time. For example, the Energex and Ergon NSLPs have changed considerably in the last seven years due to the substantial uptake of rooftop solar photovoltaic.

For the reasons outlined above, we decided to use the tariff trial data-set to estimate wholesale energy costs for the new small business load control tariff.

[39] QFF, sub. 3, p. 3; Ergon Retail, sub. 2, p. 1.
[40] Ergon Retail, sub. 2, p. 1.
[41] Canegrowers, sub. 4, p. 2.
[42] This includes loads associated with hot water systems (outside of peak periods) and interruptible residential pool pumps. For more details, see the Energex Tariff Structure Statement 2020–25—https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/energex-determination-2020-25/final-decision.

Using the tariff trial load data, with ACIL Allen's assistance, we estimated the 2020–21 wholesale energy costs to be $68.59 per megawatt hour for the small business primary load control retail tariff. To undertake this analysis, ACIL Allen used the same approach and identical inputs as those adopted in the June 2020 determination. Such an approach ensures the wholesale energy costs estimated using the tariff trial data will be consistent with estimates used in the existing 2020–21 regulated tariffs. This is important, as the new load control retail tariff is supplementary to the 2020–21 regulated tariffs set as part of the June 2020 determination.

Accordingly, our decision is to determine the wholesale energy costs for the small business load control tariff using the tariff trial load data and the same approach we adopted in the June 2020 determination. A more detailed explanation of our considerations and ACIL Allen's approach can be found in Appendix C and ACIL Allen's final report.

Large business load control retail tariff

EQ advised that the tariff trials were open only to small business customers. As such, the tariff trial data-set is unlikely to be representative of the types and load profiles of large customers who would be interested in these new load control tariffs.

To develop representative profiles for the new large business load control tariffs, EQ provided us with the load data of large customers who had access to load control tariffs. However, of the data provided, only eight customers within the data-set have suitable load data (i.e. complete load data for the entire financial year).

Such a small sample poses a real risk that these load data may not be representative of the demand profiles of customers who may move to the new large business load control tariffs. Further, unlike data from the tariff trial that targeted customers interested in a new load control tariff, it is unclear whether customers identified in this data-set are interested in moving to the new load control tariffs.

In the absence of more reliable load data, we accepted EQ's advice of using the load profile of tariff 33 to develop wholesale energy cost estimates for the large business load control tariffs.

Accordingly, our decision is to determine the wholesale energy costs for the large business load control tariffs using the 2020–21 estimates for tariff 33 (as adopted in our June 2020 determination).

However, in future determinations, it is likely that adjustments to the wholesale energy costs for these new tariffs will be necessary when a more representative load profile is adopted. This is because the following factors may result in an actual load profile for large business load control tariffs that is different from tariff 33 profile:

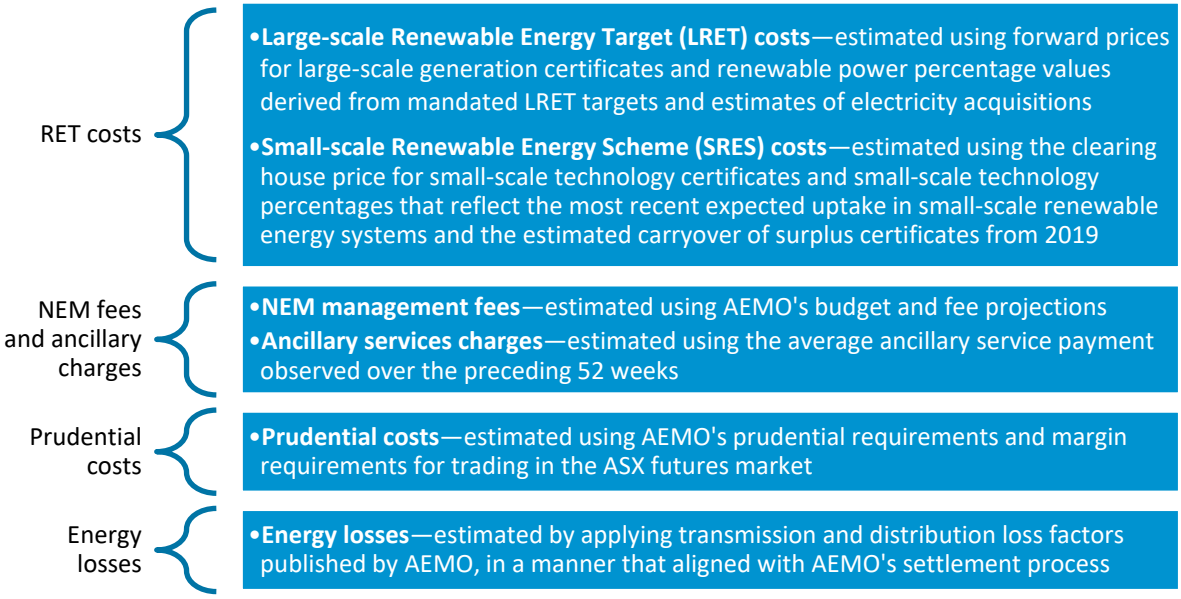
- Unlike the load profile of tariff 33 (which reflects the consumption pattern of customers in the Energex area), the load profile for large business load control tariffs would reflect the consumption pattern of customers in the Ergon area.
- These new load control tariffs are designed for large customers with interruptible loads, while tariff 33 is primarily designed for residential loads.
- The load of these new load control tariffs is unlikely to exhibit the load switching pattern of tariff 33. The loads for these new tariffs are controlled through a localised and targeted mechanism, while the load for tariff 33 is determined through a time-of-day control.

Other energy costs and losses

Retailers incur other energy costs[43] and losses when purchasing electricity from the NEM, namely:

- RET costs—associated with the purchase of certificates to meet the targets mandated under the RET[44]
- NEM management fees and ancillary services charges—the costs levied by AEMO to cover the cost of operating the NEM and services used to manage power system safety, security and reliability
- prudential capital costs—the costs of providing financial guarantees to AEMO and lodging initial margins with the ASX for futures contracts
- costs associated with energy losses—this is because retailers need to purchase more electricity than is demanded by customers to allow for losses that occur when electricity is transported (via transmission and distribution networks).

For the June 2020 determination, we determined other energy costs and losses based on ACIL Allen's advice, which involved the following:



We considered these approaches to be appropriate and likely to produce the most reliable estimates of other energy costs incurred by retailers. The underlying methodologies are aligned with how retailers incur these costs in practice, and use the best available data, where appropriate, to enhance the accuracy of the estimates.

Analysis and final decision

Our decision is to determine other energy costs and losses using the same estimates derived as part of the June 2020 determination. Such an approach is appropriate on the basis that the new

[43] Retailers may also incur costs associated with the Reliability and Emergency Reserve Trader (RERT) scheme. These charges are levied by AEMO to cover the costs of maintaining power system reliability and security using reserve contracts. For 2020–21, we estimated that no RERT costs will be incurred in Queensland. For more details on the RERT scheme, refer to Appendix E and ACIL Allen's final report for our June 2020 determination.

[44] The RET, consisting of the Large-scale Renewable Energy Target (LRET) and Small-scale Renewable Energy Scheme (SRES), provides incentives for the electricity sector to increase generation from renewable sources and reduce greenhouse gas emissions.

retail tariffs will be in effect for 2020–21 and they are supplementary to the 2020–21 regulated tariffs set as part of our June 2020 determination (discussed in chapter 3). This approach also ensures that new retail tariffs will be consistent with the existing 2020–21 regulated tariffs.

Consistent with the approach adopted in the June 2020 determination, we used:

- the Energex loss factors for the new small business retail tariffs
- the Ergon loss factors (of large customers) for the new large business retail tariffs.

More details on the other energy costs and losses estimated in the June 2020 determination can be found in Appendix E and ACIL Allen's final report for the June 2020 determination.

4.2.2 Retail costs

The costs of running a retail business include costs of servicing existing customers, acquiring new customers and managing the risks associated with providing retail services.

In the June 2020 determination, we estimated retail costs by updating the benchmark allowances established in 2016–17. We considered this appropriate given the uncertain market environment, including the ongoing network reforms, the introduction of the default market offer (DMO) and the potential impacts of covid-19.

The terms of the delegations do not specify an approach for estimating retail costs. As such, for this determination, we have set the supplementary notified prices having regard to the approach and cost estimates used in the June 2020 determination.

Analysis and final decision

Stakeholders did not comment on our approach to determining retail costs for these additional tariffs. However, as part of the June 2020 determination, most stakeholders did not object to us using the same approach we used for previous determinations.[45]

Therefore, our final decision is to set retail costs using the same estimates derived as part of the June 2020 determination. That is, for:

- the new small customer retail tariffs—applying the same relevant fixed and variable retail costs estimates used to set the 2020–21 notified prices. For small customers, these are based on:
  - adjusting the 2019–20 fixed retail cost allowances by the Reserve Bank of Australia's forecast of the change in the consumer price index for 2020–21 (to maintain the fixed component in real terms)
  - maintaining the variable retail cost allocators at 11.27 per cent for residential customers and 12.80 per cent for small business customers—the same levels established in the 2016–17 price determination
- the new large customer retail tariffs—applying the same relevant fixed and variable retail costs estimates used to set the 2020–21 notified prices. These are based on:
  - the most appropriate fixed retail cost (discussed further below)
  - maintaining the variable retail cost allocators at 6.0445 per cent (the same level established in the 2016–17 price determination).

[45] Queensland Competition Authority, *Regulated retail electricity prices for 2020–21: Regional Queensland*, June 2020, pp. 30–31. (June 2020 determination)

As noted in our August draft determination, each large customer tariff has its own individual fixed retail cost component. As such, we used the most appropriate existing estimate derived in the June 2020 determination to set the fixed retail cost estimates for the new large customer retail tariffs:

- For the new large customer primary load control tariff (60A), we applied the fixed retail costs estimated for an existing large business demand tariff (tariff 44). This is a conservative approach, as tariff 44 has the lowest fixed retail cost estimate among the most commonly accessed large business retail tariffs (tariffs 44, 45 and 46).
- For the new time-of-use demand tariff (50A), we applied the fixed retail costs estimated for the existing seasonal time-of-use demand tariff for large customers (tariff 50), given they are tariffs of the same class.

We consider this approach appropriate, as it ensures existing and supplementary tariff notified prices are set in a consistent manner. A more detailed explanation of our approach to setting retail costs is available in section 4.2.2 of the June 2020 determination.

5 OTHER COSTS AND PRICING ISSUES

Other costs and pricing issues that are relevant to the supplementary notified prices are:

- standing offer adjustment for small customers
- headroom for large customers
- cost pass-through
- large-customer metering costs
- additional issues raised by stakeholders.

5.1 Standing offer adjustment—small customers

The terms of the delegations require us to consider:

- incorporating a standing offer adjustment amount into notified prices for residential and small business customers to reflect the additional value of more favourable terms and conditions of standard contracts
- maintaining the adjustment level previously applied (5 per cent of total costs), so long as the resulting electricity bill does not exceed the equivalent DMO reference bill.

The terms of the delegations are broadly similar to and consistent with the approach we applied in the June 2020 determination. As such, we have set supplementary notified prices having regard to the approach used in that determination.

Analysis and final decision

While stakeholders did not comment on the incorporation of a standing offer adjustment in supplementary notified prices, most stakeholders argued against incorporating a standing offer adjustment in the 2020-21 notified prices (in comments made during that review).

In the June 2020 determination, we considered it appropriate to incorporate a 5 per cent standing offer adjustment into notified prices, including because standard contracts typically contain more favourable terms and conditions compared to market contracts.

As such, our final decision is to apply the same approach that we used in the June 2020 determination—that is, incorporate a standing offer adjustment of 5 per cent into the supplementary notified prices for the new small customer tariffs.

We undertook a comparison with the DMO reference bill as required under the delegation—noting this was only necessary for the residential time-of-use tariff (the other new small customer tariffs do not have an equivalent DMO reference bill).[46]

In that assessment, we did not reduce the level of the standing offer adjustment for the residential time-of-use tariff (as the equivalent bill did not exceed the DMO reference bill). Appendix D sets out further detail, including the comparison process described above to inform this decision.

[46] In the June 2020 determination, we reduced the standing offer adjustment incorporated into one of the small customer tariffs (tariff 11) to ensure the notified price bill did not exceed the equivalent DMO reference bill.

A more detailed explanation of our considerations of and approach to the standing offer adjustment appears in section 5.1 of the June 2020 determination.

5.2 Competition and headroom—large customers

We are required to have regard to, among other things, the effect of the price determination on competition in the Queensland retail electricity market.[47] Prior to the June 2020 determination, a headroom allowance was included in notified prices to promote retail competition in the large customer market segment. [48]

In our June 2020 determination, we considered there was no compelling evidence that headroom was effective in further promoting competition. Our decision was to remove the headroom allowance from large customer tariffs.

The terms of the delegations do not specify a particular approach for estimating a headroom allowance. As such, in this determination we have set supplementary notified prices having regard to the approach used in the June 2020 determination.

Analysis and final decision

Stakeholders did not comment on removing the headroom allowance from the additional large customer tariffs. However, as part of our June 2020 determination, we noted stakeholders either supported continuing to include a headroom allowance in notified prices for the purpose of promoting competition (i.e. EQ), or were against it (i.e. customers).[49]

While including a headroom allowance may have promoted a degree of competition in the past, in our June 2020 determination we considered there are market features that may not support the further development of competition. These features include:

- switching risk—once a large customer accepts a market contract, they can no longer access notified prices; this is likely to discourage customers from accepting a market offer in the first place
- continued access to below-cost tariffs—some large customers may be accessing tariffs that do not reflect the actual costs of supplying them, which limits the ability for other retailers to offer those customers a better deal on a market contract
- flexibility—regulated prices are not flexible enough to accommodate differences in individual customer preferences or to adjust to changing market conditions
- impact of regulation—there is a risk that the limited regulatory tools available to promote competition (like headroom) instead produce regulated prices that serve as a coordination device among retailers, potentially resulting in higher market prices than if price regulation were removed.[50]
- In the absence of further information, and consistent with our June 2020 determination, we have decided against including a headroom allowance in the supplementary notified prices for large customers.

[47] See s. 90(5) of the Electricity Act.
[48] The headroom allowance was 5 per cent of total costs.
[49] June 2020 determination, p. 38.
[50] Yarrow, G, *Report on the impact of maintaining price regulation*, Regulatory Policy Institute, Oxford, UK, January 2008, p. 71.

A more detailed explanation of our considerations and approach to competition and headroom is available in section 5.2 of the June 2020 determination.

5.3 Cost pass-through mechanism

Cost pass-through mechanisms are generally used by regulators to mitigate the risk that the costs allowed for in regulated prices are higher or lower than the efficient costs of supply. These mechanisms are usually restricted to events that are outside the control of the regulated entity.

In the June 2020 determination we considered that a cost pass-through mechanism was necessary to account for the under-recovery of SRES costs in 2019–20.

SRES cost pass-through

Retailers incur SRES costs based on the number of certificates they are required to purchase and surrender to the Clean Energy Regulator (CER). The CER determines these SRES liabilities for each calendar year. In contrast, notified prices are determined for each financial year. As a result, only the SRES liabilities for the first half of the financial year are known when we set notified prices, while liabilities for the second half are based on the forecasts from the CER. As such, we use a cost pass-through mechanism to account for any over- or under-recovery of SRES costs between the CER's forecast and its final determination of the SRES liabilities.

In the June 2020 determination, we estimated SRES costs would increase for all retail tariffs based on an under-recovery of costs in 2019–20.

Analysis and final decision

When we determined the SRES cost pass-through for supplementary notified prices, we used the same estimates derived as part of the June 2020 determination. These estimates account for the expected under-recovery of SRES costs at the time of the June 2020 determination.

Such an approach is appropriate, as the new retail tariffs will be in effect for 2020–21 and they are supplementary to the 2020–21 regulated tariffs set as part of our June 2020 determination (discussed in chapter 3). This approach also ensures that new retail tariffs will be consistent with the existing 2020–21 regulated tariffs.

More details on how the SRES cost pass-through was estimated in the June 2020 determination are in Appendix F of this determination.

5.4 Large customer metering costs

Consistent with previous determinations, we have:

- separated the large customer metering costs for advanced digital meters from retail costs and estimated these metering charges separately
- estimated metering charges based on the latest confidential data provided by retailers.

Metering costs for customers accessing new primary and secondary tariffs will be applied under the same criteria as for large customers on existing tariffs; that is, metering charges differ depending on customer classification, and each separately metered circuit will attract a separate metering charge.

The metering charges for large customers are set out in chapter 6.

5.5 Additional issues raised by stakeholders

Obsolete tariffs

The QFF asked for the transition period for obsolete tariffs to be extended by a further year (i.e. to 30 June 2022) to allow adequate time for all stakeholders to fully understand the issues and associated costs involved with implementation of new tariffs.[51]

Cotton Australia and Canegrowers also said we should present likely prices and structures for the replacement tariffs for obsolete tariffs 62, 65 and 66 so that, coupled with an extension to existing obsolete tariffs, customers would have 12 months to compare pricing before losing access to obsolete tariffs. [52]

Analysis and final decision

Stakeholders raised, and we considered, similar concerns as part of the June 2020 determination where we noted that:

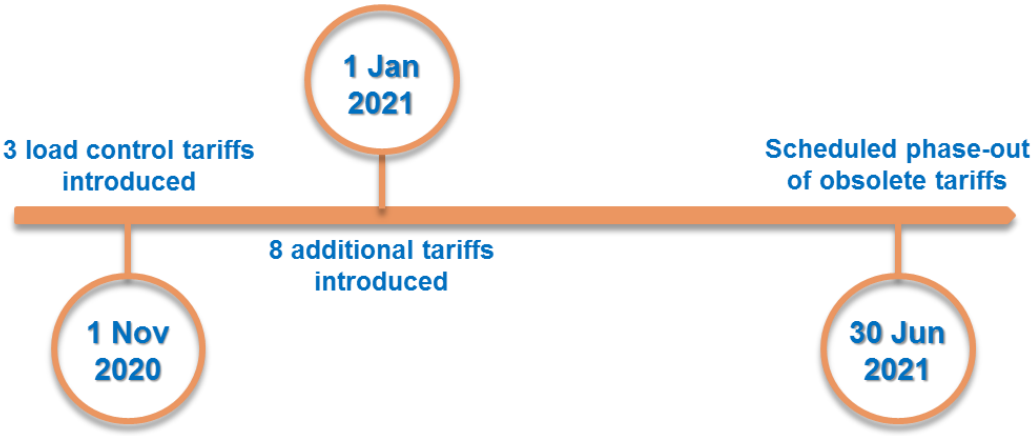
- the further extension of phase-out dates for obsolete tariffs is not within the scope of matters we can consider as part of our review. We also noted that after the 2019–20 determination, the government extended the phase-out date for obsolete tariffs by one year (to 1 July 2021) which meant customers on obsolete tariffs have had an eight year transition period to prepare to move to standard tariff prices and structures. This transition period was put in place to alleviate price shocks and allow customers to engage with Ergon Retail on alternative tariffs to best suit their needs
- while stakeholders were keen to see notified prices that reflect the proposed network tariffs EQ plans to introduce (which mirror the structure of obsolete tariffs 62, 65 and 66), these network tariffs are not scheduled to apply until 1 July 2021. As such, the introduction of retail tariffs based on these tariffs is beyond the remit of this review.[53]

On the latter point, we also consider that presenting 'reference' pricing for 2021–22 could result in customers basing financial decisions on outdated information, including due to updates in the final annual network tariffs approved by the AER, as well as updates to other cost elements making up notified prices for 2021–22 (which are yet to be assessed).

We note customers have six to eight months to assess the suitability of the new supplementary tariffs as replacement tariffs (see the timeline below).

[51] QFF, sub. 3, p. 2
[52] Canegrowers, sub. 4, p. 1; Cotton Australia, sub. 1, p. 2
[53] for more information on this see section 5.4 and 5.7 of the June 2020 determination.

Figure 4 Tariff introduction and phase-out timeline



Ergon Retail considered it is best placed to provide information and customer education around the suitability of the new tariffs based on the customer's unique needs. In particular, Ergon Retail said there are a number of factors to consider with respect to the new load control tariffs, and eligibility does not mean suitability of the tariff for the customer. It said customers should be aware of the specific requirements of new tariffs (such as possible loss of supply for load control tariffs and a shift to off-peak usage to receive the most benefit from time-of-use tariffs) and determine their suitability based on their individual circumstances.[54]

To help customers to transition to new tariffs, from January 2021 customers with digital meters installed since June 2020 will be able to access Ergon Retail's 'Energy Analysis' tool via their online account and see bill comparisons for the new tariffs (based on historical usage data).[55] This should assist customers to assess the financial impacts of moving off obsolete tariffs.

We encourage customers to use the Energy Analysis tool, and contact Ergon Retail to assess suitable options after 2020–21. Business customers interested in accessing the new load control tariffs should read Ergon Energy's load control webpage for further guidance.[56]

[54] Ergon Retail, sub. 2, p. 2.
[55] Ergon Energy, *New tariffs coming soon*, Ergon Energy website, 2020, accessed 25 September 2020.
[56] Ergon Energy, *Load control tariffs for business customers*, Ergon Energy website, accessed 25 September 2020.

6 SUPPLEMENTARY NOTIFIED PRICES

This chapter sets the supplementary notified prices for:

- the new load control tariffs to apply from 1 November 2020 (Table 2)
- the suite of additional retail tariffs to apply from 1 January 2021 (Table 3 to 5).

Appendix F provides a breakdown of the prices by individual cost component.

Table 2 Notified prices for the new load control tariffs (excl. GST)

Retail tariffs	*Fixed charge*	*Usage charge*
	c/day	*c/kWh*
Tariff 34—small business flat-rate interruptible supply (primary)	118.081	17.295
Tariff T60A—large business flat-rate interruptible supply (primary)	4021.494	19.042
Tariff T60B—large business flat-rate interruptible supply (secondary)		19.042

Table 3 Notified prices—new residential and small business retail tariffs (excl. GST)

Retail tariff	*Fixed charge*	*Usage charge (day/flat)*	*Usage charge (night)*	*Usage charge (peak)*	*Demand charge (peak)*
	c/day	*c/kWh*	*c/kWh*	*c/kWh*	*$/kW/mth*
Tariff 12B—residential time-of-use[a]	93.112	17.039	18.859	28.998	
Tariff 14A—residential time-of-use demand[b]	91.852	19.401			2.610
Tariff 14B—residential time-of-use demand[b]	91.852	16.540			7.630
Tariff 24A—small business time-of-use demand[c]	126.586	22.064			2.239
Tariff 24B—small business time-of-use demand[c]	126.586	19.730			9.148

a *Peak usage—4 pm to 9 pm all days; shoulder usage—9 pm to 9 am all days; off-peak usage—9 am to 4 pm all days.* ***b*** *Peak demand—4 pm to 9 pm all days.* ***c*** *Peak demand—4 pm to 9 pm weekdays.*

Table 4 Notified prices—new large business retail tariffs (excl. GST)

Retail tariff	*Fixed charge*	*Usage charge*	*Demand charge (peak)*	*Excess demand charge*
	c/day	*c/kWh*	*$/kVA/mth*	*$/kVA/mth*
Tariff 50A—large business time-of-use demand[a]	15774.697	12.012	13.282	2.656

a *Peak demand—4 pm to 9 pm weekdays.*

Table 5 Notified prices—additional small business time-of-use retail tariffs (excl. GST)

Retail tariff	*Fixed band 1**	*Fixed band 2**	*Fixed band 3**	*Fixed band 4**	*Fixed band 5**	*Usage charge (day/flat)*	*Usage charge (night)*	*Usage charge (peak)*
	c/day	*c/day*	*c/day*	*c/day*	*c/day*	*c/kWh*	*c/kWh*	*c/kWh*
Tariff 20A—small business inclining-band	128.266	157.771	187.381	216.886	246.391	23.258		
Tariff 22B—small business time-of-use inclining-band	128.266	157.771	187.381	216.886	246.391	19.602	22.448	30.996

***Fixed band 1—0MWh to 20MWh annual consumption; fixed band 2—20MWh to 40MWh annual consumption; fixed band 3—40MWh to 60MWh annual consumption; fixed band 4—60MWh to 80MWh annual consumption; fixed band 5—80MWh and above annual consumption.*

a *Peak—4 pm to 9pm weekdays; shoulder—9 pm to 9am weekdays, 4pm to 9 am weekends; off-peak—9 am to 4 pm all days.*

Table 6 Metering charges for large customers—advanced meters (excl. GST), 2020–21

Customer type	*Metering charge (c/day)*
Standard asset customer (annual usage of 750 MWh or less)	182.880
Standard asset customer (annual usage greater than 750 MWh)	217.109
Connection asset customer	430.155
Individually calculated customer	493.816

Source: Retailer data.