Queensland Competition Authority

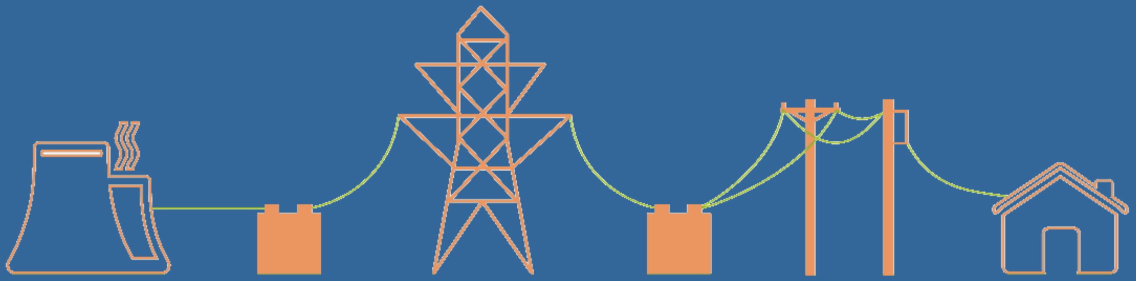
Information booklet

Regulated retail electricity prices for 2021–22

Applies to customers in regional Queensland

Draft determination

March 2021



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 2021 to 30 June 2022.

About this booklet

This booklet gives an overview of the price-setting process and key issues for setting notified prices this year.

The booklet is **not a substitute for our draft determination** and should be **read in conjunction with it.**

What is our approach to determining 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

In progress

Initial stage	Mid-stage	Final stage
ICP released 12 January 2021	Draft determination released 24 March 2021	Final determination 11 June 2021
Stakeholder submissions due 5 February 2021	Virtual stakeholder workshop 7 April 2021	Notified prices apply from 1 July 2021
	Stakeholder submissions due 23 April 2021	

How does the UTP impact electricity bills?

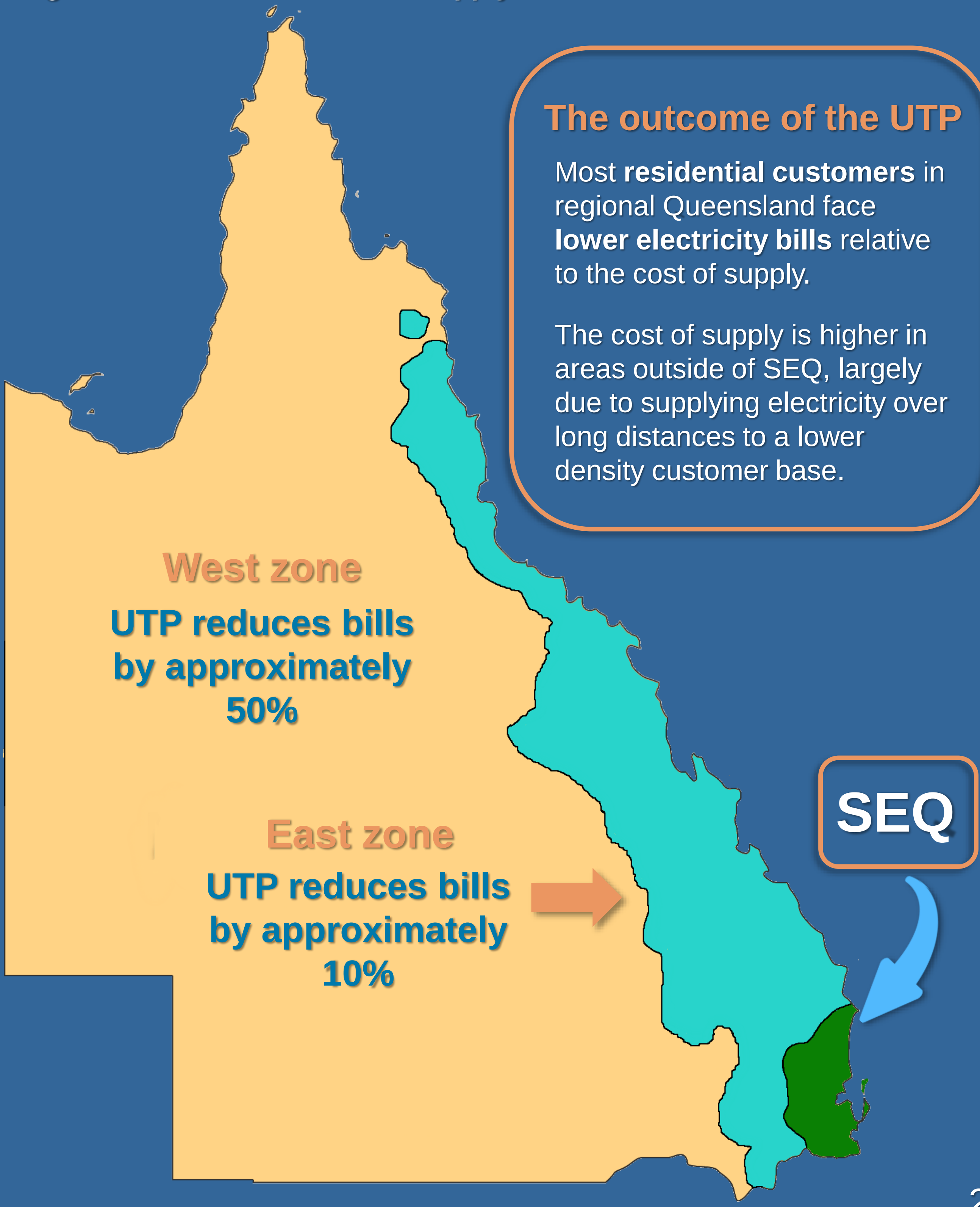
What does the UTP mean for regional Queensland?

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

The outcome of the UTP

Most **residential customers** in regional Queensland face **lower electricity bills** relative to the cost of supply.

The cost of supply is higher in areas outside of SEQ, largely due to supplying electricity over long distances to a lower density customer base.



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.

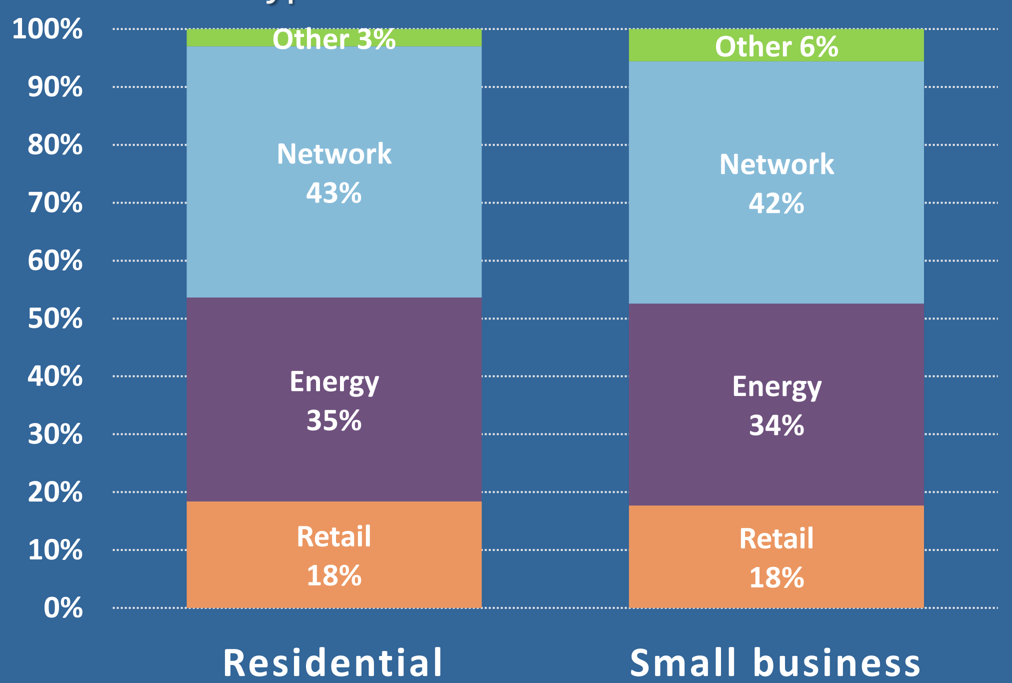
Network costs

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 in 2020–21



Percentage share has been rounded to the closest whole per cent.

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	Updated existing retail cost estimates using recent market data	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 passing through AER-approved network prices*	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

*Price indexation was used for tariffs 12A, 14, 22A and 24, which have no underlying network tariff.

Small customer tariffs

What does the draft determination mean for prices?

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

Indicative bill impact

Flat rate

Tariff 11

8.6% lower

$1,253

Down from $1,372 last year

Tariff 20

5% lower

$2,055

Down from $2,164 last year

Controlled load

Tariff 31

17% lower

$170

Down from $205 last year

Tariff 33

15.4% lower

$145

Down from $171 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 prices?

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

Indicative bill impact

Tariff 44	Tariff 45	Tariff 46
6.5% lower	8.3% lower	8.1% lower
$44,784	$146,544	$328,362
Down from $47,919 last year	Down from $159,780 last year	Down from $357,129 last year

What is our draft position on key issues?

Our draft position on new tariffs and other pricing–related issues in the Minister's delegation.

Two new standard retail tariffs

We considered introducing two new opt-in tariffs for large business and residential customers who consume more than 100 MWh a year with basic metering.

Draft position

Create the large business tariff; however, there is no compelling evidence there is a need for the residential tariff.

Three replacement transitional tariffs

We considered introducing three new retail tariffs based on network tariffs that mirror the structure of obsolete tariffs 62, 65 and 66.

Create new **limited-access obsolete tariffs** based on the three transitional tariffs and apply network eligibility criteria, apart from the geographic limitation.

Review of retail cost benchmarks

We were asked to review and update retail operating costs as used in the N+R framework.

- Update small customer costs.
- Not to update large customer costs due to insufficient evidence to suggest costs are materially different to previous costs.

Default market offer (DMO)

Where one or more tariffs exceed the equivalent DMO reference bill and are adjusted, we considered discounting other tariffs within the same customer class that are not subject to comparison with the DMO.

- No DMO adjustment is required (draft notified price bills do not exceed the DMO).
- We will review this position in the final determination, based on the AER's final approval of the DMO.

Setting small–customer digital metering charges

We were asked to set small–customer advanced digital metering charges in the Ergon Distribution area at the Energex rate for standard type 6 meters.

Set small customer advanced digital metering charges at the Energex rate for standard type 6 meters.

What is our draft position on key issues?

Our draft position on amendments to the terms and conditions contained in the tariff schedule.

Removing tariff 33 discretion

Draft position

We considered removing the retailer discretion allowing residential customers to access tariff 33 as a primary tariff.

Remove this retailer discretion and set a sunset date of 12 months for existing customers to transition to an alternative primary tariff.

Threshold definitions for CAC and ICC users

We were asked to update the threshold amounts in the definitions of CAC and ICC* to generally reflect the equivalent network tariff thresholds.

Update the threshold amounts to reflect network tariff thresholds.

High voltage rebate

We considered whether it is still appropriate to apply discounts where supply is given and metered at high voltage and the tariff applied is not a designated high voltage tariff.

We seek further information from retailers and customers about how this rebate is currently applied and the customers that would be affected by its removal.

Phase out kW pricing for large customers

We considered removing expired transitional charging arrangements, allowing large customers with advanced digital metering the choice to be charged under a kW or KVA demand charge.

- Remove expired arrangements.
- Large customers who have basic metering upgraded in certain circumstances will continue to have this choice for 12 months.

Removing service provider discretions

We were asked to remove retailer, distributor, metering and other service provider discretions from the tariff schedule, as far as is practicable

Removed some, but not all, service provider discretions based on available information.

*Connection asset customer and individually calculated customer

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 and 66

Obsolete tariffs are scheduled to expire

1 July 2021

→ **20(L), 21, 22 (S and L), 37, 62, 65 and 66**

1 July 2022

→ **47 and 48**

What is next for customers on obsolete tariffs?

The Minister asked us to consider introducing three new retail tariffs based on transitional network tariffs that mirror the structure of obsolete tariffs 62, 65 and 66.

Our draft decision is to **introduce** three new **limited-access obsolete** tariffs at the retail level.

Customer eligibility arrangements will be based on those approved by the AER (i.e. **existing small business customers** who accessed the relevant obsolete retail tariff at some point between **1 July 2017 and 30 June 2020**).

However, we will consider **not applying the AER's geographic limits** (allowing access to otherwise eligible customers across the Ergon network area).

Customers not eligible to move onto the three new limited-access obsolete 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 for further information.

Consultation

We ask stakeholders to 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 23 April 2021.

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

Workshop arrangements

To inform stakeholders about our draft determination, we plan to hold a virtual stakeholder workshop on **7 April 2021**.

Stakeholders can register to attend via our website *(https://www.qca.org.au/electricity-workshop-2021-registration/)*.

To keep up to date with the latest developments (including workshop information):

- subscribe to our email alerts *(https://www.qca.org.au/email-alerts/)*
- visit the 2021–22 regulated electricity prices project page *(https://www.qca.org.au/project/customers/electricity-prices/regulated-electricity-prices-for-regional-queensland-2021-22/)*