



# QCA 2013-14 Electricity Pricing Workshop

19 December 2012

# Summary of Economic Regulation



- ▶ EECL
  - ▶ Distribution Network Service Provider
  - ▶ Revenue regulated by the Australian Energy Regulator
- ▶ EEQ
  - ▶ Non competing retailer
  - ▶ Only able to offer Notified Prices to its customers
- ▶ EECL – regulated revenue
  - ▶ Revenue cap for 2010-11 to 2014-15 determined in June 2010
  - ▶ 4 components to the revenue cap being ROA, Depreciation, Opex and Tax
  - ▶ ROA set at 9.72%
  - ▶ Annual revenue for price setting impacted by:
    - ▶ Incentive schemes
    - ▶ Cost pass throughs
    - ▶ Over/under recovery amounts
    - ▶ CPI
  - ▶ Revenue cap translated into network tariffs which are charged to a customer's retailer

## Changes since Determination



- ▶ The AER's 2010-15 Distribution Determination for Ergon Energy was set in June 2010
  - ▶ Set by the AER under the National Electricity Rules
  - ▶ based on internal and independent forecasts.
  - ▶ Expected increasing demand and energy growth
  - ▶ Capital expenditure needed to support this growth and meet reliability standards
- ▶ Growth in energy and demand lower than forecast due to:
  - ▶ GFC
  - ▶ Solar PV take-up
  - ▶ Demand management initiatives
  - ▶ Carbon pricing
  - ▶ Mild temperatures
  - ▶ Cost of living pressures
- ▶ Ergon Energy has revised its program of works to better align to actual energy use and demand and has implemented a number of other initiatives to minimise our impact on electricity prices
- ▶ This is consistent with ENCAP initiatives and the recent draft recommendations from the Independent Review Panel

# Regulated Retail Prices



- ▶ Small Customer tariffs
  - ▶ based on Energex N
  
- ▶ Large Customer tariffs
  - ▶ Based on EECL N
  - ▶ East pricing zone, transmission zone 1
  
- ▶ Obsolete tariffs
  - ▶ Based on previous tariff structures
  
- ▶ Transitional issues
  - ▶ Potentially significant price impacts for some customers
  - ▶ Customers require time to understand operational and financial impacts

# Network Pricing Strategy



- ▶ EECL currently reviewing its network tariff strategy
- ▶ Independent advice sought on possible future tariffs structures
- ▶ Tariff structures being considered include:
  - ▶ Capacity based tariffs
  - ▶ TOU energy and demand components
  - ▶ Critical Peak Pricing
- ▶ Further detailed analysis to occur over Dec/Jan 2013
- ▶ Initial issues paper expected to be released Jan/Feb 2013
- ▶ Consultation to occur over 2013
- ▶ Strategy expected to be finalised by end 2013
- ▶ Implementation commencing in 2014-15 network tariffs



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