

FACTSHEET: Why are electricity prices rising?

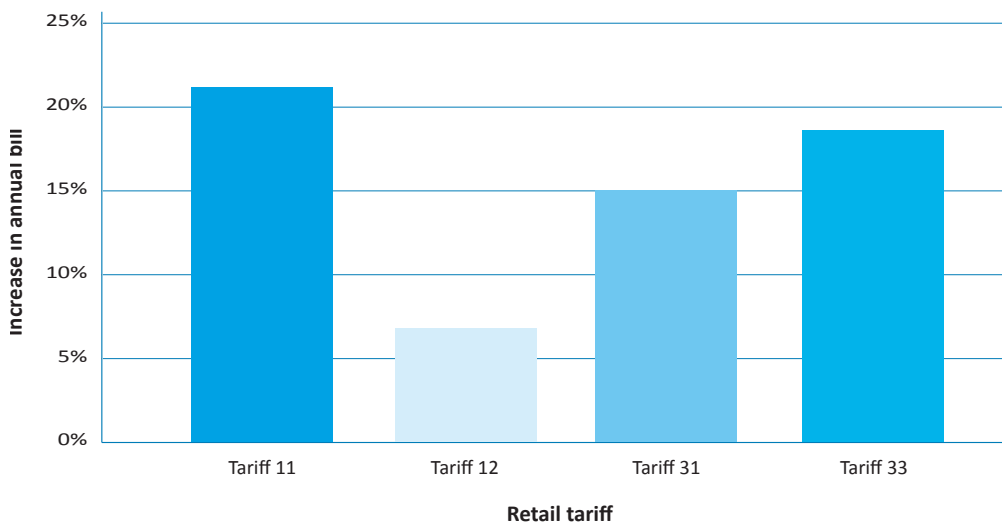
The Queensland Competition Authority is responsible for setting regulated electricity prices in Queensland for the next three year, starting from 1 July 2013. We will set regulated tariffs each year after a thorough process of public consultation.

The draft determination released on 22 February follows extensive consultation with customer groups and businesses over the last five months. Another round of consultation commences on 25 February.

A final determination will be released by 31 May.

Residential Customers

Based on the best data available, our draft determination forecasts that the typical customer on the main residential tariff (tariff 11) will see an increase of around 21% in their annual bill. Most residential customers benefit from using lower off-peak tariffs for water heating (tariff 31). Many customers also benefit from a special tariff for controlled loads, such as pool pumps (tariff 33). Unfortunately, these tariffs will also need to increase in 2013-14. A handful of customers have moved onto the new, time of use tariff (tariff 12). The expected increases for residential tariffs are shown in the table below.

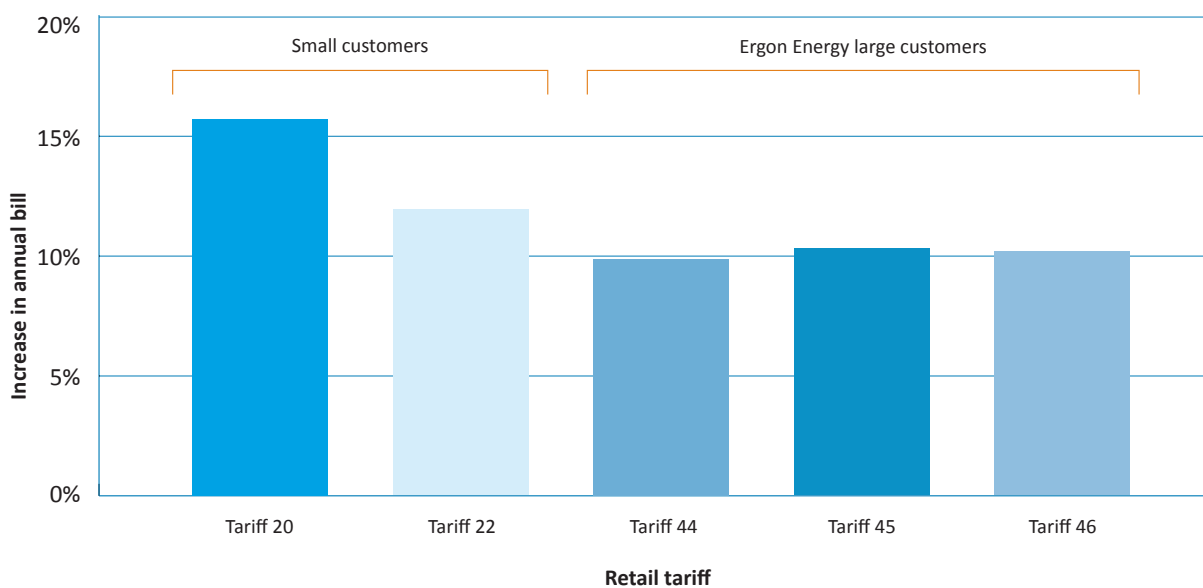


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Business customers

Business customers can expect to see increases from 1 July 2013. As is the case with residential customers, the exact increase will depend on how much electricity they use and when they use it. The table below indicates the expected increases for the typical business customer on each tariff.

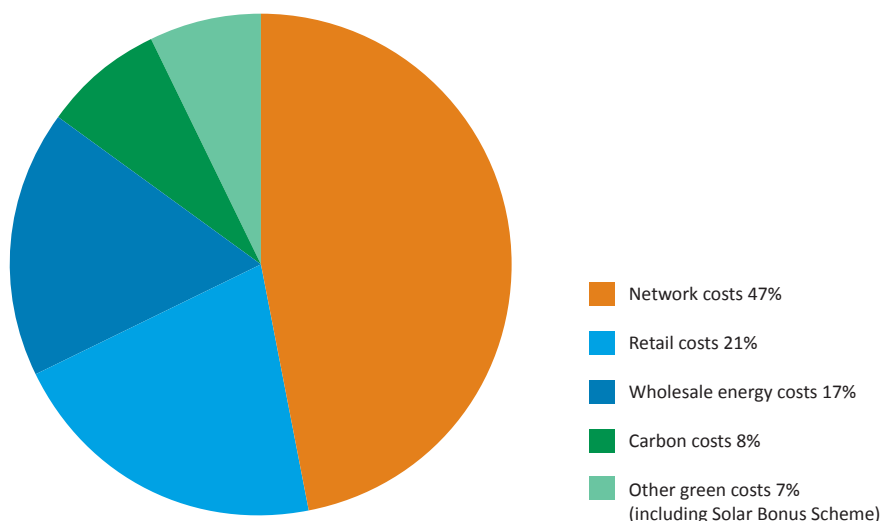
The increase in business tariffs in 2013-14 are lower (in percentage terms) than the increase in the main residential tariff because business customers do not have the benefit this year of the tariff 11 freeze.



What makes up a typical electricity bill ?

Electricity prices must cover a broad range of costs. About half of the electricity bill is network costs (the 'poles and wires' which deliver electricity from the power station to customers). The subsidies paid to households with solar panels, under the Solar Bonus Scheme, are embedded in these network charges. Other costs include wholesale energy costs (the actual cost of generating electricity), 'green' costs such as the carbon tax and the renewable energy target, and retail costs.

The chart below explains the breakdown of a typical residential bill.



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What's driving up prices ?

Electricity prices in Queensland are under acute pressure from rising network costs and the rapidly growing cost of solar feed-in tariffs. Network costs in south east Queensland are forecast to rise by 23 per cent in 2013-14. Embedded in these network charges are the rapidly rising cost of the Solar Bonus subsidies for households with solar panels. Higher network charges, including the solar subsidies and network costs deferred in 2012-13 because of the tariff 11 freeze, account for 72 per cent of the increase for the typical residential customer.

The draft determination also forecasts increases in the cost of electricity generation, retail costs, the carbon tax and the renewable energy target.

What if you want to change tariff?

Most customers in south east Queensland have already chosen to take up market contracts, which usually offer lower rates than regulated tariffs. It makes sense for customers who can change from regulated tariffs to test the market.

Our price comparator can help customers compare electricity prices in Queensland. It's free to use and is available on our website www.qca.org.au/electricity-retail/comparator/

Struggling to pay your bill?

If you are struggling to pay your electricity bill, you should discuss your situation with your retailer. Retailers offer support to their customers in hardship. The Queensland Government offers support to customers in some circumstances. For more information visit the Department for Energy and Water Supply's electricity concessions page or call them on: 13 QGOV (13 74 68).

Next steps

We have yet to finalise prices to apply from 1 July 2013. We have asked for views on the draft prices from customers, customer groups, the electricity companies, and any other interested people.

We will take these views into account when finalising prices.