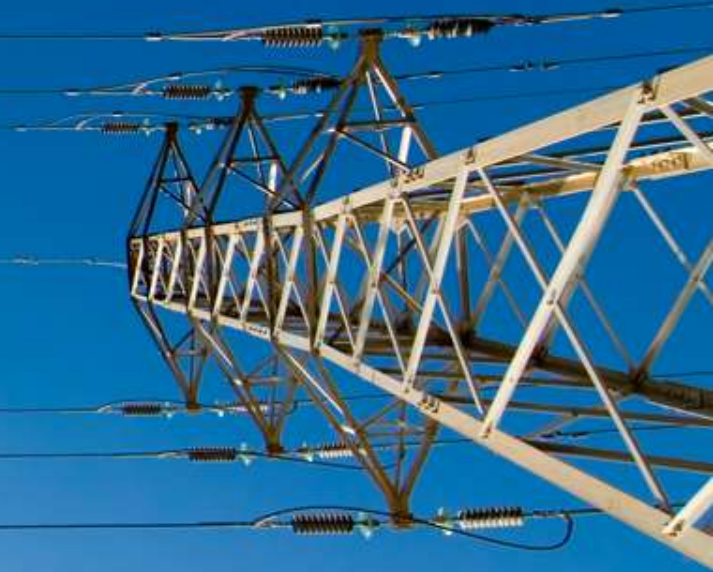


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# DRAFT DETERMINATION

2018-19 Retail Electricity Prices



# Today's workshop

Note: The powerpoint presentation of QCA's draft determination of electricity prices 2018-19 is the property of the QCA. Permission must be sought from the QCA to reproduce any or all of the presentation.

The QCA's official spokesperson is Professor Roy Green. Any information provided by QCA staff is done so in good faith that they will not be publicly quoted.

If you are seeking public comment you must contact the QCA on 07 3222 0555.

# How we must set prices

Under the Electricity Act the QCA must set prices while regarding:

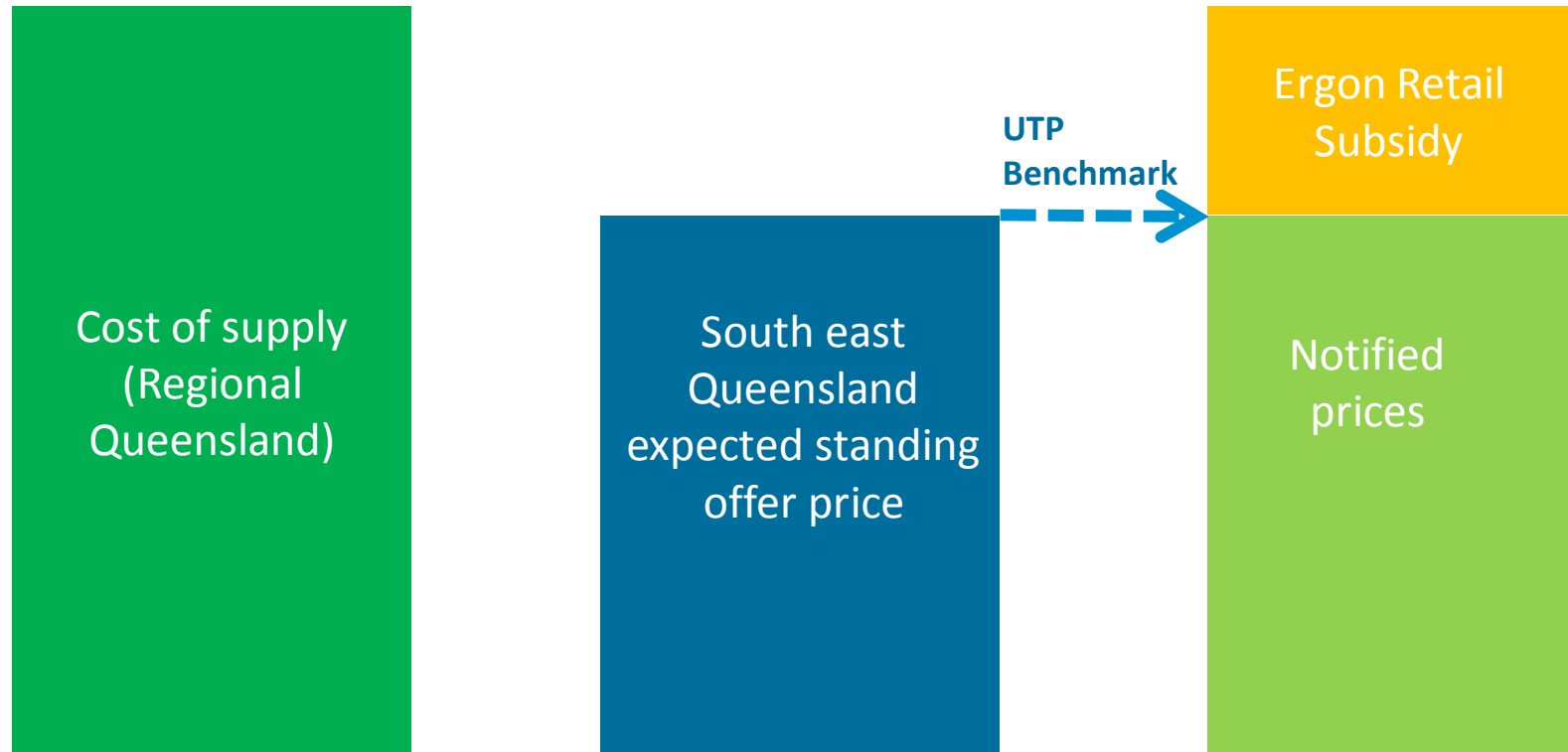
- the actual costs of supply
- the effect on competition
- matters required by the Minister's delegation:
  - Using a Network(N) + Retail(R) approach, where the N is a pass through
  - Maintaining transitional arrangements
  - Applying the Queensland Government's uniform tariff policy:

*Wherever possible non-market customers of the same class should pay no more for their electricity regardless of geographic location*

And for residential and small business tariffs:

*regulated prices for regional Queensland for small customers should broadly reflect expected prices for customers on standing offers in SEQ*

# Uniform tariff policy – small customers



## Network costs (N)

- Residential and small business tariffs are based on SEQ (Energex) price levels in accordance with the UTP
  - Flat rate residential and small business tariffs based on SEQ (Energex) tariff structures
  - Tariffs 12A, 14, 22A and 24 based on Ergon network structures adjusted to SEQ (Energex) price levels
- As with previous years large customer tariffs based on Ergon East zone, Transmission region 1 network tariffs

## Retail Costs (R)

- As with previous years wholesale energy costs were based on forecasts by ACIL Allen, using a hedging, or market-based, approach
- Retail costs were maintained by adjusting fixed components to account for inflation and retaining variable allocators at the same rates as 2017-18.
- In accordance with the Minister's cover letter to the delegation standing offer adjustment for residential and small business customers was maintained at 5%
  - Observed differential 10.6% and 12.1%
- Headroom was maintained at 5% for large customers

# New 'lifestyle' tariff 15

- Ergon proposes introducing a voluntary residential 'lifestyle' tariff (tariff 15).
- The tariff has 3 components:
  - Variable usage rate – 20.418 c/kWh
  - Fixed charge based on one of 5 usage caps during the 'peak summer window' (4-9pm, Nov-March)
    - 0 kWh during PSW – \$40.913 per month
    - 5 kWh during PSW – \$48.790 per month
    - 10 kWh during PSW – \$56.668 per month
    - 15 kWh during PSW – \$64.545 per month
    - 20 kWh during PSW – \$72.422 per month
  - Top up charge where usage exceeds the chosen cap – \$4.627 per kWh per month

# Tariff 15 – who can benefit?

kWh/year	Peak Summer Window consumption cap applied each day (kWh/PSW/per day)				
	2.5	5	10	15	20
2,000	-12%	-17%	-27%	-37%	-47%
2,500	-7%	-12%	-20%	-29%	-38%
3,000	-3%	-7%	-15%	-23%	-31%
3,500	0%	-4%	-11%	-18%	-25%
4,000	2%	-1%	-8%	-14%	-20%
4,500	4%	1%	-5%	-11%	-16%
5,000	6%	3%	-2%	-8%	-13%
5,500	7%	5%	0%	-5%	-10%
6,000	8%	6%	1%	-3%	-8%
6,500	9%	7%	3%	-1%	-6%
7,000	10%	8%	4%	0%	-4%
7,500	11%	9%	5%	2%	-2%
8,000	12%	10%	7%	3%	-1%
8,500	13%	11%	8%	4%	1%
9,000	13%	12%	8%	5%	2%
9,500	14%	12%	9%	6%	3%
10,000	14%	13%	10%	7%	4%



# Metering charges

- On 1 December 2017 the Australian Energy Market Commission made a rule change under its 'Power of Choice' reform program.
- All new and replacement meters must be 'smart' meters (known as Advanced Digital Meters).
- Meters are now a retail cost and form part of notified prices.
- Our role is to calculate charges for meters.
- For more information on the power of choice program and smart meters see the AEMC ([www.aemc.gov.au](http://www.aemc.gov.au))

# Metering charges

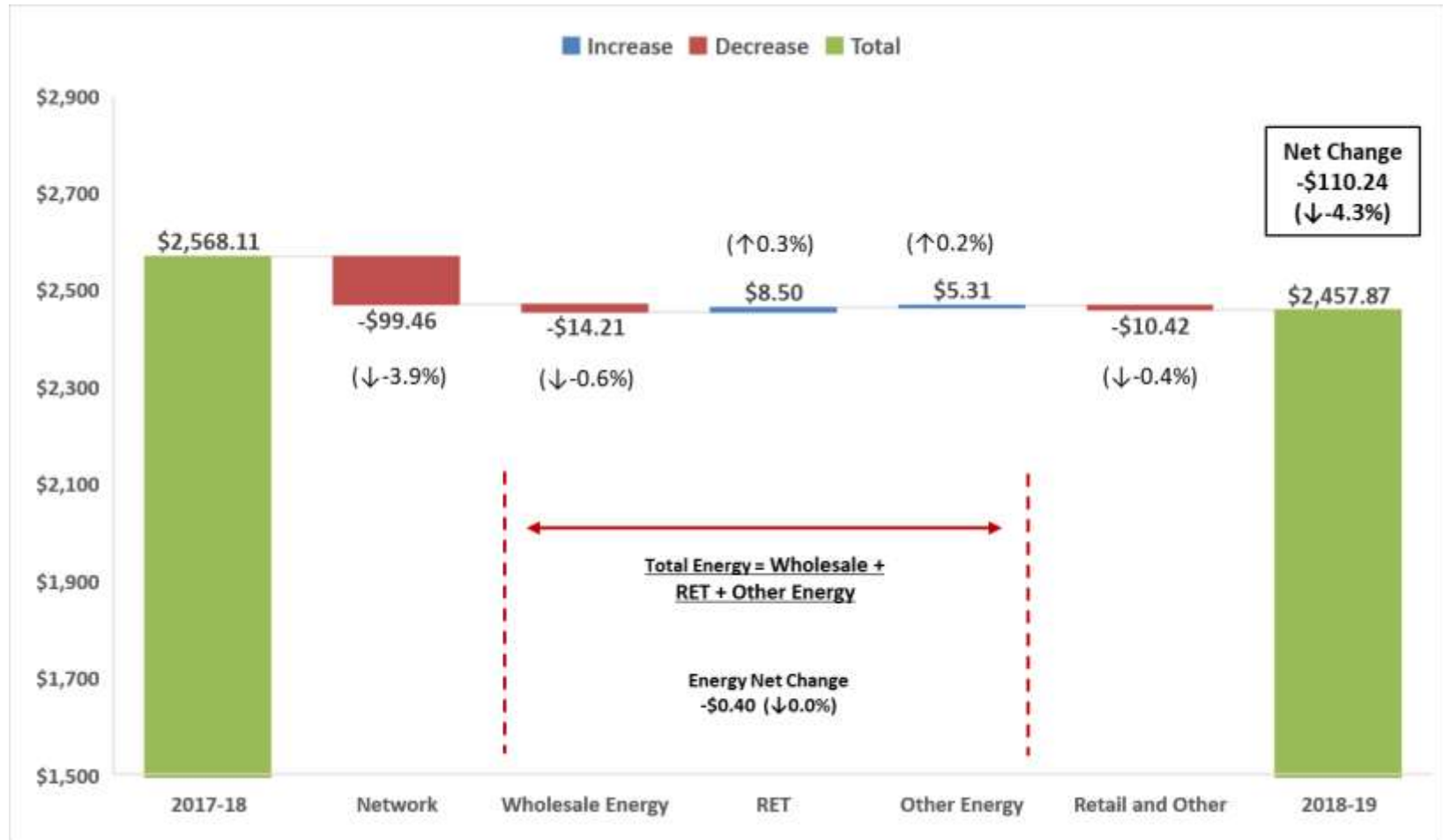
<b>Small customer tariff(s)</b>	<b><i>Accumulation meter charge</i> c/day/meter</b>	<b><i>Advanced digital meter charge</i> c/day/meter</b>
Tariff 11, 20	9.481	27.590
Tariff 11, 20 with tariff 31 or 33	12.325	30.749

<b>Large customer type</b>	<b><i>Meter charge</i> c/day/meter</b>
Standard asset customer	141.078
Connection asset customer	328.542
Individually calculated customer	506.502

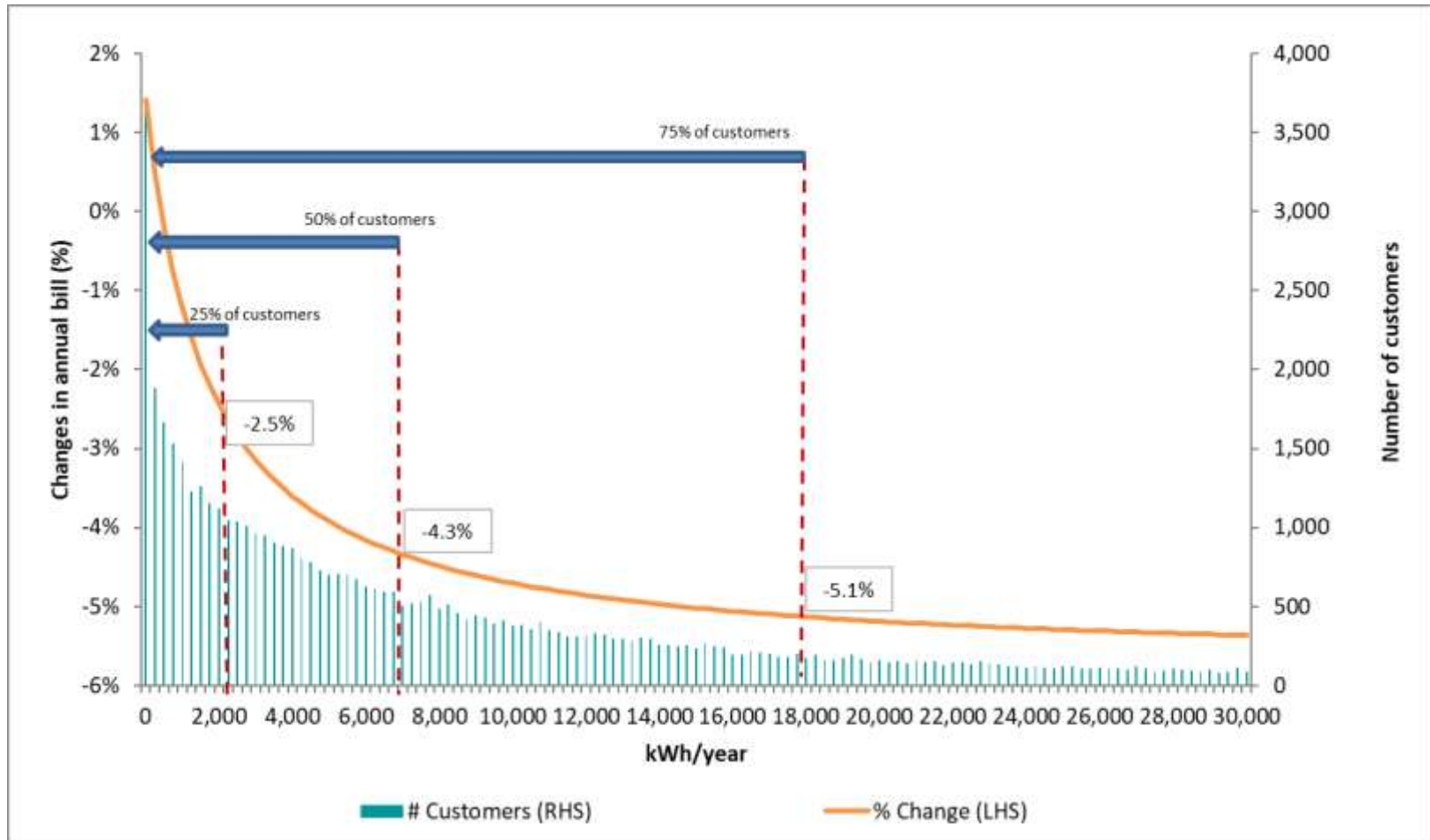
## Headline figures

- Typical residential customer is forecast to pay 2.3% (\$35) less for their electricity usage and service fee
- Typical small business customer is forecast to pay 4.3% (\$110) less for their electricity usage and service fee
- Typical large customers forecast to pay 2.2% - 3.2% less for electricity
- Transitional and obsolete tariffs frozen

# Cost drivers for small business customers



# Small business bill impacts by consumption



# Next steps

- Submissions are due by 9 April 2018
- online submission form at [www.qca.org.au/submissions](http://www.qca.org.au/submissions)
- QCA will consider submissions and update draft estimates with the latest data for the final determination
- Final determination released by 31 May 2018

Queensland Competition Authority

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Submissions

Home > Submissions

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Email \*:

Organisation:

First Name \*:

Family Name \*:

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**Submissions close 9 April 2018**

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Questions?



# Wholesale energy costs

