

How do energy costs affect electricity prices?

The QCA uses a ‘network costs plus retail costs’ methodology to determine regulated electricity prices in regional Queensland. Energy costs are one of the components that contribute to the overall retail cost.

What components make up energy costs?

A retailer incurs energy costs when purchasing electricity to meet the electricity demand of its customers. Energy costs can be separated into two general components:

- wholesale energy costs
- other energy costs, including renewable energy target (RET) costs.

Wholesale energy and RET costs make up the bulk of energy costs.

How have energy costs changed since 2018–19?

For 2019–20, total energy costs are estimated to decrease by up to 11.4% for small customer tariffs and up to 15.5% for large customer tariffs. This decrease reflects a reduction in wholesale energy costs and costs related to the RET.

What are wholesale energy costs and why have they changed?

Wholesale energy costs are the costs that electricity retailers incur when purchasing electricity for their customers from the National Electricity Market (NEM).

Compared to the 2018–19 final determination, wholesale energy costs for most retail tariffs are expected to decline by \$10–\$13/MWh. This reflects the projected decrease in price volatility in the NEM with the expected entry of approximately 5,200MW of renewable investment over the next 18 months. It also reflects the potential change in the operation of the Wivenhoe pumped storage facility, following the establishment of CleanCo by the Queensland Government.

Wholesale energy costs for tariff 31 are estimated to increase by \$3.63/MWh. This increase can be attributed to approximately 65% of tariff 31 usage occurring between 10 pm and 2 am at night. Wholesale energy costs during these periods are not decreasing, and the entry of substantial wind

and solar generation does not affect wholesale prices during these periods.

What are the RET costs?

The RET scheme provides incentives for the electricity sector to increase generation from renewable sources and reduce greenhouse gas emissions. The RET scheme consists of the large-scale renewable energy target (LRET) and small-scale renewable energy scheme (SRES).

The costs of these incentives are paid by retailers who purchase Large-scale Generation Certificates (LGCs) and Small-scale Technology Certificates (STCs).

Retailers surrender the purchased LGCs and STCs to the Clean Energy Regulator to meet their obligations under the RET scheme.

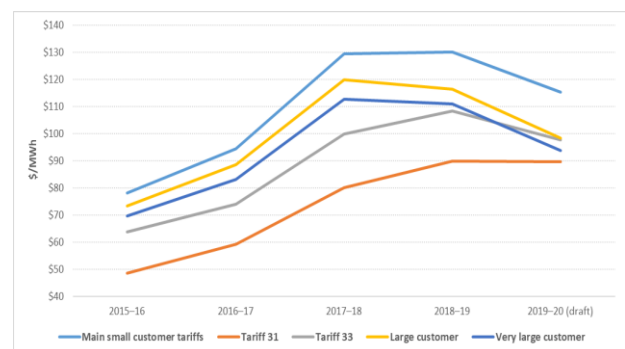
How have RET costs changed?

Overall RET costs are estimated to decrease by \$3.24/MWh.

LRET costs are estimated to decrease by \$3.89/MWh, this reflects a reduction in the LGC forward prices since they were last estimated for the 2018–19 final determination.

SRES costs are estimated to increase by \$0.65/MWh, primarily driven by the recent observed strong uptake in small-scale energy systems.

How have energy costs changed over time?



Where can I find more information or make a submission?

You can find out more and/or make a submission on our website: www.qca.org.au.