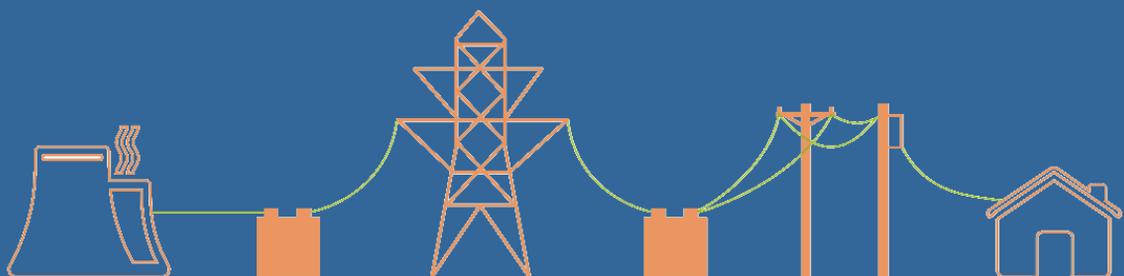


Regulated retail electricity prices for 2020–21

Applies to customers in regional Queensland

**Draft determination
Information booklet**

March 2020



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 2020 to 30 June 2021.

What is this document?

This booklet gives an overview of draft prices, the price setting process, and **potential** customer bill impacts.

It is **not a substitute** for the draft determination, and should be **read in conjunction with that**.

What is our approach to determine 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.

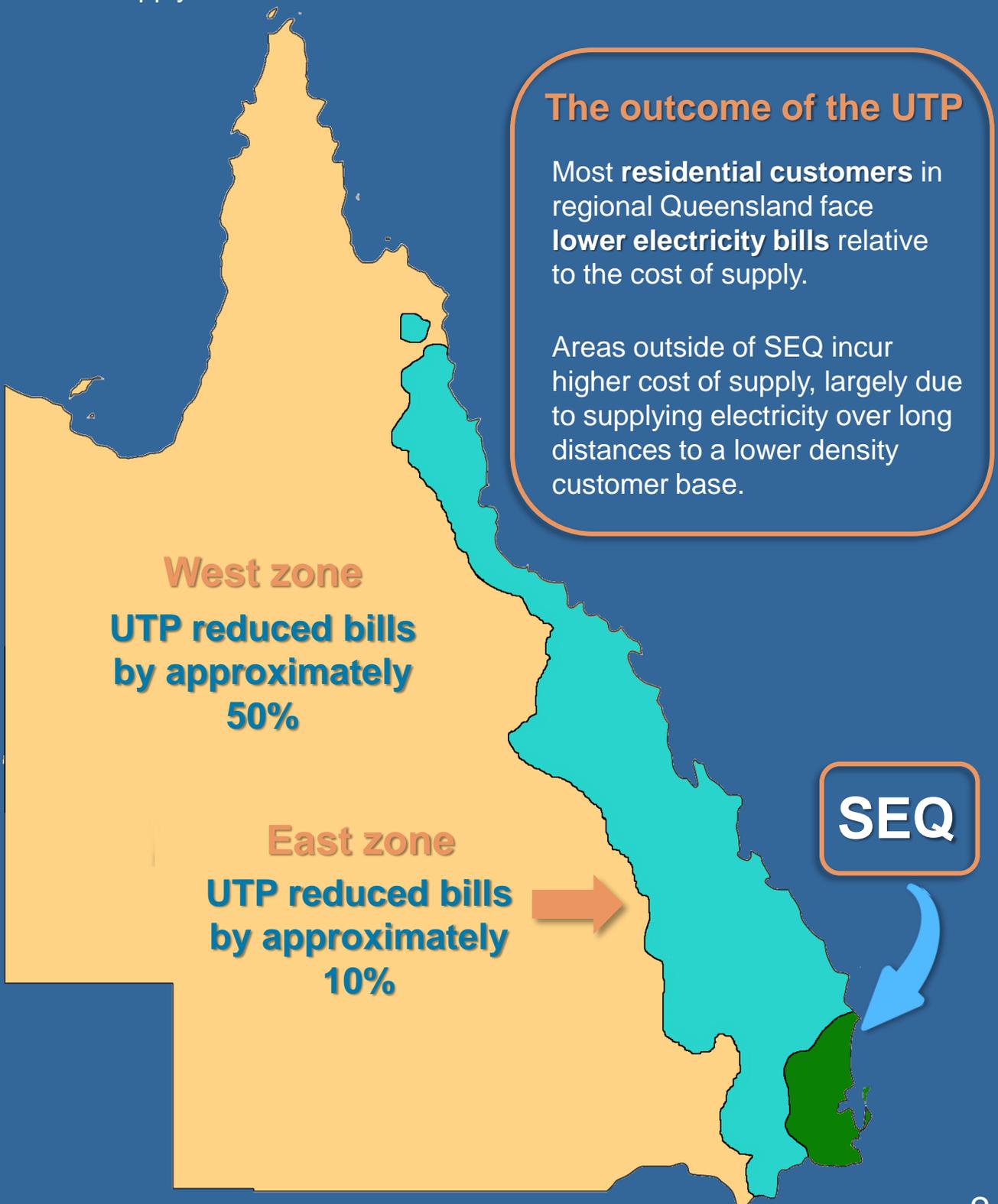
Key dates



How does the UTP impact electricity bills?

What does the UTP mean for regional Queensland?

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



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

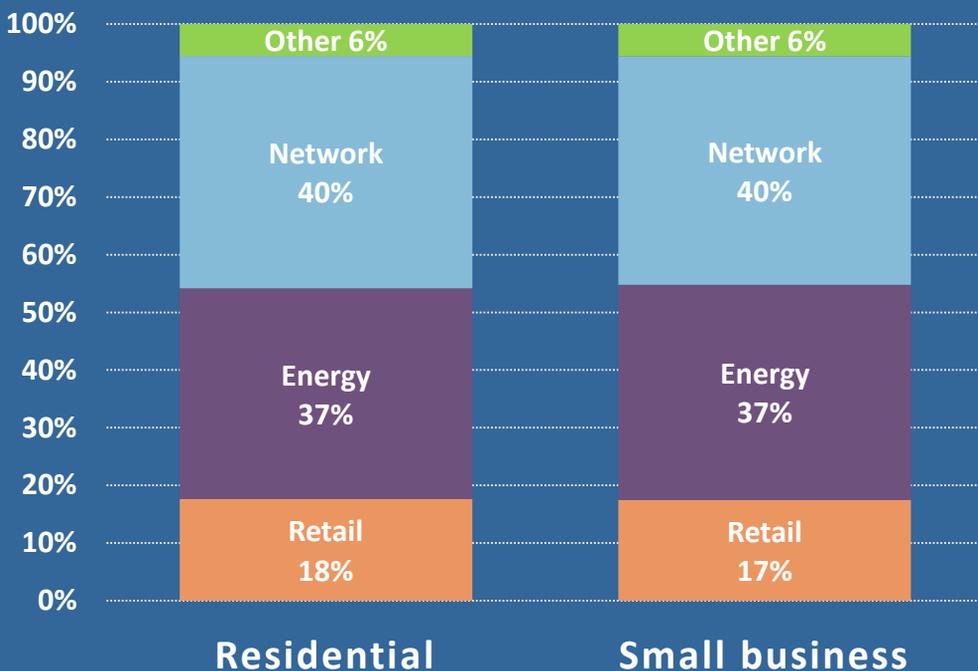
These include costs to transport electricity via the electricity network. It also includes other costs such as the solar bonus scheme.

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



Percentage share has been rounded to the closest whole percent.

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

Estimated retail costs using the RBA's CPI forecasts and our previous estimates



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 indexing 2019–20 network prices with AER escalators



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
+
headroom allowance

Small customer tariffs



What does the draft determination mean for my prices?

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



Indicative bill impact

Flat rate

Tariff 11

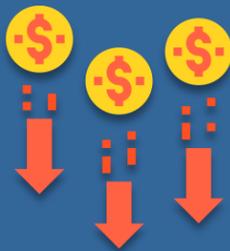
5.3%
lower

Tariff 20

5%
lower

\$1,345

\$2,222



Down from
\$1,420
last year

Down from
\$2,338
last year

Controlled load

Tariff 31

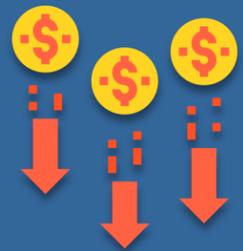
1.3%
lower

Tariff 33

5.7%
lower

\$264

\$205



Down from
\$267
last year

Down from
\$217
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 my prices?

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



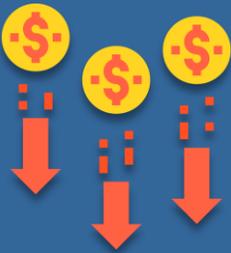
Indicative bill impact

Tariff 44

8.8%
lower



\$51,516



Down from
\$56,494
last year

Tariff 45

6.8%
lower



\$174,899

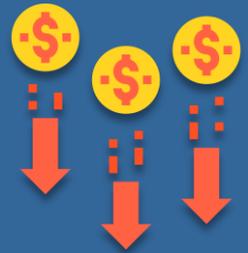


Down from
\$187,688
last year

Tariff 46

5.7%
lower

\$421,388



Down from
\$447,008
last year

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, 66

Who can access these tariffs?

Customers who are on obsolete tariffs are allowed to remain on them until they expire. Customers who move off obsolete tariffs, **cannot go back on.**

These tariffs have typically been accessed for:



Irrigation



Farming



Manufacturing

Prices for these tariffs have **not increased** since 2017–18.

Obsolete tariffs are scheduled to expire

1 July 2021

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

1 July 2022

Tariff 47 and 48

When obsolete tariffs expire customers on these 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 to find out which standard tariff is best for you.

Consultation



We ask stakeholders to consider and 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 13 May 2020

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

Indicative workshop arrangements

To inform stakeholders about our draft determination, we plan to hold stakeholder workshops during April/May 2020.

However, given the rapidly changing COVID-19 situation, we plan to hold virtual (rather than in-person) workshops this year, using video or phone conferencing.

More information will be available on our website soon.

To **keep up to date with the latest developments (including workshop information)**, you can subscribe to our email alerts (<https://www.qca.org.au/email-alerts/>).