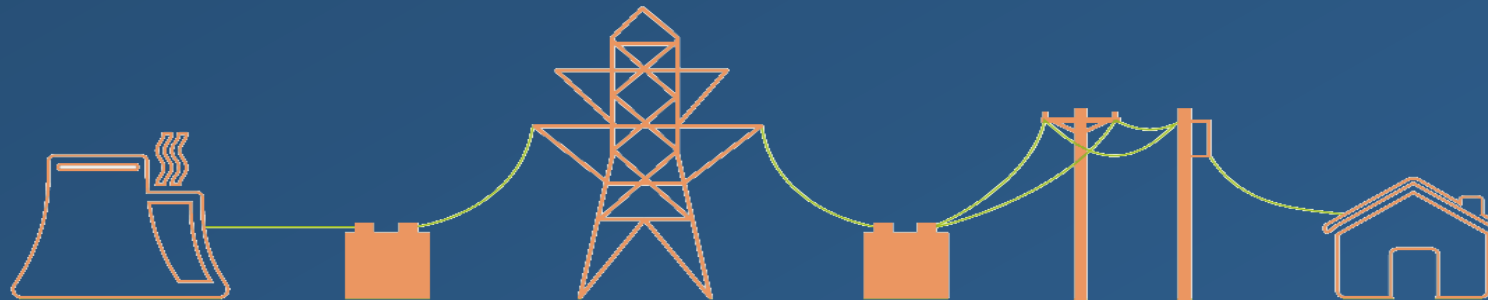


Regulated retail electricity prices for 2021–22

Draft determination - Virtual workshop

7 April 2021



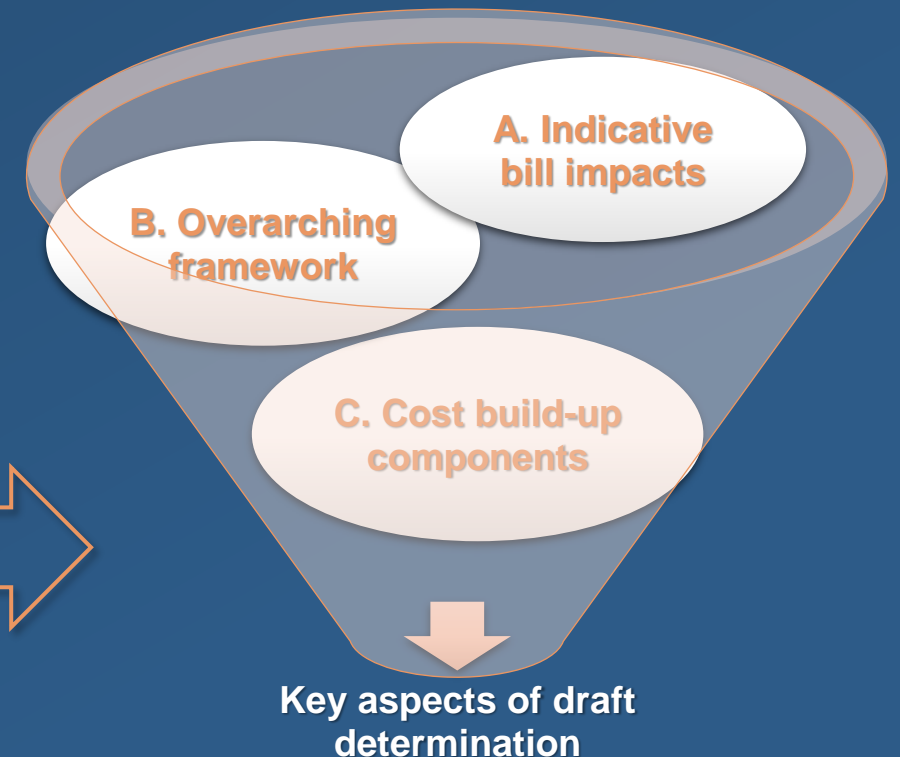
What is the purpose of this workshop?

- To highlight the key components of our draft decision and help stakeholders to provide submissions.
- We will consider stakeholder submissions when making our final determination.

Workshop structure

The workshop will be split into 3 sections:

1. Questions on notice
2. Staff presentation - key issues relevant to electricity prices this year and outlined in our draft determination
3. Question and answer session



1. Questions on notice and housekeeping

- We want to hear from you now – please tell us your burning issues or questions
- Your questions will be taken on notice and addressed in the Q&A session **(at the end of the workshop)**
- Questions during the presentation (if raised) will also be taken on notice and **addressed in the Q&A session** (if time permits)



Participants joining us via Zoom **over the internet** can use the **“Raise Hand”** function when they want to ask a question



Participants joining us by phone will also be invited to ask questions



Please wait until we call your name before starting to talk

Items covered today

2A. Customer bill impacts

- Small customer bill impacts
- Large customer bill impacts



2B. Overarching framework











- Key factors impacting how we set electricity prices
- Introducing new tariffs
- Reviewing the terms and conditions for accessing tariffs



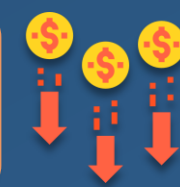
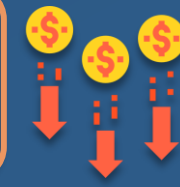
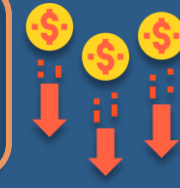
2C. Individual cost components

- Key cost components for setting electricity prices
 - Network costs
 - Retail costs
 - Energy costs
 - Other adjustments

2A. Indicative bill impacts for small customers

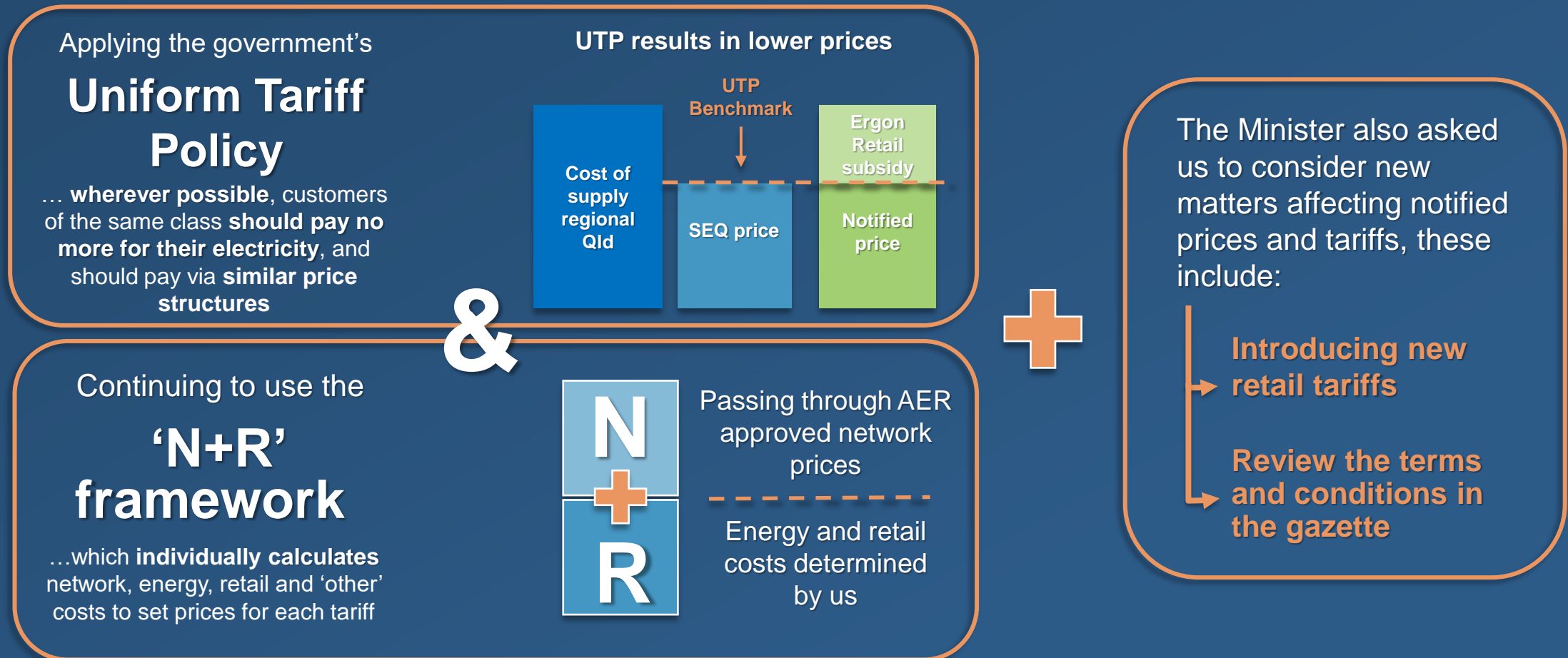
	2020–21		Draft 2021–22		How will this impact my electricity bill?	
Tariff 11 Residential flat rate	90.676 c/day 21.756 c/kWh	 2.6 %  10.8 %	88.317 c/day 19.400 c/kWh	⇒	8.6 % lower than last year \$1,253 (down from \$1,372)	
Tariff 31 Super economy load control	14.932 c/kWh	 17 %	12.390 c/kWh	⇒	17 % lower than last year \$170 (down from \$205)	
Tariff 33 Economy load control	16.331 c/kWh	 15.4 %	13.808 c/kWh	⇒	15.4 % lower than last year \$145 (down from \$171)	
Tariff 20 Small business flat rate	128.266 c/day 23.258 c/kWh	 5.7 %  4.8 %	120.957 c/day 22.135 c/kWh	⇒	5 % lower than last year \$2,055 (down from \$2,164)	

2A. Indicative bill impacts for large customers

	2020–21		Draft 2021–22		How will this impact my electricity bill?
Tariff 44 30 kW demand threshold	4021.494 c/day	↑ 0.5 %	4042.704 c/day	⇒	6.5 % lower than last year \$44,784 (down from \$47,919) 
	11.668 c/kWh	↓ 14.3 %	10.005 c/kWh		
	26.142 \$/kW	↓ 4.8 %	24.891 \$/kW		
Tariff 45 120 kW demand threshold	13081.281 c/day	↑ 0.5 %	13148.598 c/day	⇒	8.3 % lower than last year \$146,544 (down from \$159,780) 
	11.668 c/kWh	↓ 14.3 %	10.005 c/kWh		
	20.768 \$/kW	↓ 4.7 %	19.786 \$/kW		
Tariff 46 400 kW demand threshold	34103.721 c/day	↑ 0.5 %	34279.916 c/day	⇒	8.1 % lower than last year \$328,362 (down from \$357,129) 
	11.668 c/kWh	↓ 14.3 %	10.005 c/kWh		
	17.034 \$/kW	↓ 4.8 %	16.239 \$/kW		

What is our approach to setting notified prices?

Similar to previous determinations, the Minister asked us to consider:



New matters

Introducing new retail tariffs

- 1 based on new business network tariff
- 3 based on new transitional network tariffs



Important considerations for transitional tariffs

- **based on AER approved network arrangements (i.e. prices and grandfathering arrangements) but not geographic limitations**
 - **Costs and tariff structure:** based on equivalent network prices (and price path)
 - **Limited availability:** customers on corresponding obsolete tariffs between 1 July 2017 to 30 June 2020)
- **Expiry:** these are transitional network tariffs and expiry TBC in future determination

Review the terms and conditions in the gazette

- Consider making it as standalone as possible
- Various matters, including:
 - service provider discretions
 - network requirements
 - high voltage rebate

What makes up an 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

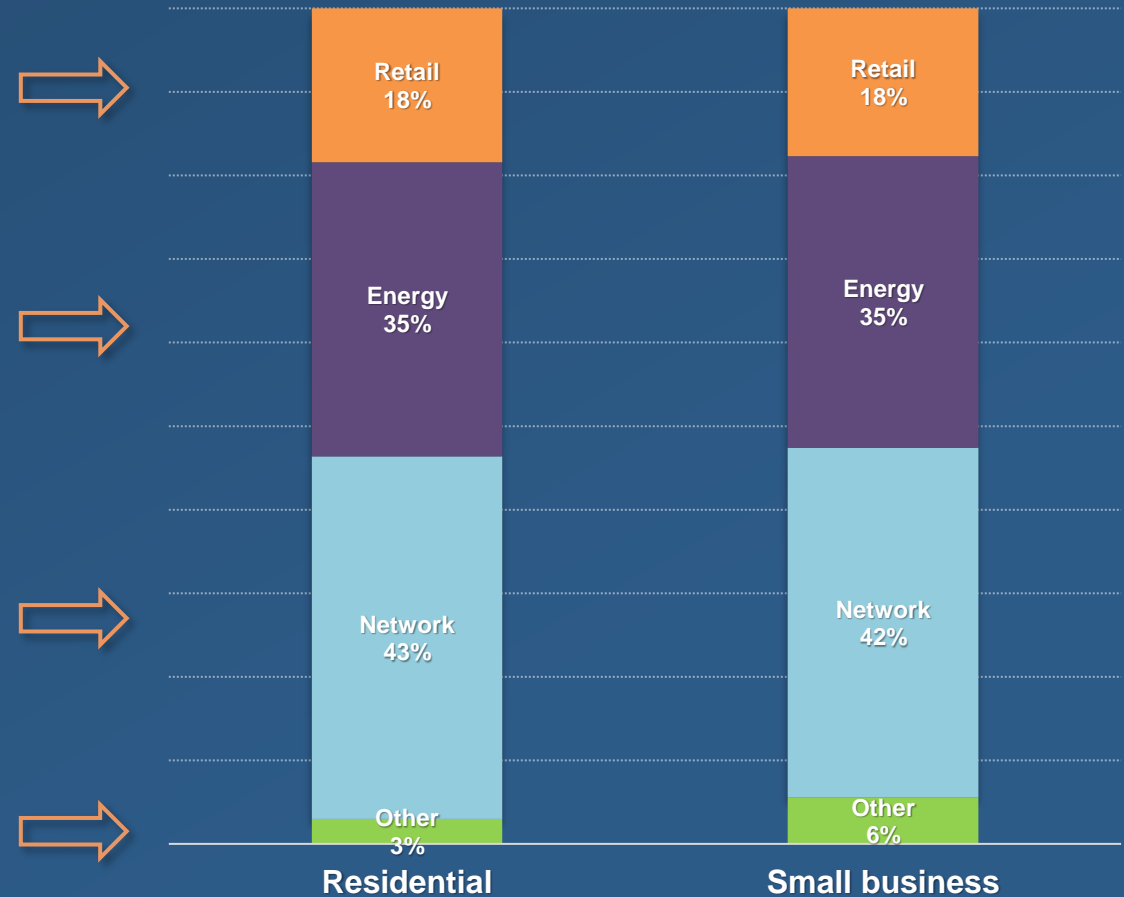
These include costs to transport electricity via the electricity network. It also includes other costs such as the solar bonus scheme.



Other adjustments

These adjustments include matters that we are required to consider under our legal framework.

Costs by individual cost element in a typical annual customer bill in 2020–21



Small customers

- Updated retail cost allowances using recent market data
- Based on costs in SEQ



- We updated **retail cost allowances** based on recent market information
- using a similar approach as that used previously – i.e. a benchmarking approach
- ACIL Allen has assisted our assessment and estimated new retail cost allowances using:
 - average of total bills using SEQ market offers
 - deducting network and energy costs (from the bills)
 - residual as the retail cost component.

Large customers

- Maintaining existing retail cost allowances adjusted for inflation



- **We are maintaining our current approach, using established benchmark (from 2016-17) adjusted for inflation**
- ACIL Allen assessed recent market information but we could not use this to update retail cost allowances due to:
 - limited number of data points
 - variability of data provided
 - reliability issues associated with self-reported data.

Retail costs are forecast to decrease for the typical customer.

Small customers

- Based on energy costs for **SEQ** (Energex area)

Large customers

- Based on energy costs for the **lowest-cost region** in the Ergon area

- **Used same approach as previous years** – i.e. energy cost forecasts by ACIL Allen, using a market hedging approach
- We used the latest market data up until February 2021 (to account for the most current developments while meeting our draft determination timeframe)
- **Energy costs are expected to decrease for both small and large customers.** This reflects the expected entry of a large amount of renewable generation and lower domestic gas prices
- Consistent with our normal practice, energy cost estimates will be updated in the final determination. To the extent that market information has changed (including due to covid-19), the updated estimates will reflect this

For existing retail tariffs with underlying network tariffs

- for small customers – based on costs in SEQ (Energex area)
- for large customers – based on costs for the lowest-cost region in the Ergon area (i.e. east zone, transmission region one)

For existing retail tariffs with no underlying network tariffs

- based on the 2020–21 network costs adjusted by a price indexation approach

For new obsolete and large business tariffs

- based on costs for the lowest-cost region in the Ergon area

- **Used same approach as previous years** – i.e. pass through of AER-approved draft network costs
- **Network costs are expected to remain largely the same as last year.**
- We used the best information available – this is the **draft network prices** provided by Energy Queensland
- If possible, we will update costs in our final determination based on the network pricing approved by the AER
 - otherwise, we plan on taking the same approach as in previous determinations – that is, using the network prices submitted to the AER by Energy Queensland.

Standing offer adjustment



- We assessed market data and the market environment (ie. regulatory reforms)
- We have included a **standing offer adjustment to 3.6 % (reduced from 5% last year)**.
- No DMO adjustment is required (draft notified price bills do not exceed the DMO).

Large customer headroom



- In the absence of new, compelling evidence, we **do not intend to include a headroom** adjustment in large customer notified prices.

Cost pass-through mechanism



- Similar to previous years, we have included costs associated with SRES
- the under-recovery of 2020–21 SRES costs are included in this year's notified prices.
- We will use updated information in our final determination



A reminder



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In progress



Submissions on our draft determination are due **23 April 2021** and can be lodged via the submissions page on our website www.qca.org.au/submissions/

Thank you for participating in this workshop.
Stakeholder engagement and consultation play an important role in our determination process.