

**Regulated retail  
electricity prices  
in regional  
Queensland,  
2024-25**

**Information booklet**

**Draft determination  
May 2024**

# Summary

## About our review

The Minister for Energy and Clean Economy Jobs (the Minister) asked us to set notified prices to apply in regional Queensland in 2024–25.

We have a well-established framework for undertaking our review, guided by factors we must consider in the Electricity Act and in the Minister’s delegation. Consistent with previous determinations, we were asked to have regard to:

- the network plus retail (N+R) cost build-up methodology – this means we pass through network costs (the N component), which are regulated by the Australian Energy Regulator (AER), and estimate energy and retail costs (the R component) for each tariff
- the Queensland Government's uniform tariff policy (UTP) – 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 common price structures, regardless of their geographic location’.

This information booklet summarises the outcomes of our review. Our draft report and appendices (available on our [website](#)) provide more detail.

## Key takeaways

- Overall, we forecast an increase in the underlying cost of supplying energy to most customers – which is reflected in the draft notified prices. For all customers, energy costs have decreased, but there has been a notable increase in network costs.
- Notified prices for small customers have been reduced to align with the draft default market offer set by the Australian Energy Regulator (AER) for south-east Queensland.
- As in previous determinations, we used the N+R cost build-up methodology and had regard to the UTP when setting notified prices. The UTP allows us to set notified prices for most customers below the actual costs of supply.
- These draft prices are indicative only – the final notified prices may change in our final determination to reflect more up-to-date information, including updated network and energy costs and consideration of the AER’s final determination of the default market offer.



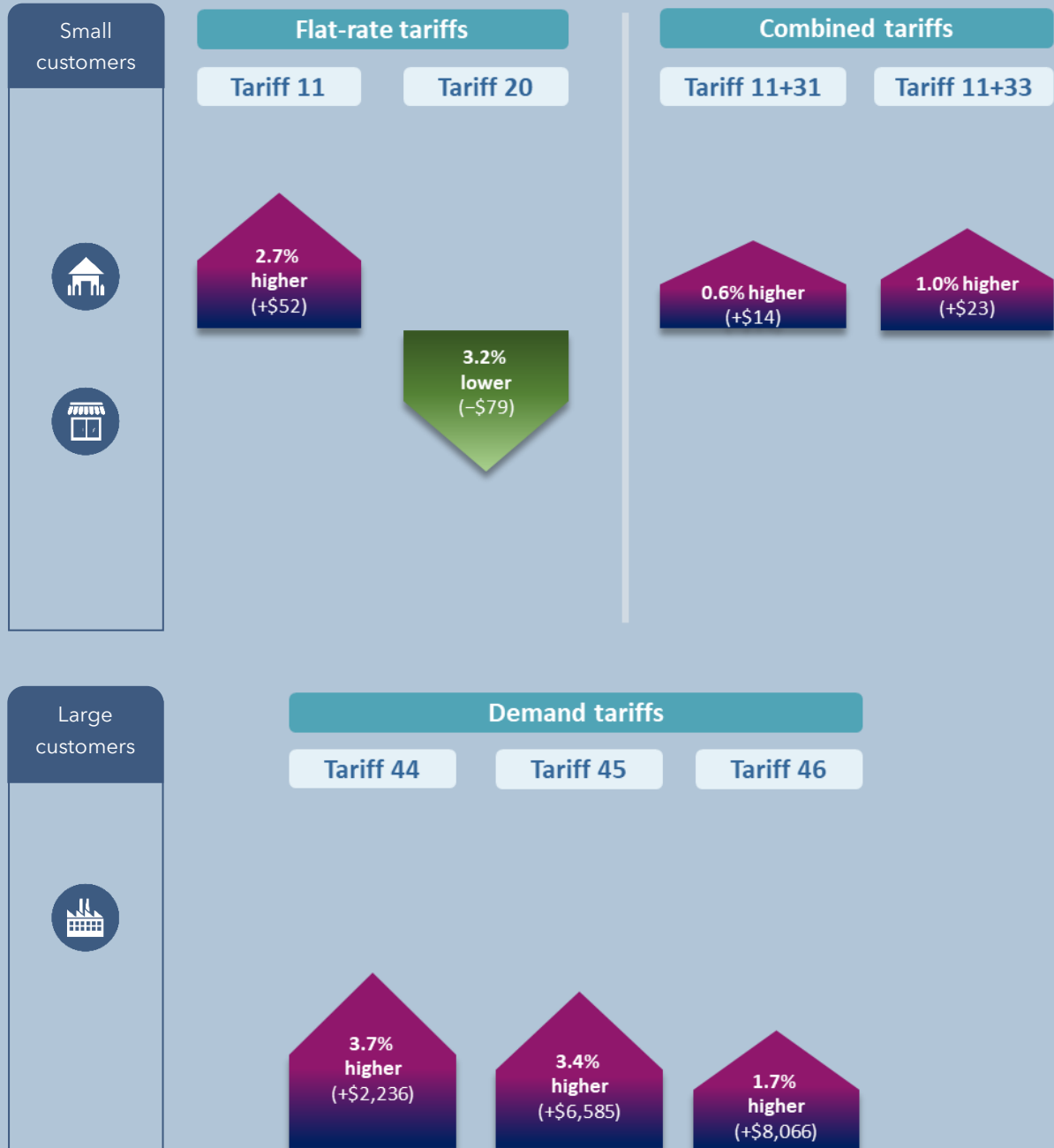
## Submissions

We invite stakeholders to make submissions on our draft determination by **21 May 2024**.

# Higher prices forecast in 2024–25

Notified prices are higher for most customers, largely due to an increase in network costs.

## Forecast change in annual bills for typical customers (compared to 2023–24)

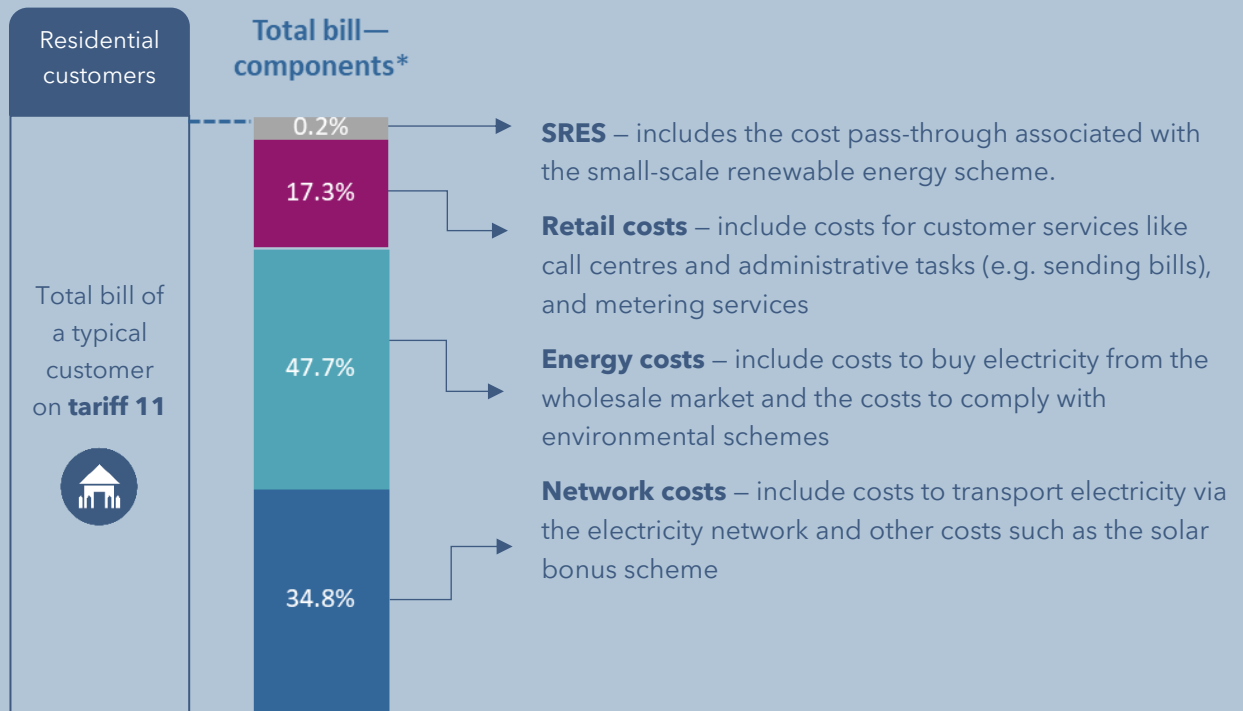


\* Bills are calculated based on 2024–25 median usage data for each tariff and include GST. Bill values have been rounded to the next dollar.

Importantly, a customer's actual bill will vary based on their consumption, as well as the application of any government rebates or concessions, such as the \$1000 cost of living rebate for households recently announced by the Queensland Government.

# Cost components of an electricity bill for residential customers

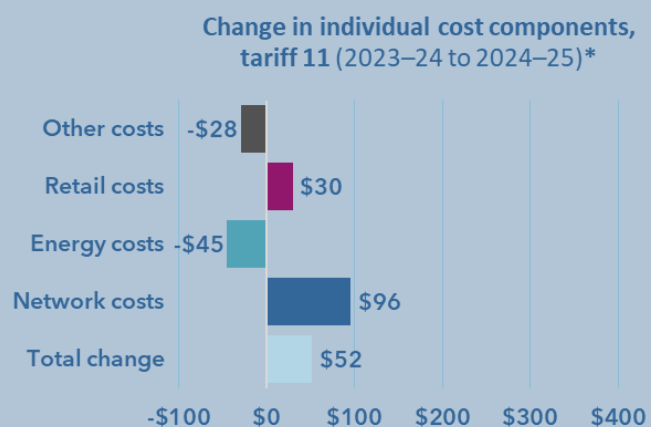
Our cost build-up methodology includes four primary cost components



Based on draft notified prices, the annual bill for typical residential customers would increase\*

The UTP allows us to set notified prices for most customers at a lower level than the actual costs of supply (see page 6).

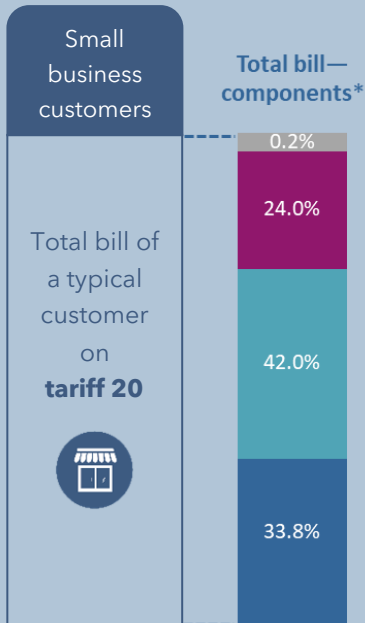
As other costs include SRES and the standing offer adjustment (which is negative this year – see page 7), overall other costs have decreased compared to last year.



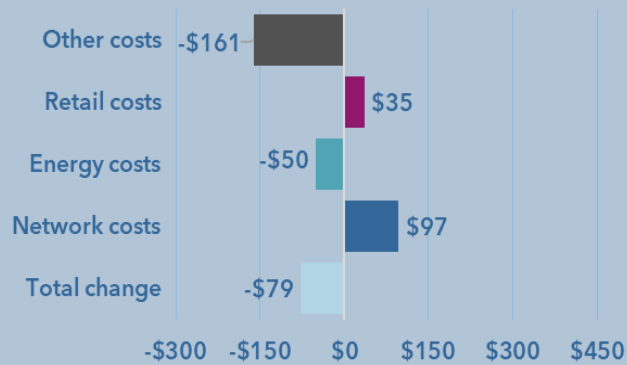
\* The bill composition and cost components are illustrated for tariff 11 – residential (flat-rate) – one of the most common tariffs in regional Queensland; values have been rounded. A customer's actual bill will vary based on their consumption, as well as the application of any government rebates or concessions, such as the \$1000 cost of living rebate for households recently announced by the Queensland Government.

# Cost components of an electricity bill for business customers

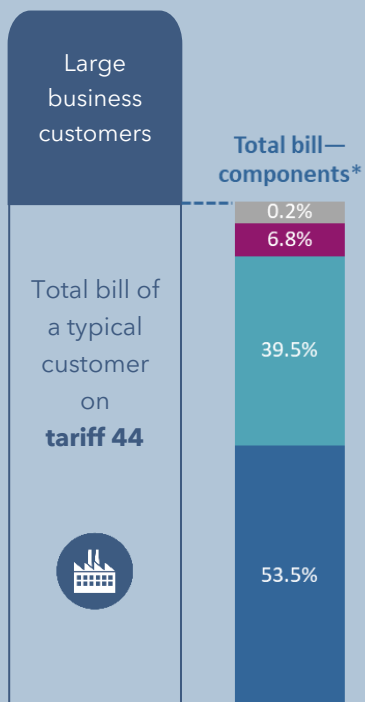
Based on draft notified prices, the annual bill for typical small business customers would decrease, but increase for typical large business customers



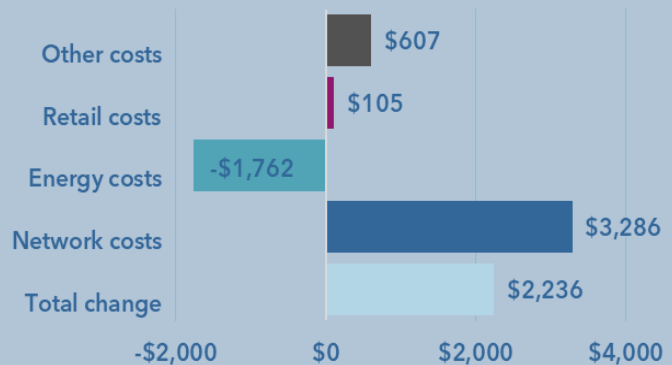
Change in individual cost components (2023–24 to 2024–25)\*



As other costs include SRES and the standing offer adjustment (which is negative this year – see page 7), overall other costs have decreased compared to last year.



Change in individual cost components (2023–24 to 2024–25)\*



\* Values have been rounded; an actual customer's bill will vary based on their consumption, as well as the application of any government rebates or concessions.

# Reasons for the changes in cost

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## Energy costs have decreased

We estimate wholesale energy costs using a market hedging approach. This approach is based on an efficient retailer purchasing energy through the spot market and entering into ASX energy contracts to hedge against spot price volatility.

Our estimate of wholesale energy costs has decreased for all customer groups. This is due to a combination of a 'flatter' demand profile for some customer groups – which is less expensive to hedge – and reductions in the average trade-weighted contract prices. Our estimate may change as we will use updated market data for our final determination.



## Retail costs have increased for most customers

We set retail cost allowances using an established benchmark, which has been adjusted for inflation. For small customers, metering service costs are included in the retail cost component. The method we use for metering costs uses a weighted cost of standard and advanced digital meters (ADMs) in south-east Queensland based on the forecast deployment rate of ADMs in regional Queensland.



## Network costs have increased

Network costs are regulated by the AER. We pass through these costs into the notified prices we set. Based on Energy Queensland's draft network prices, network costs are expected to increase for all customer groups. We expect to use the AER-approved network prices for our final determination.



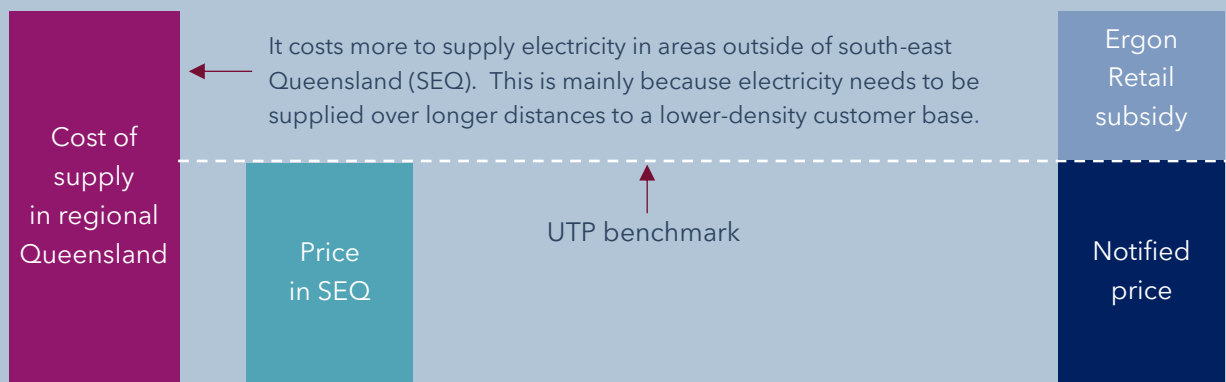
## Other costs have decreased for most customers

Other costs are associated with renewable energy schemes and, for small customers, the standing offer adjustment (discussed on page 7).

# The uniform tariff policy lowers prices

The UTP is a Queensland Government policy to help customers in regional Queensland

The UTP 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 common price structures, regardless of their geographic location'.

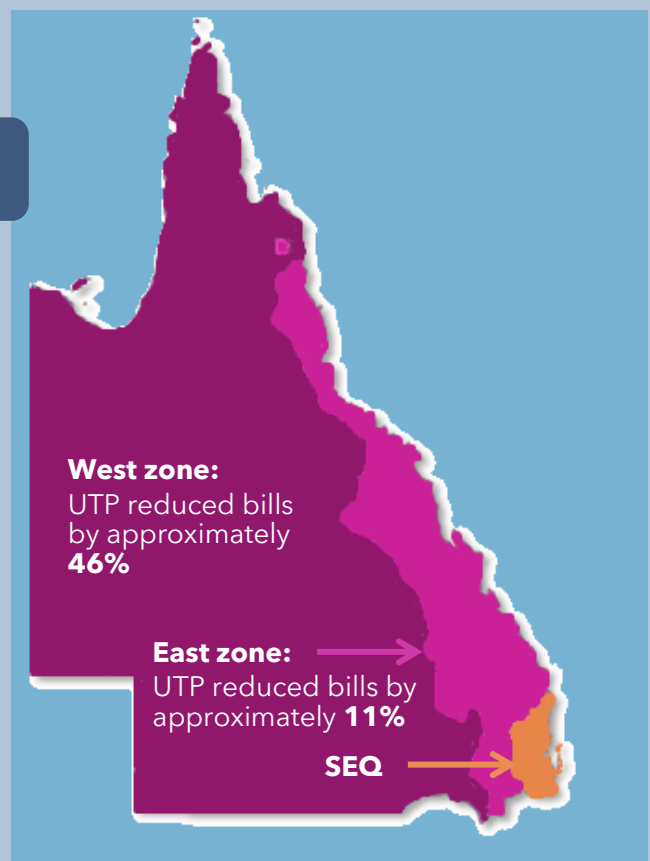


The UTP allows us to set notified prices for most customers at a level lower than the actual cost of supply.

The Queensland Government covers the cost difference by paying a community service obligation subsidy to Ergon Retail (around \$537 million in 2023-24).\*

Because of this subsidy, most customers in regional Queensland pay less than the actual costs to supply electricity.

\* Expected amount, including around \$90 million associated with isolated systems.



# Comparing notified prices to SEQ prices

## Notified prices were reduced following our comparison

The Minister asked us to consider the costs and benefits associated with standing offers in SEQ, as well as the AER's default market offer (DMO) for standing offer customers in SEQ, when we set notified prices for small customers. A standing offer is the default contract for customers who are not on a market contract. It acts as a safety net so that customers get a basic service at a reasonable price. The DMO is the maximum price retailers can charge for standing offers in certain jurisdictions, including SEQ.

### Standing offer adjustment (SOA)

We calculated a SOA of 3.45% for small customers to reflect the value of more favourable terms and conditions in standard contracts relative to market contracts. This is based on an assessment of additional fees that SEQ customers on market offers could incur (on top of their annual bill), which customers on standing offers would not incur.

### DMO comparison

We made adjustments to be able to make a like-for-like comparison between the relevant notified price bills and the draft DMO reference bills in SEQ.\*



The relevant notified prices bills (including a SOA of 3.45%) **exceeded** the draft DMO reference bills for SEQ determined by the AER.

### SOA reduction

As a result of the DMO comparison, we reduced the SOA for all residential and small business tariffs to between -2.29% and -7.18%. While the AER does not set a DMO price for each tariff we set, we applied this SOA reduction to other tariffs within each customer class to maintain price relativity between small customer tariffs. This lowered bills for all small customers in regional Queensland.

\* Including adjustments to notified prices to account for differences in the treatment of GST and consumption levels.



# Next steps

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## Draft determination



We have published our draft determination, which is available on our [website](#). This information booklet provides an 'at a glance' overview of the price setting process, the bill impacts and additional issues we considered.

## Information sessions



We will hold online information sessions on our draft determination in May 2024. Information on the information sessions, including the timing and how to register for the sessions, is published on our website. Subscribe to our [email alerts](#) to keep up to date with the latest developments.

## Submissions



Public involvement is an important element of our decision-making processes. We invite stakeholders to provide written submissions on issues raised in the draft, or other matters considered relevant to our price determination. Submissions on the draft determination are due by **21 May 2024**. Information on how to make a submission is available in our draft report and on our [website](#).

## Final determination



We will make a final determination by 7 June 2024. The notified prices will apply from 1 July 2024.