Queensland Competition Authority

Regulated retail electricity prices in regional Queensland, 2024–25

Information booklet

Final determination
June 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 in the Electricity Act and in the Minister's delegation that we must consider. As in previous years, 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 final report and appendices (available on our website) provide more detail.

Key takeaways

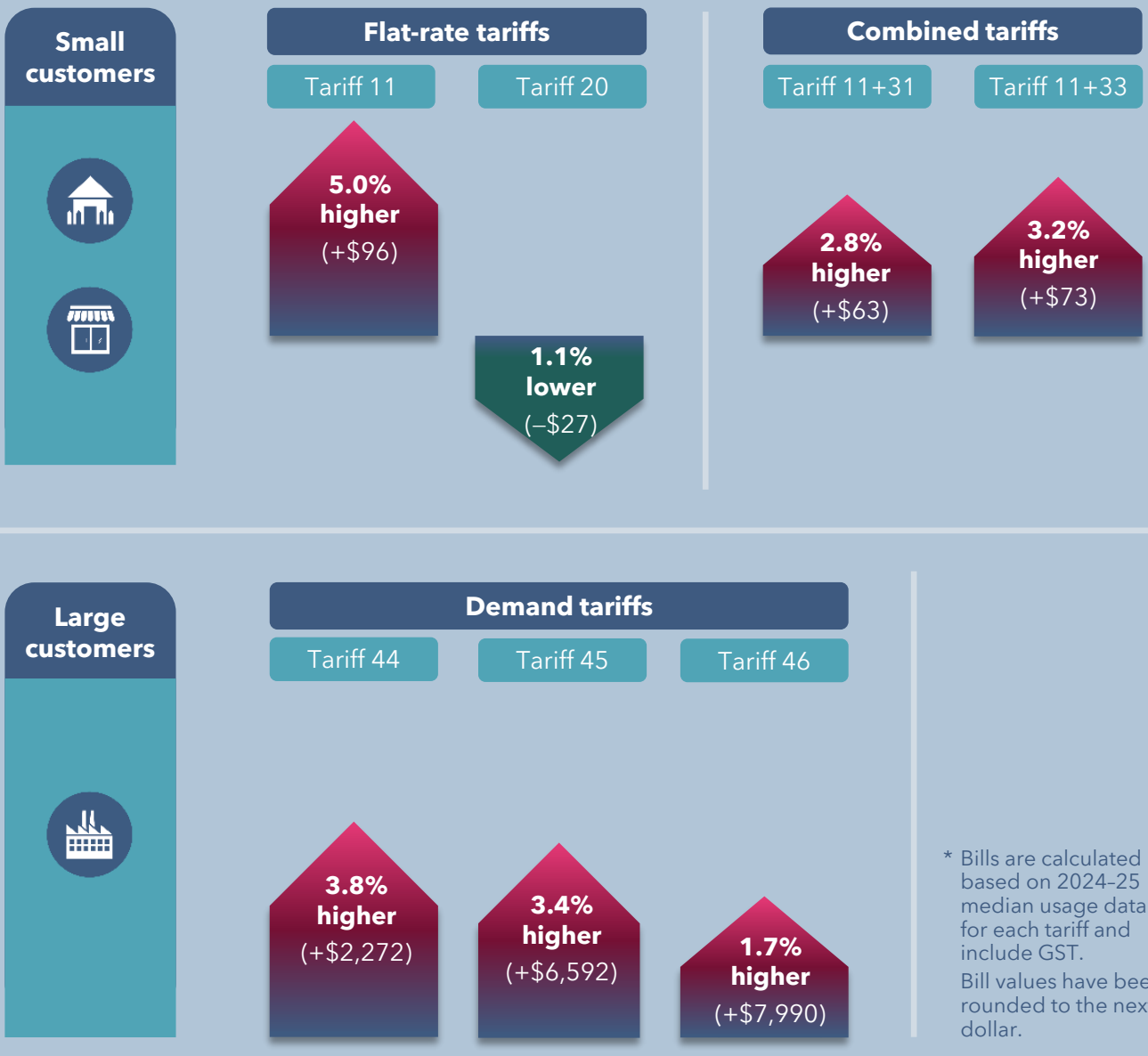
- This year, we forecast an increase in electricity prices for most customers (except small business customers).
- For all customers, energy costs have decreased but there has been a notable increase in network costs.
- As in previous determinations, we used the N+R cost build-up methodology and had regard to the UTP when setting notified prices. The UTP means notified prices for most customers are set below the actual costs of supply.
- We reduced the notified prices for small customers to align with the final default market offer (DMO) set by the AER for south-east Queensland (SEQ).
- The final notified prices take account of up-to-date information, including for energy costs and the AER's final determination of the DMO.

The notified prices will apply from 1 July 2024.

Higher prices in 2024–25

Notified prices increased for most customers, mainly because network costs increased.

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

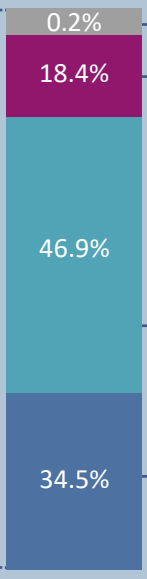


* Bills are calculated based on 2024–25 median usage data for each tariff and include GST.
Bill values have been rounded to the next dollar.

A customer's actual bill will vary based on their consumption and any government rebates or concessions, such as the Queensland Government's $1,000 cost of living rebate for households. Page 8 shows small customers how to calculate bill changes based on their consumption.

Cost components of an electricity bill for residential customers

Our cost build-up methodology includes 4 primary cost components.



SRES
includes the cost pass-through associated with the small-scale renewable energy scheme

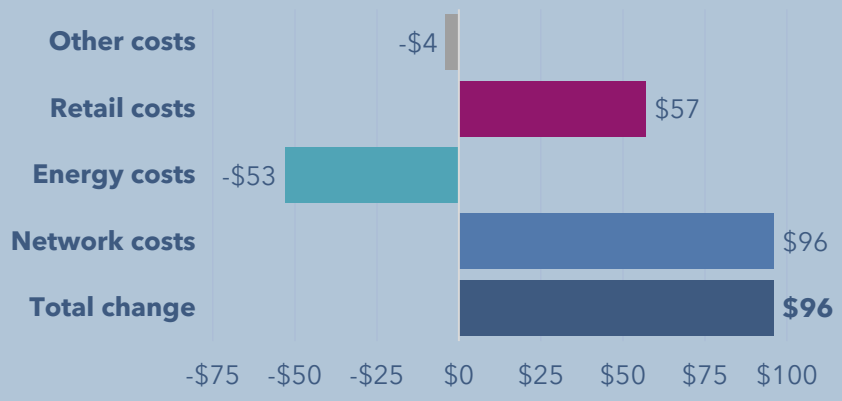
Retail costs
include costs for customer services like call centres and administrative tasks (e.g. sending bills), and metering services

Energy costs
include costs to buy electricity from the wholesale market and the costs to comply with environmental schemes

Network costs
include costs to transport electricity via the electricity network and other costs such as the solar bonus scheme

The annual bill for typical residential customers will increase.*

Change in individual cost components, tariff 11 (2023–24 to 2024–25)*



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

Retail costs include a fixed NEM fee this year (see page 5).

* 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 any government rebates or concessions, such as the Queensland Government's $1,000 cost of living rebate for households.

Cost components of an electricity bill for business customers

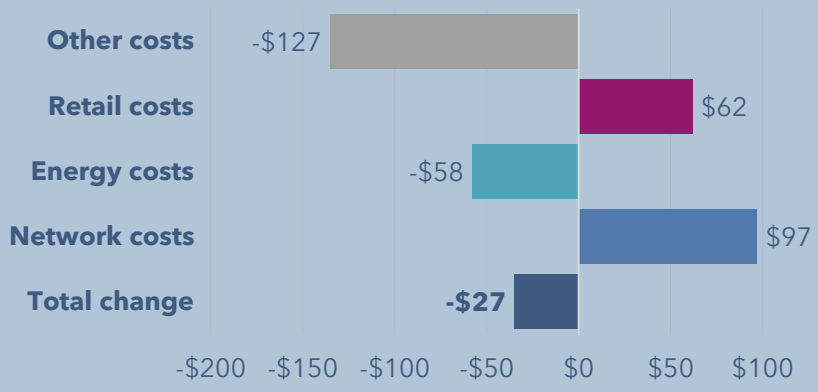
The annual bill for typical small business customers will decrease but increase for typical large business customers.

Small business customers

Total bill of a typical customer on **tariff 20**

Total bill–components*

Change in individual cost components, tariff 20 (2023–24 to 2024–25)*



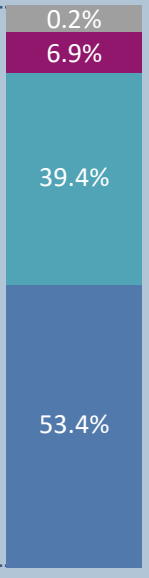
Other costs include SRES and the standing offer adjustment (SOA). As the SOA is negative this year (see page 7), other costs have decreased compared to last year.

Retail costs include a fixed NEM fee this year (see page 5).

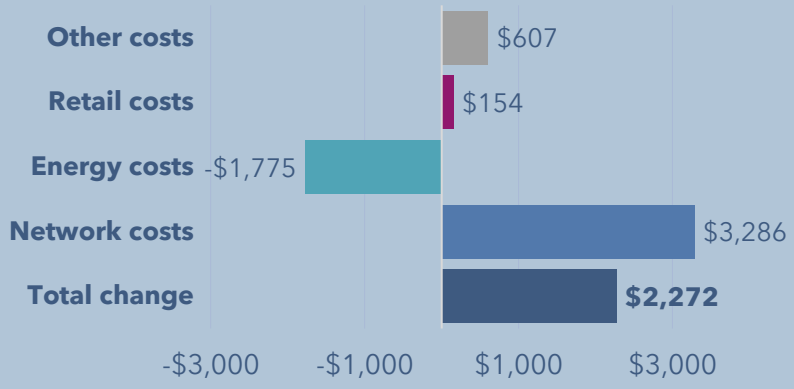
Large business customers

Total bill of a typical customer on **tariff 44**

Total bill–components*



Change in individual cost components, tariff 44 (2023–24 to 2024–25)*



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

Reasons for the changes in cost

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 national electricity market (NEM) and entering ASX energy contracts to hedge against spot price volatility.

Our estimate of wholesale energy costs has decreased for all customer groups compared to last year. 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 base contract prices. Our estimate for the final determination differs from our estimate in the draft determination, as we have used updated market data.

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.

In addition, a fixed NEM fee is captured in the (fixed) retail cost component this year as indicated in the figures on pp 3 and 4 (see Table 4.3 of the main report for further detail).

Network costs have increased.

Network costs are regulated by the AER. We pass through these costs into the notified prices we set. We have used the 2024-25 network prices approved by the AER in our determination, which are higher than in 2023-24.

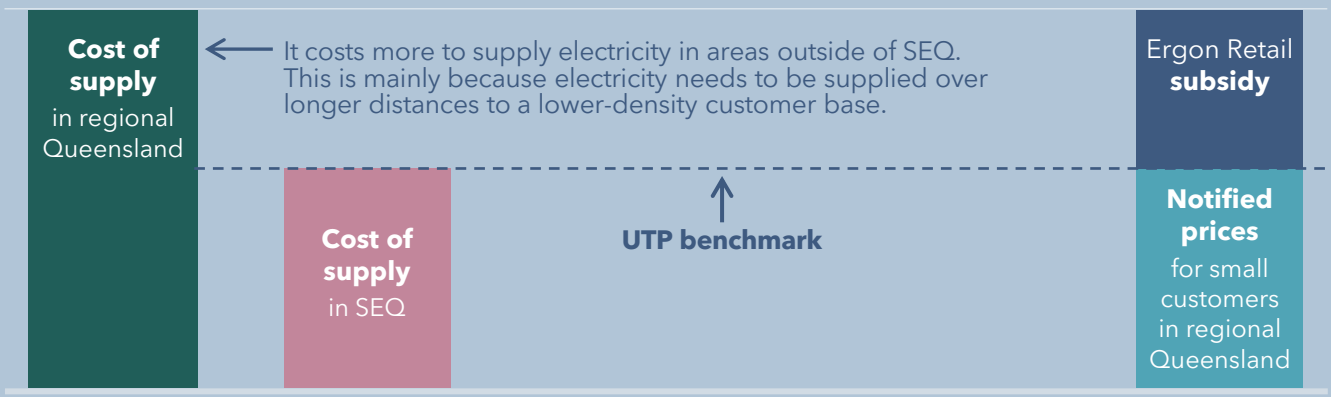
Other costs have decreased for most customers.

Other costs are associated with renewable energy schemes and, for small customers, the standing offer adjustment, which is negative this year (see page 7).

The uniform tariff policy lowers prices

The UTP is a Queensland Government policy that delivers more affordable electricity prices to customers in regional Queensland.

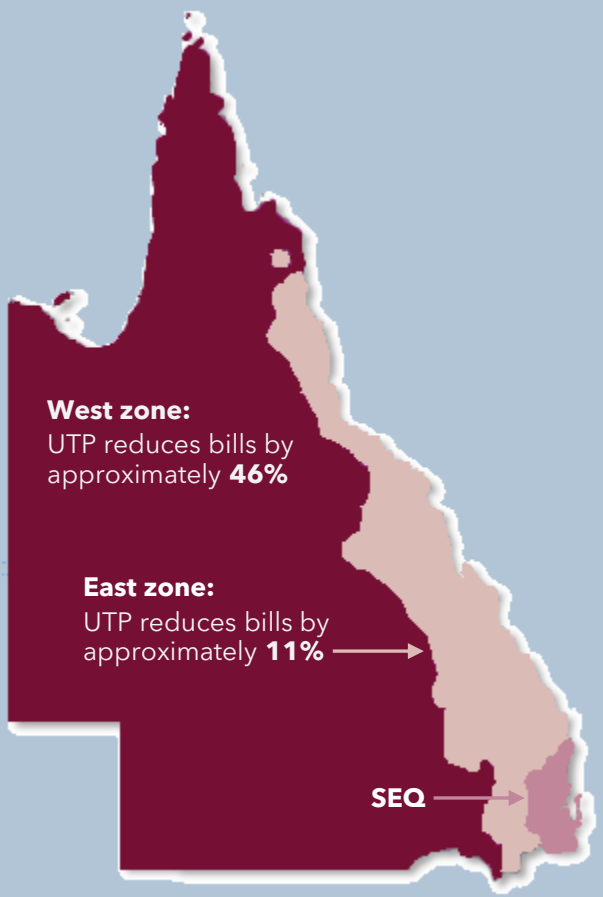
The UTP provides that 'wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location'.



The UTP means notified prices for most customers are set 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

We reduced the standing offer adjustment after comparing notified prices to the default market offer in SEQ.

The Minister asked us to consider the costs and benefits associated with standing offers in SEQ, as well as the AER's 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. The DMO is the maximum price retailers can charge for standing offers in certain jurisdictions, including SEQ. It thereby acts as a safety net so that customers get a basic service at a reasonable price.

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 standing offers relative to market offers. 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 compared the relevant notified price bills and the approved DMO reference bills for SEQ.*

Notified price bill
(including SOA)
in regional Queensland

DMO reference bill
for SEQ

The relevant notified prices bills (including a SOA of 3.45%) **exceeded** the approved 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 –1.10% and –5.80% respectively to ensure the notified price bill does not exceed the relevant DMO reference bill.

The AER does not set a DMO price for each tariff we set. However, we applied the SOA reduction to other tariffs within each customer class to maintain price relativity between small customer tariffs. This means that all small customers in regional Queensland will have lower bills than they would have had without the SOA reduction.

* To allow a like-for-like comparison, we made some adjustments to notified prices, including accounting for differences in the treatment of GST and consumption levels.

Calculating the change in your bills

The bills on the previous pages are bills for typical customers (based on a set consumption level). Your bill will likely be different.

Your bill depends on your electricity consumption and the interaction between the various price components of your plan, such as supply and usage charges. Following the steps below, you can calculate annual bills based on the prices for 2023–24 and 2024–25, and your individual electricity consumption. The change in your bills is calculated by subtracting your total bill for 2023–24 from your total bill for 2024–25.

Calculate bills based on your own consumption level

The steps below show how you can calculate annual bills for flat-rate tariffs, such as tariff 11 (residential) or tariff 20 (small business). The example is based on the 2024–25 prices for tariff 11 and the median annual usage of regional customers on tariff 11.

Calculation	Explanation & additional information	Example (tariff 11)
Supply charge × 365.25	Multiply the daily supply charge by the number of days per year Note: 365.25 days accounts for leap years. Also, you will need to divide by 100 to convert cents to dollar amounts (i.e. 124.243/100 = $1.242).	124.243 c / 100 × 365.25 = $454
plus		
Usage charge × annual consumption	Multiply the usage charge by your annual consumption (usage) Note: average daily usage × 365, monthly usage × 12, or quarterly usage × 4. Also, you will need to convert cents to dollars as described above. We use 4,492 kWh (the set annual consumption, input your own consumption instead).	30.972 c/kWh / 100 × 4,492 kWh = $1,391
plus		
GST	Add 10% GST to the total above	($454 + $1,391) × 0.1 = $185
equals		
Total bill	Add up the components above	$2,030
minus		
Government rebates or concessions	For example, subtract the Queensland Government's $1,000 cost of living rebate for households and the $300 Australian Government rebate for households.	–$1,300
equals		
Total bill net of rebates & concessions	Subtract any government rebates or concessions you are entitled to from your total bill	$730 (minus other rebates and concessions)