

Retail Tariffs



Business, Irrigation and Farming Tariffs



Background on Ergon Energy Qld Retail Tariffs

- The Queensland Competition Authority (QCA) has been delegated the task of determining notified prices for all regulated retail electricity tariffs from 1 July 2013 to 30 June 2016.
- The QCA has adopted a cost reflective N+R cost build-up approach where the N (network cost) component is treated as a pass-through and the R (energy and retail cost) component is determined by the QCA.
- However, due to transitional arrangements, many customers continue to access notified prices which are not cost-reflective. These arrangements were introduced to reduce potentially significant price increases for some customers and in recognition of some physical constraints on customers changing tariffs, related to metering and systems changes.
- The QCA has continued to make transitional tariffs available for 2014–15 and beyond for certain customers.

- In 2012-13, the Authority introduced a range of new cost-reflective tariffs for use by small and large businesses, made 12 tariffs obsolete and removed three of the old regulated tariffs.
- The Authority decided that there would be a seven-year transition for customers on tariffs 20 (large), 21, 22 (small and large), 37, 62, 65 and 66, a two year transition for customers on tariffs 41 (large) and 43 (large), and that three little used tariffs (63, 64 and 53 (large)) should be removed.

- In addition, for equity reasons, the Authority opened access to tariffs 20 (large), 21, 22 (small and large), 62, 65 and 66 to all eligible customers over the seven year transition period.
- The Authority set 2013-14 price increases for transitional and obsolete tariffs based on the percentage increases in the relevant cost-reflective tariffs that customers would otherwise be on, plus additional escalations to ensure the price differences between obsolete and cost-reflective tariffs did not blow out over the transition period.
- However, these prices were over-ruled by the Queensland Government, which set prices for all transitional and obsolete tariffs 10% above the 2012-13 prices.

Tariff increases in 2013-14 for “Cost Reflective” Retail Tariffs

Tariff	Percentage increase
Tariff 20 (flat rate)	17.4%
Tariff 22 (time of use)	15.5%
Tariff 44	13.2%
Tariff 45	13.5%
Tariff 46	13.1%

GST inclusive

Tariff increases in 2013-14 for “Transitional” Retail Tariffs

<i>Obsolete/Transitional Tariff</i>	<i>Retain or Remove in 2013-14</i>	<i>Period to be Retained</i>	<i>2013-14 QCA Increase^a</i>	<i>2013-14 Actual Increase</i>
Tariff 21 – transitional	Retain	7 years	24.0%	10.0%
Tariff 37 – obsolete	Retain	7 years	20.0%	10.0%
Tariff 62 – transitional	Retain	7 years	20.0%	10.0%
Tariff 63	Remove	N/A	N/A	N/A
Tariff 64	Remove	N/A	N/A	N/A
Tariff 65 – transitional	Retain	7 years	20.0%	10.0%
Tariff 66 – transitional	Retain	7 years	20.0%	10.0%
Tariff 20 (large) – transitional	Retain	7 years	14.3%	10.0%
Tariff 22 (small and large) – transitional	Retain	7 years	16.3%	10.0%
Tariff 41 (large) – obsolete	Retain	2 years	14.3%	10.0%
Tariff 43 (large) – obsolete	Retain	2 years	14.3%	10.0%
Tariff 53 (large)	Remove	N/A	N/A	N/A

Tariff 20 General Supply

This tariff may be used for all types of electricity usage. It is the most appropriate tariff for small businesses with predominantly daytime electricity requirements.

TARIFF 20 GENERAL SUPPLY PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
All consumption - cents per kWh	25.540
Daily supply charge (service fee) - cents per day	143.177

TARIFF 20 (LARGE) GENERAL SUPPLY (TRANSITIONAL) PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
All consumption - cents per kWh	30.866
Daily supply charge (service fee) - cents per day	63.100

Tariff 22 General Supply Time of Use

This tariff may be suitable for customers with a good deal of night and weekend electricity usage. Electricity is charged at a higher rate during the specified peak period and less during the specified off-peak period.

TARIFF 22 GENERAL SUPPLY TIME OF USE PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
Weekdays (7am-9pm) - cents per kWh	28.046
Other times - cents per kWh	20.535
Daily supply charge (service fee) - cents per day	143.177

TARIFF 22 (SMALL AND LARGE) GENERAL SUPPLY TIME OF USE (TRANSITIONAL)	GST INCLUSIVE NOTIFIED PRICE
Weekdays (7am-9pm) - cents per kWh	40.902
Other times - cents per kWh	14.403
Daily supply charge (service fee) - cents per day	151.652

Tariff 62 Farm Time of Use (Transitional)

This tariff is applicable to farming customers with a good deal of night and weekend electricity usage e.g. irrigation, stock watering, pumping, piggery heating, dairy refrigeration, hatchery lighting or similar. This tariff cannot be used in conjunction with Tariff 20, 21 or 22.

TARIFF 62 FARM TIME OF USE (TRANSITIONAL) PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
Weekdays peak (7am-9pm) first 10,000kWh per month - cents per kWh	39.411
Weekdays peak (7am-9pm) remaining kWh per month - cents per kWh	33.328
Other times - cents per kWh	13.936
Daily supply charge (service fee) - cents per day	66.468

Tariff 65 Irrigation Time of Use (Transitional)

This tariff is for electricity used in a fixed 12 hour daily pricing period as agreed between Ergon Energy and the customer (from the range 7am to 7pm; 7.30am to 7.30pm; or 8am to 8pm) Monday to Sunday inclusive.

TARIFF 65 IRRIGATION TIME OF USE (TRANSITIONAL) PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
High rate - cents per kWh (7am-7pm or 7.30am-7.30pm or 8am-8pm)	31.438
Low rate - cents per kWh (7pm-7am or 7.30pm-7.30am or 8pm-8am)	17.316
Daily supply charge (service fee) - cents per day	66.468

Tariff 66 Irrigation (Transitional)

This tariff is most suited for irrigation pumps of over 7.5kW, which are used for long hours. It has a service fee, a fixed annual charge based on the size of motors installed and a charge for the total amount of electricity used (kWh).

TARIFF 66 IRRIGATION (TRANSITIONAL) PRICING STRUCTURE	GST INCLUSIVE NOTIFIED PRICE
All consumption - cents per kWh	16.478
Annual fixed charge first 7.5kW, rate per kW - dollars	\$31.957
Annual fixed charge remaining kW, rate per kW - dollars	\$96.085
Daily supply charge (service fee) - cents per day	146.493

Underlying Cost Drivers in 2014-15 QCA Draft Determination

- Energy costs. Expected to increase by around 14% compared to 2013–14, based on carbon-inclusive estimates. This increase is expected to be driven by rising industrial demand associated with rapid development of the liquefied natural gas (LNG) export industry in Queensland and higher fuel prices (mainly gas).
- Solar Bonus Scheme. The scheme's costs have almost doubled since 2013-14 and will continue to push up prices in future years as distributors recoup costs incurred in paying feed-in tariffs to solar customers. The impact of the Solar Bonus Scheme on network tariffs is expected to peak in 2015–16, at which time about 25% of Energex's network prices will be due to the Solar Bonus Scheme.
- Network costs (excluding costs related to the Solar Bonus Scheme). Network revenue allowances are approved by the Australian Energy Regulator (AER). Network prices are also increasing because of lower than forecast consumption which means that network charges must increase to recover the allowed revenue.

2014-15 Draft Determination

- The QCA proposed to increase transitional prices for 2013–14 by the same amount, in percentage terms, as cost-reflective prices, plus additional increases to ensure the price gap between transitional and cost-reflective prices did not widen in dollar terms.
- If the carbon tax is removed in 2014–15, increases in cost-reflective prices would be small. As a result, the QCA’s method for setting transitional prices would do little to limit the subsidy provided to customers on transitional tariffs. In these circumstances, they propose to set a floor for transitional price increases of 10%.
- The QCA’s proposed prices for 2014–15 do not reverse the effect of the 10% cap imposed in 2013–14. Customers will enjoy a permanent benefit to the end of the transition period due to the 2013–14 cap.

2014-15 Draft “Cost Reflective” Retail Tariff increases

Retail tariff	Increase for customers with carbon tax (%)	Increase for customers without carbon tax (%)
Tariff 20 (flat rate)	13.3%	5.3%
Tariff 22 (time of use)	13.0%	2.7%
Tariff 44	14.6%	3.4%
Tariff 45	11.4%	-0.8%
Tariff 46	9.8%	-4.1%

2014-15 Draft “Transitional” Retail Tariff increases

<i>Obsolete/transitional tariff</i>	<i>Period to be retained</i>	<i>Carbon-inclusive price increase</i>	<i>Carbon-exclusive price increase</i>
Tariff 21 – transitional	6 years	19.5%	10.0%
Tariff 37 – obsolete	6 years	16.3%	10.0%
Tariff 62 – transitional	6 years	16.3%	10.0%
Tariff 65 – transitional	6 years	16.3%	10.0%
Tariff 66 – transitional	6 years	16.3%	10.0%
Tariff 20 (large) – transitional	6 years	13.2%	10.0%
Tariff 22 (small and large) – transitional	6 years	15.0%	10.0%
Tariff 41 (large) – obsolete	1 year	13.2%	10.0%
Tariff 43 (large) – obsolete	1 year	13.2%	10.0%

Dealing with carbon uncertainty

- There is considerable uncertainty regarding the likely price of carbon in 2014–15. While the Australian Government has initiated the process for repealing the carbon tax, it is uncertain if and when the carbon tax will be repealed in 2014–15.
- Given this uncertainty, the QCA has calculated two sets of retail prices.
 - One set, which includes a full pass-through of carbon costs, is to apply up until the carbon tax is repealed.
 - The second, with no carbon costs, is to apply after the carbon tax is repealed.
- It is important to note that the QCA does not have the power to change retail prices mid-year. In order to do so the QCA would require a new delegation from the Minister for Energy and Water Supply if and when the carbon tax is removed.
- Alternatively, the Minister could choose to make a new price determination using the carbon-exclusive notified prices calculated by the QCA.

Additional Information can be found at:

Ergon Energy Retail Tariffs

<https://www.ergon.com.au/your-business/electricity-prices>

Queensland Competition Authority

<http://www.qca.org.au/electricity-retail/NEP/>

Ergon Energy Network Tariff Strategy

<https://www.ergon.com.au/contractors,-suppliers--and--developers/electricity-distribution-pricing-methodologies/network-tariff-strategy-consultation>

Ergon Energy AER Submission

<https://www.ergon.com.au/community--and--our-network/future-investment>