Queensland Competition Authority

Regulated retail electricity prices in regional Queensland for 2024–25

Final determination

June 2024

Contents

1 About our review

Each year, we set regulated retail electricity prices for regional Queensland that reflect our estimate of the annual costs to a retailer of supplying electricity to customers.

In December 2023, the Minister for Energy and Clean Economy Jobs (the Minister) delegated us the task of setting regulated retail electricity prices (notified prices) for regional Queensland in 2024–25.[1] We received further correspondence from the Minister in March and April 2024.[2] This delayed the draft determination so additional matters relevant to setting small customer notified prices could be considered.

We undertake our review using a well-established framework based on factors in the Electricity Act and matters in the delegation (Box 1), stakeholder submissions[3], and our own analysis. The notified prices will apply from 1 July 2024.

Box 1: Overarching framework

When we set notified prices, the Electricity Act requires us to have regard to:

- the actual costs of making, producing or supplying the goods or services
- the effect of the price determination on competition in the Queensland retail electricity market
- any matter we are required by delegation to consider.[4]

The Minister's delegation (and terms of reference) specifies policies, principles and other matters we must consider this year, such as:

- using the network plus retail (N+R) cost build-up methodology to set notified prices – this involves passing through network prices that the AER approved, and adding retail and energy costs that we determine
- the Queensland Government's uniform tariff policy (UTP) – which provides that customers of the same class should pay no more for their electricity, and should pay via similar price structures, regardless of their geographic location. This means for most customers, prices are set below the actual cost of supply and are subsidised by the Queensland Government (via a community service obligation payment).

[1] The delegation was issued in accordance with s 90AA of the *Electricity Act 1994* (Qld).
[2] The March and April 2024 correspondence from the Minister is provided in Appendix A and available on our website.
[3] We received 12 submissions throughout our review, which are available on our website and listed at the end of this report.
[4] Electricity Act, s 90(5)(a). We may also have regard to any other matter we consider relevant (Electricity Act, s 90(5)(b)).

Draft determination

In March and April 2024, we received additional correspondence from the Minister asking us to delay publishing the draft determination and reduce small customer notified prices to align with the AER's draft default market offer (DMO) reference bills for SEQ.[5] Our draft determination was published on 7 May 2024.

We held online information sessions on key aspects of our draft determination on 13 and 15 May 2024 to assist stakeholders prepare submissions (due 21 May 2024). Due to the timing delay, we were unable to hold information sessions in Brisbane or regional locations this year.

Final determination

The notified prices in this report are presented as bundled prices, appropriate to the retail tariff structure (except for site-specific tariffs).[6] Further details and indicative customer bill impact charts are provided in chapter 2.

We have also considered new matters this year – metering costs and default tariff arrangements – but these did not result in changes to our current approach (section 4.2 and 5.4).

Review timeline

We are at the end of this year's notified prices review (Figure 1.1).

Figure 1.1: Stages of the review

[5] The delegation and Ministerial correspondence are provided in Appendix A.
[6] As required in cl 8 of the schedule to the Minister's delegation (Appendix A1). Bundled prices combine the individual cost components (e.g. network costs and other costs – see chapters 4 and 5) that make up the notified prices.

1.1 Supporting information

A range of supporting information is available on our website. This includes:

- an information booklet, which provides an overview of the key issues for setting notified prices this year
- appendices to this report:
  - Appendix A: Minister's delegation and correspondence
  - Appendix B: SRES cost pass-through approach
  - Appendix C: Data used to estimate customer impacts
  - Appendix D: Build-up of notified prices
  - Appendix E: Gazette notice
- a report on energy costs prepared by our consultant ACIL Allen (ACIL) to assist us in setting the energy cost component of notified prices (see section 4.2.1).

1.2 Human Rights Act declaration

As required by the *Human Rights Act 2019* (Qld) (s 58), we have considered the compatibility of our determination with human rights. Our determination relates to the prices that individuals, as consumers, pay for the supply of electricity; therefore, we consider the following human rights may potentially be relevant:

- equality and non-discrimination
- protection of families and children.

When setting notified prices, we have regard to the Queensland Government's 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.[7]

Because of this policy, the electricity prices for most customers in regional Queensland are set below the actual cost of supply. The above-mentioned rights have therefore not been limited by our decision. Our view is that this determination is compatible with human rights under s 8(a) of the Human Rights Act.

[7] Appendix A1, Minister's delegation, terms of reference, cl 2(a).

2 Indicative customer bill impacts

Overall, we forecast an increase in the underlying cost of supplying energy to most customers – which is reflected in the notified prices.

This is driven by changes to the costs that retailers face, though electricity bills for small customers are capped to align with the equivalent AER DMO reference bills for SEQ.[8]

For all customers, energy costs have decreased, but there has also been a notable increase in network costs (determined by the AER). Further detail on changes to individual cost components and application of the AER's DMO reference bills as a cap is set out in chapters 4 and 5.

We present the impact on customer bills based on notified prices, relative to last year, below.

How will your bill change?

We have estimated indicative customer bill impacts based on a set level of consumption. Your actual bill will vary depending on how much electricity you use, as well as the application of government rebates and concessions, such as the Queensland Government's $1000 cost of living rebate[9] (discussed in chapter 3).

You can use the guide on page 8 of the information booklet to calculate the change in your bills based on your own consumption level.[10]

Engage with your retailer for individual advice and further information based on your circumstances, including tariff options available.

2.1 Small customers

Based on the notified prices, and in the absence of the $1000 cost of living rebate announced by the Queensland Government and the $300 rebate announced in the Federal Budget for all Australians[11], we expect electricity bills for typical customers to:

[8] The annual electricity bills for small customers cannot be directly compared to the AER's DMO reference bills for SEQ without some adjustments to ensure a like-for-like comparison (discussed in section 5.1).
[9] Queensland Government, *Cost of living rebate for households*, qld.gov.au, accessed 30 May 2024.
[10] The information booklet is available on our website.
[11] The combined rebate of $1300 for residential customers results in an annual bill reduction of between 56% and 64% (based on median usage), depending on whether a customer is on the main flat-rate tariff 11 or also on load control tariffs. The rebate of $325 to eligible small businesses results in an annual bill reduction of 13% (based on median usage) for customers on the main flat-rate tariff 20.

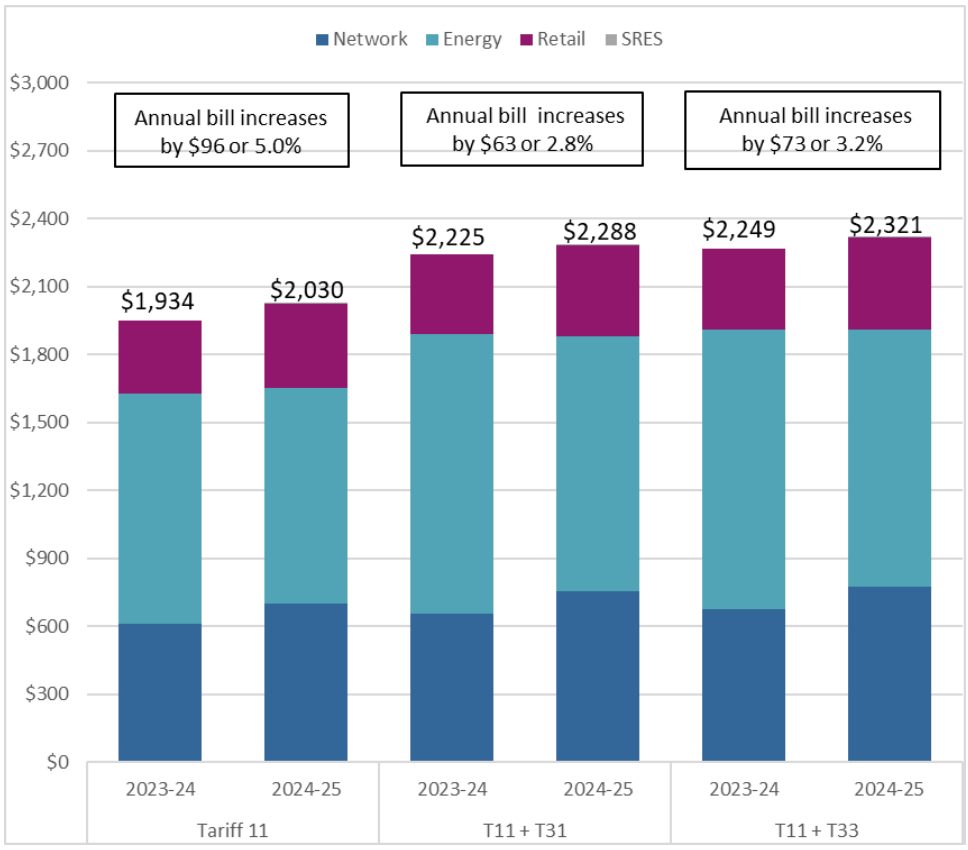
- increase by between 2.8% and 5.0% for residential customers on the main flat-rate tariff 11, depending on whether they are also on load control tariffs (Figure 2.1)
- decrease by 1.1% for small business customers on the main flat-rate tariff 20 (Figure 2.2).

For typical residential customers, the overall increase is driven by an increase in network and retail costs, not fully offset by a decrease in energy costs (see Figure 2.3). As secondary load control tariffs 31 and 33 have decreased – driven by a substantial decrease in energy costs – we expect the increase to electricity bills for these customers to be less.[12]

Importantly, the Minister's direction that we apply the AER's DMO reference bills as a cap has limited the increase to annual electricity bills.

For typical small business customers, there has also been an increase in network and retail costs, not fully offset by the decrease in energy costs. However, in this instance, application of the AER's DMO reference bill as a cap has resulted in a decrease in the annual electricity bill, relative to last year.

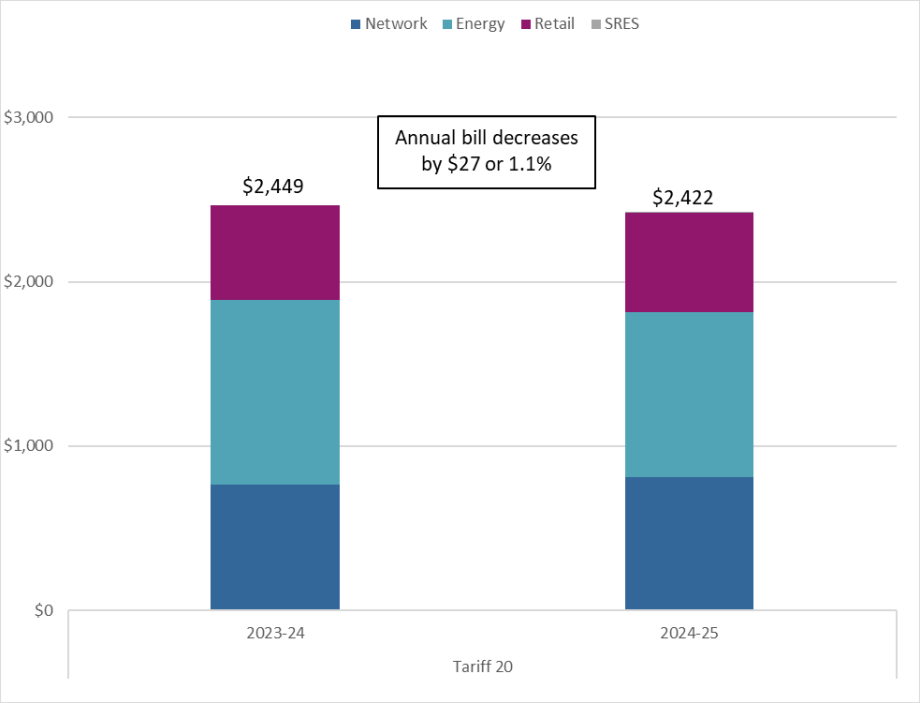
Figure 2.1: Residential customer bills, 2023–24 and 2024–25 (incl GST)



Note: SRES costs are also included in the figure above; however, given the size of this component relative to the total bill, it is not apparent. Additionally, annual bills do not take account of any rebates.

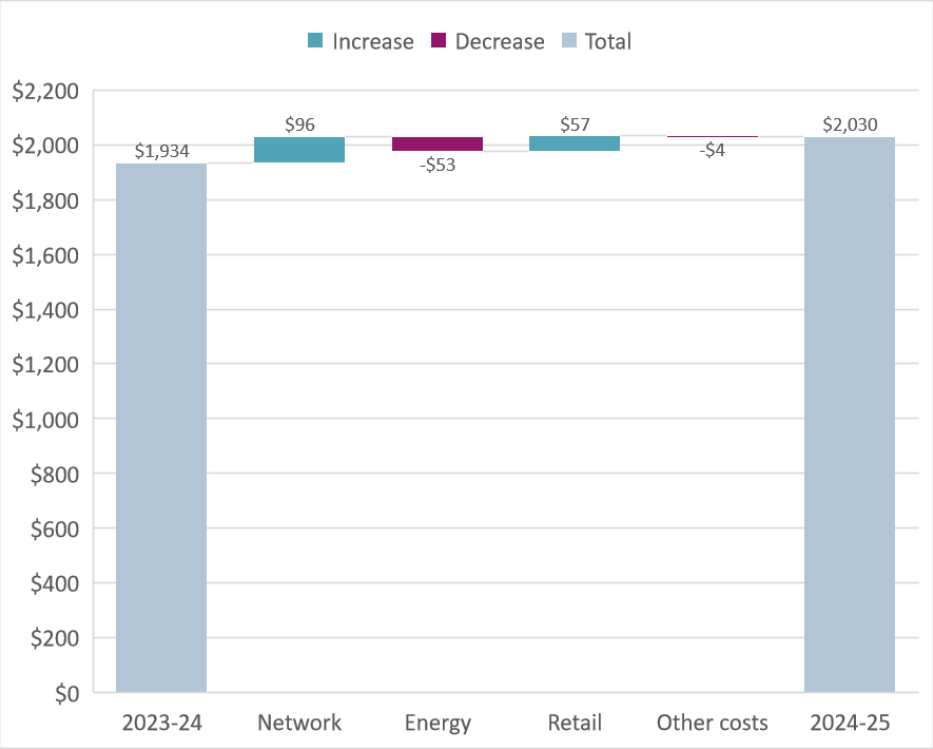
[12] Secondary load control tariffs must be used in conjunction with primary tariffs (e.g. tariffs 11 or 20).

Figure 2.2: Small business customer bills, 2023–24 and 2024–25 (incl GST)



Note: SRES costs are also included in the figure above; however, given the size of this component relative to the total bill, it is not apparent. This annual bill does not take account of any rebates.

Figure 2.3: Tariff 11 bill – changes in cost components, 2023–24 to 2024–25 (incl GST)

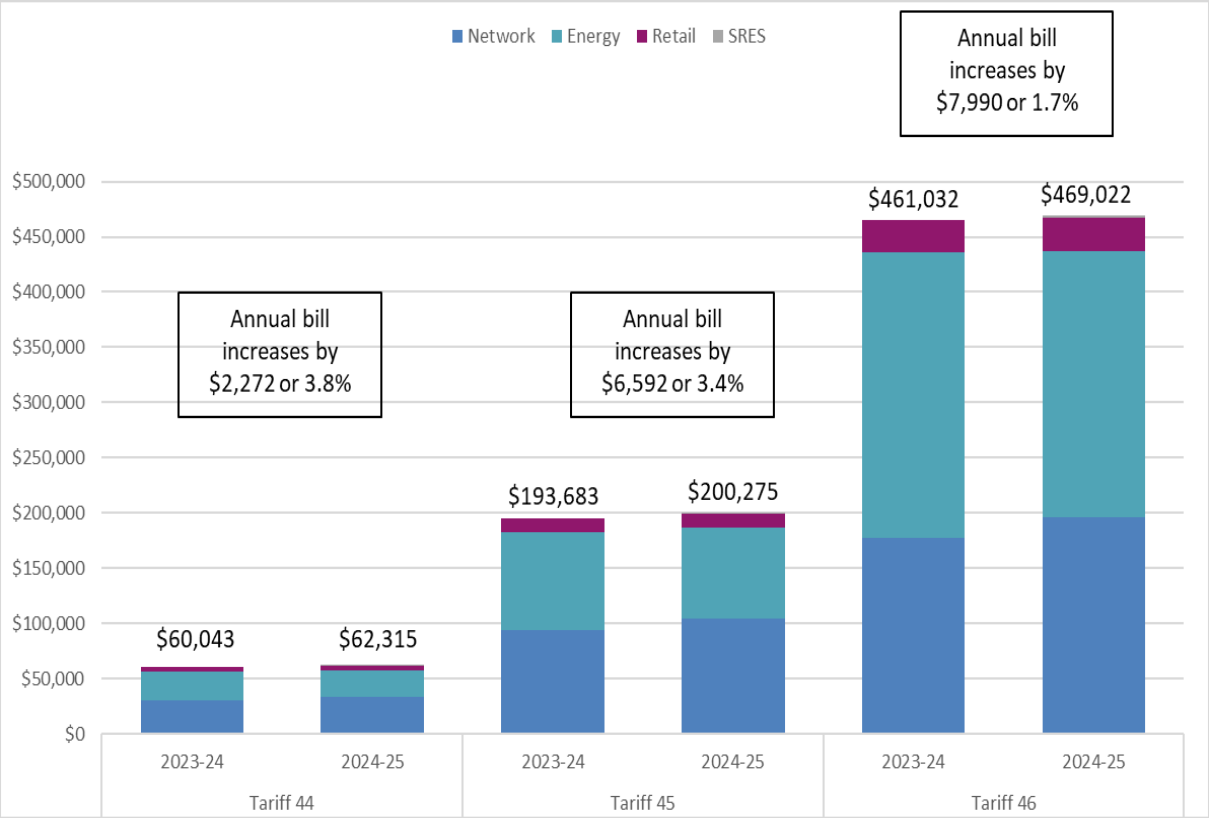


Note: Other costs include SRES and the standing offer adjustment. As the standing offer adjustment is negative this year (see section 5.1), overall other costs have decreased compared to last year. Additionally, the increase in the retail cost component displayed above includes the NEM fixed fee (see Table 4.3 for further detail). This annual bill does not take account of any rebates.

2.2 Large customers

Based on the notified prices, electricity bills for typical large customers would increase by between 1.7% and 3.8% (see Figure 2.4). This is driven by an increase in network costs (and to a lesser extent, retail costs), offsetting the decrease in energy costs.

Figure 2.4: Large business customer bills, 2023–24 and 2024–25 (incl GST)



Note: SRES costs are also included in the figure above; however, given the size of this component relative to the total bill, it is not apparent.

3 Overarching framework

Our approach to setting notified prices considers the cost level, structure and availability of tariffs, having regard to the Queensland Government's UTP and the N+R cost build-up methodology.

The way we set notified prices is framed by relevant factors set out in the Electricity Act and the matters in the Minister's delegation (see chapter 1). In particular, the delegation requires us to consider:

- the Queensland Government's 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
- using the N+R cost build-up methodology to set notified prices – where the N component (network costs) is generally treated as a pass-through and the R component (energy and retail costs) is determined by us.

Table 3.1 describes how we have regard to the UTP and the N+R cost-build up methodology when setting notified prices. This approach is consistent with the requirements of the delegation and is a long-standing practice for our price determinations.

Table 3.1: Overarching framework matters

Matter	Effect
Queensland Government's UTP	This means generally basing notified prices: • for small customers – on the cost of supplying small customers in south-east Queensland (SEQ) • for large customers – on the costs of supplying large customers in Ergon Distribution's east zone, transmission region one (being the pricing region with the lowest cost of supply that is connected to the National Electricity Market (NEM)).
N+R cost build-up methodology	This means: • applying the network prices and tariff structures approved by the Australian Energy Regulator (AER) (i.e. passing through the N component) • adding our estimate of energy and retail costs (i.e. the R component).

We are mindful of stakeholders' concerns around electricity prices and the affordability of electricity in regional Queensland. Some stakeholders have longstanding views that the pricing framework is outdated, and an affordable tariff would have a price ceiling of 16 c/kWh.[13] However, the legislative framework requires us to take a cost-based approach to setting notified prices – this means we must reflect the costs of electricity supply in our determination.

[13] BRIG, sub 1, p 1; QFF, sub 5, p 4; QFF, sub 10, p 4; Canegrowers, sub 12, p 2.

We are required to consider the Queensland Government's UTP, which is a policy mechanism that seeks to deliver more affordable electricity prices to customers in regional Queensland. It benefits most customers who would otherwise pay higher electricity prices due to the higher cost of supplying electricity in regional Queensland.[14] The UTP relies on the Queensland Government subsidising electricity prices for regional customers by funding the difference between the cost of supply and the prices paid by customers. This is done through a community service obligation (CSO) subsidy paid to Ergon Energy Retail by the Queensland Government (expected to be around $537 million in 2023–24).[15] We consider the application of the UTP in notified prices is consistent with the Minister's April 2024 correspondence which states that, when making pricing decisions and striking the right balance between customer outcomes and retailer needs, we should 'consider balancing the objectives toward consumer interests' where appropriate.[16]

While we acknowledge stakeholders' concerns and the changes recommended, including how the CSO should be paid,[17] the UTP is formulated and administered by the Queensland Government, and we have no ability to change it. However, we encourage stakeholders to raise these issues (and any others they may have with the UTP) directly with the Queensland Government.

We understand customers may continue to have affordability concerns despite the mechanisms available to us (and which we have employed) when setting notified prices. However, it is not our role, or within the scope of matters we can consider in our review, to apply measures beyond those already provided by the Queensland Government through the delegation to further reduce prices for customers in regional Queensland. Further actions to address affordability concerns are best achieved through more direct measures developed by government, which ensure those in need (as determined by government) can access additional support. Such measures include concessions and rebates, broader income support arrangements, consumer protection frameworks and customer hardship programs. Relevantly, the Queensland Government has announced that Queensland households will receive a $1000 rebate on their electricity bill from July 2024,[18] while the Australian Government has announced that households will receive a $300 rebate and eligible small businesses a $325 rebate in 2024–25.[19]

We encourage customers facing hardship to contact their retailer to discuss support measures that may be available to them (Box 2).

We also acknowledge stakeholder comments around the type and structure of (regulated) retail tariffs available, and eligibility conditions. These comments included enabling large customers to access 'solar soaker' type tariffs (such as the small business tariff 22C),[20] enabling a cohort of large customers to access consumption-based charging,[21] establishing a new time-of-use tariff targeted towards electric vehicles based on market offers available in south-east Queensland,[22,23] noting the impact of fixed supply charges for customers on tariff 60A (large business primary load control tariff),[24] as well as generally streamlining tariff structures to make them more transparent and user-

[14] Compared to SEQ, electricity needs to be transported over longer distances and to a lower density customer base.
[15] Queensland Government, *Budget Strategy and Outlook 2023–24*, Budget Paper 2, June 2023, p 209.
[16] Appendix A3, Minister's letter and correspondence.
[17] BRIG, sub 1, p 3; QFF, sub 5, p 4; QFF, sub 10, p 4.
[18] Queensland Government, *Cost of living rebate for households*, qld.gov.au, accessed 30 May 2024.
[19] Australian Government, *Energy bill relief fund extension*, energy.gov.au, accessed 30 May 2024.
[20] BRIG, sub 1, p 3; Cotton Australia, sub 2, p 2; QFF, sub 10, p 4; Canegrowers, sub 12, p 2.
[21] Cotton Australia, sub 2, p 2; QFF, sub 10, p 4.
[22] EVC, sub 3, pp 2–3; EVC, sub 7, p 3; B Sutherland, sub 11, p 1.
[23] Stakeholders also commented on changes to the prices for tariff 12C (residential time-of-use tariff), which we discuss in section 4.2.1.
[24] BRIG, sub 6, pp 1–2.

friendly.[25] However, this approach would not be consistent with the N+R framework, which involves us using the network tariff structures as a basis for the retail tariffs we set. This includes using the same time-of-use charging windows and customer eligibility conditions as those applied at the network-level. The AER is currently assessing the network tariffs that will apply in Queensland in the 2025–2030 regulatory period. We encourage stakeholders to participate in that process, including by expressing their views about the proposed network tariffs that will apply.[26]

[25] QFF, sub 5, p 5; QFF, sub 10, p 3.
[26] You can find more information about the AER's review on its website at *Ergon Energy – Determination 2025–30*.

Box 2: Summary of support measures for electricity customers in regional Queensland

Customers facing payment difficulties should contact their retailer to find out what support is available.

Hardship policies

Under the National Energy Retail Law, retailers have obligations to help customers in financial hardship or facing payment difficulties.

Ergon Energy Retail's Customer Assist program is available to eligible customers experiencing financial hardship, helping with payment of electricity bills, including via payment plans.

Government schemes, concessions and other programs and resources

Eligible Queensland pensioners and seniors can access electricity rebates.

The Home Energy Emergency Assistance Scheme provides one-off emergency assistance for households experiencing problems paying their electricity bills due to an unforeseen emergency or a short-term financial crisis that has occurred in the past 12 months.

The Electricity Tariff Adjustment Scheme helps businesses transition from obsolete to standard tariffs by providing rebates on their electricity bills (eligibility requirements apply; closed to new participants).

The ecoBiz program helps small to medium businesses develop an action plan to cut energy costs, providing benchmarking assistance to help track resource use and on-site coaching sessions to help identify opportunities to implement initiatives to cut energy costs.

The Drought Relief from Electricity Charges Scheme provides drought-declared farming businesses with relief from supply charges on electricity accounts used to pump water for farm or irrigation purposes.

Further information on energy concessions and support for businesses can be found on the Queensland Government's website.

Resources for stakeholders include:

- QFF's website, which provides information and resources on electricity prices, understanding your bill, government schemes and concessions, and specific information for different industries, including specific programs available for customers
- Ergon Energy Retail's website, which provides a range of information to assist customers, including households, businesses and farming customers
- The Australian Government's energy.gov.au website, which provides advice for households and businesses on how to manage bills and improve energy efficiency, and sets out the rebates and assistance available in different jurisdictions, including Queensland.

Dispute resolution

Customers can contact the Energy and Water Ombudsman Queensland for information on how to lodge a complaint or resolve a dispute involving their electricity, gas or water supplier.

4 Individual cost components

Notified prices are made up of several cost components – network costs (the N component) and retail costs (the R component) are the largest components. Other costs and adjustments are discussed in chapter 5.

4.1 Network component

The N component captures the costs of transporting electricity through transmission and distribution networks, as well as jurisdictional scheme charges.[27] The costs are regulated by the AER and reflected in the network prices it approves.[28]

We set the N component in a manner that reflects the overarching framework matters – that is, the UTP and N+R methodology (see chapter 3). This is consistent with the requirements of the delegation[29] and the broader pricing approach applied in previous price determinations. Table 4.1 sets out our basis for determining the N component.

We are mindful some stakeholders would prefer the Solar Bonus Scheme (SBS) charges not to be included in notified prices and would like these charges itemised in the notified price build-up.[30] However, jurisdictional scheme charges (including SBS charges) are included in the AER-approved network prices, which form the basis of the N component in notified prices.

Table 4.1: Basis for determining the N component

Tariff	Basis
Small customers	
Flat and secondary load control tariffs	Relevant Energex network prices (being the charges and tariff structures levied by Energex in SEQ).
Limited access obsolete tariffs (tariffs 62A, 65A and 66A)	Relevant network prices for Ergon Distribution's east zone, transmission region one.[a]
All other existing retail tariffs	Relevant Energex network prices but utilising Ergon Distribution tariff structures.
Large customers	Relevant network prices for Ergon Distribution's east zone, transmission region one (being the Ergon Distribution pricing region with the lowest cost of supply that is connected to the NEM).

a These tariffs are only available in the Ergon distribution area.

[27] In Queensland, these charges include the Solar Bonus Scheme and Australian Energy Market Commission levy costs.
[28] For the final determination, we used the relevant network prices approved by the AER for Ergon Energy and Energex to apply in 2024–25.
[29] Appendix A1, Minister's delegation, schedule, cl 2(b).
[30] BRIG, sub 1, p 3; Cotton Australia, sub 2, p 2.

Network costs included in notified prices

Network costs have increased for small and large customers compared to last year – the increase to the annual bill for a typical customer is set out in Figures 4.1 and 4.2.[31]

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 announced by the Queensland Government.

Figure 4.1: Network costs – small customer bills (incl GST)

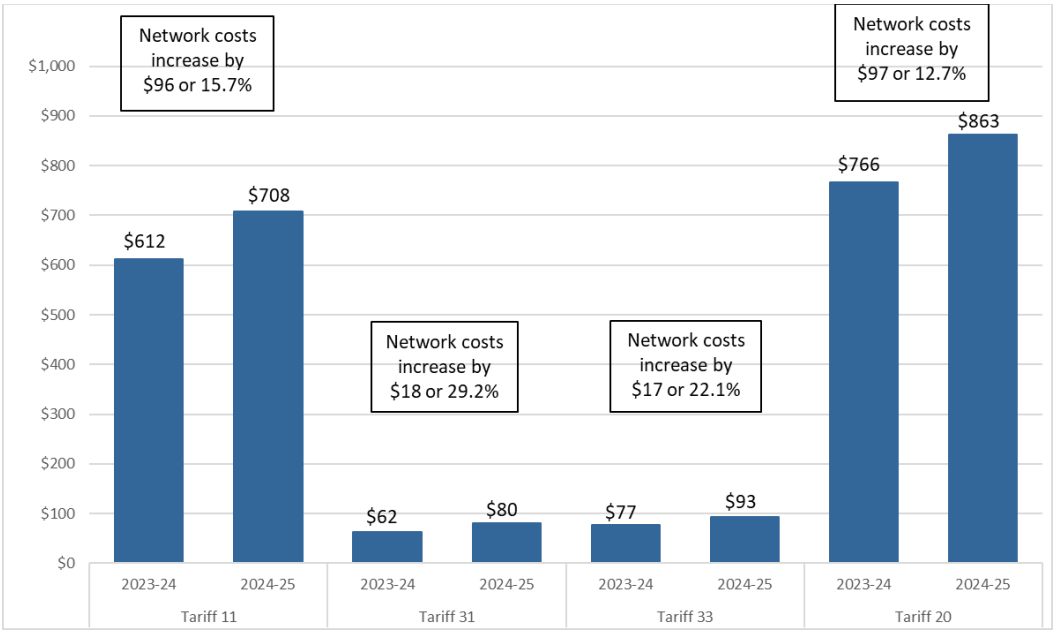
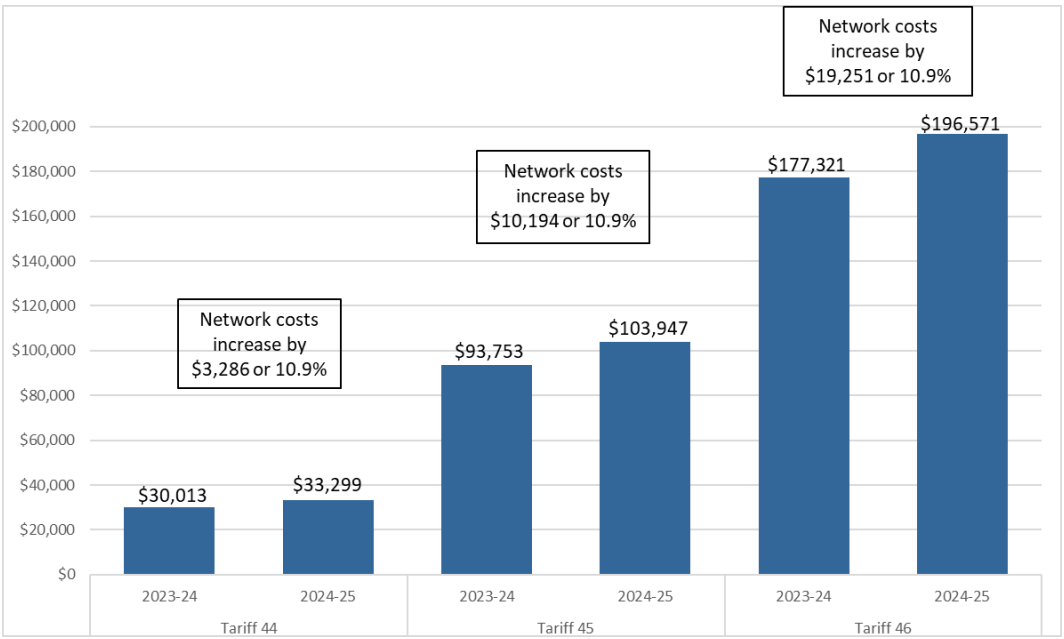


Figure 4.2: Network costs – large customer bills (incl GST)



[31] The change to the annual bill is based on unrounded values.

4.2 Retail component

The R component consists of energy costs and retail costs, including metering related costs. It captures the costs retailers incur when purchasing electricity from the NEM to supply their customers, run their general operations and provide metering related services.

4.2.1 Energy costs

Energy costs include wholesale energy costs (WEC) – which are the costs of purchasing electricity from the NEM – as well as other energy costs (including the Renewable Energy Target) and energy losses.

This year, we engaged ACIL Allen (ACIL) to provide expert advice and inform our review and energy cost estimates. All information we relied on in ACIL's report is available on our website.

Wholesale energy costs

WEC relate to the costs retailers incur when purchasing electricity from the NEM to meet the electricity demand of their customers. Retailers typically adopt a range of strategies to reduce their exposure to rapidly changing wholesale electricity prices (spot prices)[32] when purchasing from the NEM, including pursuing hedging (financial), contractual and operational strategies.[33]

Our WEC estimates are based on ACIL's advice that uses:

- **a market hedging approach** – which estimates the WEC for a retailer that hedges spot price risk (through ASX Energy contract data)
- **the latest available information** – to take into account the current environment (this includes ASX Energy contract data up until 3 May 2024).[34]

This is broadly consistent with the approach used in previous years (Box 3), although we have made some refinements to improve our estimates this year (discussed in the next section).

[32] Spot prices are settled every 5 minutes and currently can range from -$1000 to $17,500 per MWh.
[33] See ACIL's report, p 8.
[34] Consistent with past reviews, the WEC estimates in this final determination are based on updated information compared to the draft determination. For example, the draft determination used contract data up until 12 February 2024.

Box 3: Estimating the WEC[35]

Broadly, the estimated WEC for a given year is a function of:

- **wholesale energy spot prices** – simulated to reflect:
  - supply dynamics in the NEM, including thermal power plant availability, renewable energy traces and more general information (e.g. the costs of supply and the operating characteristics of generators)[36]
  - demand variations, based on ACIL's weather-influenced simulations of hourly demand using temperature data, historical demand profiles, the expected uptake of rooftop solar and the Australian Energy Market Operator's (AEMO's) latest demand forecasts
  - bidding behaviour of generators in the NEM, including potential changes in bidding behaviour caused by changing market conditions and underlying costs
- **retailers' hedging strategies and contract prices** – using a hedging model to simulate the WEC incurred by a retailer that manages spot price risk using publicly available standard ASX Energy base and cap contracts:
  - contract prices are estimated using the trade-weighted average of ASX Energy contract prices of quarterly base and cap contracts,[37] using contract prices and trade volumes for Queensland until 3 May 2024 inclusive.
  - trading of ASX Energy contracts tends to commence several years before the relevant financial year. For example, trading for 2024–25 ASX Energy quarterly contracts commenced in 2021. This reflects how market participants (such as retailers) purchase ASX Energy contracts to lock in their costs in advance to manage spot price risk.

The hedging methodology (together with the simulated spot prices) produces 583 annual hedged energy cost estimates for a given demand profile. The 95th percentile of this distribution of hedged costs is used as our estimate of the WEC. The 95th percentile is chosen, as it reduces the risk of understating the WEC that a prudent retailer faces in the NEM.[38]

[35] This box summarises various aspects of ACIL's report relevant to setting out the method for estimating the WEC. See ACIL's report (pp 13–23).
[36] Inputs have been updated for the final determination to reflect the latest available information. For example, gas price assumptions for the spot price modelling have been refined to apply seasonal, rather than annual, gas prices. See ACIL's report, p 19.
[37] Consistent with the 2023–24 review, calculations of the trade-weighted contract price take into account additional data on call options for base contracts. See ACIL's report, p 40.
[38] Another reason for adopting the 95th percentile is that in the NEM, prices can increase significantly more than they can decrease.

We consider this approach is transparent and likely to produce WEC estimates that reasonably reflect the expected market conditions for a given determination year.[39] It uses a significant number of simulations and takes account of the latest available information.

While there has been a strong decline in wholesale spot prices over the past 12 months,[40] we would not necessarily expect a comparable decline in the WEC. The WEC estimates do take account of spot prices and any exposure the retailer may have to the spot market. However, it is the trade-weighted contract price, not the estimated spot price, that is a key driver of the WEC estimates. The trade-weighted contract price has stabilised at levels similar to those used for last year's determination.[41] This outcome reflects that a retailer builds up its contract position over time. In the case of the 2024–25 review, retailers purchased contracts from 2021, including during periods when contract prices were at elevated levels.[42]

Refinements

This year, we have made refinements to the historical demand profiles[43] used to inform our WEC estimates.

Inclusion of solar photovoltaic (PV) export demand in advanced digital meter (ADM) profiles

ADM profile data was included for the first time in last year's review, recognising the continued penetration (and ongoing roll-out) of ADMs in Queensland.[44] This provided better information on customers' consumption patterns, but the data available at that time excluded demand satisfied by solar PV exports.

We have incorporated ADM profile data again, which was supported by Ergon Energy Queensland (EEQ).[45] As ADM data is now available that *includes* demand satisfied by solar PV exports, we have used this to estimate the WEC. This better reflects the actual demand satisfied by a retailer (and used to develop its supply and hedging strategies).[46]

The refined ADM profile data results in a 'flatter' demand profile for residential and small business customers on tariffs 11 and 20, relative to last year.

Adjustments to account for AEMO's artificial uplift to the net system load profile (NSLP)

We typically use two to three years of historical net system load profile[47] data to inform our WEC estimates. In applying a consistent approach this year (i.e. considering NSLP data from 1 July 2021 to 30 June 2023), we have removed an artificial uplift included in the demand profile from 1 October 2021.

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[39] ACIL compared the WEC estimates produced by the approach in previous reviews against actual movements in the trade-weighted contract price to demonstrate that the approach produces estimates that align with what is observed in the market. See ACIL's report (p 51). The nature of the task (i.e. setting annual forward-looking prices) means there may be some differences between the estimated WEC for a given year and the actual WEC incurred by a prudent retailer. However, over the long run, we expect any under- or over-estimation to balance out. See ACIL's report (pp 24–26).

[40] The average annual spot price for Queensland has decreased from $144.97/MWh for 2022–23 to $83.93/MWh for 2023–24 as at 21 May 2024. AEMO, *Average price*, n.d., accessed 21 May 2024.

[41] Trade-weighted base contract prices have decreased slightly, except for the Q2 2025 product, which has increased slightly. Cap contract prices have increased slightly for the Q1 2025 and Q2 2025 products. See ACIL's report (p 40–41).

[42] Contract prices declined around December 2022 and have since stabilised. However, the stabilised prices have remained elevated, compared to the prices observed in 2021 and the first half of 2022. See ACIL's report (p 41) for the possible drivers of these contract prices.

[43] ACIL's report specifies relevant historical demand profiles and sources (pp 10–11, 12–13).

[44] The Queensland Government is targeting 100% penetration of ADMs by 2030 (Queensland Government, *Queensland Energy and Jobs Plan: 2023 Update*, November 2023).

[45] EEQ, sub 4, p 1.

[46] See ACIL's report (pp 11–12).

[47] AEMO publishes the NSLPs used to approximate the demand of customers on accumulation meters.

The artificial uplift was the result of a manual adjustment by AEMO[48] that ceased on 1 October 2023 and will not be present in 2024–25 (and will therefore not impact retailers). As such, we consider it appropriate to remove the artificial uplift[49] to better represent the NSLP applicable to retailers in 2024–25.

Outcomes and key drivers

Compared to last year, our WEC estimates have decreased:

- for small customer tariffs – by between 5.2 and 16.7%
- for large customer tariffs – by around 7.8%.

The key drivers of the decrease are:

- **for small customer primary tariffs (tariffs 11 and 20)** – the 'flatter' demand profile (relative to last year) resulting from incorporating the refined ADM profile data (discussed above) into the demand profiles for these customers.[50] A 'flatter' demand profile results in lower hedging costs (all other things equal), by reducing the amount of over-hedging.[51] It also reduces the reliance on cap contracts, placing higher reliance on less expensive base contracts[52,53]
- **for all other tariffs (tariffs 31, 33, 44, 45 and 46)** – the slight decrease in the trade-weighted price of base contracts relative to last year. As the demand profiles associated with these tariffs are relatively flat (compared to the small customer primary tariffs), retailers typically rely on less expensive base contracts to reduce their exposure to the spot prices.

Time-varying wholesale energy costs

For time-of-use tariffs 12C and 22C, we use time-varying WEC estimates to create stronger price signals (and greater price differentials between peak and non-peak periods) compared to tariffs 12B and 22B, on which these tariffs are based.

We set the time-varying WEC based on ACIL's advice, using the methodology developed last year (when these tariffs were introduced). This involves:

- using the WEC estimates for small customer tariffs 12B and 22B
- deriving a set of weightings for different time periods based on the distribution of demand-weighted spot price variations throughout the day, which are typically lower during non-peak periods (i.e. daytime hours) compared to peak periods (i.e. evening hours)
- applying these weightings to the WEC estimates (described above) to set rates that are lower during non-peak periods and higher during peak periods.

This approach maintains the same level of the WEC as tariffs 12B and 22B but changes the way these costs are recovered throughout the day, to provide the desired price signals.

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[48] The artificial uplift applied to the Energex NSLP but not the Ergon Energy NSLP. AEMO made the adjustment to deal with issues relating to negative demand values coinciding with the commencement of 5-minute settlements. See ACIL's report (pp 15–17).
[49] ACIL's report (p 15–17) provides details on the approach used to remove the temporary uplift.
[50] Last year, demand satisfied by solar PV was excluded from the ADM profile data due to data constraints, resulting in lower demand during daytime periods and a peakier demand profile.
[51] In other words, reducing the extent to which contract levels exceed actual demand.
[52] For example, a perfectly flat demand profile (i.e. the same demand level for all hours across a year) can be perfectly matched with base contracts; hence, the WEC would simply equal the trade-weighted average base contract price.
[53] This counteracts the effects of continued uptake of solar PV (including the commissioning of utility scale solar), which has continued to drive down spot prices during the day, making it more costly to be over-hedged.

Table 4.2 sets out the time-varying WEC estimates included in notified prices this year.

Table 4.2: Time-varying WEC costs for tariffs 12C and 22C

Period	c/kWh
Peak (evening)	24.63
Non-peak (day)	6.05
Shoulder (night)	15.49

Note: For tariff 12C, peak usage is 4 pm to 9 pm; non-peak (day) usage is 9 am to 4 pm; shoulder (night) usage is all other times. For tariff 22C, peak usage is 4 pm to 9 pm weekdays; non-peak (day) usage is 9 am to 4 pm; and shoulder (night) usage is all other times.

Some stakeholders questioned why only peak prices decreased (while non-peak and shoulder prices increased), relative to last year's prices.[54] As discussed above, when estimating the WEC this year, we have used ADM data that includes demand satisfied by solar PV exports, resulting in a 'flatter' demand profile. This has resulted in a lower WEC overall but has also resulted in a change to the weightings applied to determine tariffs 12C and 22C.[55]

Further information on tariffs 12C and 22C, including the intent of these tariffs, can be found in last year's determination.[56]

Other energy costs

Retailers incur a range of other energy costs when purchasing electricity from the NEM.

We estimate these costs based on ACIL's advice, which uses reliable sources of information and applies judgment to ensure these costs appropriately reflect those likely to be incurred by retailers.[57]

A description of the other energy costs and the approach used is set out in Table 4.3.

[54] EVC, sub 7, p 3; M Knight, sub 8; Canegrowers, sub 12, p 2.
[55] Including the solar PV exports changes the shape of the demand profile by time of day, which in turn changes the energy weightings for each of the three time periods.
[56] Our 2023–24 final determination, sections 3.2.1 and 4.2.1.
[57] See ACIL's report, pp 26–33, 52–61.

Table 4.3: Other energy costs – description and estimation approach

	Description	Approach
Renewable energy target (RET) costs	Associated with the purchase of certificates to meet the targets mandated under the RET. The RET consists of the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).[58]	LRET costs – estimated using forward prices for large-scale generation certificates (LGC) and renewable power percentage (RPP) values derived from mandated LRET targets and estimates of electricity acquisitions.
		SRES costs – estimated using the clearing house price for small-scale technology certificates (STC) and the small-scale technology percentage (STP).
NEM fees	Cover the costs of AEMO operating the NEM.	Estimated using the latest data from AEMO, including historical costs and projected changes in costs. The final determination includes fixed and variable charges, reflecting how these fees are published in AEMO's latest budget report.[59]
Ancillary services	Cover the costs of services used by AEMO to manage power system safety, security and reliability.	Estimated using the average historical costs observed over the preceding 52 weeks, published by AEMO.
Prudential costs	Incurred to provide financial guarantees to AEMO and to lodge initial margins with the ASX for futures contracts.	Estimated using AEMO's prudential requirements and margin requirements for trading in the ASX futures market.[60]
Energy losses	Electricity lost when it is transported across the network, meaning retailers need to purchase more electricity than customers' demand.[61]	Estimated by applying the transmission and distribution loss factors published by AEMO, in a manner that aligns with AEMO's settlement process.

[58] LRET and SRES provide incentives for the electricity sector to increase generation from renewable sources and reduce greenhouse gas emissions. The costs of these incentives are paid by retailers through the purchase of LGCs and STCs. LGCs or STCs can be created when eligible electricity is generated by utility-scale renewable generators or small-scale renewable systems.
[59] For the draft determination, ACIL converted the fixed fee to a variable amount (i.e. $/MWh). For the final determination, we have included both fixed and variable NEM fees to better reflect how retailers bill customers and more accurately estimate these costs (see ACIL's report, pp 26–27). The fixed NEM fee will be recovered via the daily supply charge and, as a result, has been captured in the (fixed) retail cost component for presentational purposes – see section 4.2 and Appendix D for further information.
[60] ACIL has made minor changes to the way it calculates prudential costs for the final determination, consistent with AEMO's maximum credit limit classification. See ACIL's report, p 28.
[61] Energy losses are applied to the sum of the WEC and all other energy costs to determine the associated cost.

Note, this year we have not included any costs associated with the Reliability and Emergency Reserve Trader (RERT) scheme[62] or the June 2022 market events.[63]

Compared to last year, our estimates for other energy costs have decreased:[64]

- for small customer tariffs – by 11.9% ($2.44/MWh)
- for large customer tariffs – by 7.7% ($1.46/MWh).

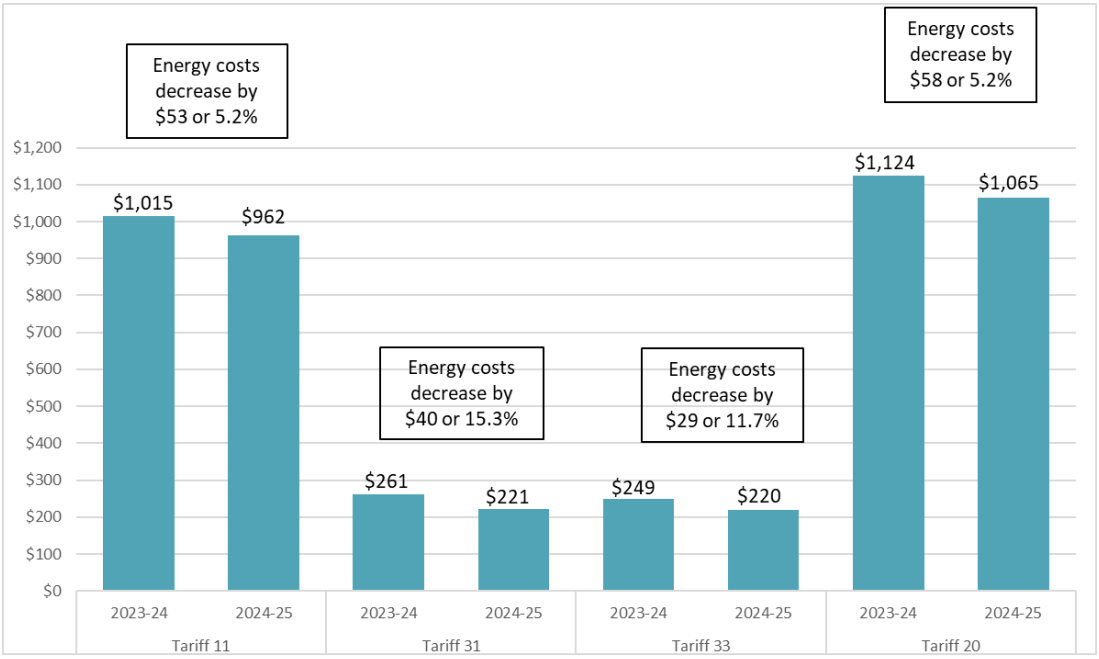
The changes to each cost category, and the reasons for these, are described in ACIL's report.[65]

Total energy costs included in notified prices

Total energy costs have decreased for small and large customers compared to last year – the decrease to the annual bill for a typical customer is set out in Figures 4.3 and 4.4.[66]

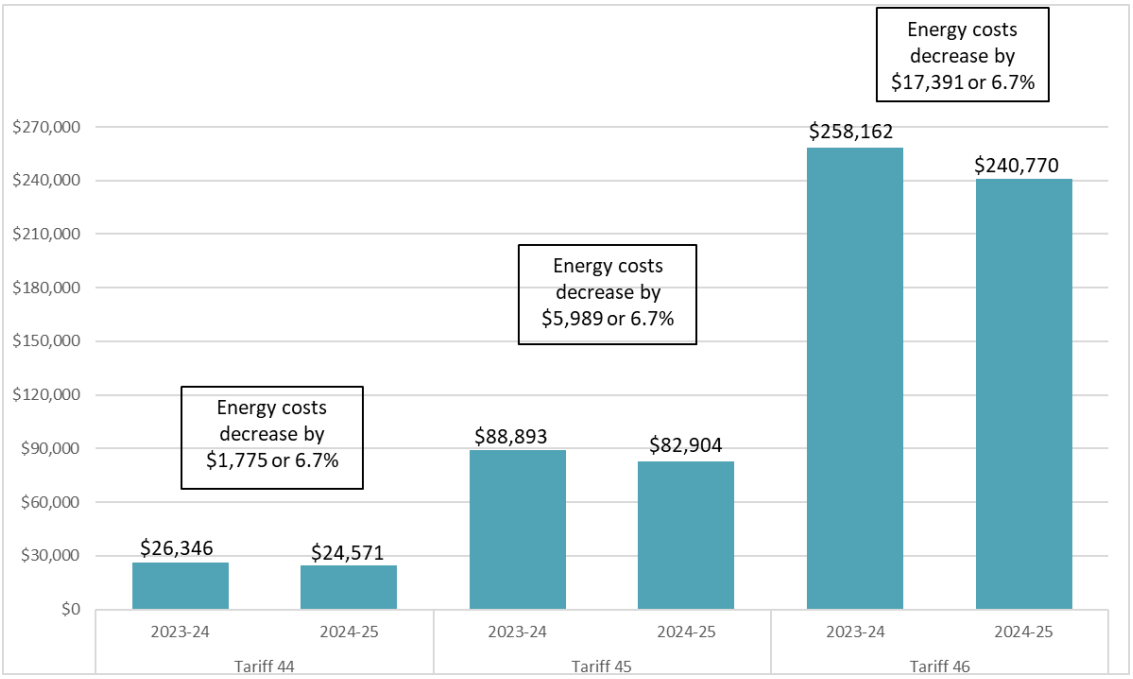
Importantly, a customer's actual bill will vary based on their consumption, as well as the application of any government rebates or concessions, such as the $1000 cost of living rebate for households announced by the Queensland Government.

Figure 4.3: Energy costs – small customer bills (incl GST)



[62] RERT costs are levied by AEMO to maintain power system reliability and security using reserve contracts and provide for AEMO to contract for emergency reserves, such as generation or demand response outside of the NEM. There have been no RERT costs triggered in the 12 month period prior to our final determination (see ACIL's report, pp 28–30).
[63] The June 2022 costs were associated with the triggering of the administered price cap and suspension of the wholesale market from 12 to 23 June 2022. There are no (published) outstanding costs (not already recovered in last year's notified prices) as at May 2024 (see ACIL's report, p 30).
[64] The reported change in other energy costs (compared to last year) excludes the costs associated with energy losses and the fixed component of the NEM fees.
[65] ACIL's report, p 60.
[66] The change to the annual bill is based on unrounded values.

Figure 4.4: Energy costs – large customer bills (incl GST)



4.2.2 Retail costs

Retail costs relate to the costs of running an electricity retail business. They include:

- operating costs – the administrative costs of servicing existing customers and acquiring new customers (e.g. costs related to operating call centres, operating billing systems and collecting revenue)
- a retail margin – the return to investors for a retailer's exposure to systematic risk associated with providing retail electricity services.

We set retail cost allowances using an established benchmark.[67] This estimates the retail costs an efficient retailer would incur, based on market information. Table 4.4 sets out the basis for determining retail cost allowances.

Table 4.4: Basis for determining retail cost allowance and rates

Customer type	Basis
Small customers	Apply established benchmark costs (based on the costs of supply in SEQ) by: • adjusting last year's fixed retail costs (for residential and small business) for inflation[a] to maintain fixed costs in real terms • maintaining the variable retail cost allocators at: – 7.25% for residential customers – 18.7% for small business customers
Large customers	Apply established benchmark costs (based on the costs of supplying large customers) by:

[67] The benchmark retail cost allowances were first established in 2016–17, and then reviewed in our 2021–22 notified price review (see ACIL's final report updating retail costs). At that time, the allowances for small customers were updated (based on market information) and the allowances for large customers were reviewed but ultimately maintained.

Customer type	Basis
	• adjusting last year's fixed retail costs for inflation[a] to maintain fixed costs in real terms • maintaining the variable retail cost allocator at 6.0445%.

a We applied the RBA's CPI forecast of 3.2% for the financial year ending June 2025. See RBA, *Statement on Monetary Policy*, May 2024.

Metering service costs – small customers

Retail metering service costs relate to the ongoing capital and operating costs associated with customer meters, including the ongoing roll-out of ADMs in regional Queensland.

We have set these costs using the method established in last year's notified price review, updated to better align with the approach the AER uses to estimate ADM costs.[68] This method is based on the relevant costs of standard meters and ADMs in SEQ, as well as the forecast rate of ADM deployment in regional Queensland.

This approach allows retailers to recover costs associated with all metering services (including ADMs) and means customers contribute to the overall costs of metering services and pay the same amount, regardless of which type of meter they have.

These costs are incorporated into the daily supply charge for all small customer tariffs. We note most stakeholders generally supported the ongoing roll-out and deployment of ADMs.[69] Stakeholder concerns around installation costs and specific customer impacts associated with the roll-out of ADMs are discussed in section 5.5.

Table 4.5 sets out our basis for determining small customer metering costs.

Table 4.5: Metering costs for small customer tariffs, 2024–25 (excl GST)

Tariff type	Metering costs	Approach
Primary tariff	26.910 c/day	We used relevant metering costs to apply in SEQ for: • type 6 meters, published by Energex[70] • ADMs, published by the AER.[71] We then calculated a weighted cost based on the forecast deployment rate of ADMs for small customers in regional Queensland for 2024–25, as provided by Ergon Energy Retail.
Secondary tariff	3.532 c/day	We used relevant type 6 metering costs to apply in SEQ, provided by Energex. We did not include ADM costs, as customers with a secondary tariff will already pay for the ADM component through their primary tariff.

[68] QCA, *Regulated retail electricity prices in regional Queensland 2023–24*, final determination, June 2023, pp 16–17.
[69] BRIG, sub 1, p 2; QFF, sub 5, p 5; QFF, sub 10, p 3.
[70] We use AER-approved metering costs for type 6 meters (see Energex network prices for 2024–25).
[71] These are the same costs the AER uses to set the ADM costs included in the DMO charges for the Energex distribution area. See AER, *Default market offer prices 2024–25*, final determination, May 2024, pp 76–80.

Compared to last year, the metering costs have increased to reflect updated information, including to better align with the AER's approach to estimating ADM costs.

Retail charge for manually reading a type 4A meter

There are costs involved with manual meter reads required if a customer has chosen to disable the remote communication function of the ADM.

We have been asked to consider setting a series of retail charges generally based on Ergon Energy Retail's averaged costs for manually reading type 4A meters for customers within different feeder types (e.g. urban, rural or isolated) to better reflect the charges that could be incurred for different customer types.

Given the information available and advice from Ergon Energy Retail,[72] we have set this charge in the same manner as last year – being based on the AER-approved special meter read fee for Ergon Distribution.

As a result, the retail charge is $43.05.[73]

As there is a lack of alternative cost information, we consider this estimate continues to be a reasonable benchmark for setting this fee.

Stakeholders generally supported the fee (and the ability for Ergon Energy Retail to recover the costs associated with manual meter reads) but said customers should have effective options for remote meter reading[74] and asked for data on the proportion of meter reads or bills based upon estimated readings.[75]

As disabling the communication function of an ADM is the customers' choice, this fee can be avoided (we understand this fee applies to very few customers).

Commentary on having a true-up mechanism

The retail metering service costs are set using the forecast deployment rate of ADMs for small customers in regional Queensland.

This year, we are required to consider a cost 'true-up' mechanism for small customer metering. This would allow any increased (or reduced) costs associated with actual ADM installations each year being recouped from (or returned to) customers in subsequent years.

As we set prices ahead of the year in which they apply, it is not possible to do a true-up this year. This is because we included retail metering costs using this approach (and forecast ADM deployment) for the first time in current (2023–24) notified prices, which apply until 30 June 2024. However, after this financial year, it would be possible to estimate any increased (reduced) costs associated with actual ADM installations, which could be considered in future (if included in the delegation).

We note stakeholders did not comment on this matter but may do so if it forms part of a future review.

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[72] Ergon Energy Retail advised that information on costs by feeder type is not available at this time. Additionally, Ergon Energy Retail has advised that there are few customers to which the special meter read fee applies.

[73] We use the AER-approved special meter read fee (see Ergon Energy network prices for 2024–25).

[74] QFF, sub 5, p 6; QFF, sub 10, p 3; Cotton Australia, sub 2, p 3. In response to QFF's comment (sub 10, p 3), all Ergon Energy Retail customers (including customers subject to manual meter read fees) can access the complaints and dispute resolution process directly and easily from Ergon Energy Retail's website at *Retail feedback*.

[75] Cotton Australia, sub 2, p 3.

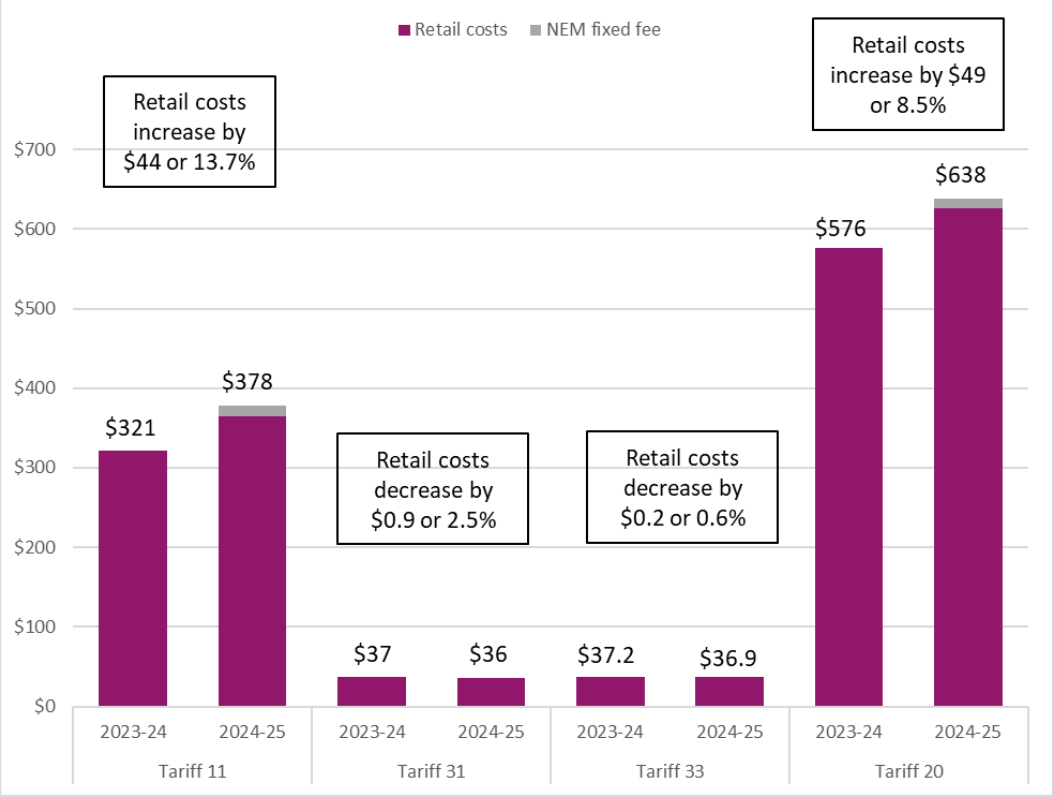
Retail costs included in notified prices

Retail costs have increased for most small and large customers compared to last year – the change to the annual bill for a typical customer is set out in Figures 4.5 and 4.6.[76]

The retail costs for small customers include the cost of metering services, as discussed above. Note that the fixed component of the NEM fees (see Table 4.3) is included within the retail costs this year and has been separately identified.

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 announced by the Queensland Government.

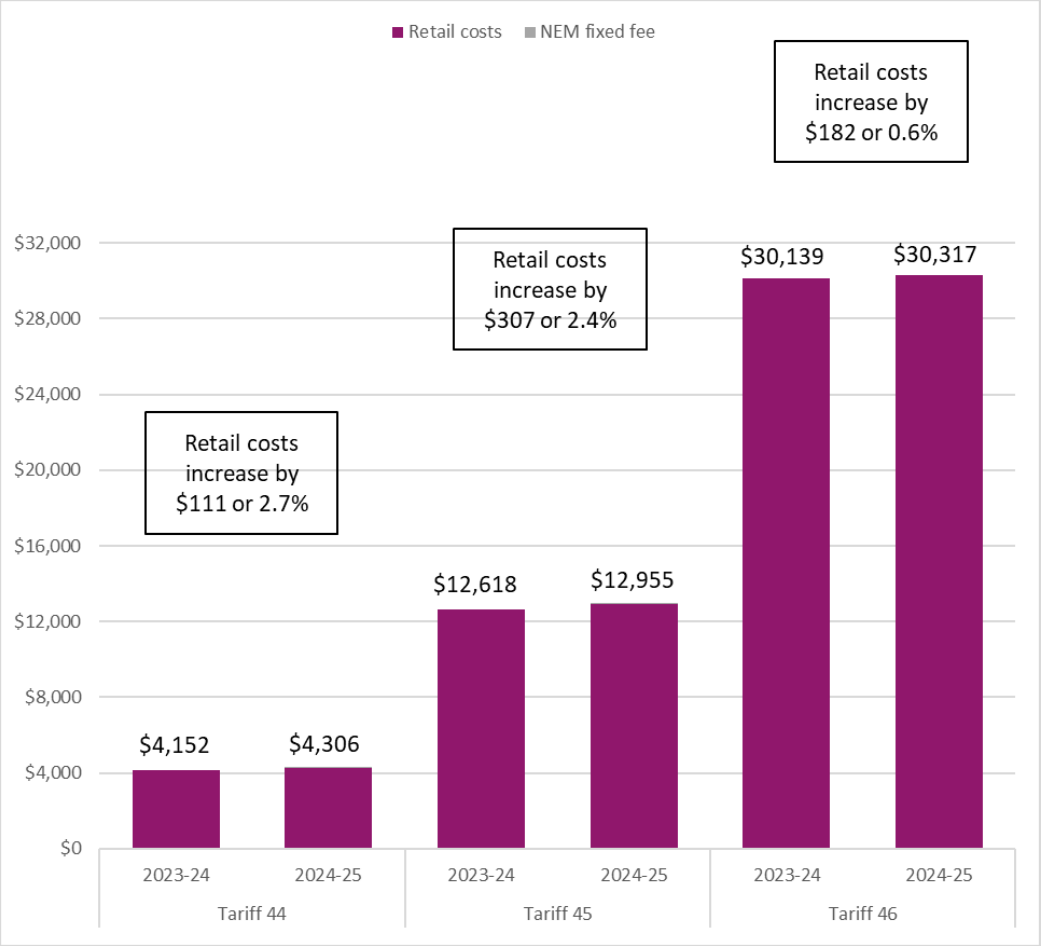
Figure 4.5: Retail costs – small customer bills (incl GST)



Dollar and percentage changes contained in the text boxes exclude the NEM fixed fee to make a like-for-like comparison to 2023–24 retail costs. However, the total cost above each bar does include the NEM fixed fee.

[76] The change to the annual bill is based on unrounded values.

Figure 4.6: Retail costs – large customer bills (incl GST)



Dollar and percentage changes contained in the text boxes exclude the NEM fixed fee to make a like-for-like comparison to 2023–24 retail costs. However, the total cost above each bar does include the NEM fixed fee.

5 Other costs and pricing matters

We have considered other costs and pricing matters when setting notified prices this year, including the standing offer adjustment, the recovery of small-scale renewable energy scheme costs, and new matters relating to the existing default retail tariff arrangements.

5.1 Standing offer adjustment – small customers

The standing offer adjustment (SOA) is incorporated into small customer tariffs and is intended to reflect the value of more favourable terms and conditions in standard contracts relative to market contracts.[77]

We estimate the SOA based on an established method[78] that uses market information to assess the costs attached to SEQ market contracts (e.g. fees and charges a typical small customer in SEQ could incur). This market information acts as a proxy for the benefits of standard contract terms and conditions for customers in regional Queensland (e.g. fees and charges they could avoid).

Accordingly, we used 2022–23 SEQ market data[79] to:

- assess the range of fees and charges attached to retail market contracts in SEQ
- identify any additional fees in retail market contracts compared with standard contracts
- estimate the average additional costs that could be incurred by small customers on SEQ retail market contracts.[80]

On average, $55 of additional fees could be incurred annually by a small customer in SEQ on a market contract. The additional costs associated with fees and charges equate to around 3.45% of a typical small customer's annual bill.[81]

Based on our assessment, we consider 3.45% (of total costs) is an appropriate proxy for the value of the SOA to be incorporated into small customer notified prices this year. This value is subject to the default market offer (DMO) comparison, discussed below.[82]

[77] The inclusion of the SOA is consistent with the requirements of the ministerial delegation and is a long-standing practice in our price determinations.
[78] The method we use was established as part of the 2021–22 notified prices review.
[79] This data reflects our most recent review of retail fees in SEQ (QCA, *SEQ retail electricity market monitoring 2022–23*, December 2023, pp 45–56).
[80] The typical annual bill for small customers is based on June 2023 data from Appendix A of the QCA's *SEQ retail electricity market monitoring report 2022-23: Appendices*.
[81] This is based on the consumption of a typical customer – that is, the median (middle) customer in terms of consumption (based on June 2023 data from Appendix A of the QCA's *SEQ retail electricity market monitoring report 2022–23: Appendices*).
[82] Note, the QCA's SOA estimate of 3.45% has decreased compared to last year's estimate (4.56%), due to a decrease in average retailer fees and an increase in typical annual bills for small customers in SEQ. However, the SOA of 4.56% was subsequently reduced to 0% in last year's notified prices as a result of the DMO comparison.

DMO comparison

This year, as part of the application of the Queensland Government's UTP, we are required to consider the DMO reference bills for SEQ as a cap for notified price bills and use the SOA as the adjustment mechanism, with a negative standing offer adjustment (SOA) to be applied if necessary.[83] As such, we compare the notified price bills (including the SOA) to the DMO reference bills in SEQ and assess whether we should discount the SOA.[84]

For the DMO comparison, we used the same approach as last year, updated to reflect the AER-approved 2024–25 DMO reference bills.[85] We:

- made adjustments to ensure a like-for-like comparison of DMO bills to notified price bills. These adjustments included:
  - the goods and services tax (GST) – as GST is included in the DMO bills but not in our notified prices, we included the value of GST in our notified price bills
  - consumption levels – as consumption levels are different for the DMO bills, we used the DMO consumption levels to calculate comparable notified price bills
  - the allocation for load control tariffs – to calculate a single DMO bill for tariffs 31 and 33, the AER uses an apportioning approach with an annual usage allocation of 29% for tariff 31 and 71% for tariff 33. We applied the same approach to calculate a single notified price bill for load control tariffs
- compared the relevant notified price bills (including the 3.45% SOA) with the DMO reference bills for SEQ.

Based on this comparison, we found all relevant notified price bills exceeded the equivalent DMO reference bills (see Table 5.1).

On this basis, we consider it is appropriate to discount the value of the SOA incorporated into small customer notified prices. Based on guidance from the Minister, we will also consider doing this in a way that maintains the price relativity of small customer tariffs.[86]

As a result, we have discounted the SOA for:

- all residential customer primary tariffs – from 3.45% to -1.10% (reflecting the reduction required for tariff 11 when compared to the relevant DMO reference bill)
- all small customer secondary load control tariffs – from 3.45% to -4.54% (reflecting the reduction required for tariffs 31 and 33 when compared to the relevant DMO reference bill)
- all small business tariffs – from 3.45% to -5.80% (reflecting the reduction required for tariff 20 when compared to the relevant DMO reference bill).

Consistent with guidance from the Minister, we have applied a negative SOA to ensure notified price bills are not higher than the DMO reference bills – using this mechanism aligns with the intent of the UTP. We also consider this approach is consistent with the Minister's statement that, when making pricing decisions and striking the right balance between customer outcomes and retailer

[83] Appendix A3, Minister's letter and correspondence.
[84] The AER sets four default market offer (DMO) reference bills for SEQ, for the following tariff groups: residential flat-rate tariffs, residential flat-rate with load control tariffs, residential time-of-use tariffs, and small business flat-rate tariffs. The DMO acts as a reference price to assist consumers in comparing market offers from electricity retailers and is intended to protect consumers in areas with no retail price regulation.
[85] We have compared notified prices with the reference bills for SEQ included in the AER's revised final DMO determination, which was published on 3 June 2024: AER, *Default market offer prices 2024–25*, June 2024, p 6.
[86] Appendix A1 and A3, Minister's letter and correspondence.

needs, where appropriate we should 'consider balancing the objectives toward consumer interests'.[87] Our approach also ensures that price relativity is maintained within each customer class – applying the same SOA discount to tariffs within the same customer class prevents some tariffs becoming more attractive.[88]

Table 5.1: DMO comparison with adjusted notified price bills (incl GST)[89]

Customer type	Relevant notified price tariff	DMO reference bill (A)	Notified price bill with 3.45% SOA (B)	Difference (B – A)	Notified price bill with discounted SOA (C)	Difference (C – A)
Residential	11	$2066	$2161	$95	$2066	$0
	12B	$2066	$2111	$45	$2019	($47)[a]
	11, 31, 33	$2414	$2540	$126	$2414	$0
Small business	20	$4261	$4678	$417	$4261	$0

a For tariff 12B, we applied a SOA of –1.10%, which reflects the reduction required to tariff 11 when compared to the relevant DMO reference bill. This has been done to ensure price relativity is maintained across the residential tariffs. The result is that the notified price bill for tariff 12B is below the relevant DMO reference bill by $47.

5.2 SRES cost pass-through

Retailers incur SRES costs based on the number of certificates they are required to purchase and surrender to the Clean Energy Regulator (CER). The CER determines these SRES liabilities for each calendar year, but notified prices are determined for each financial year.

Generally, at the time of our final determination for notified prices, SRES liabilities for the first half of the financial year are known, while liabilities for the second half are based on forecasts from the CER.[90] If there are discrepancies between the CER's forecast and its final determination of the SRES liabilities, it can lead to an over- or under-recovery of SRES costs.

There was an under-recovery of SRES costs for 2023–24 – the final SRES liabilities[91] were higher than forecast in last year's final determination (i.e. retailers have to purchase more certificates to surrender to the CER than initially forecast).

We treat the under-recovery of SRES costs as a cost pass-through[92] in notified prices, which increases usage charges for all retail tariffs this year.[93]

[87] Appendix A3, Minister's letter and correspondence.
[88] Appendix A1 and A3, Minister's letter and correspondence.
[89] Notified price bills presented include adjustments to provide a like-for-like comparison.
[90] The CER typically determines the final SRES liabilities for the second half of the financial year about nine months after our final determination.
[91] Reflecting the CER's final SRES liabilities for both calendar year 2023 and 2024: Clean Energy Regulator, *Small-scale technology percentage*, CER website, 20 February 2024.
[92] Cost pass-through mechanisms are generally used by regulators to manage the risk that the forecast costs in regulated prices could be higher or lower than the efficient costs of supply. Such mechanisms are usually restricted to events outside the control of the regulated entity, such as SRES liabilities.
[93] See Appendix B for further detail on how we determine the SRES cost pass-through.

This approach is consistent with past reviews and remains appropriate given the existing regulatory framework, as it aligns notified prices with the UTP-consistent costs of supply.

5.3 Metering costs – large customers

Consistent with our approach in previous determinations, we have estimated large customer ADM costs for 2024–25, using confidential data Energy Queensland provided for each large customer type.[94]

The metering charges for large customers are set out in chapter 6.[95]

5.4 Default retail tariff arrangements

Under the retail tariff schedule, if a small customer does not nominate a tariff when they become a standard contract customer of the retailer, then the retailer must assign the customer to tariff 11 (for residential customers) or tariff 20 (for small business customers). However, these default arrangements do not apply where the customer's metering configuration is for a primary interruptible supply tariff, in which case the customer must expressly nominate a tariff. Importantly, these default tariff arrangements do not prevent a customer from later requesting assignment to another tariff.[96]

The Minister's delegation requires us to consider whether there is an ongoing need for these default tariff arrangements.[97]

We consider there is merit in retaining these default tariff arrangements at this time. The arrangements provide certainty to customers about which retail tariff a customer is assigned to in the event they have not nominated a tariff. This is particularly relevant where a customer has been deemed to have entered into a standard contract.[98]

Origin Energy supported retaining these arrangements, which it considered provide a simple mechanism for it to set up contracts for customers in last resort events[99] where customers have no opportunity to nominate a tariff before the standard contract is established.[100] Other stakeholders also raised concerns about moving away from the default tariff arrangements at this time, particularly without clear safeguards being put in place. These safeguards included retailers demonstrating their commitment to investigating a customer's needs and likely consumption patterns and recommending an appropriate tariff for that customer with clear tariff comparisons provided in a bill format.[101]

However, it may be difficult for retailers to be able to undertake these sorts of comparisons in circumstances where a deemed standard contract applies, given there will likely have been no

[94] In previous reviews, we also included confidential historical data from a small selection of other retailers. This information is now outdated and has not been included for this review.
[95] Metering charges for large customers are separately identified. This is different to the small customer metering costs, which are included in the R component for small customer tariffs.
[96] *Queensland Government Gazette No. 27*, vol 393, 9 June 2023, p 179.
[97] Appendix A1, Minister's delegation, schedule, cl 2(d).
[98] For example, a deemed customer retail arrangement can apply when a small customer starts consuming energy at a premises without first applying to a retailer for the provision of customer retail services (i.e. a move-in customer) – see ss 54–55 of the *National Energy Retail Law (Queensland)* and division 8 of the National Energy Retail Rules.
[99] Under the National Energy Retail Law, a retailer of last resort scheme provides a process for a customer to be transferred to a designated retailer of last resort in the event the customer's existing retailer fails (for example, insolvency or the retailer's retail authorisation is revoked).
[100] Origin Energy, sub 9, p 1.
[101] Cotton Australia, sub 2, pp 2–3; QFF, sub 5, p 5; QFF, sub 10, p 3.

contact between the customer and retailer, at least in the initial stage. More broadly, whether a customer will be better off on one type of tariff or another (such as a flat rate, time-of-use or demand tariff) will be influenced by the customer's consumption preferences, which a retailer may not be able to determine in a default tariff situation. While it is important for retailers to engage with customers and consider their needs and preferences, this may be more appropriately done through a retailer's initiatives to educate customers about available tariffs. For example, retailers typically make tools and resources available that can help customers compare their tariff options based on their individual circumstances.

While EEQ supported removal of the default arrangements at move-in for small customers, it did not provide any information on how it would treat customers who do not nominate a tariff when they become a standard contract customer.[102]

5.5 Additional issues raised by stakeholders

Stakeholders raised concerns in relation to policy matters, including:

- *broader electricity regulation reforms* – including making recommendations to government about reforms to allow the development of microgrids and peer-to-peer trading; amending regulations about the size of photovoltaic generators for solar exports;[103] introducing a two-period feed-in tariff to support the effects of vehicle-to-grid technology[104]
- *investment for renewable energy projects, and deployment of smart grid technologies* – including to diversify the energy mix and provide other benefits, such as enhancing grid efficiency and reducing transmission losses. QFF said comprehensive programs should be developed to educate consumers about energy efficiency and the benefits of renewable energy[105]
- *enhancements to information included in retail electricity bills* – Cotton Australia considered that each retail bill should include a comparison of a customer's bill and the cheapest alternative tariff; and retailers should be obliged to educate customers without smart meters that further savings could be available if the customer had a smart meter installed[106]
- *switchboard upgrades* – QFF said it is crucial that we ensure ADM installation costs are affordable; and BRIG asked us to consider a method and funding options for switchboard upgrades to allow an increased rate of smart meter uptake for small customers[107]
- *mandatory roll-out of digital meters* – including that large customers on basic meter legacy tariff 43 will incur increased electricity costs when their meter is upgraded and they are reassigned to a different tariff (likely tariff 44).[108]
- *requirements for EV chargers* – stakeholders raised concerns about requirements in Ergon Distribution and Energex's service and installation rules that allow these distributors control over EV chargers.[109]

These cover a range of matters beyond the scope of our review (see chapter 1). The Minister delegated the task of setting notified prices to us, but that does not unlock broader investigative

[102] EEQ, sub 4, p 1.
[103] Cotton Australia, sub 2, p 2.
[104] EVC, sub 3, p 3.
[105] QFF, sub 5, p 5; QFF, sub 10, p 3.
[106] Cotton Australia, sub 2, p 3.
[107] BRIG, sub 1, p 2; QFF, sub 10, p. 4.
[108] QFF, sub 10, p 4; Canegrowers, sub 12, p 3.
[109] EVC, sub 7, pp 4–5; B Sutherland, sub 11, p 1.

and decision-making powers to assess all concerns stakeholders raise, or implement measures proposed by stakeholders aimed at addressing these concerns.

These concerns arise in connection with the development and operation of the overarching framework (legislation and policy), rather than how a particular task is performed within this framework (our role in setting notified prices).

We encourage stakeholders to raise broader electricity policy and regulatory matters with the Queensland Government.

With regard to:

- information included in retail electricity bills – we note the AER is responsible for setting obligations that apply to retailers about the content of retail bills, including information about any better offers[110]
- switchboard upgrade funding options and affordable installation costs – the installation of a smart meter may require switchboard upgrades, but meter wiring and equipment to house meters are the customer's responsibility. It is not within scope of this notified prices review to consider methodology, cost levels and funding options for switchboard upgrades or ADM installation.

[110] AER, *Better bills guideline*, version 2, 30 January 2023.

6 Notified prices

Notified prices for 2024–25 are set out by customer type in tables 6.1 to 6.10.[111]

Table 6.1: Residential customers (excl GST), 2024–25

Retail tariff	Fixed[a]	Usage			Demand
		Off-peak/ flat	Shoulder	Peak	
	(c/day)	(c/kWh)	(c/kWh)	(c/kWh)	($/kW/mth)
Tariff 11 – residential (flat-rate)	124.243	30.972			
Tariff 12B – residential time-of-use[b]	122.364	25.051	27.386	39.683	
Tariff 12C – residential time-of-use[b]	122.364	13.355	26.463	49.198	
Tariff 14A – residential time-of-use demand[c]	122.364	25.071			5.438
Tariff 14B – residential time-of-use demand[c]	122.364	24.259			9.544
Tariff 31 – night rate (super economy)	3.372	17.222			
Tariff 33 – controlled supply (economy)	3.372	19.185			

a Charged per metering point.
b Peak usage – 4 pm to 9 pm; off-peak (day) usage – 9 am to 4 pm; shoulder (night) usage – all other times.
c Demand – 4 pm to 9 pm all days.

Table 6.2: Small business and unmetered supply customers (excl. GST), 2024–25

Retail tariff	Fixed[a]	Usage		Demand
		Off-peak/ flat	Peak	
	(c/day)	(c/kWh)	(c/kWh)	($/kW/mth)
Tariff 20 – business (flat-rate)	149.920	33.264		
Tariff 24A – business (time-of-use demand)[b]	148.036	29.198		5.563
Tariff 24B – business (time-of-use demand)[b]	148.036	28.144		11.505
Tariff 34 – business (interruptible supply)	138.993	22.834		
Tariff 91 – unmetered		30.886		

a Charged per metering point.
b Demand – 4 pm to 9 pm on weekdays.

[111] A breakdown of each notified price by cost component is provided in Appendix D. The gazette notice, which includes the notified prices published in a tariff schedule, and the terms and conditions for accessing each tariff, is provided in Appendix E.

Table 6.3: Small business customers (excl. GST), 2024–25

Retail tariff	Fixed band[a]					Usage		
	Band 1 (c/day)	Band 2 (c/day)	Band 3 (c/day)	Band 4 (c/day)	Band 5 (c/day)	Off-peak/flat (c/kWh)	Shoulder (c/kWh)	Peak (c/kWh)
Tariff 22B – small business time-of-use inclining band[b]	148.036	176.485	204.933	233.570	262.113	26.735	37.627	43.355
Tariff 22C – small business time- of-use inclining band[b]	148.036	176.485	204.933	233.570	262.113	14.407	36.654	53.384

a Fixed band 1 – 0 MWh to 20 MWh annual consumption; fixed band 2 – 20 MWh to 40 MWh annual consumption; fixed band 3 – 40 MWh to 60 MWh annual consumption; fixed band 4 – 60 MWh to 80 MWh annual consumption; fixed band 5 – 80 MWh and above annual consumption.
b Peak usage – 4 pm to 9 pm weekdays; off-peak (day) usage – 9 am to 4 pm all days; shoulder (night) usage – all other times.

Table 6.4: Large business and street lighting customers (excl. GST), 2024–25

Retail tariff	Fixed	Usage		Demand		Excess demand
	(c/day)	Off-peak/flat (c/kWh)	Peak (c/kWh)	Off-peak/flat[a] ($/kW/mth)	Off-peak/flat[a] ($/kVA/mth)	($/kVA/mth)
Tariff 44 – over 100 MWh small (demand)	4468.236	19.247		27.768	24.989	
Tariff 45 – over 100 MWh medium (demand)	14233.555	19.250		27.497	24.747	
Tariff 46 – over 100 MWh large (demand)	37291.492	18.790		26.903	24.213	
Tariff 50A – large business time-of-use demand[b]	17978.354	19.824			17.769	1.844
Tariff 60A – large business flat-rate interruptible supply (primary)	4402.836	24.989				
Tariff 60B – large business flat-rate interruptible supply (secondary)		24.989				
Tariff 71 – street lighting		30.667				

a Customers on tariffs 44, 45 and 46 will be charged for demand on either a kW or kVA basis, based on their metering arrangements.
b Demand – 4 pm to 9 pm weekdays.

Table 6.5: Very large business customers (excl. GST), 2024–25

Retail tariff	Fixed (c/day)	Usage (c/kWh)	Connection unit ($/day/unit)	Capacity ($/kVA of AD/mth)	Demand ($/kVA/mth)
Tariff 51A – high voltage (CAC 66 kV)	22080.015	14.960	7.402	3.676	4.230
Tariff 51B – high voltage (CAC 33 kV)	15791.215	14.960	7.402	4.409	4.380
Tariff 51C – high voltage (CAC 22/11 kV Bus)	14382.915	14.960	7.402	5.029	5.324
Tariff 51D – high voltage (CAC 22/11 kV Line)	13822.715	14.960	7.402	9.411	10.710
Tariff 53 – high voltage (ICC)	21873.099	14.960		3.676	4.230
ICC site-specific – high voltage	2799.299	12.767		0.210	0.241

Table 6.6: Very large business customers (excl. GST), 2024–25

Retail tariff	Fixed (c/day)	Usage		Connection unit ($/day/unit)	Capacity ($/kVA of AD/mth)	Demand ($/kVA/mth)
		Off-peak (c/kWh)	Peak (c/kWh)			
Tariff 52A – high voltage (CAC STOUD 33–66 kV)	11511.815	19.092	14.010	7.402	6.644	16.480
Tariff 52B – high voltage (CAC STOUD 22/11 kV Bus)	11511.815	19.092	14.010	7.402	4.778	52.591
Tariff 52C – high voltage (CAC STOUD 22/11 kV Line)	11511.815	19.092	14.010	7.402	8.509	62.451

Table 6.7 Large business customers (excl. GST), 2024–25

Retail tariff	Fixed	Usage[a]	
		Below threshold	Above threshold
	(c/day)	(c/kWh)	(c/kWh)
Tariff 43 – Business customer (over 100 MWh)	4402.836	20.260	29.571

a Usage (below threshold) – up to 97,000 kWh per year; usage (above threshold) – 97,000 kWh per year and above.

Table 6.8: Limited-access obsolete tariffs – small business customers (excl. GST), 2024–25

Retail tariff	Fixed	Usage			Capacity	
		Block 1/ Peak	Block 2	Off-peak/flat	Up to 7.5kW	Over 7.5kW
	(c/day)	(c/kWh)	(c/kWh)	(c/kWh)	($/kW/mth)	($/kW/mth)
Tariff 62A – time-of-use declining block tariff[a]	123.798	73.396	61.884	25.190		
Tariff 65A – time-of-use tariff[b]	123.398	58.124		31.483		
Tariff 66A – dual-rate demand tariff[c]	271.598			29.843	4.530	13.675

a Block 1 – 7 am to 9 pm on weekdays (first 10,000 kWh per month); block 2 – 7 am to 9 pm on weekdays (remaining kWh per month); off-peak – all other times.
b Peak – a fixed 12-hour period as agreed between the retailer and customer from the range 7 am to 7 pm, 7.30 am to 7.30 pm, or 8 am to 8 pm; off-peak – all other times.
c Tariff 66A has a monthly dual-rate capacity charge, instead of an annual dual-rate capacity charge. The capacity charge is determined by whichever is larger – the connected motor capacity used for irrigation pumping or 7.5kW.

Table 6.9: Obsolete tariffs – large business customers (excl. GST), 2024–25

Retail tariff	Fixed	Usage		Demand	
		Off-peak/flat	Peak	Off-peak/flat	Peak[a]
	(c/day)	(c/kWh)	(c/kWh)	($/kW/mth)	($/kW/mth)
Tariff 50 – over 100 MWh seasonal time-of-use (demand)	3981.554	22.840	16.745	11.815	79.959

a Peak demand is charged on maximum metered demand exceeding 20 kW on weekdays between 10 am and 8 pm in summer months (December, January and February). Off-peak demand is charged on maximum metered demand exceeding 40 kW during non-summer months (March to November). Peak usage is charged on all usage in summer months (December, January and February). Off-peak usage is charged on all usage during non-summer months (March to November).

Table 6.10: Metering charges – large and very large business customers advanced meters (excl. GST), 2024–25

Customer type	Metering charge (c/day)
Standard asset customer (annual usage of 750 MWh or less)	216.792
Standard asset customer (annual usage greater than 750 MWh)	260.243
Connection asset customer	429.001
Individually calculated customer	375.024

Source: Retailer data.

Glossary

ACIL	ACIL Allen
ADM	Advanced digital meter
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BRIG	Bundaberg Regional Irrigators Group
CER	Clean Energy Regulator
CLP	Control load profile
CPI	Consumer price index
Delegation	The delegation issued by the Minister for Energy, Renewables and Hydrogen (see Appendix A)
DMO	Default market offer
EEQ	Ergon Energy Queensland
Electricity Act	Electricity Act 1994 (Qld)
Ergon Distribution	Ergon Energy Corporation Limited (electricity distribution arm)
ICP	Interim consultation paper
kVA	Kilovolt amperes
kW	Kilowatts
kWh	Kilowatt hour
LGC	Large-scale generation certificate
LRET	Large-scale renewable energy target
MWh	Megawatt hour
N	Network costs
NEM	National Electricity Market
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
Notified prices	Regulated retail electricity prices
NSLP	Net system load profile
N+R	Network + retail cost build-up methodology
PV	Photovoltaic
QCA	Queensland Competition Authority
QFF	Queensland Farmers' Federation

R	Energy and retail costs
RBA	Reserve Bank of Australia
RERT	Reliability and Emergency Reserve Trader
RET	Renewable Energy Target
SBS	Solar Bonus Scheme
SEQ	South-east Queensland
SOA	Standing offer adjustment
SRES	Small-scale renewable energy scheme
STC	Small-scale technology certificate
STP	Small-scale technology percentage
TOU	Time-of-use
UTP	Uniform Tariff Policy
$/t	Dollars per tonne
$/GJ	Dollars per gigajoule

Stakeholder submissions and references

Stakeholder submissions

We received 12 submissions during our review (available on our website).

Stakeholder	Submission number	Date received
Bundaberg Regional Irrigators Group (BRIG)	1	19 January 2024
	6	21 May 2024
Cotton Australia	2	19 January 2024
Electric Vehicle Council (EVC)	3	18 January 2024
	7	16 May 2024
Ergon Energy Queensland (EEQ)	4	18 January 2024
Knight, M	8	16 May 2024
Origin Energy	9	22 May 2024
Queensland Farmers' Federation (QFF)	5	1 February 2024
	10	22 May 2024
Sutherland, B	11	16 May 2024
Queensland Cane Growers Organisation Ltd (Canegrowers)	12	27 May 2024

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