



Office of the
Minister for Energy and Water Supply

Ref: EWS/003970
CTS No. 26246/13

Level 13 Mineral House
41 George Street Brisbane 4000
PO Box 15456 City East
Queensland 4002 Australia
Telephone +61 7 3896 3691
Facsimile +61 7 3012 9115

14 November 2013

Mr Neil Laurie
The Clerk of the Parliament
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

I refer to your letter of 16 October 2013 enclosing a copy of Petition No. 2175–13 lodged in the Queensland Legislative Assembly. The Petition draws to the attention of the House the proposed increases to electricity tariffs and concern regarding the impact on residential customers.

Understanding price increases

The Newman Government understands that the increases in electricity prices over the past seven years have hurt Queensland families. That is why we froze the standard domestic electricity tariff, Tariff 11 in 2012–13, maintaining an election commitment. This provided immediate relief to Queensland households. The only increase experienced by Tariff 11 customers in 2012–13 was due to the Australian Government's carbon tax.

Right now, removing the Carbon Tax is the biggest and quickest way to reduce electricity bills and other cost-of-living pressures throughout Australia. Federal MPs and Senators could very easily deliver a significant and immediate cut in electricity bills by supporting the new Federal Government's efforts to remove the carbon tax and wind-back economically irresponsible green schemes. Otherwise the Labor-Greens Carbon Tax and renewable energy target program will continue to hurt Queensland businesses, farmers and households by adding about \$260 to average household electricity bills annually.

The Newman Government is now addressing the systemic problems with the electricity sector. In 2012 the government established a special committee which included a panel of experts to assess the electricity networks. The Newman Government's response to the report from this committee demonstrates the determination to put downward pressure on electricity prices over the long term.

Unfortunately there is no overnight solution for reducing the burden rising electricity prices have placed on Queensland families and businesses, as most of the cost pressures pushing prices up have been built into the system over many years. This was demonstrated on 31 May 2013 when the independent economic regulator, the Queensland Competition Authority announced large increases to regulated retail electricity prices, including an increase for the Tariff 11 customer of 22.6 per cent.

It is important to understand what has caused this price increase. The main cause has been increasing costs to build and maintain the poles and wires. These costs are not determined by the government but are approved by Federal Government body, the Australian Energy Regulator. As part of its reform agenda the government has asked Energex and Ergon Energy to find savings from their budgets to deliver better outcomes to electricity consumers. These measures are expected to deliver more than \$5 billion in savings from 2013–14, which will put downward pressure on network costs over the long-term.

In addition to the RET and carbon tax, the previous Queensland Government's Solar Bonus Scheme is driving up electricity prices, adding roughly \$70 to an annual Tariff 11 bill in 2013–14 (and \$276 by 2015–16).

Assistance for those most in need

The Newman Government is also conscious of the need to help people with lower incomes and has acted to assist those who are the most vulnerable in our society.

The annual rebate for pensioners, seniors and other eligible concession card holders has been increased to \$282 from 1 July 2013, an increase of around 22 per cent. Overall, the government has budgeted over \$150 million in 2013–14 to help vulnerable customers with their energy bills. This includes additional funding allocated to the Home Energy Emergency Assistance Scheme, which provides an emergency payment of up to \$720 for eligible low income households.

The Newman Government also maintains a policy which means all Queenslanders pay the same for electricity regardless of where they live. Queensland is a large state with vast distances between cities and towns and there are large costs involved with transporting electricity over long distances. This means that the costs to supply electricity to regional and remote Queenslanders is much greater than for those in south east Queensland.

To do this, the government pays a subsidy to Ergon Energy. This ensures that regional residential customers, such as those in Toowoomba who have signed the petition, have access to the same price for electricity as customers in south east Queensland. It is estimated that this subsidy will cost around \$620 million this year.

The Newman Government is also taking steps to ensure that customers are more actively involved in the electricity industry and in particular planning for how this industry will look in 30 years. The 30-Year Electricity Strategy Discussion Paper, released in September 2013, provides this opportunity to get involved. It is available at: <http://www.dews.qld.gov.au/policies-initiatives/electricity-sector-reform/discussion-paper>.

Action that all householders can take

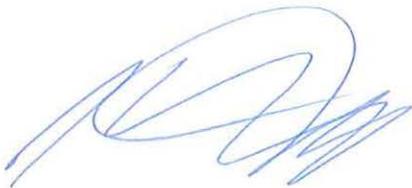
Ergon Energy offers financial incentives for customers, regardless of their retailer, to switch to the residential off-peak tariffs (Tariffs 31 and 33). These tariffs are best suited to hot water systems or pool pumps. Both tariffs have consumption charges that are lower than the standard Tariff 11 consumption charge. Neither have a fixed charge, so switching will save money year after year.

I have also enclosed a fact sheet on Tariff 12. Tariff 12 provides an alternative to the standard tariff where you pay different rates for electricity used at different times of the day. This rewards customers who shift electricity usage away from peak periods which could contribute to savings of up to \$200 a year. Check out the fact sheet to see whether this will suit your circumstances (it will not suit all households) and then talk with Ergon Energy for further details (www.ergon.com.au or 13 10 46).

The Newman Government will continue to implement its reform strategy for the electricity sector aimed at achieving greater efficiencies leading to downward pressure on electricity prices in the long term interests of Queenslanders.

I trust this information is helpful and thank you for bringing the petitioners' concerns to my attention.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mark McArdle', is written over a light blue circular stamp.

Mark McArdle MP
Minister for Energy and Water Supply

Residential time-of-use electricity tariff

Introducing Tariff 12

As a Queensland residential electricity customer, you have options about how you are charged for your electricity use.

Most households choose **Tariff 11**, where they pay the same amount for their electricity regardless of the time of day, or whether it is a weekday or a weekend. This is often referred to as a 'flat rate tariff'.

Table 1: Tariff 11 pricing in 2013–14 including GST

Charge	Price
Usage fee	29.40 cents per kilowatt hour (c/kWh)
Service fee	\$201.63 per year

Tariff 12 provides an alternative whereby you pay different rates for electricity used at different times of the day. This is known as a 'time-of-use tariff'.

Electricity used during 'off-peak' and 'shoulder' times costs less than electricity consumed during the peak periods of 4pm–8pm, Monday to Friday.

Table 2: Tariff 12 pricing in 2013–14 including GST

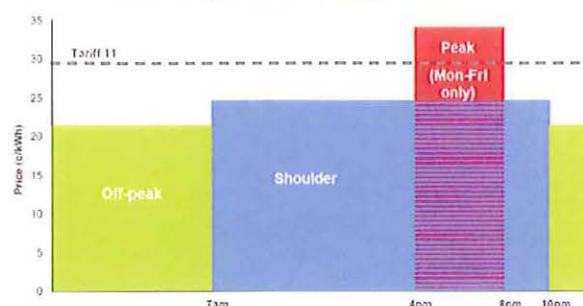
Charge	Price	Weekdays	Weekends
Off-peak usage fee	21.40 c/kWh	10pm–7am	10pm–7am
Shoulder usage fee	24.70 c/kWh	7am–4pm and 8pm–10pm	7am–10pm
Peak usage fee	34.10 c/kWh	4pm–8pm	No peak
Service fee	\$457.32 per year		

Tariff 12 pricing rewards you if you shift your electricity usage away from peak periods, which helps to reduce stress on the electricity network.

This is an important goal, because the electricity network is built to cope with this peak demand. Continuing to upgrade these networks to manage growing peak demand is expensive and is the main cause of rising electricity prices over the last seven years.

Figure 1 shows how the usage rates for Tariff 12 differ from Tariff 11.

Figure 1: 2013–14 Tariff 11 and Tariff 12 consumption rate comparison



Source: yourpowerqld.com.au

Switching from Tariff 11 to Tariff 12 to lower your electricity bill

Achieving savings on your electricity bill by switching to Tariff 12 will depend on how much and when you use electricity.

Not everyone will save on their electricity bill if they move from Tariff 11 to Tariff 12.

As a general guide, switching from Tariff 11 to Tariff 12 may benefit households that:

- use a large amount of electricity
- can shift their electricity consumption away from the expensive peak period to the cheaper off-peak and shoulder periods.

Information from the Queensland Competition Authority (QCA) indicates that a typical Tariff 12 customer uses 11,000 kWh of electricity per annum, with 32 per cent of usage occurring during the off-peak period and approximately 52 per cent during the shoulder period. This leaves 16 per cent of usage for the more expensive peak period.

If you were to use electricity in exactly this way, you would save approximately \$200 a year on your electricity bill on Tariff 12 compared with Tariff 11.

Service fees

The QCA advises that the service fee, often called the 'fixed charge', on Tariff 11 is currently too low, and does not reflect the true cost of supplying electricity to customers.

The QCA is 're-balancing' the service fee and the usage fee on Tariff 11 over the next two years, so that by 1 July 2015 it is likely that the service fees on Tariff 11 and Tariff 12 will be the same.

Switching to Tariff 12

If you are interested in switching to Tariff 12, please contact your electricity retailer to discuss whether it is a suitable option for you. Three things you will need to do are:

- Find out how much electricity you use (either by looking at your electricity bills or by asking your retailer).
- Think carefully about when you use your electricity, and whether you can shift consumption out of the 'peak' period (only you can answer this question as your retailer will not have this precise information).
- Find out from your retailer if you will need a new electricity meter, and if there is a direct or indirect cost involved (sometimes customers need an electrician to assess their meter box and electrical connections, at a cost to the customer).

More tariff options

From 1 July 2013, you also have access to Tariff 13—a time-of-use tariff like Tariff 12, that applies a discount to the off-peak rate if customers have an air conditioner with PeakSmart technology (the technology must be activated to receive the discount).

Households can also save money by connecting certain appliances, such as hot water systems or pool pumps, to the 'economy tariffs'—Tariff 31 and Tariff 33. Supply to these tariffs is only guaranteed for certain periods of the day.

For more information on electricity prices and time-of-use tariffs, visit the Department of Energy and Water Supply website www.dews.qld.gov.au and the Your Power Qld website www.yourpowerqld.com.au.