



The facts about electricity cost and pricing

Electricity is essential to our Queensland lifestyle—it powers our homes, and keeps our businesses and industry running.

An ever-increasing demand for energy and the need to constantly maintain and upgrade Queensland's extensive electricity networks to match demand and reliability standards are among the many influences that impact upon the price we pay for electricity.

To understand why prices change, we need to look at how the price we pay for electricity is calculated.

What is a regulated tariff?

If you are not on a market contract with your electricity retailer, the electricity you use is charged at a regulated tariff (or notified electricity price). If you are a domestic customer on a market contract with your electricity retailer, you can choose to return to regulated tariff prices when your contract ends.

What is included in the tariff?

Queensland's independent economic regulator, the Queensland Competition Authority, reviews the regulated tariffs each year and determines a new rate based on a number of factors (which are explained below).

The price you pay for electricity is made up of four costs:



costs to create electricity at a power station, (known as 'generation' costs)



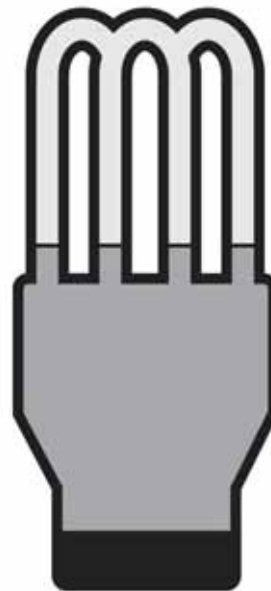
costs to build and maintain the state's extensive high voltage powerline infrastructure (known as 'transmission' costs)



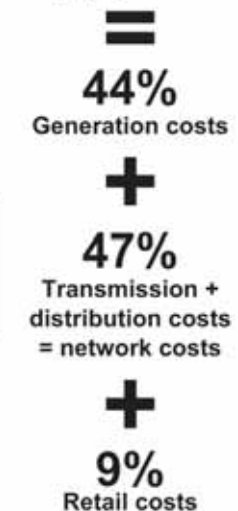
costs to build and maintain the state's network of poles and wires that deliver electricity to homes and businesses (known as 'distribution' costs)



costs to connect customers, bill customers and manage accounts (known as retail costs).



Electricity supply costs



To break it down, almost half of the cost you pay is made up of network costs (transmission plus distribution) and generation costs are slightly less. Together these total just over 90 per cent of the cost of supply, while retail costs make up just less than 10 per cent.

How do we compare?

The cost of supplying electricity is increasing right across Australia.

2009–10 domestic electricity tariff increases

New South Wales	20%
Northern Territory	18%
Western Australia	15% (following on from 10% increase on 1 April 2009)
Tasmania	7%
ACT	6%
South Australia	4%
Victoria	deregulated

Costs that impact on electricity prices in Queensland

The cost of supplying electricity in Queensland is currently lower than in many other states, as Queensland's power stations include some of the most modern and efficient in the country.

As Queensland's population increases, and we continue to buy and use more energy-hungry appliances like home air-conditioners and plasma televisions, our electricity demand sky-rockets. People living in South-East Queensland use more electricity than the whole state of South Australia. When we combine this increased demand for electricity with large numbers of people choosing to use it at the same time (peak demand), it creates the need to build more electricity infrastructure, to ensure that we can all continue to enjoy a reliable electricity supply.

Electricity infrastructure

In the period 2005–10 Queensland will have spent almost \$9 billion on electricity transmission and distribution infrastructure to cope with increased electricity demand. We all pay a portion of this cost through our electricity bill. This investment in our electricity system increases the transmission and distribution components of the regulated tariff.

Major storm damage

Severe weather conditions have also impacted on our electricity system. Events like Cyclone Larry and the Brisbane storms of late 2008 caused severe damage to our electricity network. The significant additional cost of repairing and restoring electricity supply to areas affected by natural disasters drives up the transmission and distribution components of the regulated tariff.

Fuel sources

Recently, as the cost of coal, gas, diesel and other fuels used to produce electricity has increased, this has raised the generation cost in the regulated tariff. As these fuel costs increase, these costs drive up the regulated tariff and the price we pay for electricity. The proposed introduction of a national scheme to reduce greenhouse gas emissions will also increase the costs of electricity from fossil-fired (coal and gas) power stations.

Renewables and carbon cost

Queensland will play its part in helping to lower Australia's contribution to climate change by using cleaner energy power stations.

In coming years, the generation cost component of the tariff is expected to rise because electricity retailers will have to purchase more electricity from power stations that use renewable energy sources like wind, geothermal and solar. While these have low fuel costs, the capital and maintenance costs are currently very high compared to traditional sources of generation.

We're using more

Our household consumption of electricity has skyrocketed in recent years because of energy-hungry appliances such as air conditioning and plasma TVs. This has increased our electricity bills.

Wherever we live, we pay the same

Queensland is a large state, with vast distances between our cities and towns. The costs involved in supplying electricity to regional and remote Queenslanders is much greater than for those in the south-east corner of the state. This is due to the high cost of building infrastructure to transport electricity over long distances. There are also fewer people in remote and regional Queensland to share the costs of the transmission towers and poles and wires that deliver electricity.

The Queensland Government ensures that all Queensland electricity customers of a similar type supplied through the distribution systems of ENERGEX and Ergon Energy have access to electricity no matter where they live. It does this by subsidising electricity for regional Queenslanders through payments to Ergon Energy. This subsidy is called the Community Service Obligation payment. This means that customers in Roma pay the same rate for their electricity as customers in South East Queensland, not the true cost of supplying electricity to remote locations.

What can I do?

The best way to manage your electricity bill is to look at ways you can reduce the amount of energy you use at home. Pick up a copy of the Saving Energy fact sheet for tips on how to reduce your energy use and the Queensland Government programs and rebates available to help you. This fact sheet is available to download from www.energy.qld.gov.au.

More information

For more information about electricity pricing in Queensland, visit www.energy.qld.gov.au. For more information about electricity retailers and market contracts, visit www.thepowertochoose.qld.gov.au.