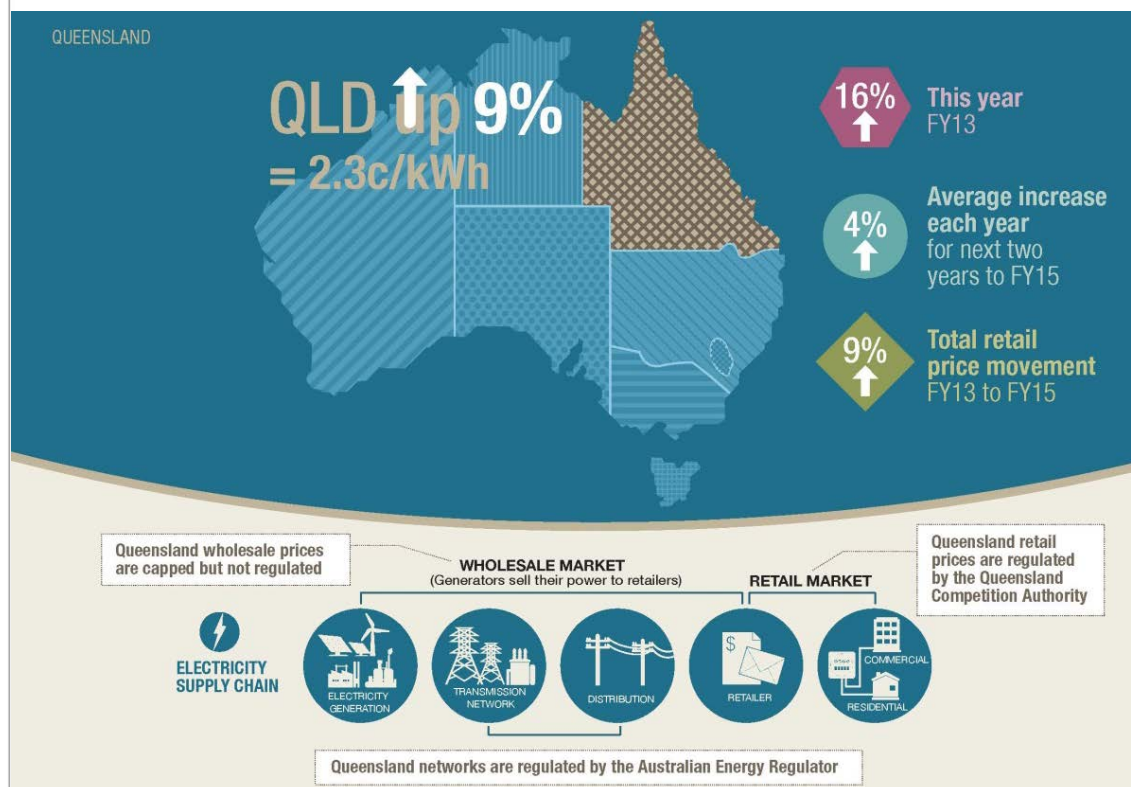


Queensland: Electricity price trends to FY15

The AEMC Electricity Price Trends Report: 1 July 2012 to 30 June 2015 was published on 22 March 2013. Queensland's underlying trend for price movements excludes the Queensland Government's decision to freeze the most common residential retail tariff in this financial year (FY) 2013.



Recent Queensland market developments

The Queensland Government froze the main residential retail tariff (Tariff 11) at FY12 levels for 12 months, resulting in no increase in residential prices for FY13 beyond the carbon price impact. Our report is not modelled to reflect this announcement. This report estimates an underlying trend for the wholesale, retail and network components of electricity prices.

The Queensland Competition Authority (QCA) released a draft determination for retail prices on 22 February 2013. It proposed a 21% increase to Tariff 11 for FY14, as the first stage in a transition to cost reflective prices by 1 July 2015. This determination was released after the AEMC had completed modelling for this report and is not reflected in our figures.

Our modelling does not include the impact of the Australian Energy Regulator (AER) determination for Energex and Ergon (10 January 2013) approving the pass-through of costs in relation to feed-in tariffs.

Customer consumption

The representative residential customer in Queensland uses 5,370 kWh of electricity annually.

Queensland has a uniform tariff policy, which is a government policy to deliver price parity to all customers regardless of their geographical location.

What this market looks like

Regulation

Energex and Ergon provide distribution services, while Powerlink is responsible for transmission services in Queensland. These are Queensland government owned businesses.

The AER is responsible for economic regulation of Queensland network businesses. The current regulatory control period for Ergon and Energex expires on 30 June 2015, while the current regulatory determination for Powerlink expires on 30 June 2017.

Full retail competition commenced in Queensland on 1 July 2007. Around this time the retail arm of Energex was sold to Origin Energy, and Ergon's retail business, covering contestable customers was sold to AGL. Ergon continues to provide retail services to the non-contestable customers located in regional and remote parts of Queensland.

Regulated prices are retained for customers who were not offered, or who choose not to have market contract for electricity supply.

The QCA determines regulated retail prices in Queensland. Determinations for regulated prices are based on the Energex network tariffs in line with the Queensland Government's uniform tariff policy.

Queensland analysis

Wholesale component

Wholesale prices in Queensland rose by 4% from FY12 to FY13. This reflects the introduction of the carbon price (2.4 c/kWh) and the new methodology used by the QCA to determine the wholesale energy component for regulated tariffs. The AEMC has modelled future wholesale price increases using estimated CPI.

Network components

Transmission network prices rose by 4% in the year from FY12 to FY13. They are estimated to increase on average by 3% each year from FY13 to FY15.

Distribution network prices increased by 16% in the year from FY12 to FY13. They are estimated to increase on average by 9% each year from FY13 to FY15. Increases are due to regulator allowances for expected network expansion in response to the state's population growth and increased economic activity in the minerals sector, in addition to requirements to meet higher reliability standards.

The costs of the Queensland Solar Bonus Scheme are met through distribution network charges. In January 2013 the AER approved the increase of revenue allowances in FY14 for both Energex and Ergon, to recover costs relating to this scheme. These pass-through amounts (\$28m for Ergon and \$78.5m for Energex) are not included in this report due to timing. The QCA will be releasing a report in March determining a fair and reasonable feed-in tariff.

The network components (including feed-in tariffs) together make up around 50% of the total regulated residential retail price for Queensland in FY13.

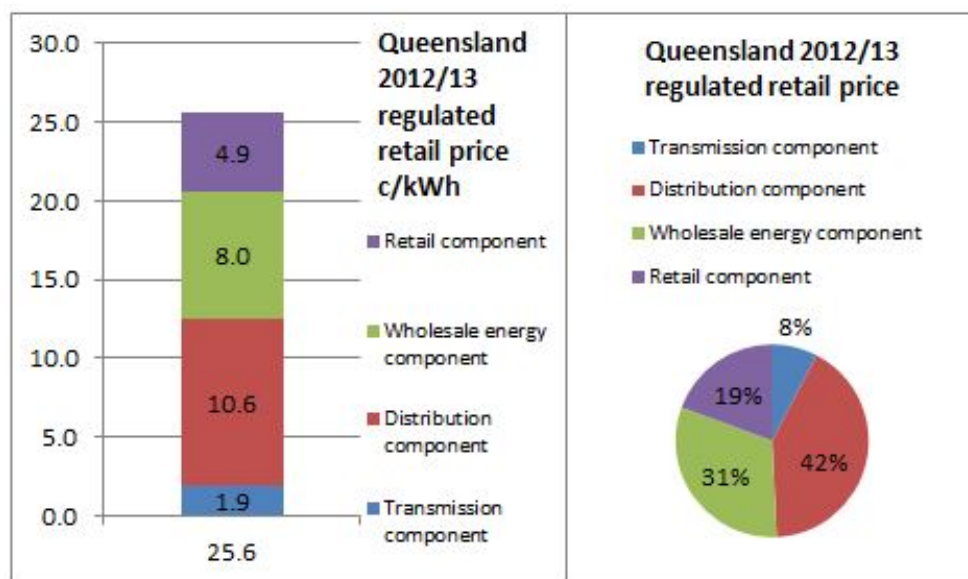
Retail component

Retail costs increased by 48% from FY12 to FY13. This increase in part reflects a reallocation of prices between components that was caused by a change in QCA methodology for setting regulated retail prices.

The retail component is estimated to decrease on average by 1% each year from FY13 to FY15.

This report is not a forecast of actual prices. It is a guide to pricing trends and identifies the components that are driving those trends.

Breakdown of Queensland's representative household price for FY13



About the AEMC Electricity Price Trends Report

The AEMC Electricity Price Trends Report identifies the factors driving residential electricity prices, and outlines reasons why they may rise or fall over three years to FY15. It is not a forecast of actual prices, but a guide to pricing trends based on current knowledge and assumptions. The report is prepared annually at the request of the Standing Council on Energy and Resources (SCER).

Price comparisons across jurisdictions

It is not possible to directly compare electricity prices across jurisdictions. The costs vary due to population spread and density, weather, technology, economic strengths and customer choices. The regulator in each state and territory applies different policies in setting regulated prices.

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