

QUESTION ON NOTICE

No. 58

asked on 13 February 2014

MR BYRNE ASKED THE MINISTER FOR ENERGY AND WATER SUPPLY (MR MCARDLE)—

QUESTION:

Will the Minister advise the total revenue expected to be collected from the increase in the fixed charge for Tariff 11 in 2013-14 and 2014-15, listed separately?

ANSWER:

The Queensland Competition Authority (QCA) advised both this Government, and the previous Government, that a Tariff 11 customer's variable charge is currently higher than it should be, whilst their fixed daily charge is too low. To correct this, the QCA is 're-balancing' the Tariff 11 fixed and variable charges so that they reflect a customer's actual supply costs by the end of a three year transitional period, starting in 2013-14.

Re-balancing Tariff 11 prices over three years will help soften the impact a higher fixed charge will have on low consumption users. Additionally, the Government has boosted financial assistance for vulnerable consumers through government-funded concessions schemes that assist pensioners, those with medical equipment requirements, and consumers experiencing critical financial hardship. For example, over \$150 million in assistance payments are forecast to be provided by the Government in 2013-14.

An intended outcome of the Tariff 11 rebalancing process is that the revenue collected from the Tariff 11 fixed charge will increase in 2013-14 and 2014-15. Assuming that customer numbers for the 2013-14 tariff year are held constant, total fixed revenue is expected to be \$369 million in 2013-14 (a \$177 million increase) and \$613 million in 2014-15 (a \$244 million increase) based on QCA Draft Determination prices. **Importantly, there is no growth in overall revenue recovered from customers due to the re-balancing of fixed and variable costs.** This is because the increase to the Tariff 11 fixed charge is offset by much smaller increases to the variable charge than would otherwise be the case.

According to the QCA's Draft Determination, total Tariff 11 costs in 2014-15 are expected to increase by around 12 per cent but variable costs would only increase by 5 per cent. It should be highlighted that variable costs would actually decrease in 2014-15 if the carbon tax is repealed. This supports the Government's position that removing the carbon tax is the quickest and most significant way to provide cost-of-living relief to households.