

## How your domestic tariff (Tariff 11) has increased

Going back well into the past (over 40 years) electricity tariffs for Tariff 11 (Domestic - light and power) was charged at 3 levels:

- (1) 100kWh at x cents/kWh
- (2) next 300kWh at y cents/kWh
- (3) remaining kWh at z cents/kWh, with x, y and z decreasing numbers so that the more one used the less one paid. Most users ('non-market customers') were well past the first and second levels and paying at x, y and z rates.

There was also a Minimum Payment.

Annual rate increases were low and manageable (see the last line graph below).

On 24/11/2005 a historic change occurred where the pricing methodology was changed, doing away with levels and introducing a flat rate F cents/kWh and a Service Fee \$S per metering point per month (till 2012 when it was changed to per metering point per day).

There are 3 steps in getting electricity to your house.

- (1) Generation - there are Electricity Power Stations (Generators): Coal fired, Gas turbine and reciprocating, Hydroelectric, Wind Farms, Biomass combustion (Sugar Mills)
- (2) Transmission - the Queensland Government owned corporation Powerlink is responsible for the transmission of High Voltage electricity (the huge towers)
- (3) Distribution - a variety of retailers to distribute the power down your street, e.g., Energex, Ergon etc.

It is the QCA (Queensland Competition Authority) that regulates prices, with input from the electricity industry.

### Inspector Rex's opinion

It is roughly since this change in 2005 that price increases accelerated, as data and graphs below show. The change of methodology certainly simplifies calculations, but without further information and data one cannot tell the reasons for the rapid increases. But has this 'simplification' led to demands by the electrical industry for large price increases (see line graphs showing percentage increases)? Inspector Rex does not think this is a reason.

From the line graph of the Annual Percentage Increase of Tariff 11 there was a big jump on 1/7/2006. Notice the almost alternating nature of the rises - high, low, high, low etc.

Therefore if there was a large increase, followed by a public outcry, the electrical industry could claim that "the increase was very low last year"

or "we expect any increase to be low next year" and so the public would be pacified with this explanation.

But the line graph of the Compounded Percentage Increase of Tariff 11 shows dramatically the huge increase of 88% in 8 years (Gazetted increases 24/11/2005-1/7/2012).

Another strange phenomenon occurred in June 2009.

Gazetted on 5 June 2009, the QCA stated that pursuant to a 28 April 2009 Judicial Review and Court Orders of 14 May 2009 and 29 May 2009 electricity tariffs were notified (for most users, i.e., 'non-market customers') with Tariff 11 set at 15.32 c/kWh and Service Fee of \$5.89 per metering point per month (both ex GST).

However, just 4 days later on 9 June 2009, pursuant to a Certificate of Delegation from the Minister for Natural Resources, Mines and Energy and Minister for Trade the QCA decided that new notified prices for most users with Tariff 11 were set at 17.13 c/kWh and Service Fee of \$6.59 per metering point per month (both ex GST).

The view is inescapable that in those 4 days the electrical industry 'got to the Ministers' to 'persuade' them to increase the tariffs to the highest ever increase - easily seen on the Annual Percentage Increase of Tariff 11 line graph - which overrode the judgements of the Judicial Review and Court Orders.

The graph of the Compounded Percentage Increase of Tariff 11 is almost a straight line. Although there may be no objection to this, the slope is so steep that it is the cause of great concern about electricity prices and anxiety in Qld.

Take an especial look at the line graph below the next 4 graphs below. It shows the unit cost over a remarkable 40 years. During this lengthy period Inspector Rex of course got older and there came a time when he could get a Qld Seniors Rebate (2002) which reduces the unit cost (the black line and markers).

Without the rebate, the unit cost is much higher as can be seen by the yellow markers.

Govt Gazette  
Retail Electricity

- No 42 23/6/2006
- No 45 20/6/2007
- No 30 30/5/2008
- No 29 5/6/2009
- No 41\* 9/6/2009
- No 25 28/5/2010
- No 16 31/5/2011
- No 43 29/6/2012

\*The tariff was increased from 15.32c/kWh to 17.13c/kWh after a few days!

Unit 1,000 taken as base for percentage increase calculations as at 24/11/2005.

### Annual Percentage Increase of Tariff 11

Percentage increases are unchanged whether or not GST is included



	24/11/2005	1/07/2005	1/07/2006	1/07/2007	1/07/2008	1/07/2009	1/07/2010	1/07/2011	1/07/2012
Annual Percentage Increase of Tariff 11	1	2.852	11.331	5.409	15.606	13.31	5.594	11.505	

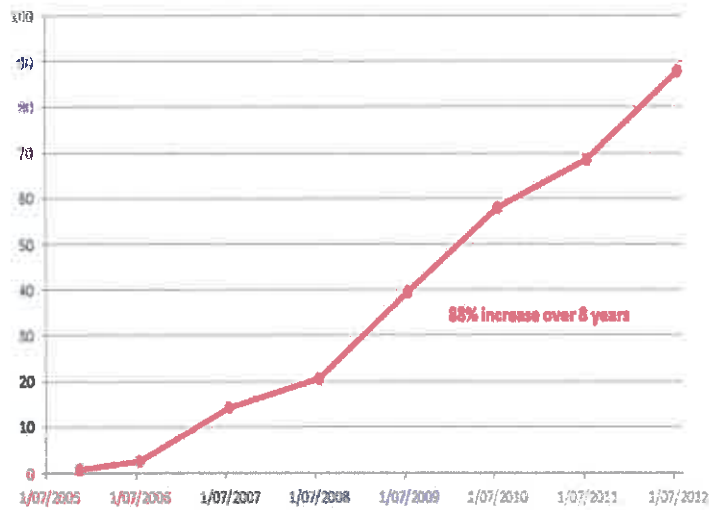
### Compounded Percentage Increase of Tariff 11

Percentage increases are unchanged whether or not GST is included

Govt Gazette notice stating that Tariff 11 pricing methodology was being changed as from 24/11/2005.

Unit 1,000 taken as base for percentage increase calculations as at that date.

Compounded % increases rather than cumulative (mere addition) is the appropriate calculation.



	24/11/2005	1/07/2005	1/07/2006	1/07/2007	1/07/2008	1/07/2009	1/07/2010	1/07/2011	1/07/2012
Compounded Percentage Increase of Tariff 11	1.000	2.852	14.506	20.703	39.607	58.183	68.622	88.027	

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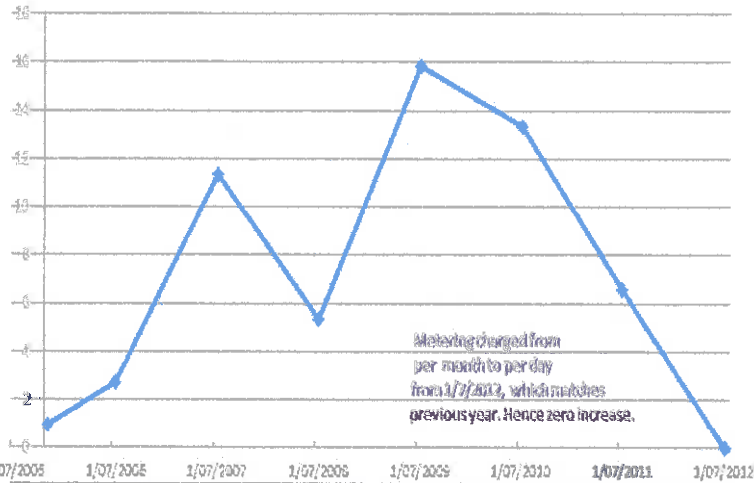
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\*The tariff was increased from 15.32c/kWh to 17.13c/kWh after a few days!

Unit 1,000 taken as base for percentage increase calculations as at 24/11/2005.

### Annual Percentage Increase of Service Fee

Percentage increases are unchanged whether or not GST is included



	24/11/2005	1/07/2005	1/07/2007	1/07/2008	1/07/2009	1/07/2010	1/07/2011	1/07/2012
Annual Percentage Increase of Service Fee	1	2.754	11.54	5.37	15.833	13.338	6.608	0

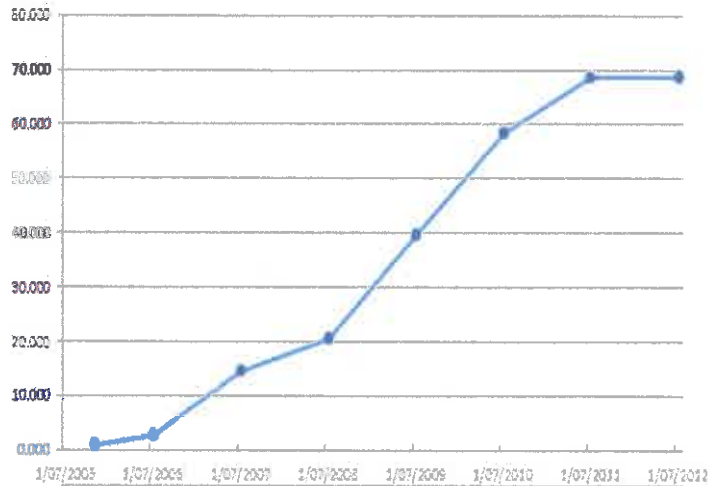
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Percentage increases are unchanged whether or not GST is included

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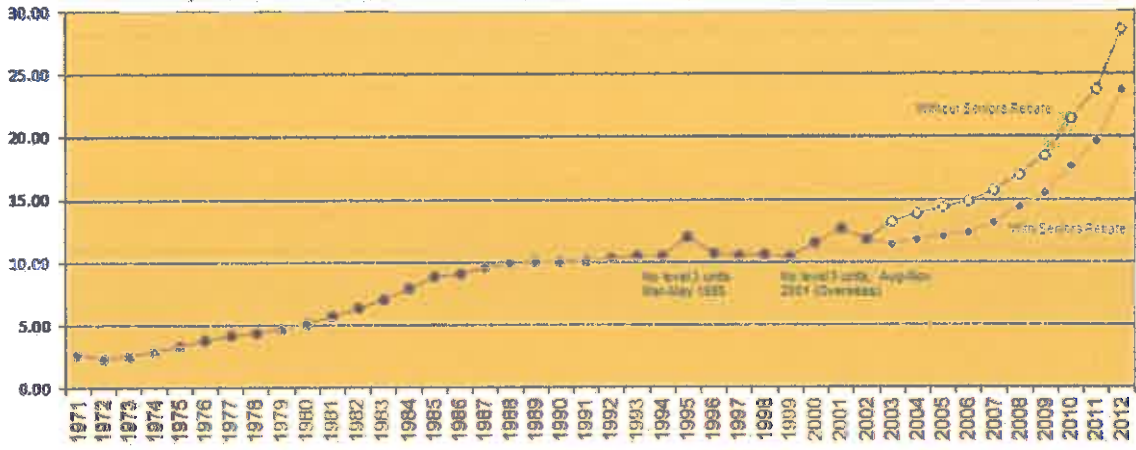
Unit 1,000 taken as base for percentage increase calculations as at that date.

Compounded % increases rather than cumulative (mere addition) is the appropriate calculation.

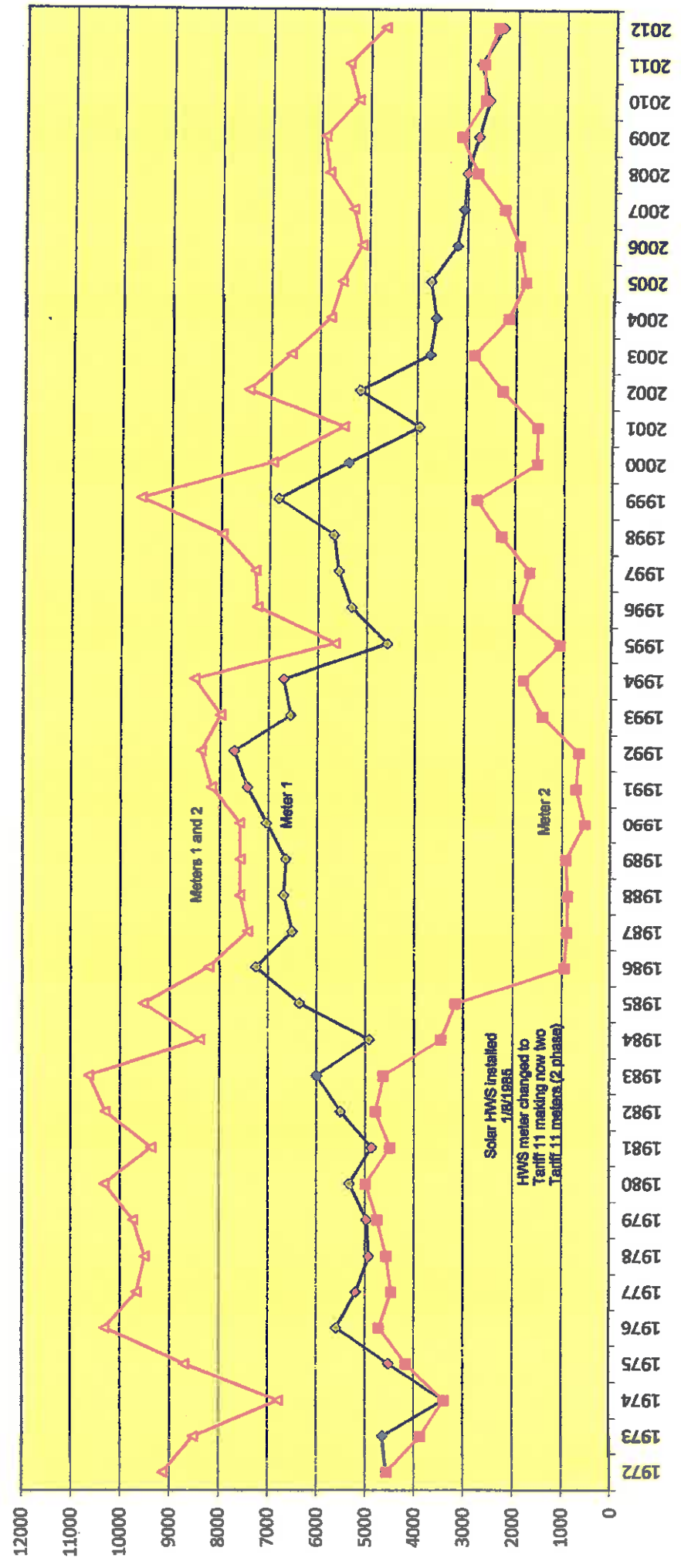


	24/11/2005	1/07/2005	1/07/2007	1/07/2008	1/07/2009	1/07/2010	1/07/2011	1/07/2012
Compounded Percentage Increase of Service Fee	1.000	2.754	14.406	20.590	39.637	58.268	68.719	68.719

Cents per unit without Seniors Rebate (from 2003) = Total annual cost without Seniors Rebate/Total annual units  
 Cents per unit with Seniors Rebate = Total annual cost with Seniors Rebate/Total annual units

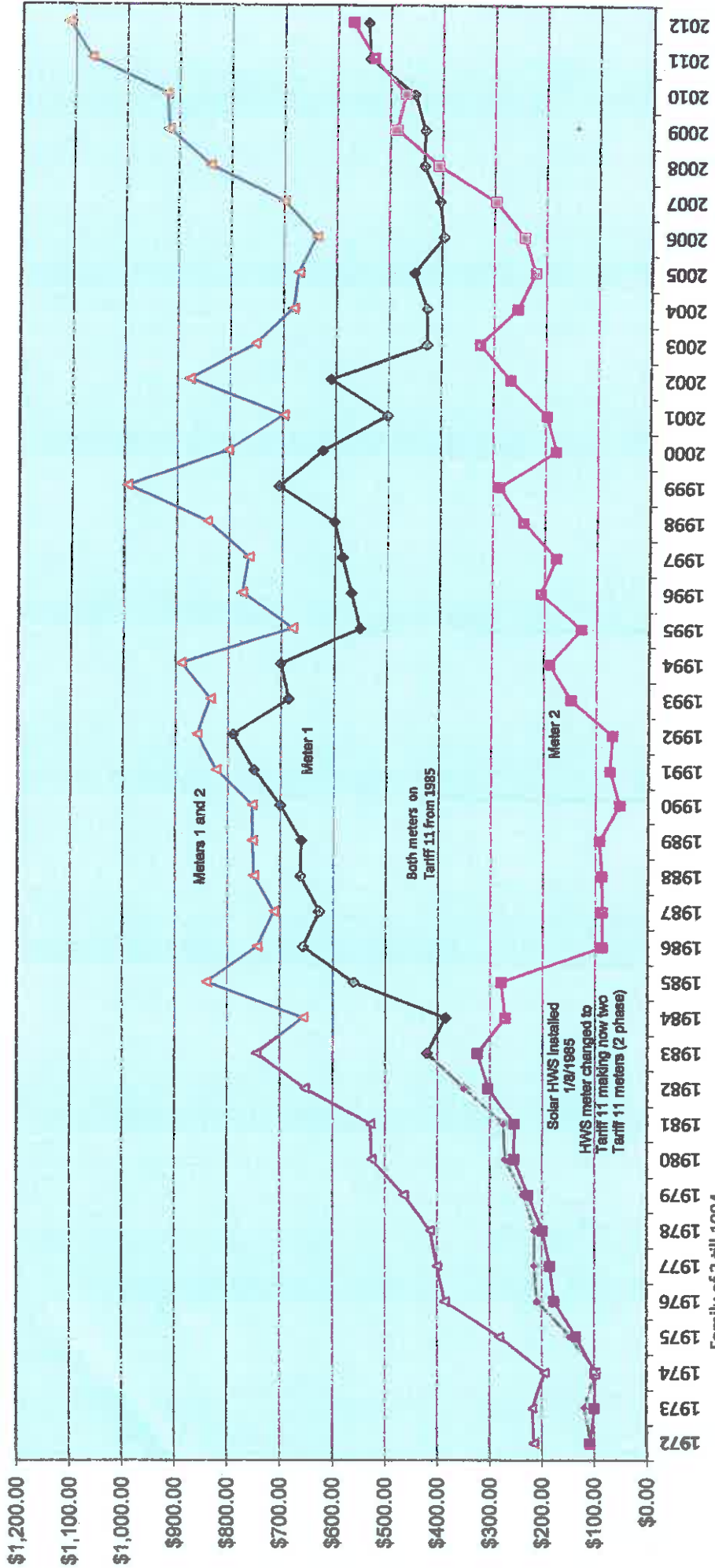


# Annual Units used kWh Meters 1 and 2



Family of 3 till 1994  
Family of 2 till 2002

## Annual Costs Meters 1,2 and combined



Family of 3 till 1994  
 Family of 2 till 2002  
 Family of 1 from 2002

Cents per unit = Total annual cost/Total annual units

