

**STATEMENT OF REASONS**

**Ergon Energy electricity distribution network**

**Approval of 2014–15 pricing proposal**

The Australian Energy Regulator has approved Ergon Energy’s annual pricing proposal, which establishes the network tariffs and alternative control service charges applicable from 1 July 2014 to 30 June 2015.

We assessed the annual pricing proposal for compliance with the price control mechanisms set out in the Queensland 2010–15 final decision (final decision) and with section 6.18 of the National Electricity Rules (the rules). A typical residential customer’s final bill will increase by 4.0 per cent as a result of this decision. However, there are many factors determining final electricity prices other than network charges.

The reasons for approving Ergon Energy’s annual pricing proposal are that:

* We are satisfied that the proposed network tariffs have been calculated using the approved revenue requirement (as per the revenue cap formula in section 4.5.1 of the final decision) and based on reasonable quantity forecasts. Furthermore, the proposed network tariffs comply with the relevant pricing principles and side constraints set out in the distribution pricing rules.
* Ergon Energy has correctly applied the approved price control mechanism to calculate the alternative control service prices in accordance with section 17.5 and 18.5 of the final decision. The approved price control mechanism involves escalating current prices by the change in the March quarter CPI on a year on year basis multiplied by an approved X factor.
* All pass through amounts and adjustments of the unders and overs account have been calculated correctly.

The approved 2014–15 network tariffs and alternative control service charges can be found in the following document on our website:

* Ergon Energy’s approved annual pricing proposal – 2014–15