

FACT SHEET

Changes in regulated electricity prices from 1 July 2013

Based on Draft Determination,
23 April 2013

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for setting the maximum electricity prices that regulated electricity retailers can charge to around 40% of all residential and small business customers in NSW.¹

We are undertaking a consultative and analytical process to set the prices that will take effect from 1 July 2013 and have made a draft decision on those prices. We have released a draft report together with supporting documentation. A public hearing will be held on 7 May 2013 and submissions are due on 20 May 2013.

Electricity prices are increasing modestly

Average regulated retail electricity prices will increase by around 3.0% across NSW from 1 July 2013 – or by between an average of 0.5% to 4.3% across different electricity supply areas.

Table 1 IPART's draft decision on regulated average retail electricity price increases from 1 July 2013 (including inflation, %)

EnergyAustralia	4.3
Origin Energy (Endeavour Energy)	3.1
Origin Energy (Essential Energy)	0.5
NSW average	3.0

Note: The increases in regulated retail electricity prices are based on estimated average network price increases which are yet to be approved by the Australian Energy Regulator. The NSW average price increase is a volume weighted average.

¹ We set regulated prices for customers that have not signed a market contract with a retailer or those that have returned to the regulated price (ie, standard contract). Customers on market contracts with retailers pay an unregulated price, however these market-based prices are influenced by changes in the regulated prices.

IPART's draft determination indicates that the likely direction of future prices is down. The indicative price increases on 1 July 2014 are less than inflation – increasing by less than 1%, and at this stage IPART expects prices to fall by an average of around 6% on 1 July 2015, mainly reflecting lower carbon costs following the movement to a floating carbon price linked to international markets.

The average price increases² will vary for customers of the 3 regulated electricity retailers as follows:

- ▼ 4.3% for EnergyAustralia customers, which translates to an extra:
 - \$1.60 per week (\$83 per annum) on an average residential customer bill (bringing the total average annual bill to \$2,033), and
 - \$2.25 per week (\$117 per annum) on average for its small business customers (bringing the total average annual bill to \$2,843), and
- ▼ 3.1% for Origin Energy (Endeavour Energy) customers, which translates to an extra:
 - \$1.10 per week (\$57 per annum) on an average residential customer bill (bringing the total average annual bill to \$1,913), and
 - \$1.50 per week (\$79 per annum) on an average small business customer bill (bringing the total average annual bill to \$2,675), and
- ▼ 0.5% for Origin Energy (Essential Energy) customers, which translates to an extra:
 - \$0.20 per week (\$11 per annum) on an average residential customer bill (bringing the total average annual bill to \$2,443), and
 - \$0.30 per week (\$16 per annum) on average for its small business customers (bringing the total average annual bill to \$3,417).

Why are electricity prices increasing?

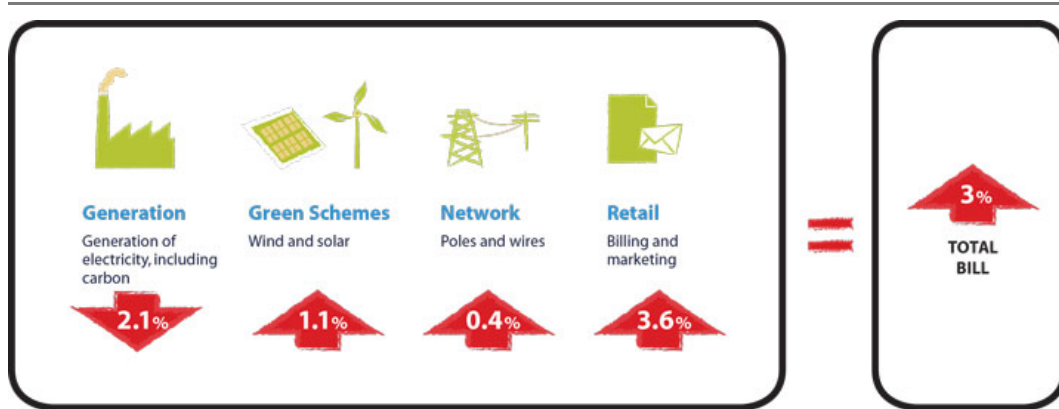
The draft price increases in 2013/14 are substantially lower than those in the past years. This is due to:

- ▼ **Much lower increases in network costs** in this year, following 4 years of large network price increases.
- ▼ **Relatively stable green scheme costs**, following the one-off effect of the introduction of the carbon pricing mechanism last year. We expect the costs associated with the small-scale scheme under the Renewable Energy Target will fall over the next year as the impact of the generous solar subsidies unwind.

² IPART determines the average price increase across all prices for electricity retailers. The retailers can determine how those increases are applied across different customers, so some customers may see increases that are higher or lower than these levels depending on the commercial decisions of the retailers.

As Figure 1 shows, the main driver of the draft price increases is higher retail costs (including the costs of acquiring and retaining customers in the competitive market). The increase in these costs will add around 3% to average prices across NSW.

Figure 1 Drivers of increase in average regulated retail electricity prices on 1 July 2013, across NSW (nominal, %)



Note: 'Green Schemes' include all of the Commonwealth and NSW Government schemes designed to reduce greenhouse emissions except for the Commonwealth Government's carbon pricing mechanism.

Customers should shop around for the best deal

We encourage NSW energy consumers to compare offers from retailers and ensure they have the most appropriate, and cost effective service for their needs.

IPART operates a free electricity and gas on-line price comparison service, www.myenergyoffers.nsw.gov.au, that lets consumers compare offers from energy retailers in NSW. A complementary phone service is maintained by the Department of Trade and Investment, Regional Infrastructure and Services and is available on 1300 136 888.