

CONSUMER FACT SHEET

Updating regulated electricity price increases for 1 July 2012

December 2011

IPART is responsible for regulating electricity prices for around two-thirds of residential and small business customers in NSW. These are the prices that the state's 3 Standard Retailers – EnergyAustralia (owned by TRUenergy) and Integral Energy and Country Energy (both owned by Origin Energy) – charge customers who have not signed a market contract with either them or another retailer. We do not set prices for customers who have signed a market contract with a retailer.

In June 2011 we estimated the average increase in regulated prices from 1 July 2012 to be 10.0% and 9.5% for EnergyAustralia and Country Energy respectively, and 2.0% for Integral Energy. These estimated price increases predominately reflect the increasing costs of transporting electricity to your premises (network costs), and exclude the impact of any carbon price.

We are now reviewing and updating these estimates, and will publish our decisions on the increase for each Standard Retailer in June 2012, in time for price changes from 1 July. This fact sheet outlines the changes that have occurred since June 11 when we made the estimates and how they are likely to affect electricity prices and explains when and how you can provide input to this review.

Changes since June 2011

Several policy and market changes have occurred since we last estimated the average increase in regulated electricity prices from 1 July 2012. These changes are likely to lead to further increases in electricity prices:

- ▼ The Commonwealth Government has passed legislation to introduce a carbon pricing mechanism on 1 July 2012. This will place a cost on carbon emissions and so will push up the cost of electricity generation and wholesale electricity prices, and thus the costs retailers incur in purchasing electricity to supply household and small business customers.

- ▼ There has been a larger than expected take-up of small-scale solar PV by household and small business customers, and this is likely to lead in changes in retailers' obligations in relation to 'green schemes' such as the Renewable Energy Target scheme. This is likely to increase retailers' costs in complying with these obligations.
- ▼ The NSW Government has announced that it intends to recover some of the costs of the Solar Bonus Scheme by increasing the Climate Change Fund levy on electricity distribution network businesses.¹ The additional costs to these businesses are likely to be passed through to electricity customers through increased network charges.

We note that to assist households in managing the impact of higher prices arising from the introduction of the carbon pricing mechanism, the Commonwealth Government has outlined a compensation package including reductions in tax and increases in pensions and family benefits. This compensation package will offset the price increases being updated as part of this review, but will not affect our decisions on the price increases themselves.

What is the process and timetable for the review?

We will use the same approach reviewing the price increase from 1 July 2012 as we used in 2011. The consultation process will begin in April 2012, when we release our draft report and decisions. We will release our final report in June 2012. Table 1 provides an indicative timetable for the review.

Table 1 Timetable for the annual review of total energy cost allowance

Events	Indicative Timing
Dates for public hearing advertised	Early 2012
Draft report and decisions released, accompanied by consultant's report	Mid - April 2012
Public hearing held	End - April 2012
Submissions on draft report due (4 weeks from release of draft report)	Mid - May 2012
Final report and decisions released, accompanied by consultant's report	Mid - June 2012
Price changes occur	1 July 2012

Stakeholders who are interested in receiving email updates on this review should send their contact details to:

ipart@ipart.nsw.gov.au

¹ The NSW Government announced that changes to the Climate Change Fund levy would recover an additional \$100 million in 2012/13 (bringing the total contributions to \$250m), and an additional \$150 million per annum from 2013/14 - 2016/17. NSW Budget 2011/12 - Budget Paper 2, chapter 5, p 3.