

FACT SHEET

Regulated electricity retail tariffs for 1 July 2010 to 30 June 2013 – Final Report

We have released our final determination on regulated electricity prices for customers of the Standard Retail Suppliers in NSW who have not entered into contracts. As a result of this determination, these electricity prices will increase substantially:

- ▼ For the year beginning on 1 July 2010, average prices will increase by around 7% for Integral Energy customers, 10% for EnergyAustralia customers, and 13% for Country Energy customers.
- ▼ Over the 3 years to June 2013, average prices will increase by a cumulative total of 20% for Integral Energy, 36% for EnergyAustralia, and 42% for Country Energy.

The regulated electricity prices in NSW will increase further if the Federal Government's Carbon Pollution Reduction Scheme (CPRS) is introduced from 2011/12 as previously planned. If implemented, average prices will increase by a cumulative total of 46% for Integral Energy, 60% for EnergyAustralia, and 64% for Country Energy.

These increases are slightly higher than the ones that we proposed in our draft report, released in December 2009. The main reasons for the increase are the higher network prices recently determined by the Australian Energy Regulator (AER) and the impact of the CPRS if implemented. According to the AER, higher network prices are necessary to enable higher levels of investment in the state's electricity distribution networks to improve network security and reliability of supply in line with new licence conditions imposed by the NSW Government.

Overview of price outcomes

Regulated retail tariffs will increase from 1 July each year from 2010 to 2013. As Tables 1 and 2 show, the average annual increase will vary by year and by Standard Retailer. The cumulative total increase will range from 20% to 42% if the CPRS is not introduced, and from 46% to 64% if the CPRS is introduced from 2011/12 as planned.

Table 1 Indicative average increase in regulated retail tariffs if CPRS is not introduced (nominal, %)

NSW Standard Retailers	2010/11	2011/12	2012/13	Cumulative total increase
EnergyAustralia	10	11	11	36
Integral Energy	7	10	2	20
Country Energy	13	13	11	42

Note: cumulative total includes the compound effect of each year's individual price increase.

Table 2 Indicative average increase in regulated retail tariffs if CPRS is implemented as planned (nominal, %)

NSW Standard Retailers	2010/11	2011/12	2012/13	Cumulative total increase
EnergyAustralia	10	16	25	60
Integral Energy	7	14	20	46
Country Energy	13	17	24	64

Note: cumulative total includes the compound effect of each year's individual price increase.

Reasons for price increases

In regulating retail electricity tariffs, we are required to set tariffs so that they reflect the efficient costs each Standard Retailer is expected to incur in providing electricity to small retail customers. These costs include:

- ▼ The network charges levied by electricity distributors for the use of the distribution network. As noted above, these charges are regulated by the AER. They typically make up around half of the retailers' overall costs.
- ▼ The costs of purchasing wholesale electricity. These costs are another large component of the retailers' overall costs.
- ▼ The costs of operating their retail business and an allowance for a retail margin. These are both relatively small components of the retailers' costs.

Over the next 3 years, each of these costs is expected to increase. Table 3 shows the estimated contribution that increases in each cost component makes to the cumulative average increase in regulated retail tariffs to 2012/13. It indicates that increases in network charges make the largest contribution. It also indicates that if the CPRS is introduced, the impact of this scheme on wholesale energy costs will also make a large contribution.

Table 3 Contribution of cost components to average cumulative price increases from 2010/11 to 2012/13 (nominal, %)

	EnergyAustralia	Integral Energy	Country Energy
Increases in network charges (as determined by the AER)	31	16	35
Increases in wholesale energy costs (if the CPRS is not introduced)	1	1	3
Increases in retail costs and margin	3	2	3
Total increases if CPRS not introduced	36	20	42
Additional increases in wholesale energy costs if the CPRS is introduced	24	26	22
Total increases if CPRS is introduced	60	46	64

Note: Columns may not add due to rounding.

We recognise that the introduction of the CPRS and its impact on wholesale energy costs are very uncertain at this stage. Therefore we have made our determination in a way that ensures that regulated retail tariffs will only increase to recover the costs of this scheme if it is actually introduced, and that the level of this increase will reflect the increase in retailers' efficient wholesale energy costs.

Impact on typical annual electricity bills

The impact of our determination on customers' electricity bills depends on several factors, including how much electricity they use and which specific regulated tariff they are on. (See Attachment A for further information on typical customer bills for customers with different levels of consumption.) However, Table 4 illustrates the impact on a typical annual bill for residential customers in each standard supply area. It shows that by 2012/13, typical residential customers of EnergyAustralia, Integral Energy and Country Energy will be paying an additional \$754, \$577 and \$918 a year for electricity (respectively) if the CPRS is introduced.

Table 4 Indicative annual bill for typical residential customers in each standard supply area (nominal \$)

	Current (2009/10)	2010/11	2011/12	2012/13	Cumulative increase with CPRS	Cumulative increase without CPRS
EnergyAustralia	1,257	1,383	1,605	2,012	754	448
Integral Energy	1,258	1,343	1,535	1,835	577	246
Country Energy	1,446	1,629	1,908	2,363	918	601

Note: Bills exclude GST Forecast inflation is 2.4%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13, respectively. Calculations may not add due to rounding. Calculated using 7000 kWh per annum multiplied by the average price derived from the N+ R.

Table 5 illustrates the impact of the determination on a typical annual bill for business customers in each standard supply area. It shows that by 2012/13, typical business customers of EnergyAustralia, Integral Energy and Country Energy will be

paying an additional \$2,421, \$1,660 and \$3,070 a year for electricity (respectively) if the CPRS is introduced.

Table 5 Indicative annual bill for typical business customers in each standard supply area (nominal \$)

	2009/10	2010/11	2011/12	2012/13	Cumulative increase	
					With CPRS	No CPRS
EnergyAustralia	4,035	4,438	5,148	6,456	2,421	1,433
Integral Energy	3,620	3,863	4,415	5,280	1,660	706
Country Energy	4,834	5,448	6,379	7,904	3,070	2,012


Note: Bills exclude GST. Forecast inflation is 2.4%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13, respectively. Calculations may not add due to rounding. Calculated using 20,000 kWh per annum. EnergyAustralia customers are on the General Supply All Time LV tariff, Integral Energy customers are on the General Supply tariff and Country Energy customers are on the 5740 Business tariff. Prices increase at the average N+R rate.

We recognise that these bill increases are large and will be felt by customers, particularly low-income households. Further, they follow large price increases in July 2009. We do not welcome these price increases or their effect on customers. However, we have carefully considered all the information and views provided to us in submissions and gathered through our own investigations. We believe that the price increases we have determined are the minimum required to ensure that regulated electricity prices will reflect efficient costs, that the NSW retail electricity market will remain adequately competitive, and that the retailers will be able to finance their operations over the next 3 years, as required by our terms of reference.

We note that the NSW Government has introduced a \$272 million customer assistance package, and the Federal Government has indicated that it will offer compensation to assist households with the cost impacts of the CPRS if it is introduced. We also note that the State and Federal Governments provide incentives for households to reduce their energy consumption and the Standard Retailers offer advice on reducing consumption. However, even with this assistance from governments and efforts to reduce consumption by customers, households will be paying considerably more for electricity in the coming 3 years.

Over 2010 to 2013 we expect that the competitiveness of the retail market will continue to develop, providing protection to customers by pressuring the Standard Retailers to act and price efficiently. To enhance the competitiveness of the market, we have recommended that the NSW Government introduce tariff disclosure requirements in a common format for all licensed retailers and provide a government-endorsed web-based comparator service.

We have also recommended the NSW energy rebate should be extended so it is available to all Commonwealth Card Holders. Currently, this rebate is provided to most health card holders, but is not available to some low-income groups such as those on unemployment allowances.



In addition, we have recommended that the NSW Government consider whether an increase in the amount of the NSW energy rebate is required. This rebate was increased substantially in 2009 (and will increase in future years according to changes in the Consumer Price Index). However, further increases may be justified as electricity prices will increase by more than the CPI over the next few years.

James P Cox

Acting Chairman and Chief Executive Officer

March 2010

A Impact of the final determination on small customers

It is not possible to forecast precisely how the final determination will affect individual regulated tariffs. However, we have analysed the indicative impact on typical customer bills. For each Standard Retailer, we took a 2009/10 annual electricity bill for typical residential and business small customers with different levels of consumption and metering arrangements. We applied the average increase in regulated tariffs allowed under this determination.

These amounts are expressed in nominal terms, based on our current forecast inflation.¹

Table A.1 EnergyAustralia – Indicative increases in annual bills for typical customers (nominal, incl GST)

Description	2009/10 bill (\$)	2010/11 bill (\$)	2011/12 bill (\$)		2012/13 bill (\$)	
			<i>With CPRS</i>	<i>Without CPRS</i>	<i>With CPRS</i>	<i>Without CPRS</i>
Residential						
Low usage (3,000 kWh per year)	671	739	857	823	1,074	910
Medium usage - no controlled load (5,600 kWh per year)	1,118	1,229	1,426	1,370	1,788	1,515
High usage with controlled load (11,000 kWh per year)	2,013	2,215	2,570	2,468	3,221	2,730
Business						
20 MWh per year	4,438	4,882	5,664	5,440	7,101	6,018
40 MWh per year	9,432	10,376	12,037	11,561	15,091	12,790
80 MWh per year	19,420	21,364	24,784	23,804	31,072	26,334

Note: The 11,000 kWh bill comprises 2,000 kWh on off-peak 1. The increases are expressed in nominal terms, therefore they include expected changes in inflation over the period. The bills are typical for EnergyAustralia residential customers on the Domestic All time tariff. Non-residential customers are on the General Supply All Time LV tariff.

¹ Forecast inflation is 2.4%, 2.7% and 2.7% for 2010/11, 2011/12, 2012/13, respectively.

Table A.2 Integral Energy – Indicative increases in annual bills for typical customers (nominal, incl GST)

Description	2009/10 bill (\$)	2010/11 bill (\$)	2011/12 bill (\$)		2012/13 bill (\$)	
			<i>With CPRS</i>	<i>Without CPRS</i>	<i>With CPRS</i>	<i>Without CPRS</i>
Residential						
Low usage (3,000 kWh per year)	778	831	949	910	1,135	930
Medium usage - no controlled load (5,600 kWh per year)	1,286	1,372	1,569	1,503	1,876	1,537
High usage with controlled load (11,000 kWh per year)	2,136	2,279	2,605	2,497	3,115	2,552
Business						
20 MWh per year	3,982	4,249	4,857	4,655	5,807	4,759
40 MWh per year	7,883	8,411	9,614	9,215	11,496	9,420
80 MWh per year	15,684	16,735	19,128	18,335	22,873	18,743

Note: The 11,000 kWh bill comprises 2,000 kWh on off-peak 1. The increases are expressed in nominal terms, therefore they include expected changes in inflation over the period. The bills are typical for Integral Energy residential customers on the Domestic tariff. Non-residential customers are on the General Supply tariff.

Table A.3 Country Energy – Indicative increases in annual bills for typical customers (nominal, incl GST)

Description	2009/10 bill (\$)	2010/11 bill (\$)	2011/12 bill (\$)		2012/13 bill (\$)	
			<i>With CPRS</i>	<i>Without CPRS</i>	<i>With CPRS</i>	<i>Without CPRS</i>
Residential						
Low usage (3,000 kWh per year)	942	1,062	1,243	1,200	1,540	1,333
Medium usage - no controlled load (5,600 kWh per year)	1,503	1,694	1,984	1,915	2,457	2,128
High usage with controlled load (11,000 kWh per year)	2,426	2,735	3,202	3,092	3,967	3,435
Business						
20 MWh per year	5,317	5,993	7,018	6,776	8,694	7,529
40 MWh per year	10,261	11,565	13,542	13,075	16,776	14,528
80 MWh per year	20,148	22,708	26,591	25,674	32,941	28,526

Note: The 11,000 kWh bill comprises 2,000 kWh on 5701 Residential – Controlled Load 1. The increases are expressed in nominal terms, therefore they include expected changes in inflation over the period. The bills are typical for Country Energy residential customers on 5700 Residential tariff. Non residential customers are on 5740 Business tariff.