

RISING NETWORK AND GREEN SCHEME COSTS TO RETAILERS TO INCREASE ELECTRICITY PRICES IN NSW

Embargoed until 14 April 2011 11am

IPART has today released the proposed maximum increases that retailers can charge residential and small business customers on regulated electricity prices to take effect from 1 July 2011. The drivers of the 2011 electricity price increases are clear and are essentially twofold:

- ▼ An increase in network costs that retailers must pay that sees prices rise by 10 percentage points.
- ▼ An increase in costs retailers must pay due to the Federal Government's Renewable Energy Target (RET) scheme that sees prices rise by 6 percentage points.

With an allowance for inflation these rising costs mean that average regulated electricity prices will increase by:

- ▼ 17.9% for EnergyAustralia's customers
- ▼ 16.4% for Integral Energy customers
- ▼ 18.1% for Country Energy customers.

This translates into:

- ▼ An average residential customer paying between \$4.38 to \$6.08 extra per week or \$228 to \$316 extra per year.
- ▼ An average business customer paying an extra \$6.25 to \$10.15 per week or \$325 to \$528 per year.

Further price increases of between 2% to 10% are likely on 1 July 2012.

IPART Chairman, Mr Rod Sims said that the price increases would be difficult for many families to deal with.

"We are particularly concerned that these price increases will affect households with large consumption levels and low incomes."

The NSW Government has, however, announced an increase in the existing Energy Rebate on 1 July 2011 to \$200, increasing to \$235 by 2014. It also announced that it will introduce a \$75 Family Energy Rebate from 1 July 2012, rising to \$150 in 2014.

"We do not welcome these price increases. However, the network fees that retailers must pay in 2011/12 will increase significantly. Retailers also have a legal obligation to meet their revised targets under the Federal Government's RET scheme. The price increases allow retailers to recover these increased costs of doing business."

“Inappropriate Federal and State policy settings may be contributing to customers paying more than necessary for electricity. Changes in policy settings could improve the future affordability of electricity by leading to more efficient costs of power supply.”

IPART’s recommendations include:

- ▼ The Australian Energy Market Commission (AEMC) initiating a review of the National Electricity Rules to address concerns that these rules may bias the decisions from the Australian Energy Regulator’s Determinations in favour of higher network costs for retailers.
- ▼ The NSW Government reviewing the licence conditions that electricity distributors must meet to determine whether they are requiring reliability levels and therefore network costs that customers judge are worth paying for.
- ▼ The NSW Government using its Solar Summit to consider options to stem future increases in green scheme costs by ensuring that only the most cost-effective options are adopted in the future, and improving the cost-effectiveness of existing schemes. Consideration could be given to closing off the NSW Solar Scheme to new participants.

IPART’s draft report and consultant’s reports are available on IPART’s website <http://www.ipart.nsw.gov.au>. Submissions on IPART’s draft report are due on 12 May before a final report will be released in June, for implementation on 1 July 2011.

For further information, contact: Rod Sims, Chairman on 02 9290 8420.