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DRAFT REPORT - REGULATED GAS PRICES AND SOLAR FEED-IN TARIFFS

The Independent Pricing and Regulatory Tribunal (IPART) has today released its draft decisions on average regulated retail gas prices for 2014-16 and the benchmark range of solar feed-in tariffs in 2014/15, and is seeking public comment.

For the first time, IPART is not setting regulated electricity prices following the NSW Government's decision to fully deregulate the electricity market. The current regulated prices will apply until 30 June, at which time customers who have not switched to a competitive market deal will automatically be transferred to a 'transitional tariff'.

Gas prices

IPART's draft decisions allow for an average increase in regulated gas prices of 17.6% in 2014/15, with prices relatively stable in 2015/16. From 1 July 2014 typical annual gas bills will rise by between \$150 and \$225 for households, depending on where they are located and how much gas they use.

IPART Chairman, Dr Peter Boxall, said its draft decisions are based on its assessment of proposals submitted by the gas Standard Retailers. Although the average price increases are lower by nearly 7% than those originally sought by retailers, they are still significant and are the third consecutive increase in gas prices in NSW.

Dr Boxall said the increases are largely due to rising wholesale gas prices.

"The ability to export Liquid Natural Gas is driving a structural change in eastern Australia's wholesale gas market, and increasingly domestic gas prices will be influenced by what is happening in world gas markets," he said.

As has been the case for the last couple of years, rising gas network costs are also contributing to the regulated price increase for AGL, the major supplier of gas to NSW's small customers. Less than 25% of small customers are on regulated prices.

"Most NSW gas consumers are already on market contracts rather than regulated prices, and we anticipate further competition among retailers as a result of electricity price deregulation. This should lead to more competitive energy pricing and better service standards for customers," Dr Boxall said.

Consumers can compare gas and electricity offers and find the best deal for them on the independent website energymade.easy.gov.au.

Solar feed-in-tariffs

IPART's draft determination is that the benchmark range for voluntary solar feed-in tariffs in 2014/15 is 5.0 to 9.6 cents per kilowatt hour (c/kWh). This range is a guide to retailers and customers on the value of electricity exported to the grid by customers from their solar PV units.

Dr Boxall said the benchmark range for solar feed-in tariffs is lower than last year's range because it reflects lower forecast wholesale electricity prices. Currently, these prices reflect the market's assessment that there is a high probability that the carbon price will be repealed in 2014/15.

IPART has also made a draft determination that the mandatory contribution from electricity retailers to the NSW Government should be 5.3 c/kWh of PV electricity exported by Solar Bonus Scheme customers in 2014/15.

Note that neither of these draft determinations affects the feed-in tariffs received by customers in the Solar Bonus Scheme (which remain either 20c or 60c/kWh).

IPART's draft reports and accompanying documents are available on its website www.ipart.nsw.gov.au. Submissions on both reports are due on 21 May and final reports will be released in June, for implementation on 1 July 2014.

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Background

IPART reaches voluntary agreements with the gas Standard Retailers which set average changes in regulated gas prices. These are the prices paid by customers who have not signed a market contract or who have chosen to return to the regulated price. Less than 25% of small gas customers are on the regulated price. Customers on market contracts pay unregulated prices. However, these prices are influenced by the same factors as those causing changes in the regulated prices.

Under the draft decisions, regulated prices increase by:

- ▼ **17.6% over 2 years for AGL** customers on regulated prices in Sydney, Wollongong, Newcastle, Dubbo, Orange, Parkes, and parts of the Riverina region (compared to AGL's original request of 26.7%). The draft decision represents an increase of 16.9% in 2014/15 and 0.7% in 2015/16. The 2014/15 increase adds an extra \$152 to an average household's annual bill and \$709 to an average small business customer's annual bill.

- ▼ **17.5% over 2 years for ActewAGL** customers on regulated prices in the regions around the NSW/ACT border (including Young, Goulburn, and Yass) and South East NSW (including Shoalhaven), compared to ActewAGL's original request of 24%.¹ The draft decision represents an increase of 17% in 2014/15 and 0.4% in 2015/16. The 2014/15 increase adds an extra \$219 to an average household's annual bill and \$848 to an average small business customer's annual bill.
- ▼ **14.4% over 2 years for Origin Energy's** customers on regulated prices on the NSW - Victorian border, including Albury and the Murray Valley towns. The draft decision represents an increase of 18.6% in 2014/15 and a decrease of 3.4% in 2015/16. The 2014/15 increase adds an extra \$173 to an average household's annual bill, and \$610 to an average small business customer's annual bill.
- ▼ **19.4% over 2 years for Origin Energy (Country Energy)** customers on regulated prices in the South Western regions of NSW, including Wagga Wagga and Gundagai and inland cities such as Tamworth. The draft decision represents an increase of 21.8% in 2014/15 and a decrease of 2% in 2015/16. The 2014/15 increase adds an extra \$224 to an average household's annual bill, and \$764 to an average small business customer's annual bill.

These price increases include a carbon component for 2014/15, but not for 2015/16. If the carbon price is repealed during 2014/15, the regulatory framework allows for the carbon component to be removed from regulated prices. If the carbon price is not repealed by 1 July 2015, we will agree with the retailers on an approach to estimating and adding an appropriate carbon component to regulated retail prices for 2015/16.

¹ ActewAGL's initial proposal was for 30.9% but has been adjusted to remove the carbon component used for 2015/16.