

ELECTRICITY PRICES TO INCREASE FOR RESIDENTIAL AND SMALL BUSINESSES

Embargoed until 10am, Wednesday 4 April 2007

Electricity prices for residential and small business customers will rise by around 5 per cent on average each year excluding the effect of inflation (or 8 per cent including inflation) for the next three years, under a draft determination released today by the Independent Pricing and Regulatory Tribunal of New South Wales (IPART).

Residential customers are expected to pay around \$1.40 to \$1.80 more per week for electricity from July 2007 but this will vary according to how much electricity they use. There will be similar increases in each of the two subsequent years

IPART CEO Mr. Jim Cox said: "Higher electricity prices in NSW are necessary to ensure the residents of New South Wales continue to have access to a safe and reliable electricity supply."

"Wholesale electricity prices need to be set at a level which attracts investment in generation in New South Wales and also enables retailers to meet their obligations to greenhouse gas emissions and purchases of renewable energy. These include costs associated with the Government's new renewable energy target scheme" he said.

Mr. Cox said: "Retail prices also need to be sufficient to recover the costs incurred in selling electricity in a competitive market and to compensate retailers for the risks they face."

Since January 1st 2002, all electricity customers in NSW have had the option to choose their retail electricity supplier and negotiate a retail supply contract or to remain with their standard retailer on a regulated tariff.

This draft report and draft determination apply to customers that have not entered into a negotiated contract for supply of electricity and are supplied by their incumbent retailer – EnergyAustralia, Integral Energy or Country Energy - and is in response to terms of reference from the New South Wales Minister for Energy.

IPART was asked to set prices based on retail operating costs, margin of a mass market new entrant and market based energy purchase costs based on regulated load.

A number of factors have contributed to increased prices, such as:

- Increased energy purchase costs (except for Country Energy)
- Increased network prices to improve network reliability
- Increased retail operating costs (principally from the inclusion of the costs associated with acquiring customers in the competitive market)
- And increased retail margins.

NSW electricity retailers will have discretion to set their own prices, subject to an overall maximum price level determined by IPART.

IPART is requesting comments on its draft determination by 2 May 2007 and will then make a final determination with new prices to come into effect on 1 July 2007.

The full draft report and draft determination is available on IPART's Web site at:
www.ipart.nsw.gov.au

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