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FINAL REPORT - REGULATED ELECTRICITY AND GAS PRICES

The Independent Pricing and Regulatory Tribunal (IPART) has today released its final reports on the proposed average prices that regulated electricity and gas retailers can charge NSW residential and small business customers from 1 July 2013 to 1 July 2016.

IPART Chairman, Dr Peter Boxall, said the final decisions allow for an average electricity price increase of 1.7% for 2013/14, below inflation and lower than our draft decision of a 3% increase. Average gas prices increase by 8.5%, broadly consistent with those set out in our draft decision.

“Electricity price rises have moderated primarily as a result of lower network price changes, with lower market costs of electricity, lower inflation and revised network charges putting further downward pressure on prices since IPART’s draft determination in April,” Dr Boxall said.

“While we haven’t set firm prices beyond 2013, at this stage we expect electricity prices to fall behind inflation in 2014 and come down by 6.9% from 1 July 2015.

“However, the situation for future gas prices remains unclear. With continued increases in gas network costs and significant uncertainty about future wholesale gas prices, we are recommending a periodic review before setting the price changes for 1 July 2014 and 2015.”

Electricity prices

The final decision allows for an average price increase of 1.7% across NSW (including inflation at 2.5%) from 1 July 2013, which represents a fall in real terms of 0.8%. However, average prices will vary for customers of the 3 regulated electricity retailers as follows:

- ▼ A 3.2% *increase* for EnergyAustralia customers, which translates to an extra:
 - \$1.20 per week (\$63 per annum) on an average residential customer bill (bringing the total average annual bill to \$2,012), and
 - \$1.70 per week (\$88 per annum) on average for its small business customers (bringing the total average annual bill to \$2,815).
- ▼ A 1.3% *increase* for Origin Energy (Endeavour Energy) customers, which translates to an extra:
 - \$0.45 per week (\$24 per annum) on an average residential customer bill (bringing the total average annual bill to \$1,880), and
 - \$0.65 per week (\$34 per annum) on an average small business customer bill (bringing the total average annual bill to \$2,630).

- ▼ A 0.7% decrease for Origin Energy (Essential Energy) customers, which translates to a reduction of:
 - \$0.30 per week (\$17 per annum) on an average residential customer bill (bringing the total average annual bill to \$2,416), and
 - \$0.45 per week (\$23 per annum) on average for its small business customers (bringing the total average annual bill to \$3,378).

IPART's final determination indicates that the likely direction of future prices is down. From 1 July 2014 indicative price rises are again less than inflation at around 2%. From 1 July 2015, when Australia moves to a floating carbon price linked to international markets, IPART forecasts that prices will fall by 6.9%, a more substantial drop than indicated in the draft report in April as a result of significant falls in the price of European carbon permits.

Dr Boxall said the main driver of price increases for 2013 is increased retail operating costs, including the costs of acquiring and retaining customers in an increasingly competitive market. Lower market costs of electricity, lower inflation and lower network charges led to the reduction in average prices from 3.0% to 1.7% between draft and final reports.

"We consider that the regulated prices are set at a level that will promote competition in the electricity market in the long-term interests of consumers," Dr Boxall said.

"Both network (poles and wires) costs and green scheme costs have stabilised after several years of rapid growth, and electricity generation costs have fallen".

Gas prices

The final decision for regulated gas prices, consistent with IPART's draft report, allows for average increases of 8.5% (including inflation) across NSW from 1 July 2013. Prices vary by location as follows:

- ▼ **9.2% for AGL**, which supplies gas to over 80% of small regulated retail customers in NSW, covering Sydney, Wollongong, Newcastle, Dubbo, Orange, Parkes, and parts of the Riverina region. This translates to an extra \$1.46 per week (\$76 per annum) on an average residential customer bill and \$6.85 per week (\$356 per annum) on average for its small business customers.
- ▼ **5.5% for ActewAGL**, which supplies the regions around the NSW/ACT border (including Young, Goulburn, and Yass) and South East NSW (including Shoalhaven). This translates to an extra \$1.28 per week (\$66 per annum) on an average residential customer bill and \$4.65 per week (\$242 per annum) on average for its small business customers.
- ▼ **5.8% for Origin Energy (Wagga Wagga)**, which supplies the South Western regions of NSW including Wagga Wagga and Gundagai and inland cities such as Tamworth. This translates to an extra \$1.08 per week (\$56 per annum) on an average residential customer bill and \$3.66 per week (\$190 per annum) on average for its small business customers.

- ▼ **5.2% for Origin Energy (Albury/Murray Valley)**, which supplies customers on the NSW - Victorian border, including the Albury and the Murray Valley Towns. This translates to an extra \$0.89 per week (\$46 per annum) on an average residential customer bill and \$3.13 per week (\$163 per annum) on average for its small business customers.

These prices are based on our assessment of the regulated retail gas prices prepared by the Standard Retailers, including a revised proposal received from AGL in response to our draft report.

Dr Boxall said the main reason gas prices are increasing by an average of 8.5% is that network charges are continuing to increase significantly, particularly for AGL customers supplied by the Jemena gas distribution network, adding 5.5% to prices for AGL customers. The increases in network costs primarily result from Jemena's successful appeal to increase the charges they can levy on retailers for use of the distribution network.¹ The merits review framework allows network businesses to appeal the regulator's decision on the charges they can levy on retailers for use of the distribution network. Most of the AER's decisions have been appealed and to date network businesses have never received an adverse adjustment to the prices they can charge.

"The sustained increases in gas network costs have been the largest contributor to recent increases in gas prices. We consider that action is required to address policy settings that are leading to higher than necessary gas network prices," Dr Boxall said.

"Changing the review framework to ensure that it serves the long term interests of customers is an important measure that Governments could implement to limit unnecessary increases in gas network prices" Dr Boxall said.

Customers should compare market offers

Dr Boxall said regulated electricity and gas prices apply only to customers who have not taken up a competitive market offer. In NSW, 60% of electricity consumers and 70% of gas consumers are on competitive offers which are generally lower than the regulated price.

IPART operates a free electricity and gas on-line price comparison service, www.myenergyoffers.nsw.gov.au, that lets consumers compare offers from energy retailers in NSW. For consumers who need help using *myenergyoffers*, a free phone service is maintained by the Department of Trade and Investment, Regional Infrastructure and Services and is available on 1300 136 888.

IPART's final report and accompanying documents are available on IPART's website, www.ipart.nsw.gov.au.

¹ Network charges, which are regulated by the Australian Energy Regulator (AER), are levied on retailers for use of the gas distribution network. Jemena successfully appealed the AER's final decision to the Australian Competition Tribunal (ACT). For information on the Jemena Access Arrangement can be found [here](#)

For further information, media should contact: T (02) 9290 8403 or 0409 514 643

Background

IPART sets regulated average prices paid by customers who have not signed a contract with an electricity or gas retailer or who have chosen to return to the regulated prices. Customers on contracts with retailers pay an unregulated price, however these market-based prices are influenced by changes in the regulated prices. IPART determines the average price to be charged by electricity and gas retailers to their customers. The retailers can determine how those increases are applied across different customers, so some customers may see rises higher or lower than these levels depending on the commercial decisions of the retailers.

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