

IPART CONCERNED ABOUT RISING ELECTRICITY NETWORK AND GREEN SCHEME COSTS

Embargoed until 14 June 2011, 11am

Following the 14 April release of IPART's draft report that foreshadowed increases in regulated electricity prices of 17.6% for residential and small business customers from 1 July 2011, IPART today released its final decision - average prices across NSW will increase by 17.3% from 1 July 2011.

IPART Chairman, Mr Rod Sims, said "that the price increases would be difficult for many families to deal with and are of serious concern."

As IPART said in April, 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 9 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.

The NSW Government has agreed to fund the costs of the NSW Solar Bonus Scheme in 2011/12.

"Had the NSW Government not funded these costs, electricity prices would have increased by several percentage points more than we are announcing today" said Mr Sims.

In finalising prices, IPART has carefully considered a wide range of submissions on the draft report. Electricity retailers put positions that effectively sought higher price increases than those set out in the draft report, whereas consumer groups called for immediate assistance for people struggling to pay their energy bills.

With an allowance for inflation, the final average regulated electricity prices we are announcing today are consistent with those in the April draft report and will increase by:

- ▼ 17.9% for EnergyAustralia's customers
- ▼ 15.5% for Integral Energy's customers
- ▼ 18.1% for Country Energy's customers.

We estimate that these average increases translate into:

- ▼ An average residential customer paying between \$4.15 to \$6.08 extra per week or \$216 to \$316 extra per year.
- ▼ An average business customer paying an extra \$5.90 to \$10.15 per week or \$307 to \$528 per year.

However, individual customers' electricity bills will depend on how much electricity they use in a year and the individual regulated price they are on.

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

“No-one welcomes these price increases,” said Mr Sims. “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.

“We are very concerned that these price increases will particularly affect households with large electricity consumption levels and low incomes, typically families.”

We welcome the fact that the NSW Government has announced an increase in the Low Income Household 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.

Our draft report made a number of recommendations aimed at correcting inappropriate Federal and State policy settings that may be contributing to customers paying more than necessary for electricity. Since our draft report:

- ▼ The NSW Government has announced it will suspend the Solar Bonus Scheme and announced an immediate review of the electricity network licence conditions to halt any over-spending which may be forcing electricity prices up.
- ▼ The Federal Government has announced that it will reduce its subsidies for solar PV units.

“We strongly welcome recent NSW and Federal government initiatives to correct inappropriate network and green policy settings, aimed at providing relief to these continuing increases in electricity prices” Mr Sims said.

“But we continue to recommend a number of further changes to government policy because we believe there is more that can and should be done to ensure that customers are not paying more than necessary and to protect vulnerable consumers.”

These recommendations include:

- 1 Reviewing the National Electricity Rules to ensure network prices reflect the efficient cost of supply. This review needs to be completed before the end of 2012. The review of network service standards needs to be completed by mid 2012.
- 2 The Ministerial Council on Energy changing the merits review provisions in the National Electricity Law to ensure a more balanced appeal process for network determinations.
- 3 Additional funding being provided for customer groups to ensure that they have sufficient technical expertise to engage effectively in the network regulation and licence condition reviews.

- 4 Ensuring that only the most cost-effective options are adopted in the future, specifically:
 - the Federal Government should *eliminate* the solar credits multiplier from its Renewable Energy Target scheme
 - the NSW Government should require electricity retailers to redistribute the financial gains they make from the Solar Bonus Scheme to the NSW Government to offset the costs of the scheme
 - the NSW Government should tighten the activities funded under the Energy Savings Scheme and remove the showerhead installation program from the scheme
 - all governments periodically evaluating green schemes to ensure they remain cost-effective and complement any national scheme.
- 5 Immediate action being taken to ensure that there is sufficient funding available for emergency assistance for customers in unexpected financial distress, including customers in rural areas, as a result of these price changes and to provide the Low Income Household Rebate to otherwise eligible people who live in retirement villages.
- 6 The NSW Government reviewing its overall package of customer assistance measures to make sure that it is delivering the best possible assistance to customers who need it. IPART can assist Government through our detailed analysis and consultative processes.

IPART's final report and consultant's reports are available on IPART's website <http://www.ipart.nsw.gov.au>.

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