

## **IPART RELEASES FINAL DETERMINATION ON REGULATED RETAIL ELECTRICITY PRICES FROM 1 JULY 2009**

**Embargoed until 11 am 20 May 2009**

Today IPART released its final report for 2009/10 of the electricity purchase allowance that is included in regulated electricity prices. This follows a draft report released in March 2009. IPART's final decision is that the costs of purchasing electricity have increased over the amount allowed in the 2007 determination by 14 per cent for EnergyAustralia, 15 per cent for Integral Energy and 16 per cent for Country Energy.

In June 2007 IPART made a determination of retail electricity prices for residential customers and small businesses who have decided not to be supplied under a contract in the competitive market. Under the 2007 determination standard retailers are able to increase regulated electricity prices each year to account for:

- ▼ increases in network charges to fund improvements in network reliability
- ▼ increased electricity purchase costs
- ▼ increased retail operating costs, and
- ▼ increased retail margins.

Because wholesale electricity costs vary substantially from year to year, in its 2007 Determination IPART also decided to review each year whether it has allowed the right amount for electricity purchase costs for the next financial year. Consistent with that Determination IPART has now reviewed the prospective electricity purchase costs during 2009/10 and today is issuing its final report for the 2009 review.

IPART Chairman Dr Michael Keating said: "IPART has concluded that wholesale purchase costs have increased substantially and that the allowance for electricity purchase costs should increase to reflect this. If the electricity cost allowance is insufficient some retailers may be unwilling to supply customers and incentives to invest in new generation capacity when it is needed may be inadequate."

As a result of the increase in the electricity purchase allowance alone, retail prices will increase by 6 per cent for EnergyAustralia and Integral Energy and 5 per cent for Country Energy.

In addition, IPART's retail determination requires retailers to pass on to regulated customers the network price increases that are determined by the national regulatory body, the Australian Energy Regulator (AER). The AER has recently issued a final determination that provides for substantial increases in network prices. As a result of the network price increases alone, regulated retail prices will increase by 10.4 per cent for EnergyAustralia, 9.3 per cent for Integral Energy and 9.8 per cent for Country Energy.

These two amounts, together with the other retail components allowed for in IPART's 2007 determination and inflation, results in a substantial increase in electricity prices. A typical residential customer of EnergyAustralia, Integral Energy and Country Energy on regulated tariffs can expect to pay around \$3.53, \$3.89 and \$3.92 more per week respectively for electricity from 1 July 2009. This represents an increase of around 21.7 per cent, 21.1 per cent and 17.9 per cent for regulated residential customers of EnergyAustralia, Integral Energy and Country Energy, respectively.

The price increases are substantial and have the potential to significantly impact on households, especially low income households. IPART considers that the best way to alleviate the effect of price increases on customers is for the Government to bring forward the customer assistance measures that it has already included in its Energy Reform Strategy.<sup>1</sup> These include:

- ▼ increasing pensioner rebates from \$112 to \$130 per annum, indexed thereafter
- ▼ extending energy rebates to recipients of Carer Allowances (child under 16), Sickness Allowances and Special Benefits
- ▼ introducing a "Customer Assistance Policy" for small domestic customers, and
- ▼ increasing the level of funding under the current payment assistance program for customers who have difficulty in paying their bills to \$100 million.

Further, IPART recommends that the Government should consider indexing the pensioner rebate to energy prices rather than the CPI as this more closely tracks the costs that the rebate is alleviating. A more equitable, but potentially more expensive alternative would be for the Government to consider making the pensioner rebate a percentage of the bill, rather than a fixed amount. In addition, IPART considers that the Government should examine expanding the eligibility criteria for the pensioner rebates to holders of Commonwealth Health Care Cards.

IPART's final decision and consultants reports are available on IPART's website <<http://www.ipart.nsw.gov.au>>. Prices will be implemented on 1 July 2009 and will include actual network charges.

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<sup>1</sup> New South Wales Government, *New South Wales Energy Reform Strategy – Defining an Industry Framework*, March 2009.