

ELECTRICITY PRICES FOR RESIDENTIAL AND SMALL BUSINESS CUSTOMERS TO INCREASE

Embargoed until 10am, Thursday 14 June 2007

Regulated electricity prices for residential and small business customers will rise by an average of around 4 to 5 per cent per year (or 7 to 8 per cent per year including the effects of inflation) for the next three years, under a determination released today by the Independent Pricing and Regulatory Tribunal of New South Wales (IPART). These price outcomes are similar to those foreshadowed in IPART's draft determination released in April.

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

The determination applies only to customers who have not entered into a negotiated retail supply contract and are supplied by their standard retailer – either EnergyAustralia, Integral Energy or Country Energy - and is in response to the terms of reference set by the New South Wales Minister for Energy.

Residential customers on regulated tariffs can generally expect to pay around \$1 to \$1.75 more per week for electricity from July 2007, and a similar amount more in each of the following two years. However, the determination gives the standard retailers the discretion to set their own prices for regulated tariffs, subject to an overall maximum increase in average prices determined by IPART.

A number of factors have contributed to the increases in prices, including:

- Increased electricity purchase costs
- Increases in network charges to fund improvements network reliability
- Increased retail operating costs (principally due to the inclusion of the costs associated with acquiring customers in the competitive market), and
- Increased retail margins.

IPART Chairman Michael Keating said: "Price increases are needed to ensure that NSW residents and businesses continue to have access to a safe and reliable supply of electricity."

According to Dr. Keating: "Retail prices need to be sufficient to attract efficient and economic investment in generation in NSW. They also need to be sufficient to recover the costs incurred in selling electricity, and the investments made in the distribution network to increase reliability standards and meet peak demand."

"The determination is designed to ensure that regulated tariffs recover all relevant costs by 2010, and to facilitate increased competition in NSW. Increased competition will place pressure on retailers to pursue efficiency gains to increase their competitiveness, which is in the long-term interest of all customers."

The determination takes account of the substantial increases in wholesale electricity prices that occurred in April this year – largely due to the impact of water restrictions on electricity generation – by providing for IPART to reconsider electricity purchase costs early in 2008 and 2009. If it finds that these costs are significantly different to those it allowed for in the determination it will adjust the level of regulated tariffs at that time.

IPART's full report and determination is available on its website at:
www.ipart.nsw.gov.au

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