

ELECTRICITY AND GAS PRICES TO RISE IN NSW, DUE TO HIGHER NETWORK COSTS AND THE INTRODUCTION OF THE CARBON PRICE

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The Independent Pricing and Regulatory Tribunal (IPART) has today released its final determination on the average prices that regulated electricity retailers in NSW can charge residential and small business customers from 1 July 2012.

The final decision allows for an average price increase of 18% across NSW (including inflation), primarily as a result of rising network (poles and wires) costs and the introduction of the carbon price. Our final decision is higher than the 16% price increases indicated in the draft decision in April reflecting updated estimates of costs of generating electricity.

The average price increases will vary for customers of the 3 regulated electricity retailers as follows:

- ▼ 20.6% for EnergyAustralia customers, which translates to an extra \$7.00 per week (\$364 per annum) on an average residential customer bill, and \$9.07 per week (\$472 per annum) on average for its small business customers
- ▼ 11.8% for Integral Energy customers, which translates to an extra \$4.00 per week (\$208 per annum) on an average residential customer bill, and \$5.19 per week (\$270 per annum) on average for its small business customers
- ▼ 19.7% for Country Energy customers, which translates to an extra \$8.21 per week (\$427 per annum) on an average residential customer bill, and \$10.67 per week (\$555 per annum) on average for its small business customers.

IPART Chairman, Dr Peter Boxall said IPART is concerned about ongoing cost increases and has outlined a number of recommendations aimed at improving the future affordability of electricity.

“We would like to ensure that the electricity industry works for the long term interests of customers. There are aspects of the National Electricity Rules and the National Electricity Law that could be changed to reduce pressure on prices and to make sure that expenditure on the electricity network is efficient. We’ve also outlined some areas around reliability standards, green schemes, and subsidies that could be reviewed to limit future price increases,” Dr Boxall said.

“Around half of the increase in NSW electricity prices from 1 July is because of the continuing rise in costs faced by the retailers from the electricity network – or the poles and wires. The other half is due to increasing wholesale electricity costs faced by the retailers resulting from the introduction of a carbon price on emissions from electricity generators,” Dr Boxall said.

Dr Boxall said 24 responses were received to the draft report including submissions from individuals, the energy industry and social welfare groups. A public forum was held in Sydney in April.

"IPART considered all issues raised in consultation. Among other things, retailers argued that the financing costs for electricity businesses that we included in our draft report were too low. We further considered this issue and decided to increase our allowance for financing for electricity generation, given the risk in the current unsettled market. This had led to higher price increases than in the draft report," Dr Boxall said.

"We are aware that the 16% price increase forecast in April caused concern among customers, and know that a further 2% increase will be even more difficult for many customers, however the costs of providing electricity are increasing."

On 1 July 2012, the NSW Government will increase the Low Income Household Rebate to \$215 and introduce a Family Energy Rebate of \$75 for eligible households. Additionally, low and middle- income households will receive carbon price compensation from the Commonwealth Government. Our analysis indicates that the Commonwealth Government's assistance package will adequately compensate the large majority of low-income households for the impact of the carbon price on their electricity bills.

Regulated retail gas prices will also increase by 9% to 15% across NSW from 1 July 2012, with the price increases for individual customers depending on their standard retailer and their annual consumption. For the majority of customers around half the increase is due to the introduction of the carbon price and the other half is due to increases in gas distribution network prices which are regulated by the Australian Energy Regulator.

The carbon price increases retail gas prices by 6% to 9%. Gas distribution network price increases for AGL and ActewAGL customers (in Jemena's gas distribution network area) will add a further 6% to customers' bills.

The average price increases will vary for customers of the four retailers as follows:

- ▼ 14.8% for AGL customers, which translates to an extra \$2.03 per week (\$106 per annum) on a typical residential customer bill.
- ▼ 10.4% for Origin Energy's Murray Valley customers, which translates to an extra \$2.25 per week (\$117 per annum) on a typical residential customer bill.
- ▼ 11.6% for Origin Energy's Country Energy customers (the Wagga Wagga area), which translates to an extra \$1.78 per week (\$93 per annum) on a typical residential customer bill.
- ▼ 8.8% to 14.5% for ActewAGL's ACT/NSW border and Shoalhaven customers, which translates to an extra \$0.88 to \$2.73 per week (\$46 to \$142 per annum) on a typical residential customer bill.

We are also concerned about increasing gas network prices and have made recommendations to address the uneven nature of the appeals mechanisms available to gas network businesses and the outcomes for gas customers.

"IPART encourages NSW energy consumers to compare offers from retailers and ensure they have the most appropriate, and cost effective service for their needs," Dr Boxall said.

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. A complementary 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. Regulated prices will increase on 1 July 2012.

For further information, media should contact: T 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 price. Customers on market contracts with retailers pay an unregulated price, however these market-based prices are often influenced by changes in the regulated prices.

IPART determines the average price to be charged by 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.

The difference in the average electricity price increases between the three electricity retailers and four gas retailers is primarily due to their varying network charges. The increases in dollar terms could be higher for those customers with higher than average energy usage.