

IPART review of regulated electricity retail tariffs and charges 2013 to 2016

IPART should reject any and all submissions for increases in electricity charges until further notice for the following reasons:

- **Anti-competitive pricing practices-** The increases represent a non-market driven price effect in conjunction with “spin off” contracts which provide minimal (5-10% for limited times) real cost benefits to consumers. This is contrary to the basic principles of competition.
- **Market efficiency-** There is no reason whatsoever to assume that an efficient market can be driven by cartel-like, arbitrarily controlled pricing structures. This is in fact the exact opposite of all known conventional models of market efficiency since the term was coined.
- **Adverse effect on industry-** The electricity cost increases impose an immediate cost effect on industry. The cost increases will need to be either passed on or absorbed with corresponding adverse effects down the supply chain.
- **Adverse effect on disadvantaged persons-** It’s clear that many people on fixed incomes are already suffering from previous price hikes.

IPART should revoke former rulings for the following reasons

Misleading and therefore invalid information supplied by the electricity sector to IPART:

It’s been established that the energy suppliers misrepresented the demand requirements of the sector in a previous submission. The industry claimed demand was rising, whereas it was actually falling.

Highly debatable figures provided about industry costs have been submitted to IPART. If the current massive hikes in prices were fully justified on a cost basis, the industry should have shown corresponding massive losses in direct proportions to the amounts of increase claimed. Has the electricity industry really been operating at a 200% deficit? If so, why was nothing said about it sooner?

Commercial practices for every other industry, regulated or not, include a requirement for proper and competent management of cost structures. If these current and previous claims and subsequent findings regarding them are true, none of the information supplied to IPART can be considered reliable.

An independent audit would be the natural method of finding accurate, reliable figures. It is evident that the sector is making self-serving claims which if not

actually fraudulent are failing to survive any form of scrutiny in terms of reflecting actual cost issues.

IPART's options:

- IPART is under no obligation at all to make any ruling based on such dodgy figures and interpretations of figures.
- Nor is IPART under any obligation to tolerate false or misleading information.
- The previous grant of increases should therefore be overturned and refunds issued to consumers.
- Increases could be suspended pending a proper independent audit.

IPART may wish to note: There are absolutely no visible social or economic benefits at all in the price increase claims for any sector of Australian society. Increased overheads will directly impact bottom line capital and cashflow for business, industry and consumers.

If the electricity sector is incapable of managing its own costs and factoring in the cost of new generation supply infrastructure, what reason is there to believe this situation will improve without clear guidelines regarding its financial management? IPART should require the sector to conduct its operations transparently and with proper regard to the provision of factual information and best practice business conduct.