

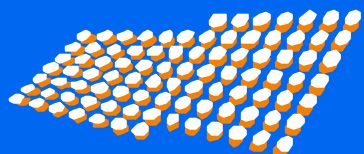
EnergyAustralia™



IPART Review of Electricity Regulated Retail Tariffs

4 December 2003

Energy



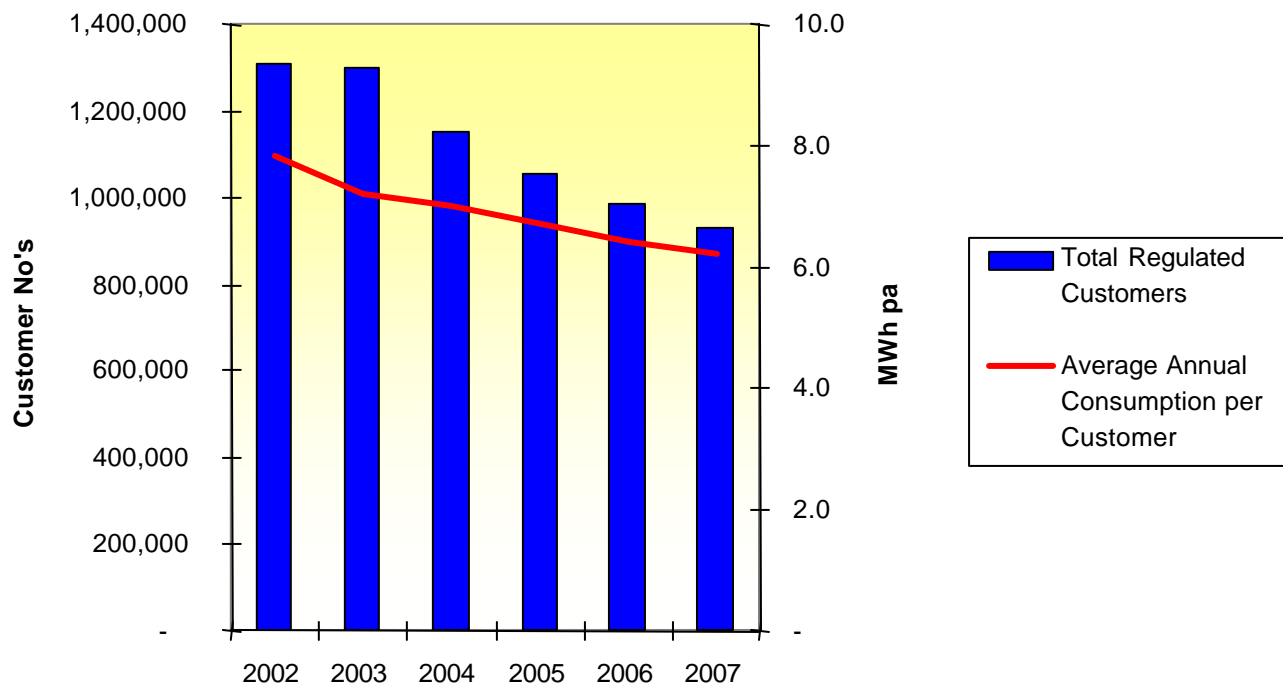
Aims for Retail Price Regulation

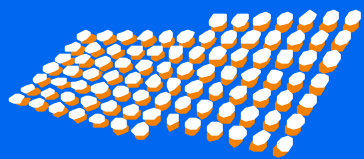
- Cost-reflectivity for all tariffs by 2007
- Pass-through changes to network, electricity purchase, green compliance, electricity losses and market costs
- Benchmark retail operating costs and retail margin
- Minimise price shocks faced by customers



EA's Regulated Customer Base

The number of regulated customers and the average consumption of regulated customers continues to decline as a result of competition

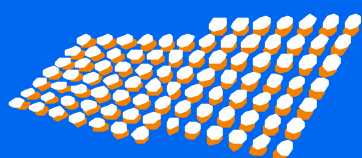




Proposed Form of Regulation

Weighted Average Price Cap (WAPC)

- Overall c/kWh figure
- No price constraints
- Determined annually with assessment of pass-through costs and changes to customer base



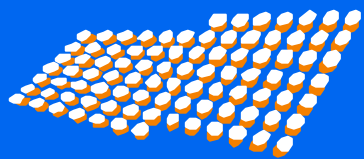
Proposed Treatment of Costs

	2004/05	2005/06	2006/07
Benchmark Costs			
Retail Operating Costs (per customer)	\$63	\$65	\$70
Retail Net Margin			1.5% - 2.5%
Increase in Pass-Through Costs			
Network Costs - Residential	CPI + 12% ¹	CPI	CPI
Network Costs - Business	CPI + 22% ¹	CPI	CPI
Electricity Purchase Costs	Unable to be forecast - assumed constant ²		
Green Compliance Costs	Unable to be forecast - assumed constant ²		
Market Fees and Charges	Unable to be forecast - assumed constant ²		
Estimated Price Path (based on the above costs)			
Residential	CPI + 3%	CPI	CPI
Business	CPI + 7%	CPI	CPI

¹ Increase in network costs are as submitted to IPART and assume network tariff is 40% of total retail tariff

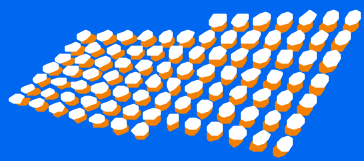
² Any increase in these costs would be passed-through (ie. in addition to the estimated price path)

Assumes CPI of 3% in all years. Operating cost elements increase by less than CPI, however lower customer numbers and high fixed costs cause operating costs per customer to rise by more than CPI.



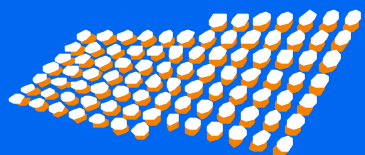
Structure of Regulated Tariffs

- Tariffs should reflect the structure of underlying costs
- EnergyAustralia should have the discretion to modify the structure of its regulated retail tariffs in order to more accurately reflect the underlying costs of supply
- That doing so neither reflects an intent to, nor has the effect of providing customer choice

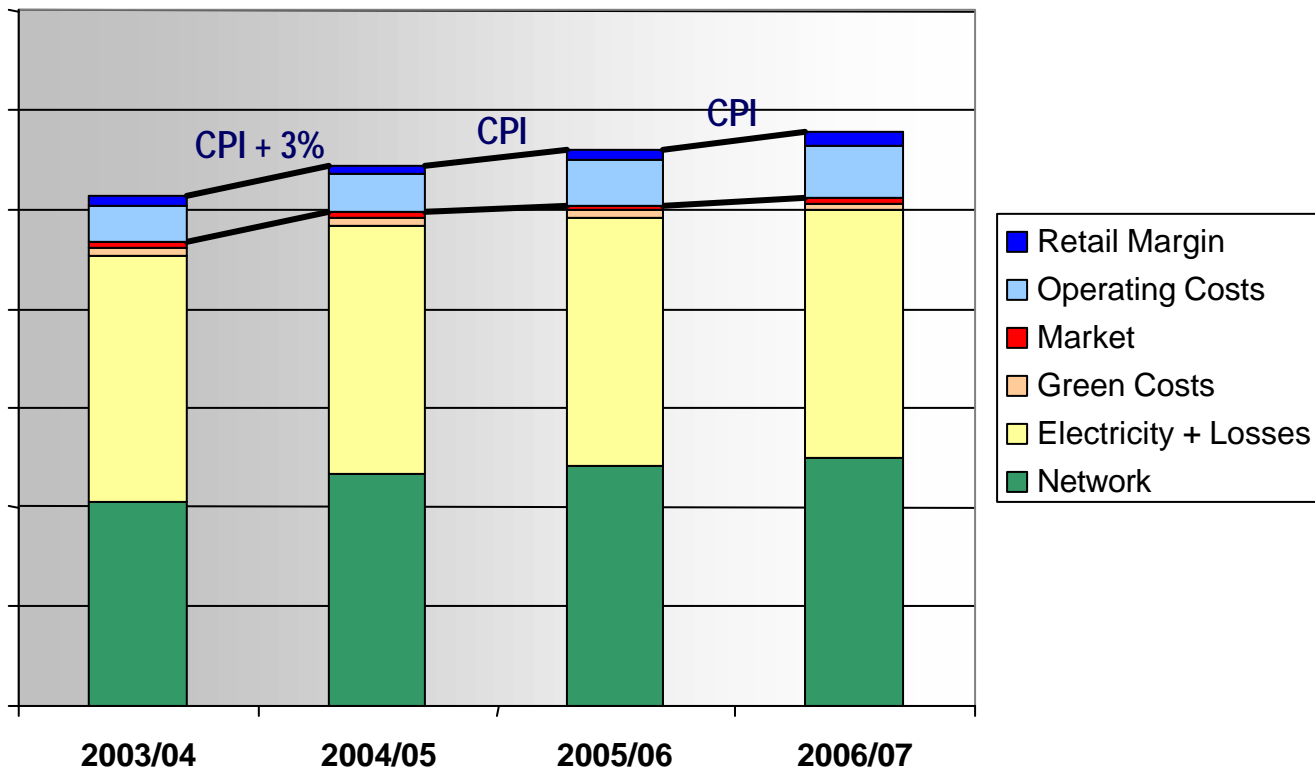


Retail Charges

- Late Payment Fee - increase from \$5 to \$10
- Account Establishment Fee - introduce at \$20



Cost Component Build-Up and Estimated Tariff Movement



Energy