

14 April 2009

Dr Michael Keating  
Chair, Independent Pricing and Regulatory Tribunal  
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Dear Dr Keating

### **Electricity Price Increases as of 1 July, 2009**

The Public Interest Advocacy Centre (PIAC) has a ten-year history of working on behalf of low-income and vulnerable households through the Energy + Water Consumers' Advocacy Program to highlight and minimise the impact on these households of increases in the cost of and restricted access to energy and water. PIAC is concerned about the welfare impacts of price increases expected from 1 July 2009.

The Independent Pricing and Regulatory Tribunal (IPART) is conducting a review of the 2007 Final Determination on regulated tariffs for small customers. This review is looking into deviation of wholesale electricity costs from the allowance in the final determination.

In *Market-based electricity purchase cost allowance – 2009 review Draft Report*, IPART has foreshadowed an increase of 5 to 6% to household bills due to the electricity purchase allowance. The Draft Report also highlighted expected increases to the electricity costs faced by small customers, including the Australian Energy Regulator (AER) draft determinations for the NSW transmission and distribution businesses.

Table 3.5 of the Draft Report shows that IPART is expecting an increase of over 20% in the electricity costs for many households, not including increases in the NSW Climate Change Fund Levy or the Clean Coal Fund Levy. Under current and proposed electricity cost determinations, household energy bills will continue to rise above the forecast rate of inflation, current wage growth and the indexation of pensions and allowances in subsequent years.

PIAC is deeply concerned about the impact of these price increases on low-income and vulnerable households, particularly with the increasing risk of joblessness faced by many workers. Significant rises in energy bills, combined with employment uncertainty, are likely to see more households falling into hardship and facing electricity disconnection.

PIAC requests that IPART make the following recommendations to the NSW Government, to assist households dealing with the expected electricity cost increases:

- 1. That the energy rebate be accessible by households on Newstart Allowance and the underemployed. To achieve this, eligibility should be extended to all holders of a Commonwealth Healthcare Card.**
- 2. That energy rebates be indexed to rises in the average cost of energy, including the rise expected at 1 July 2009.**

As part of the NSW Energy Reform Strategy, the NSW Government has committed to a package of consumer protections. To assist with the transition to higher

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electricity prices, PIAC requests that IPART recommend that the following measures from that package are brought forward to commence on 1 July 2009.

- **The increase in the Pensioner energy rebate from \$112 to \$130 per annum.**
- **The extension in eligibility for energy rebates.**
- **The increase to the level of funding under the current Energy Account Payments Assistance Scheme to \$100 million over five years.**

PIAC notes the comments of the Minister for Energy that, if the proposed price increases are implemented, the NSW Government would provide a compensation package for households. However, it is important for IPART to recommend that this compensation package does not come entirely from measures that would otherwise have been implemented. New compensation measures, as outlined above, are required to ensure households are protected from the new costs to be incurred from 1 July 2009.

As Chairman of the Independent Regulatory and Pricing Tribunal, we thank you for considering the above recommendations.

Yours sincerely

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Chief Executive Officer

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CC: The Hon. Ian Macdonald MLC, Minister for Energy  
Mr Mark Duffy, Director-General of the New South Wales Department of Water and Energy