

13 May 2011

Anna Brakey
Independent Pricing and Regulatory Tribunal of New South Wales
Level 8, 1 Market Street
SYDNEY NSW 2000

Dear Anna

Subject: Submission to Draft Report on Changes in Regulated Electricity Retail Prices from 1 July 2011

Lake Macquarie City Council welcomes the opportunity to provide the following submission regarding IPART's draft report.

Council acknowledges IPART's role in regulating electricity retail prices in an equitable manner to balance the impact of cost increases on consumers and the economic viability of energy retailers. While concurring with many of the recommendations contained in IPART's draft report, Council would like to make the following points:

- While network costs account for the greatest contribution to electricity price increases, the draft report attributes no responsibility to electricity retailers to include peak load demand management and distributed generation to tackle peak demand surges. Further, The Climate Institute (2011) estimates that energy efficiency measures can save households about \$296 per year. These measures have the potential to defer required investment in electricity generation and infrastructure augmentation by up to \$12 billion by 2040.
- Green Schemes, such as RET, Energy Savings Scheme, Solar Bonus (FiT), should be harmonised to avoid duplication of investment and minimise costs to consumers, but be sufficient to stimulate public and private investments in renewable energy sources to support strong demand by Australian households for solar technology. Recent figures show that regional communities, working class suburbs, and coastal villages are all signing up to embrace solar technology in the face of high retail prices. This trend is consistent with the benefits of providing households with a mechanism to control increasing electricity prices.
- The Climate Institute (2011) reports that policy uncertainty is likely to increase wholesale electricity prices by around 13 per cent by 2020, above what would be the case with decisive policy action. For an average household in Sydney this will add around \$68 a year to their energy bill. Industry needs certainty to invest in innovation and Council therefore advocates for continued support to green schemes. The lack of a carbon price, incidentally, has also stifled investments in more efficient coal power plants, e.g. CCGT, (Paul Simshauser: 2010), a measure that is advocated by IPART in the discussion paper.

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- Gas prices are expected to increase by 180% over the period from 2008 to 2015 irrespective of whether there is a price on carbon pollution.
- Large (trade exposed) industries are exempt from the RET and this adds to the costs (by approximately 25%) to business and households. The RET adds an estimated \$1.25 per week to households and, in the light of the macro-economic stimulus it provides, represents a low marginal cost when compared to the combined forecast impacts of network upgrades and fuel costs.
- Council advocates that along with planned subsidies for people in low income households, consideration should also be applied to the many not for profit community service, and sporting organisations that provide social support and deliver on existing Australian government policies, including those associated with the prevention of obesity. Council assumes that Government does not intend for decisions on energy policy to negatively impact on the ability of existing social support networks to provide the services they are funded to deliver, nor risk a reduction in youth participation in active sports by clubs passing increased energy costs on to consumers.
- Lastly, when adjusted for inflation, electricity prices in Australia are the same as they were 25 years ago and are half of the value paid by households in most other developed countries. Australia's power sector ranks amongst the world's top ten most polluting, along with countries such as Botswana, Cambodia, and Estonia. Council fears that, without a consistent and harmonised price on pollution and continued support for Green Schemes, Australia will remain overly dependent on polluting energy sources and will struggle to remain competitive in the emerging clean energy economy.

In summary, Council does not support recommendations that disadvantage Green Schemes. While supporting the tightening of Energy Savings Schemes by increasing the reporting of implemented retrofits, Green Schemes should not be held overly accountable for current trends in increasing electricity retail prices, as demonstrated in IPART's pricing breakdown, as they represent key drivers to both innovation and job creation.

In particular, Council considers that consumers have been passed the costs of decades of underinvestment in the electricity network and related infrastructure and that retailers should be responsible for the majority of network upgrades without passing the entire costs through to consumers. In this respect, Council strongly advocates that IPART re-evaluate the materiality threshold test in terms of the incremental and justified average annual costs incurred or saved well above 0.25% of the Standard Retailer's total revenue.

Green Scheme Rebates and other rebates aimed at supporting struggling households should remain an integral part of legislation and should also include not-for-profit organisations that will be heavily affected by increasing electricity retail prices.

Should you require further information, please contact Desirée Lucchese on 02 4921 0444.

Yours faithfully



Dr Alice Howe
Manager Sustainability