

# **E R WALSHE HEAT TREATMENT** ABN 84 276 261 303

Heat Treaters of Non Ferrous Metals

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23. 10. 2006

**I.P.A.R.T.**  
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## **RE: The Current Review into Electricity Retail Pricing**

Dear Sir or Madam,

I am writing to request that with this Current Review of Electricity Retail Pricing that you put into place limitations on the amount prices are allowed to increase for retail customers that are rock solid and actually work. Limitations that are worded such that they CANNOT be sidestepped, avoided / modified or changed in any way such that they DO apply to the introduction of or switching to a NEW TARIFF/s or any modifications to a customer's tariff or by way of any restructure of the electricity network or the instillation of new hardware at a customer's premises, or any other trickery that an energy supplier (in my case Energy Australia) comes up with.

The **NSW Electricity Regulated Retail Tariffs 2004/05 to 2006/07 Final Report and Determination** failed to achieve its objective of price protection due to a simple oversight and was / is unable to enforce the "imposition of a CPI+5% p.a. price limit" it created as it DID NOT include any limitations / protection where the retail customer is changed to a different tariff.

### ***What happened to me:***

I own a small metal Heat Treatment business at Alexandria. On October 29, 2005 Energy Australia installed new Time Of Use meters and applied its new "Load Smart" tariff (as it has or will do to ALL small businesses that consume between 40MW p.a. and 160MW p.a.). They told me (as the Energy Australia letter stated) that they were giving me the "tools to be more efficient" and to help me "save money".

I already had a modern "Time Of Use" meter and was already on a "Time Of Use" tariff for my furnaces and was already running my operation quite efficiently such that my "Off Peak" consumption is in the order of 80% of my total electricity consumption.

The result of Energy Australia moving me to the "Loadsmart" tariff was not to save me money (as they surely would have known) but actually saw my costs skyrocket by a massive 40% and then in July 06 increase even further. They deceived me as well as (I am sure) many others all the while stating that it is IPART approved!

***How IPART failed in the past:***

Energy Australia was able to ignore the IPART Determination's upper price limits of CPI+5% p.a. as IPART did NOT offer BLANKET COVER to those they were meant to protect.

IPART limited its protection to a customer's EXISTING TARIFFS ONLY and made no allowance for Energy Australia switching a customer to a different more expensive tariff.

Whilst Energy Australia pontificated that this was needed due to the instillation of the new meters and its desire to switch customer to Time Of Use tariffs, this was simply a front to cover up the huge money grab that resulted.

***How IPART might not fail again:***

IPART needs to state that the price increase limitations of say CPI +5 % (as before) on a customer total bill apply across the board, such that it will apply to ALL tariffs NEW or OLD and will apply to any modification to a tariff or the imposition of any new or additional charges within a tariff or any increases to any part of a tariff that will result in the customer's overall bill for a given / similar amount of power increasing by more than the pricing limit imposed by the new Determination for the period of the Determination.

It could be as simple as that.

I will also suggest that IPART may need to define how any customers cost increases are determined. That is, that a fair before and after comparison be done such that the amount of power consumed (kilo Watt hours) and charging splits (Peak, Shoulder & Off Peak) is identical plus any ancillary charges such as SAC or Peak Capacity charges (or what other new or old items may be added or modified that may inflate a customers bill).

I say this as Energy Australia offered me a written comparison of two billing periods (before Loadsmart and after Loadsmart) that had a similar number of billing days but saw them attempting to compare one period of 11,000 kWhrs with another of more than 26,000 kWhrs and they even had the hide to tell me that they had actually saved me money! Not a fair comparison at all, but they did try it on.

May I also suggest that this time IPART get solid legal advice as to the wording of all the relevant clauses.

***Thinking the way Energy Australia does:***

There is a clause in the Energy Australia standard agreement that allows Energy Australia to move any customer on a standard regulated retail agreement from one tariff to another as Energy Australia sees fit.

I envisage that Energy Australia could easily avoid future pricing limitations by placing retail customers who are currently on one tariff onto a more expensive tariff (as they did with me) but by way of reclassifying them.

For example:

Currently Energy Australia places business customers that use from 40MW p.a. to 160 MW p.a. onto their very expensive "Loadsmart" tariff and those that use under 40MW p.a. on the lesser "Powersmart" tariff.

There is NOTHING to stop them from lowering the 40MW lower threshold to say ZERO Watts p.a. (or for that matter raising the upper limit I guess) and placing ALL businesses on the "Loadsmart" tariff.

This would see those affected (if they are on the "Powersmart" tariff) receive a 40% price increase in one hit.

After all what is stopping them from switching all business customer and all domestic customers to the "Loadsmart" tariff?

This would be a huge price increase and under the current Determination very possible!

*Let me remind of what your last Determination was supposed to achieve:*

As stated in the exert below, it was supposed to achieve average price increases of between 5.0% and 5.8% p.a. for regulated retail customers (not the 40% + in one hit that I got).

## **1.2 Overview of determination**

**The Tribunal's determination will allow average prices for regulated retail customers to increase by between 5.0 per cent and 5.8 per cent per annum** (nominal) on average over the determination period. The actual increase for each customer will depend on whether the tariff(s) the customer is on is currently greater or less than the relevant target tariff level set by the Tribunal.

*Protection for small retail customers:*

Throughout the **Final Report and Determination** (see exerts below), the need to protect “small retail customers” from “significant price shocks” was clearly identified, as was the need for price increases “to be phased in”.

## **4 TRANSITIONING REGULATED RETAIL TARIFFS TO TARGET LEVELS**

There are currently more than 500 regulated retail tariffs in NSW. Some of these are Significantly higher than the applicable target level, while others are close to or much lower than the applicable target level.

**The Tribunal maintains its view that it is not reasonable to move regulated retail tariffs to Target levels immediately as this would result in significant price increases** for some small retail customers. **Increases need to be phased in** over the regulatory period.

In section 4.2 the imposition of a “CPI+5%” price limit was meant to “set maximum increases on customers’ bills”. “To ensure that customers are protected from unacceptable price increases”.

### **4.2 Limits on increasing customers’ bills**

#### **4.2.1 Decision**

**The Tribunal has decided that the annual bill (excluding miscellaneous charges) for any customer must not increase by more than \$35 excluding GST or the percentage change in CPI+5% (whichever is greater) for the same pattern and level of consumption.**

#### **4.2.2 Tribunal’s consideration in making its final decision**

Each customer’s bill comprises network and retail components (N+R). To ensure that customers are protected from unacceptable price increases, **the Tribunal has decided to impose price limits that set maximum increases on customers’ bills.**

The following words in the **Determination** totally nullified all the aims stated above.

### **6.1.2 Tribunal’s considerations in making its final decision**

During the course of the review, both Energy Australia and Integral Energy requested new regulated retail time of use tariffs to reflect changes being made by their network service provider.<sup>36</sup> The Tribunal sought stakeholder comment on **Energy Australia’s proposed new time of use business tariff.** In coming to its decision on the **two new regulated time of use Tariffs, the Tribunal noted that no submissions objecting to the implementation of Energy Australia’s new tariff was received.**

Whilst I have mainly spoken about my experience with Energy Australia and the IPART approved Loadsmart tariff, I am sure that the other energy retailers are watching what has been achieved by Energy Australia and are taking notes.

Please do not limit your next Determination, as your last effort has been the straw for this camel's back.

Whilst I (and I'm sure many others) can't avoid the price increases imposed by Energy Australia my customers can avoid all of mine.

Please feel free to make contact if you would like any clarification of what I have written (it was a little hurried) or any further assistance / comment.

**Yours truly,**

A handwritten signature in blue ink, appearing to be 'H. Kirwan', written in a cursive style with a large loop at the end.

**Howard Kirwan**