



MEDIA STATEMENT

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RETAIL ELECTRICITY TARIFFS RISE IN THE ACT

In a Final Decision released today, the Independent Competition and Regulatory Commission has approved an average price increase of 6.42% for electricity from 1 July 2009.

‘Effectively, real electricity prices will rise by approximately 2% in 2009-10’, Mr Paul Baxter, Senior Commissioner said today. ‘The increase in price is due mainly to an increase in distribution costs, although this has been partly offset by a reduction in the wholesale price of electricity’.

Under the competition rules applying to the sale of electricity in the ACT, consumers who use less than 100 MWh per year can purchase their electricity under a regulated retail tariff. Alternatively, these consumers are able to buy their electricity from one of the licensed electricity retailers in the ACT offering a competing ‘agreed’ price. This agreed price is usually a discount on the regulated tariff.

‘The price increase approved by the Commission compares favourably to recent increases in NSW where prices were increased by 18%, 21% and 22% for the three major retailers,’ Mr Baxter said.

‘The relatively modest price increase in the ACT is a reflection of the Commission’s approach to retail electricity pricing since the Commission released its first retail price direction in 2003’.

‘The significant increases in the wholesale price of electricity during 2007 due to the drought and other generating capacity constraints were factored into ACT prices in 2007-08 and 2008-09. These are no longer a significant factor in the Commission’s determination of electricity purchase costs for 2009-10. However, in NSW, prices are only now adjusting for this increase’, Mr Baxter said.

In addition to approving an increase in electricity prices, the Commission made a number of other recommendations.

‘The Commission is conscious that any increase in electricity prices represents a significant cost for ACT consumers, especially for low income and financially vulnerable customers. To assist these customers, the Commission is recommending to the ACT Government that the per kilowatt hour subsidy rate and dollar cap on the current concession for electricity users suffering financial difficulties be increased in line with increases in the price of electricity’, Mr Baxter said.

'The final report also highlights major concerns the Commission has for retail electricity prices in the ACT in the future. The introduction of the Australian Government's Carbon Pollution Reduction Scheme and ACT Government environmental pollution reduction programs such as the Feed-in-Tariff will put future upward pressure on retail prices. The magnitude of future price rises driven by these initiatives is not known at this time, but there is little doubt that the cost to consumers will increase over time'.

'Further to the expected price increases, the volatility of prices is likely to increase. This represents a significant concern in a market where there is a regulated price. To address this issue, the Commission together with other jurisdictional and national regulators is seeking to determine how best a future regulated price might be determined in the face of uncertainty regarding the magnitude of the costs these programs will require to be recovered in electricity prices for years beyond 2009-10', Mr Baxter said.

'The Commission is conscious of the financial distress that inappropriate price regulation may cause. For example, if the regulated price were set too low, retailers may find it difficult to operate profitable and withdraw from the market. Alternatively, should the price be set too high, customers may end up paying too much for their electricity'.

'The Commission considers the most appropriate way of avoiding such a situation in the ACT is to remove price regulation and allow retailers to develop their own risk management strategies', Mr Baxter said.

'This approach would be matched by continual improvements in the Consumer Protection Code administered by the Commission and a price monitoring arrangement along similar lines to that operating in Victoria'.

'However, should the ACT Government decide to maintain a regulated tariff, there is a need for the Commission to undertake a comprehensive review of the methodology used to set the tariff for future years. Such a review would need to commence early in the 2009-10 year to allow sufficient time to take account of all the necessary factors', said Mr Baxter.

Copies of the Final Decision can be found on the Commission's website, www.icrc.act.gov.au or by contacting the Commission on 02 6205-0799.

STATEMENT ENDS 5/06/09

For further information, please contact Paul Baxter on 0418 633 396.

Comparison of ActewAGL Retail's and Country Energy's Tariffs and Annual Bills: 2008-09 to 2009-10

Comparison between ActewAGL Retail and Country Energy Tariffs

Indicative Only

		2008/09	2009/10
ActewAGL - ACT			
Supply charge	¢/day	51.70	55.02
Standard Tariff	¢/KWh	14.19	15.10
Country Energy - NSW			
Supply charge	¢/day	67.10	79.11
Standard Tariff	¢/KWh	17.96	21.17

Assumes a 6.42% increase in ActewAGL Retail's tariffs and a 17.9% increase in Country Energy tariffs from 2008/09 to 2009/10

Comparison between ActewAGL Retail and Country Energy Annual Bills: Average Household Consumption

Indicative Only

		2008/09	2009/10
ActewAGL - ACT			
Supply charge	\$/year	188.83	200.96
Standard Tariff	\$/year	1,194.80	1,271.50
Annual Bill	\$/year	1,383.63	1,472.46
Country Energy - NSW			
Supply charge	\$/year	245.08	288.95
Standard Tariff	\$/year	1,512.23	1,782.92
Annual Bill	\$/year	1,757.31	2,071.87

Assumes consumption of 8,420 KWh per year

