



## **MEDIA STATEMENT**

***STRICTLY EMBARGOED UNTIL 11.00AM FRIDAY 15 JUNE 2007***

# **FINAL DECISION INCREASES RETAIL ELECTRICITY TARIFF**

The Independent Competition and Regulatory Commission today released a final decision in its inquiry into the level of the regulated tariff for franchise electricity customers in the ACT. The inquiry was requested by Attorney General, Simon Corbell.

Franchise customers are those who consume less than 100MWh of electricity per year and remain on the standard customer contract offered by ActewAGL Retail. Currently, small customers who remain with ActewAGL Retail can choose to receive a tariff regulated by the Commission.

“The Commission has been required by the government to provide a price direction for regulated retail electricity prices from 1 July 2007 to 30 June 2008. The determination of this tariff comes at a time of rising costs across all sectors of the electricity network,” Senior Commissioner Paul Baxter said.

Releasing the final decision today, Mr Baxter said that based on an assessment of the costs of operating a retail electricity business in the ACT, the Commission has determined that regulated retail prices should rise by 16.7%.

“The price increase is driven by increases in the wholesale price of electricity which rose dramatically in April and have remained high through the beginning of June,” Mr Baxter said.

“The current drought is impacting the availability of hydroelectric power from the Snowy system and water for cooling thermal base-load generators in Queensland. As a consequence there has been a significant increase in electricity generation costs over recent months. This will flow through into electricity retail costs in the 2007-08 year,” Mr Baxter said.

The Senior Commissioner also noted that the ACT Government business tax on network businesses, the Network Facilities Tax, has added \$5.5 million to the network component of the cost of electricity and this is being passed on to consumers. He said the government is exploring options for offsetting the burden of the tax for concession recipients.

“The Commission’s final decision removes customer acquisition costs from retail operating costs to balance the social impacts of the price increase with the need to foster competition in the market,” the Senior Commissioner said.

“Retail prices need to be sufficient to recover the costs incurred in selling electricity in a competitive market and to compensate retailers for the risks they face. Since 1 July 2003, all electricity customers in the ACT have had the option to choose their electricity retailer and competition between retailers can help consumers reduce their bills,” Mr Baxter said.

“Following an extended period of little real increase in the price of electricity, price increases can be expected across the eastern states of Australia in the coming year, and there will be added strain on the various financial support mechanisms that are available for households facing financial difficulties,” Mr Baxter said.

The final decision will be available on the Commission’s website at [www.icrc.act.gov.au](http://www.icrc.act.gov.au).

STATEMENT ENDS 15/06/07

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