



ICRC

independent competition and regulatory commission

Media Release

COMMISSION DETERMINES 2017-2020 ELECTRICITY PRICES FOR SMALL CUSTOMERS

The ACT Independent Competition and Regulatory Commission (the Commission) today released its final report and price direction for regulated retail electricity prices for the next three years from 1 July 2017.

"Australia's wholesale electricity market has seen dramatic price rises in 2016 and 2017 and this unfortunately means that retail electricity prices will increase sharply. The Commission's final decision will see an increase in the average price of electricity for small customers on standard retail contracts with ActewAGL Retail by 18.95 per cent for 2017–18, said Senior Commissioner Joe Dimasi."

"For a typical Canberra household, this translates to an increase of \$333 in their annual bill or about \$6.40 a week", Mr Dimasi said.

The single biggest driver of the increase in electricity prices has been the substantial jump in the forward prices of wholesale electricity contracts (see Attachment A). The period 31 May 2016 to 31 May 2017 saw wholesale electricity prices increase from 49.77 to 105.69 dollars per megawatt hour (\$/MWh) – an increase of 112.36 per cent. While there has been some stabilisation in the rate of increase in wholesale electricity prices in the last month, the overall increase in wholesale prices contributes 13.26 percentage points of the total increase of 18.95 per cent. Other drivers of the increase in electricity prices have been the cost of renewable energy schemes, energy losses and network costs.

It is important to note that almost 88 per cent of total costs are determined outside of ActewAGL Retail's control and therefore the Commission's oversight. This includes electricity purchase costs and network costs.

On network costs, the outcome of the recent Federal Court appeal is likely to result in an increase in network charges. These increases, once determined by the AER, will be passed on to electricity bills most likely from 1 July 2018. These costs will be in addition to the increase announced by the Commission in its decision today.

The costs where the ActewAGL Retail has control relate to retail operating costs and the retail margin allowance which it is allowed to earn by the Commission. These contribute less than one percentage point of the 18.95 per cent increase in the cost of electricity. In evaluating these costs the Commission has been mindful only to allow efficient and prudent costs. The Commission also confirms its decision in the draft report of not allowing a Customer Acquisition and Retention Cost (CARC) allowance.

Mr Dimasi said that "final decision has reduced ActewAGL Retail's margin from 6.04 per cent to 5.3 per cent. The Commission's view is that given the large increase in wholesale electricity market price over last 12 months the previous margin was not appropriate".

Mr Dimasi said that "the reduction in the margin and the work that ActewAGL Retail is undertaking to assist low income households manage their electricity bills are important efforts in reducing, as far as possible, the impact on households of this significant increase in electricity prices." While this increase is unwelcomed, the ACT still has some of the lowest retail electricity prices in Australia.

ENDS

To contact the Commission, please visit www.icrc.act.gov.au.

For media enquiries, please contact:

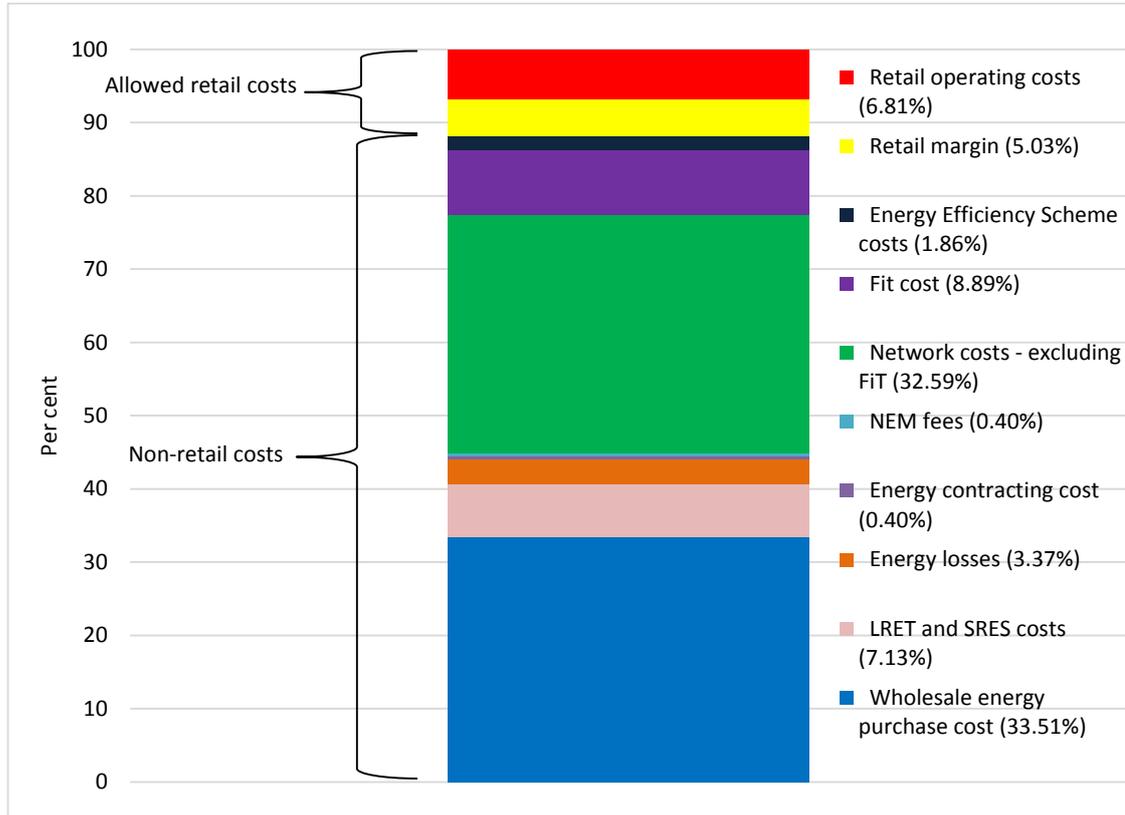
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Attachment A

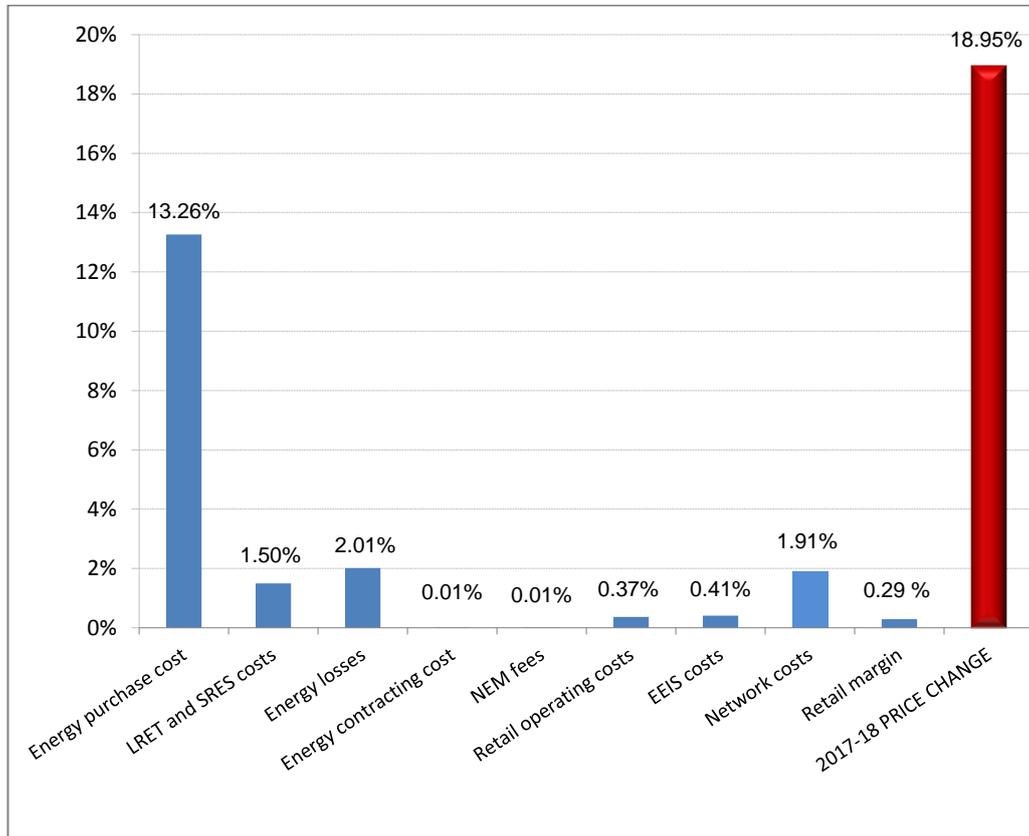
Figure 1 Cost components in dollars per MWh as a share of total cost 2017–18



Source: Commission’s calculations

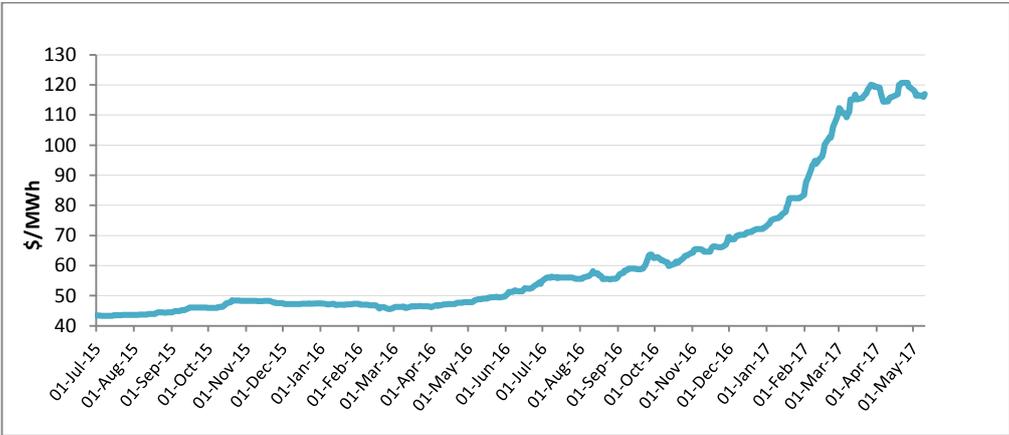
Note: For ease of comparison with other components of the model, the Commission has calculated implied Feed-in tariff (FiT) costs based on the assumption that FiT costs as a percentage of total jurisdictional costs do not vary with customer type, regulated and non-regulated, using data as reported in ActewAGL Distribution (2017).

Figure 2 Components of the change in regulated retail electricity prices 2016–17 to 2017–18



Source: Commission’s calculations, noting that the contribution of EEIS costs to the total price change is negative.

Figure 1 ASX futures market data for wholesale electricity 1 July 2015 to 31 May 2017



Source: Commission’s calculations based on ASX data