



MEDIA STATEMENT

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DRAFT DECISION INCREASES RETAIL ELECTRICITY TARIFF

In a Draft Decision released today, the Independent Competition and Regulatory Commission foreshadowed further price increases for electricity from July 2008.

‘Based on the latest market data for wholesale electricity costs, the Commission has prepared a draft determination which would allow average retail prices for electricity to rise by 10.38% from 1 July 2008’, Mr Paul Baxter, Senior Commissioner said today.

‘The Commission has been asked by the ACT Government to determine the price of electricity for consumers who continue to purchase their electricity from ActewAGL Retail under ‘transitional franchise tariff’ (TFT) arrangements.

‘In effect, these are customers who have not availed themselves of a negotiated tariff offered by a competing electricity retailer operating in the ACT,’ Mr Baxter said.

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 standard price tariff (a TFT) . Alternatively, these consumers are able to buy their electricity from one of thirteen licensed electricity retailers in the ACT at an agreed price. This agreed price is usually a discount on the TFT.

‘The price increases in 2008-09 are a reflection of the significant increase in electricity generation prices during 2007.

‘In modelling the price adjustment for 2008-09, the Commission has been conscious that retailers need to forward purchase electricity so as to balance out the day-to-day swings in prices (particularly at peak times when the supply of electricity might be constrained), and to ensure the continuing availability of supply to meet demand’, Mr Baxter said.

‘Having built an allowance for the forward purchase of electricity into its modelling, the Commission has had to allow for the pass-through of higher generator prices when these occur for extended periods.

According to the Senior Commissioner, there was a significant price increase in electricity generation prices in 2007 as drought and constrained supply arrangements forced retailers to pay prices up to three times higher than the average prices that had previously prevailed.

‘Rather than pass this level of price increases through to consumers, the Commission has sought to adopt a model which allows retailers to recover these higher costs over time

while protecting consumers from being locked into prices at the upper extreme for the price cycle.

‘Based on this approach to determining the TFT, and assuming that there is now a return to more normal longer-term generation costs, retail prices should at least remain constant in 2009-10, or even possibly reduce in that year.

‘However, as with other states across Australia, there will be an increase in prices in 2008-09 that will be passed through to consumers from July 2008. While this is the case, the price of electricity in the ACT will remain cheaper than in NSW and, in particular, in the area immediately surrounding the Territory’, Mr Baxter said.

The Draft Report from the Commission is available for public comment and input prior to the determination being finalised in June.

The deadline for the receipt of submissions is 23 May 2008.

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

STATEMENT ENDS 23/04/08

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