



Australian Capital Territory Government

Mr Paul Baxter
Senior Commissioner
ICRC
GPO Box 296
CANBERRA CITY ACT 2601

Dear Mr Baxter

RE: *Draft Decision: Retail Prices for Non-Contestable Electricity Customers
Report 2 of 2008
April 2008*

The Essential Services Consumer Council (the Council) would like the ICRC to consider the following comments in reaching their final decision regarding retail electricity pricing:

1. The Council notes that section 20(2)(g) of the ICRC Act states that in making its decisions the ICRC must have regard to *the social impacts of the decision*. It further notes that the ICRC in 4.1 *Safety net provisions* appears to rely on rebates and concessions, community service obligations and the Council, CARE Incorporated and other support agencies to satisfy its obligations under 20(2)(g) of its Act.

The Council is uncomfortable with the apparent premise behind this reliance; that premise being that current mechanisms already in place are adequate to protect vulnerable consumers from another price rise.

The Council has observed that:

- Electricity prices have increased well in excess of CPI, and arguably excessively, over the past 5 years
- Concessions and rebates have not kept pace with rising electricity prices and other costs of living
- Whilst the inclusion of Health Care Card holders in the electricity rebate scheme helps more households, it does not assist the lot of those already eligible for the rebate
- Most notably since July 2007 there have been increasing numbers of its clients with *no exceptional circumstances* in their lives who are unable to afford their reasonable electricity consumption. The price rise in electricity in July 2007 is substantially responsible for this marked change in ability to pay.

Essential Services Consumer Council (established under Part 11 of the *Utilities Act 2000*)

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2.

It is the Council's considered view that it is inappropriate for the ICRC to rely on the ESCC to discharge debt where the price of reasonable consumption is out of reach of the householder when no special circumstances apply. The effect on householders of not being able to afford reasonable consumption of an essential item is predictably shaming and demoralizing. Another price increase will inevitably increase the 'no exceptional circumstances' debt discharge quantum as well as the client numbers entering this category of the Council's client group.

2. It is the Council's view that ActewAGL was adequately compensated for the short-lived surge in electricity wholesale prices in mid-2007. The intention to further compensate them for this one-off event (by an approximate 6% increase in real terms) is unwarranted. It will have substantial, undesirable consumer impacts and it will give ActewAGL inappropriate windfall gains.
3. The ICRC proposes to set a price for electricity which is higher than the "fair price" to allow headroom for "competition" between retailers. Further it argues that such headroom allows for competition which will lead to lower prices for consumers who "shop around" for the best price. There is little evidence that any such competition lowers electricity costs for small, non-commercial consumers who do not bundle. Typically the Council's clients and low income consumers do not lead a "bundle-able" lifestyle.

In summary, the Council asserts that the arguments put forward by the ICRC that it is fulfilling its obligations to have regard to the social impacts of its decisions do not bear up to scrutiny. Also the Council believes that ActewAGL has been adequately compensated for its costs in previous price increases. Therefore Council strongly recommends that the price of electricity only be increased by CPI, rather than by the amount proposed in your draft decision.

Yours sincerely



Trish Walsh
Member
On behalf of ESCC

17 May 2008