



ICRC

independent competition and regulatory commission

Media Release

COMMISSION UPDATES 2018-19 REGULATED ELECTRICITY PRICES FOR SMALL CUSTOMERS

The Independent Competition and Regulatory Commission today released its annual update of regulated retail electricity prices for the financial year beginning 1 July 2018.

The Commission's decision sets the maximum average nominal increase in ActewAGL Retail's basket of regulated tariffs for 2018-19 at 14.29 per cent. This is a real increase (excluding inflation) of 12.16 per cent.

If ActewAGL Retail increases prices by the full 14.29 per cent, this would translate to an increase of up to \$299 in the annual bills (or about \$5.73 a week) for a typical Canberra household consuming about 8,000 kWh per year.

"The large increases in Australian wholesale electricity prices that occurred in 2016 and 2017 are still pushing up ACT electricity prices. While wholesale prices have fallen slightly over the past few months, they are still 50 per cent higher than in May 2016," Senior Commissioner Joe Dimasi said.

"The Commission's method of smoothing out large changes in wholesale prices means that ACT retail prices have not increased as much as in other parts of Australia. But there is now a 'catch-up' in retail prices in the ACT as the wholesale price increases that happened in 2017 continue to flow through into retail prices."

Higher wholesale electricity purchase costs contribute more than half of the total retail price increase (7.80 percentage points of the total 14.29 per cent increase).

The national green schemes administered by the Clean Energy Regulator have been the other major contributor to the increase in retail prices in 2018-19. These green scheme costs contribute more than a third of the total retail price increase (4.12 percentage points). Higher costs for these schemes are mainly due to greater than expected take-up of residential solar energy.

Around 87 per cent of total costs are determined outside of ActewAGL Retail's control and are therefore not subject to the Commission's oversight. These include electricity purchase costs, green scheme costs and network costs.

ActewAGL's retail operating costs will fall by 4.42 per cent in 2018-19.

ActewAGL Retail requested an increase in its total retail costs to account for complying with the Australian Energy Market Commission's 'Power of Choice' regulatory changes. These changes encourage competition in the provision of metering services, and required retailers to update their billing systems and procedures. The Commission did not accept ActewAGL Retail's request to pass-through their full costs in 2018-19. The Commission has decided that

the capital costs of investing in upgrading systems should be recovered over their asset life of five years, consistent with established regulatory practice.

The Commission's decision on passing through these costs means that they add 0.47 percentage points to retail prices in 2018-19, rather than the 2.14 percentage point impact implied by ActewAGL Retail's request.

Despite the increase in regulated retail prices in 2018-19, electricity bills for ACT residential customers will remain among the lowest in Australia.

"I recognise that the large increase in retail prices in 2018-19 will place financial pressure on ACT residential and small business consumers," Mr Dimasi said. "However, it should be noted that these are maximum price increases and I encourage consumers to talk to their retailer about whether they are on the right electricity plan for their circumstances and to seek assistance if they need it."

For example, the ACT Government has a number of programs to help consumers reduce their electricity bills and assist consumers in financial difficulties. ActewAGL offers support to customers struggling to pay their energy bills, including vouchers to customers in need and funding for counsellor assistance through Care Financial Counselling Services.

ENDS

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

Information for consumers and details about assistance programs are available at:

<https://www.energymadeeasy.gov.au/>

https://www.actsmart.act.gov.au/__data/assets/pdf_file/0005/1175153/How-can-I-understand-my-household-energy-use-and-reduce-my-bill_ACCESS.pdf

<https://www.actsmart.act.gov.au/energy-saving/rebatessubsidies>

<https://www.actewagl.com.au/helpingyou>

For media enquiries, please contact:

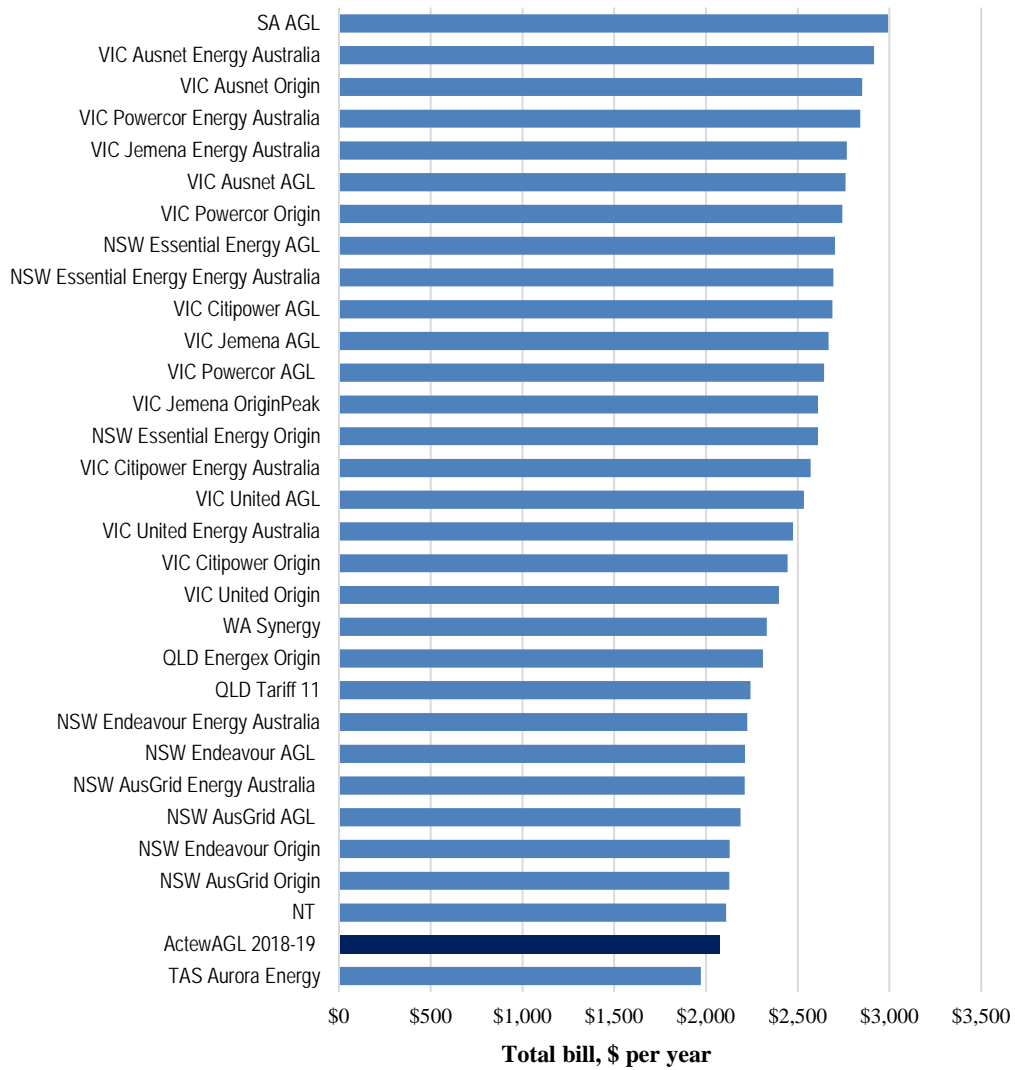
Fiona Plazter

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Attachment A

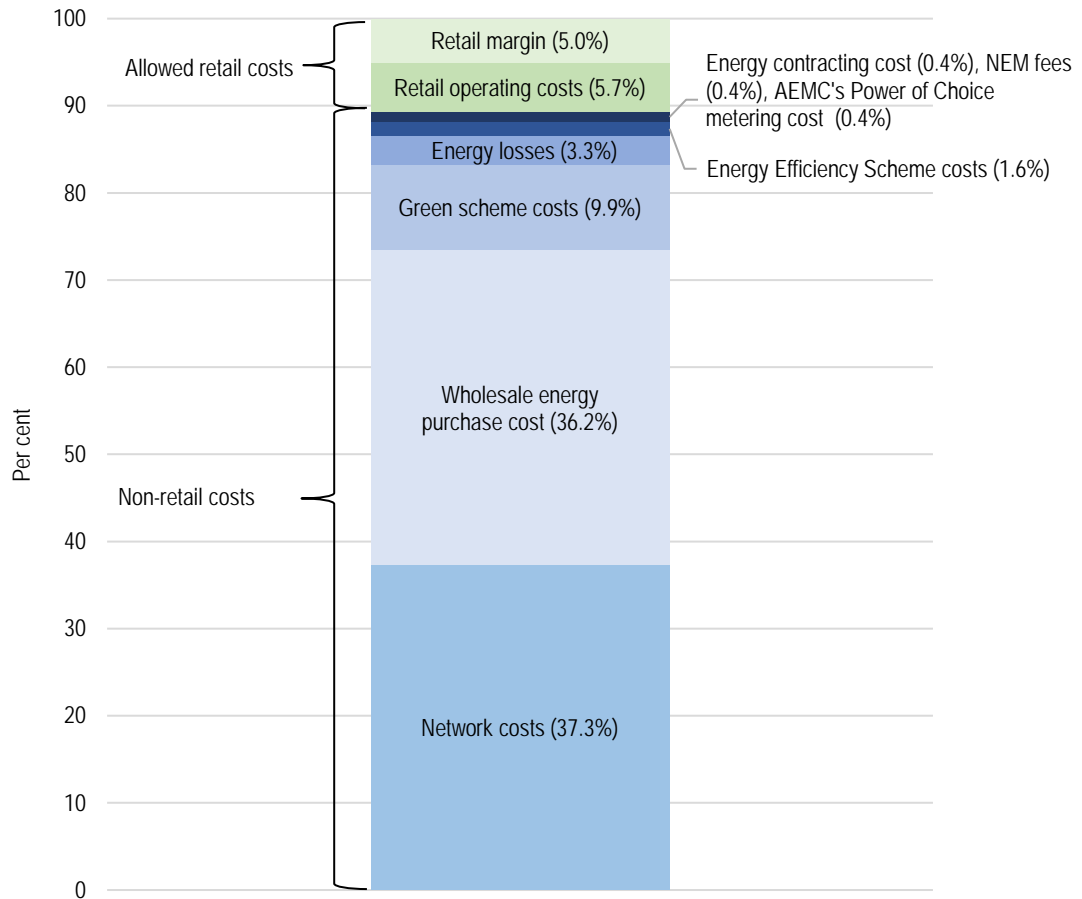
Figure 1 Comparison of residential standing offer electricity bills across jurisdictions based on annual consumption of 7,500 kWh



Notes: All prices as at 1 June 2018. Refer to OTTER (2018) for further information on the calculation method. The average ActewAGL 2018–19 bill is based on the Commission's assumption that all retail prices in the regulated basket of tariffs are increased by 14.29 per cent.

Source: OTTER (2018) and Commission's calculations.

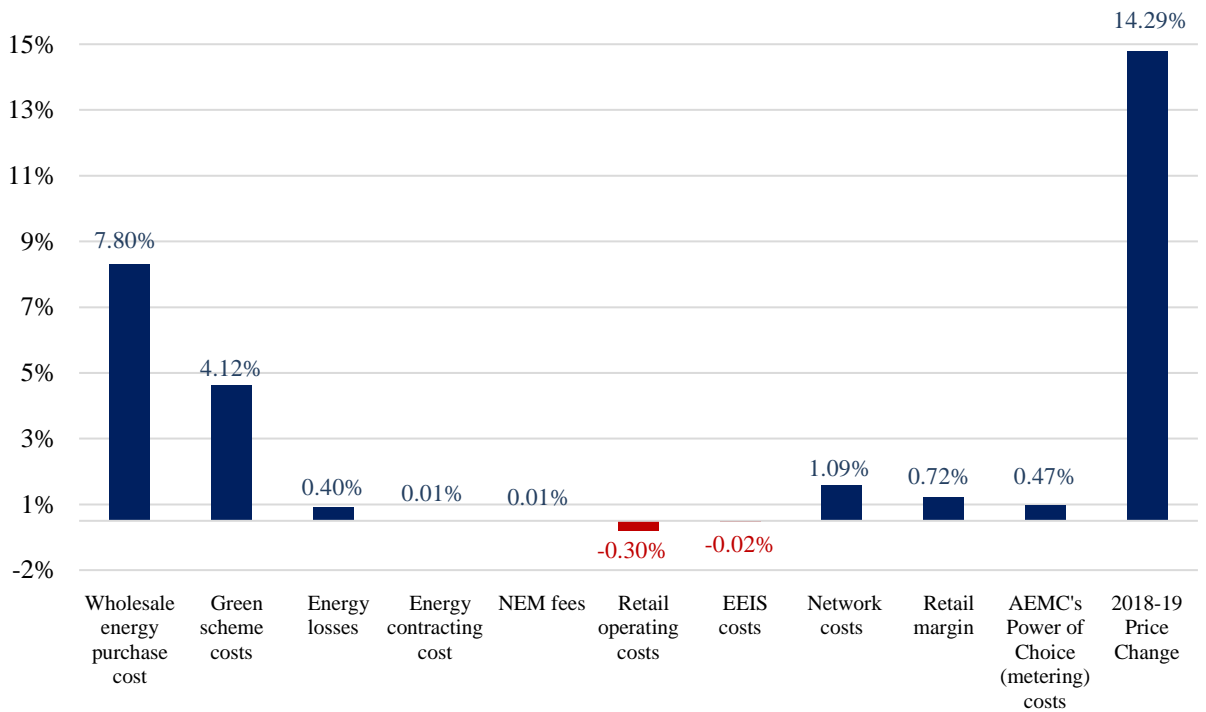
Figure 2 Cost components as a share of total cost 2018–19



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 Evoenergy (2018).

Figure 3 Components of the change in regulated retail electricity prices from 2017–18 to 2018–19



Source: Commission's calculations.

Figure 4 ASX futures market data for wholesale electricity July 2016 to May 2018



Source: Commission's calculations based on ASX data