



MEDIA RELEASE

COMMISSION RELEASES DRAFT REPORT ON RETAIL ELECTRICITY PRICES FOR SMALL CUSTOMERS

The ACT Independent Competition and Regulatory Commission (the Commission) today released a draft report and proposed price direction for the standing offer prices for the supply of electricity to small customers on ActewAGL Retail's regulated tariffs in the ACT from 1 July 2017. As a draft report, the document relies on provisional estimates of data, the final value of which will not be known until later in the year. As such, the prices it proposes should be treated as indicative only.

'The Commission's draft report estimates that the average price of electricity for small customers on standard retail contracts with ActewAGL Retail for 2017–18 would increase by 10.90 per cent', said Senior Commissioner Joe Dimasi.

'For the average residential household consuming about 8,000 kWh per year, this would translate to an increase of \$191 in their annual bill or about \$3.68 a week', Mr Dimasi said.

In estimating the price increase for 2017-18, the Commission's model included all the costs that would be incurred by an efficient incumbent retailer in the same position as ActewAGL Retail. It is important to note that almost 88 per cent of total costs are determined outside of ActewAGL Retail's control and include electricity purchase costs and network costs. These in total make up 10.73 percentage points of the estimated increase of 10.90 per cent in the average price of electricity for small customers.

The single biggest driver of the estimated price increase is the wholesale electricity purchase cost, driven by rapidly increasing forward prices (see Attachment A). Since the Commission's 2016–17 price recalibration in June 2016, the forward prices for wholesale electricity have more than doubled from around \$51 per MWh to \$110 per MWh. This increase contributes 8.31 percentage points of the estimated total change of 10.90 per cent. This is followed by the national renewable energy costs driven by large-scale and small-scale generation certificate prices.

The Commission's draft decision, which has been made based on information up to 28 February 2017, will be expanded for the final report to 31 May 2017 as more data becomes available. If the wholesale price of electricity remains high this is likely to result in a higher percentage price increase.

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 comprise 0.17 percentage points of the price increase.

The Commission in its draft decision is proposing to not allow a Customer Acquisition and Retention Cost (CARC) allowance although it proposes to recognise the reasonable costs of operating in the market.

The Commission is also of the view that given the very large increase in wholesale prices of electricity, applying the existing margin of 6.04 per cent to that bigger pool would result in windfall gains to ActewAGL Retail. Therefore, in this draft decision, the Commission is proposing to limit the growth in the margin by the change in the Consumer Price Index (CPI).

The Commission is seeking comment in the form of submissions from interested parties on the draft report and proposed price direction. These documents are available on the Commission's website at www.icrc.act.gov.au or can be obtained by either contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au. The closing date for submissions is **28 April 2017**. Submissions can be sent to the Commission by post at GPO Box 161, Civic Square, ACT 2608; via e-mail at icrc@act.gov.au; or lodged at the Commission's offices at Level 8, 221 London Circuit, Canberra City.

The Commission proposes to hold a public hearing on 3 May 2017 at 3 pm at the Waldorf on London located at 2 Akuna Street, Canberra City. Persons wishing to appear at the hearing are invited to contact the Commission to register no later than 24 April 2017.

The Commission expects to make its final determination on retail electricity prices in early June 2017.

ENDS

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

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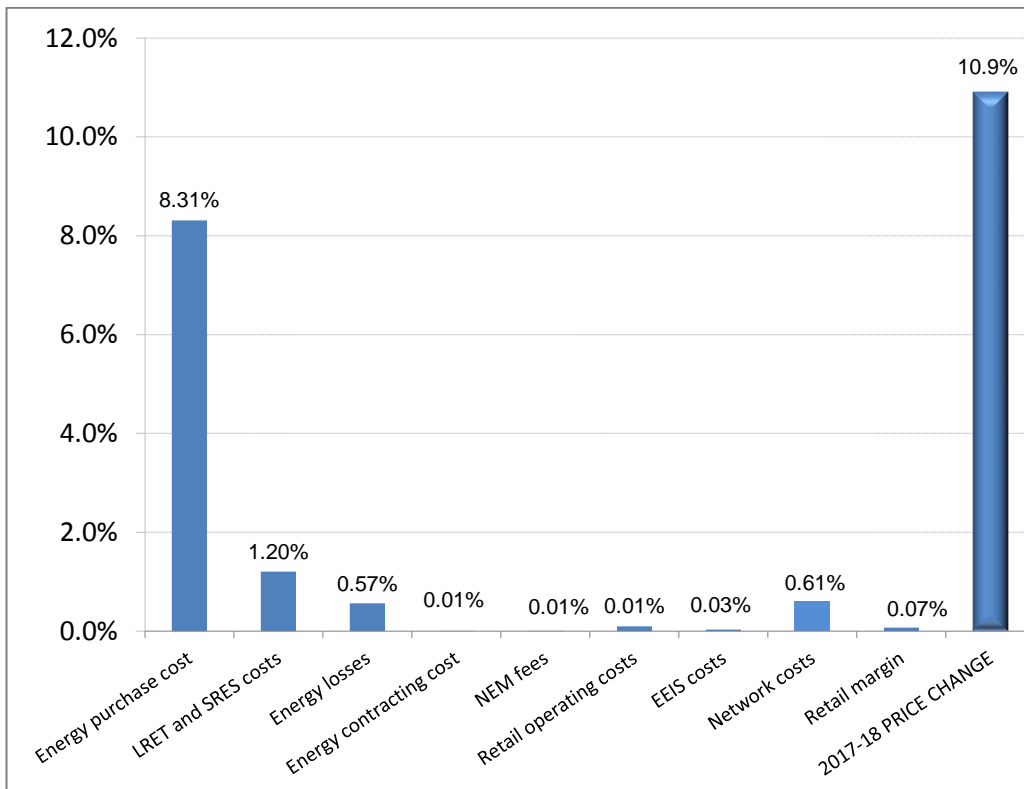
Attachment A

ASX futures market data for wholesale electricity 1 July 2015 to 28 February 2017



Source: Commission's calculations based on the ASX data

Components of the change in regulated retail electricity prices 2016-17 to 2017-18



Source: Commission's calculations