



MEDIA RELEASE

COMMISSION RELEASES DRAFT REPORT ON RETAIL ELECTRICITY PRICES FOR SMALL CUSTOMERS

The ACT Independent Competition and Regulatory Commission today released its draft decision on regulated retail electricity prices for the next four years from 1 July 2020. The Commission has also released draft recommendations to improve the transparency and comparability of electricity offers in the ACT.

“The Commission’s draft decision, based on data to 29 January, estimates that a typical customer on ActewAGL’s standing offer contracts could expect to see a 6.75 per cent reduction in average retail electricity prices in 2020-21”, said Senior Commissioner Joe Dimasi.

This expected price reduction is indicative at this stage because the final decision will be based on more recent data up to the end of May.

“For the average residential household consuming about 6,500 kWh per year, the expected price decrease would translate to a reduction of \$113 in their annual bill”, Mr Dimasi said.

The expected retail price decrease largely reflects falling prices in the wholesale electricity market. A key driver of these lower wholesale prices is the growth in renewable energy generation. This led to a reduction in national green scheme costs (contributing 4.1 percentage points of the estimated total retail price decrease of 6.75 per cent) and wholesale energy purchase costs (contributing 2.2 percentage points of the decrease).

In estimating the allowed price change, the Commission has applied its revised pricing methodology, which was developed following a comprehensive review of its pricing model in 2019. The Commission’s improved methodology includes an updated method for managing market risk associated with energy purchase costs. The updated method contributed to the price decrease as it reflects current retailer practices and ensures that only efficient costs can be recovered.

In making the draft decision, the Commission has used the same level of network costs as in 2019-20, pending the Australian Energy Regulator (AER)’s decision on 2020-21 network costs. The AER will release network costs for 2020-21 in May 2020. Network costs are an important component of the pricing model and account for more than 40 per cent of total costs. These costs are not expected to change substantially.

As part of its price investigation, the Commission asked electricity consumers and retailers whether changes are needed in the ACT to improve the transparency and comparability of electricity offers, both for regulated and market offers. More than a thousand ACT electricity consumers responded to the Commission’s survey about their experiences in comparing electricity offers. The Commission has found that the range between the

highest and lowest market offer is less than in other jurisdictions. Nevertheless, it found that most consumers still experience difficulties in comparing offers, mainly due to the large number of offers and tariff types, the discounting practices of retailers, and the complexity of terms and conditions in plans.

The Commission has made two draft recommendations to improve the comparability and transparency of electricity offers. First, a reference bill for a typical consumer should be set, based on regulated prices, to help consumers compare offers. Second, retailers should have to tell their customers if they have an offer that would better suit the customer's particular circumstances. The Commission is also encouraging retailers to regularly tell their customers that they can visit the AER's Energy Made Easy website to check whether there is a better offer available from another retailer.

The Commission's draft decision, which has been made based on information up to 29 January 2020, will be updated in its final report using the most recent data available up to the end of May.

The Commission is inviting consumers, electricity retailers, and other interested parties to provide their views on the draft price decision and the proposed recommendations for improving the comparability and transparency of regulated and market offers.

ENDS

For media enquiries, please contact the Commission on 02 6205 0799 or email: icrc@act.gov.au

The draft report is available on the Commission's website at www.icrc.act.gov.au or can be obtained by contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au.

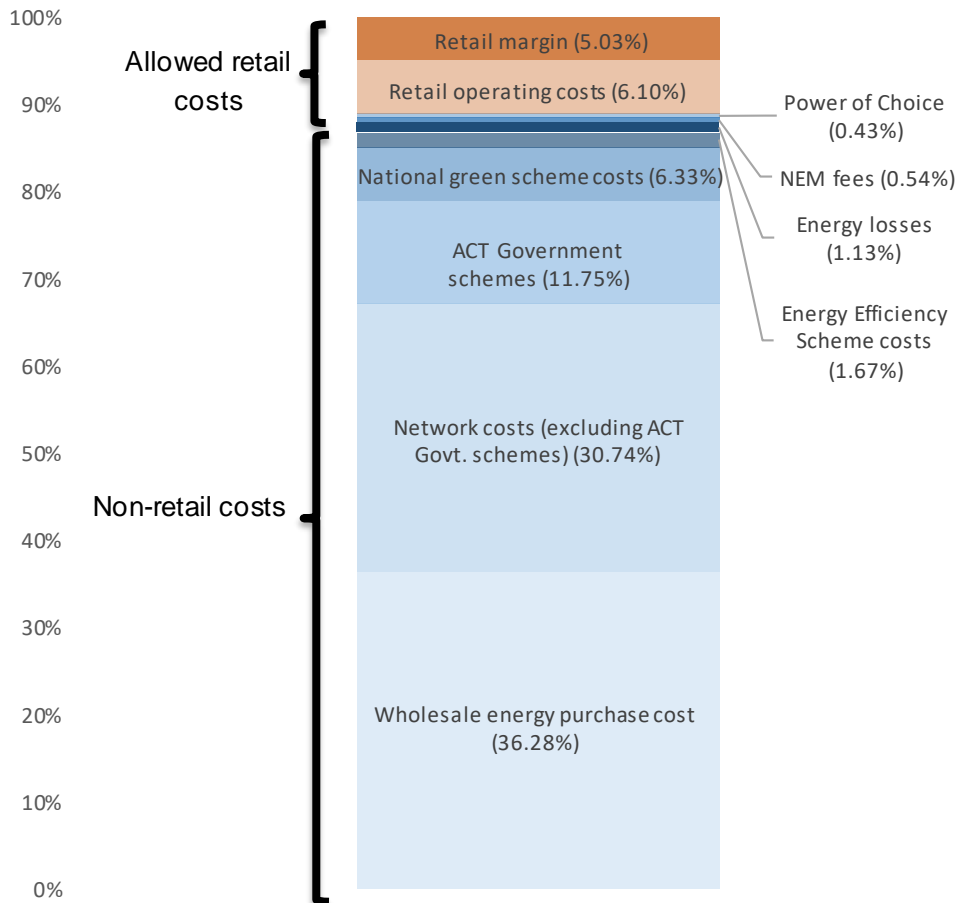
Attachment A: List of draft recommendations

The Commission has made the following draft recommendations to improve transparency and comparability of retail electricity offers in the ACT market.

1. A reference bill amount should be developed to provide ACT consumers with a common point of comparison for assessing electricity offers. The reference bill should be based on existing regulated standing offer prices.
2. The ACT Government should consider imposing a new regulatory obligation on retailers to regularly notify their customers whether they are on the best offer and how much can be saved by switching, taking account of the customers' circumstances.

Attachment B: Electricity costs

Figure 1: Cost components as a share of total cost in 2020–21



Source: Commission's calculations.

Table 1: Percentage point contributions to the total cost change from 2019–20 to 2020–21

Cost components	Percentage point
National green scheme costs	-4.07
Wholesale energy purchase cost	-2.18
Energy losses	-0.42
Retail margin	-0.34
Network costs (excluding ACT Govt schemes)	0.00
ACT Government scheme costs	0.00
Energy Efficiency Scheme costs	0.00
Power of choice	0.01
Retail operating costs	0.10
NEM fees	0.15
Total cost	-6.75

Source: Commission's calculations.

Note: The Commission has not updated Energy Efficiency Scheme costs, network costs and ACT Government scheme costs as the information required to update these costs is not yet available.

Table 2 Draft decision on cost elements, 2020–21

Cost	2019–20 (\$/MWh)	2020–21 (\$/MWh)	% change
Wholesale energy purchase cost	92.93	87.30	-6.05%
National green scheme costs	25.73	15.22	-40.84%
Energy losses	3.81	2.72	-28.62%
NEM fees	0.92	1.30	41.72%
Total energy purchase cost	123.39	106.55	-13.65%
Network costs (excluding ACT Government scheme costs)	73.96	73.96	0.00%
ACT Government schemes	28.28	28.28	0.00%
Total network costs	102.24	102.24	0.00%
Retail operating costs	14.41	14.67	1.80%
Energy efficiency scheme costs	4.00	4.01	0.25%
AEMC's Power of Choice costs	1.02	1.03	1.80%
Total retail costs	19.43	19.72	1.48%
Total energy + retail + network costs	245.06	228.50	-6.75%
Retail margin	12.99	12.11	-6.75%
Total costs	258.05	240.62	-6.75%

Source: Commission's calculations