



## **MEDIA STATEMENT**

***STRICTLY EMBARGOED UNTIL 11.00AM FRIDAY 11 MAY 2006***

# **DRAFT DECISION INCREASES RETAIL ELECTRICITY TARIFF**

The Independent Competition and Regulatory Commission today released a draft decision in its inquiry into the level of the regulated tariff for franchise electricity customers in the ACT. The inquiry was requested by Attorney General, Simon Corbell.

Franchise customers are those who consume less than 100MWh of electricity per year and remain on the standard customer contract offered by ActewAGL Retail. These customers represent the majority of households in the ACT. Currently, small customers who remain with ActewAGL Retail can choose to receive a tariff regulated by the Commission.

“The Commission has been required by the government to provide a price direction for regulated retail electricity prices from 1 July 2007 to 30 June 2008. The determination of this tariff comes at a time of rising costs across all sectors of the electricity network,” Senior Commissioner Paul Baxter said.

Releasing the draft decision today, Mr Baxter said that based on an assessment of the costs of operating a retail electricity business in the ACT market, the Commission has determined that regulated retail prices should rise by 14.25%.

“The current drought is impacting the availability of hydroelectric power from the Snowy system and water for cooling thermal base-load generators in Queensland. As a consequence there has been a significant increase in electricity generation costs over recent months. This will flow through into electricity retail costs in the 2007-08 year,” Mr Baxter said.

The Senior Commissioner also noted that the ACT Government business tax on network businesses, the Network Facilities Tax, has added \$5.5 million to the network component of the cost of electricity and this is being passed on to consumers. He said this accounts for around 3% of the 14.25% increase.

“The Commission has also allowed higher retail operating costs consistent with those proposed in recent draft decisions in New South Wales and Queensland,” the Senior Commissioner said.

“Retail prices need to be sufficient to recover the costs incurred in selling electricity in a competitive market and to compensate retailers for the risks they face. Since 1 July 2003,

all electricity customers in the ACT have had the option to choose their electricity retailer and competition between retailers can help consumers reduce their bills,” Mr Baxter said.

“The Government has increased CSO funding for rebates on energy, water and sewage bills to reduce the impact of the increase associated with the Network Facilities Tax on pensioners, health care card holders and Department of Veteran’s Affairs gold card holders,” Mr Baxter said.

“Following an extended period of little real increase in the price of electricity, price increases can be expected across the eastern states of Australia in the coming year, and there will be added strain on the various financial support mechanisms that are available for households facing financial difficulties,” Mr Baxter said.

Mr Baxter said the Commission is seeking submissions from interested parties on the Commission’s draft decision. The closing date for submissions is 8 June, with the Commission’s final decision due for release on 15 June.

The draft decision will be available on the Commission’s website at [www.icrc.act.gov.au](http://www.icrc.act.gov.au).

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