



MEDIA RELEASE

Final Electricity Pricing Decision

STRICTLY embargoed until 11.00am Friday 8th June 2012

The Independent Competition and Regulatory Commission today released its final report on retail prices for franchise electricity customers. The final price direction increases the price of electricity for franchise customers by 17.74% from 1 July 2012. This price increase is slightly more than the price increase determined in the draft decision.

'The rise in regulated retail tariffs is largely attributable to increases in the cost of wholesale electricity with a smaller contribution coming from network fees. The increase in the cost of wholesale electricity is almost entirely attributable to the introduction of a price on carbon by the Australian Government,' Senior Commissioner Buckley said.

'The Terms of Reference, received in September 2011, required the Commission to set a price direction for the period 1 July 2012 to 30 June 2014. Today the Commission is releasing a final price direction for 2012-13. Before preparing a price direction for 2013-14, the methodology may need to be reviewed to account for market developments and any other changes in the way retailers and generators are contracting with one another,' announced Senior Commissioner, Mike Buckley.

The Commission estimates that under the new tariffs, electricity costs for a typical franchise customer will rise by around \$273 a year, or around \$5.25 a week. Preliminary analysis by the Commission suggests that about \$4.19 a week of this is attributable to the introduction of a price on carbon.

The final report and price determination is available on the Commission's website at www.icrc.act.gov.au.

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For further information, please contact Senior Commissioner Mike Buckley on 02 6205 3857 or by E-mail mike.buckley@act.gov.au

Final Report on the Regulated Retail Price of Electricity for 2012-14: Key Facts

Background

- The Independent Competition and Regulatory Commission (the Commission) is responsible for determining tariffs for electricity supplied to ACT franchise customers. A franchise customer is one who consumes less than 100 MWh per annum and who has not opted to accept a negotiated supply contract with ActewAGL Retail or one of the competing electricity retailers in the ACT.
- When full retail competition was introduced into the ACT electricity market in 2003, the government provided the option for customers to stay on a regulated tariff schedule rather than move to a schedule negotiated with their chosen electricity retailer.

Price Direction for 2012-14

- In September 2011 the government issued a reference to the Commission seeking a review and provision of price directions for 2012-13 and 2013-14.
- The final report released today provides a final price direction for 2012-13. The Commission will review the operation of the wholesale electricity market in the months following the imposition of a price on carbon, before issuing a price direction for 2013-14.
- Due to the changes in electricity futures trading since its last review, the Commission has reconsidered its methodology for determining energy purchase costs and made changes to accommodate the altered pattern of futures trading.

Final Decision for 2012-13

- Today, 8 June 2012, the Commission released its final price direction for retail electricity tariffs for franchise customers to apply from 1 July 2012.
- Under the new tariffs, electricity costs for a typical residential consumer will rise by 17.74%, which is equivalent to around \$273 per year or about \$5.25 per week. This is based on a residential consumption of 8,000 kWh a year.
- The main driver of the increase in the regulated retail price for 2012-13 has been the introduction of the Australian Government's price on carbon, which has contributed about 14 percentage points to the price increase or about \$4.19 per week per franchise customer.
- The main contributors to the remaining percentage points of the price increase are network charges – the cost of delivering the power to ACT consumers – and green costs from the ACT Government's energy efficiency scheme. There was a slight decrease in costs from the Australian Government's Renewable Energy Target schemes.
- The Commission's determination has considered the range of compensation and support measures initiated by the ACT and Commonwealth Governments which assist households to deal with higher electricity costs.

Other Jurisdictions

- The Independent Pricing and Regulatory Tribunal (IPART) of New South Wales released a draft decision on 12 April, and a final decision on regulated electricity prices was released by the Queensland Competition Authority on 31 May.
- The New South Wales draft decision allowed for a 16% average price increase across the state, with weekly increases for an average residential customer bill ranging from \$3.51 to \$7.32. The IPART final decision is scheduled for release on 13 June.
- The final decision in Queensland sets transitional tariffs for 2012–13 in a move towards new retail tariffs that will apply in 2013-14. The level of the transitional price increase is either 10% or 20% depending on the customer's existing tariff, which make comparison with the ACT difficult.