



MEDIA STATEMENT

Draft Electricity Pricing Decision

STRICTLY EMBARGOED UNTIL 11.00AM THURSDAY, 5 APRIL 2012

The Independent Competition and Regulatory Commission today released its draft report on retail prices for franchise electricity customers. The draft price direction in that report increases the price of electricity for franchise customers by 17.22% from 1 July 2012.

'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. It would appear that 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 Gray 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 draft price direction for 2012-13 and foreshadowing that it will review the operation of the wholesale electricity market during 2012-13, once the price on carbon has taken effect, before preparing a price direction for 2013-14' announced Senior Commissioner, Malcolm Gray.

The Commission estimates that under the new tariffs, electricity costs for a typical franchise customer will rise by around \$244 a year, or around \$4.70 a week. Preliminary analysis by the Commission suggests that about \$3.65 a week of this is attributable to the introduction of a price on carbon.

The Commission is seeking comment in the form of submissions from interested parties on the draft report. Submissions are due by 8 May 2012. The draft report and price determination is available on the Commission's website at www.icrc.act.gov.au. The Commission expects to make its final determination on retail electricity prices in early June 2012.

STATEMENT ENDS 5/04/2012

For further information, please contact Malcolm Gray on 02 6205 0799 or by E-mail malcomr.gray@act.gov.au.

Draft 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 draft report released today provides a draft price direction for 2012-13 and foreshadows that 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.
- Because of the changes that have occurred in the forms of trading in electricity futures since its last review, the Commission has reconsidered its methodology for determining energy purchase costs and made changes to accommodate the changed pattern of futures trading.
- The Commission is still considering the detail of these changes, but is confident that the draft price direction announced today gives a reasonably accurate estimate of the likely increase in price that will flow from its final price direction due in early June.

Draft Decision for 2012-13

- On 5 April 2011, the Commission released its draft 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 17.22%, which is equivalent to around \$244 per year or about \$4.70 per week. This is based on average consumption for residential customers on the franchise tariff which is around 7,280 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 13 percentage points to the price increase or about \$3.65 per week per franchise customer.
- The main contributors to the remaining 4 percentage points of the price increase are an increase in network charges, the cost of delivering the power to ACT consumers, and a decrease in the green costs that flow from the obligations under the Australian Government's Renewable Energy Target.
- With the ACT Government's energy efficiency scheme not due to commence until 1 January 2013, the Commission has decided to defer considering its impact to the review to be conducted in preparation for the issuing of a price direction for 2013-14.



Other Jurisdictions

- A draft decision on regulated electricity prices was released by the Queensland Competition Authority on 30 March and is expected from the Independent Pricing and Regulatory Authority of New South Wales on 12 April.
- The draft decision in Queensland includes major structural changes to the tariffs there, involving lower charges for residential customers and higher charges for others, which make comparison with the ACT difficult.