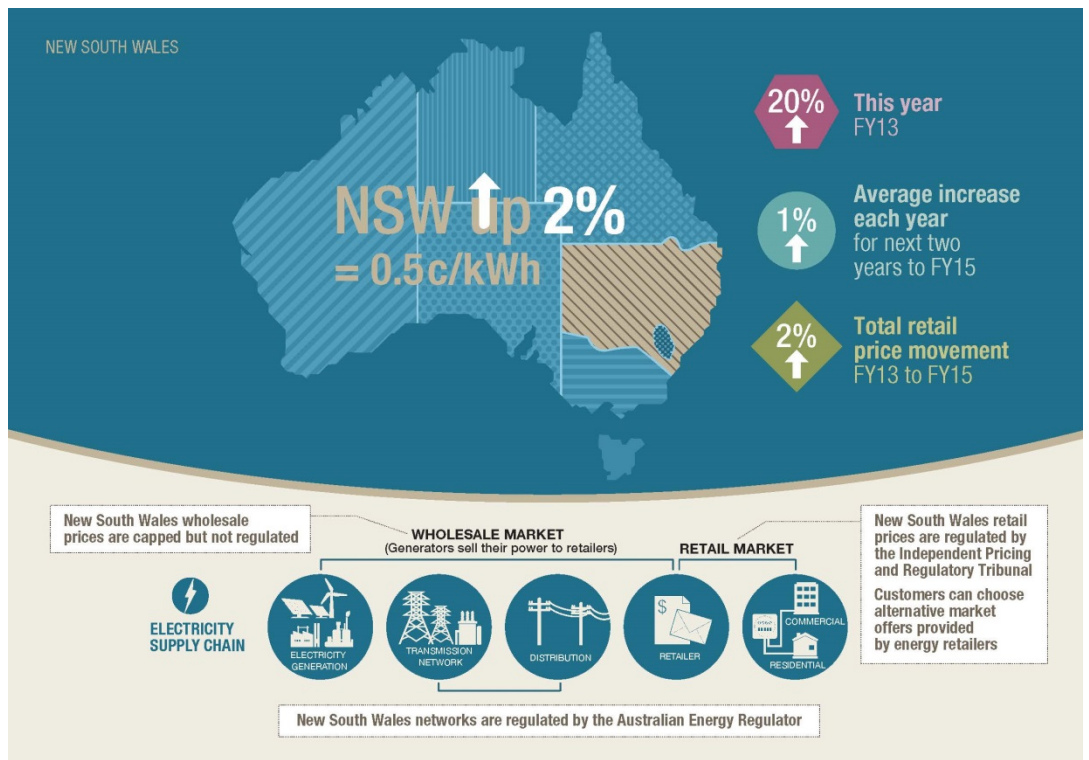


New South Wales: Electricity price trends to FY15

The AEMC Electricity Price Trends Report: 1 July 2012 – 30 June 2015 was published on 22 March 2013. Estimates indicate that the rate of electricity price rises in New South Wales is moderating. Most of the regulated retail price increase has already occurred in the current financial year (FY) for 2013, reflecting past adjustments to network prices and wholesale costs.



What this market looks like

Regulation

The formerly Government owned retailers were privatised in 2011 with EnergyAustralia sold to TRUenergy, and Integral Energy and Country Energy to Origin Energy.

The New South Wales regulator, the Independent Pricing and Regulatory Tribunal (IPART), determines regulated electricity prices every three years. Its current determination covers prices to 30 June 2013, with a new determination due in May 2013 to set maximum average regulated prices until 30 June 2016. This determination may alter price trends in NSW.

Distribution network services are provided by three operators: Ausgrid, Endeavour Energy and Essential Energy. The management of the operations of these businesses have been merged under a single structure, Networks NSW. Transmission services are provided by TransGrid. All NSW network businesses are New South Wales Government owned.

The Australian Energy Regulator (AER) is the economic regulator of the network businesses in New South Wales. The current regulatory control period for all New South Wales networks businesses commenced on 1 July 2009 and expires on 30 June 2014.

This report is not a forecast of actual prices. It is a guide to pricing trends and identifies the components that are driving those trends.

Customer consumption

The representative residential customer in New South Wales uses 7,000 kWh of electricity annually.

NSW analysis

Wholesale component

Wholesale energy costs rose by 29% from FY12 to FY13, including the 2c/kWh impact of the first year of the carbon price. They are estimated to fall to an average of -1% per year for FY13 to FY15.

Network components

From FY12 to FY13, total network prices rose by 16.3%. This comprised an increase in transmission of 64% and an increase in distribution of 8%.

Distribution networks pass on the transmission price as well as their own distribution prices to retailers, which recover these through the retail prices that are charged to customers.

The difference between transmission and distribution increases for FY12 to FY13 reflects changes made by Ausgrid to its network price structure which do not change the total amount charged to the customer but do change the way recovery is achieved. For the representative residential customer in the Ausgrid distribution region the component of the price for distribution fell by 0.5%, while the transmission component rose 102% in this same period. This compares to the total allowed price increase for TransGrid of 5.3%.

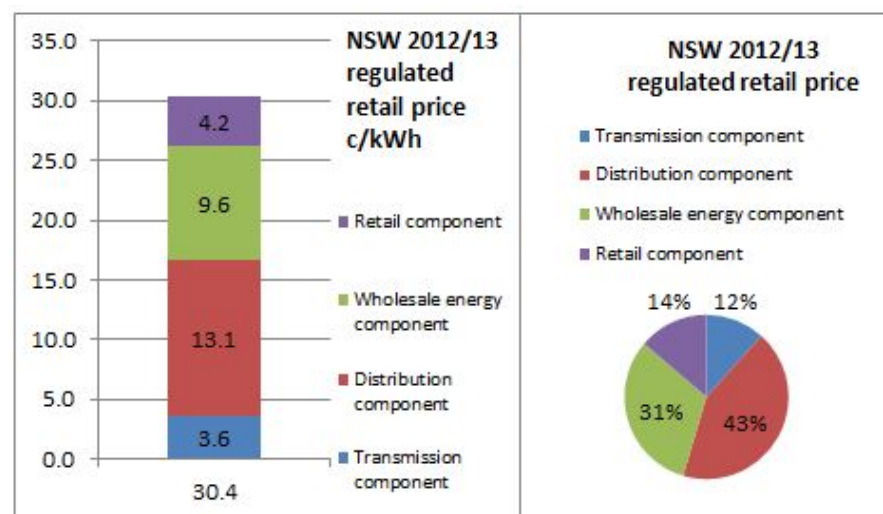
For FY13 to FY15 distribution price increases are estimated to slow to an average of 1% per year for the rest of the period. Transmission price increases are estimated to slow to an average of 7% per year. However, all network operators have put forward proposals to the New South Wales Government to cap their price increases at or below CPI over the next six years.

The network components (including feed-in tariffs) together make up around 55% of the total regulated retail price for New South Wales in FY13. The New South Wales networks will be subject to new regulatory determinations from 1 July 2014. Network price trends may change as a result.

Retail component

Retail prices increased by 13% from FY12 to FY13. These costs are estimated to fall by an average of two per cent per year from FY13 to FY15. This component includes the current IPART margin in forward estimates, the impacts of the Commonwealth large-scale Renewable Energy Target and Small scale Renewable Energy Scheme, and the New South Wales Energy Savings Target.

Breakdown of New South Wales' representative household price for FY13



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