

Electricity pricing and you

In Tasmania, legislation is in place that means that maximum electricity prices for small customers are determined by the Tasmanian Economic Regulator (the Regulator) every few years. Aurora sets its prices within these determinations on an annual basis and these prices must also be approved by the Regulator.

The current pricing determination is due to expire on 30 June 2013. A key element of the Government's electricity reform project is to introduce full retail competition (FRC) on 1 January 2014. However this leaves a six month period that pricing needs to be determined before FRC is introduced.

The Government has decided that the current retail price determination will be rolled forward for the period 1 July 2013 to 1 January 2014 when FRC begins in Tasmania. This means that the Regulator won't undertake a whole new assessment of what it should cost Aurora to provide electricity to customers, but will base prices for 1 July 2013 on the assessment done in 2010.

While it will be up to the Regulator to determine the price increase that is allowed, it is looking at this stage as though the increase on 1 July 2013 will be no more than the rate of increase in the Consumer Price Index (CPI) – this will be the lowest price increase for Tasmanian consumers in five years.

This approach is a considerable achievement that has resulted from many separate pieces of work coming together, especially Aurora's new approach to capital and operating expenses in the network business. Aurora has completed a major program of infrastructure upgrades to replace ageing assets over

the last decade, and is now returning to a more business-as-usual expenditure pattern. Aurora has also found significant savings in its operating budget, which has helped to ease price pressures on Tasmanians.

Earlier this year the Government contributed \$37 million by reducing the Government's electricity business's revenue to reduce the price increase for the 2012-13 period. This is a permanent reduction that is now built into the base level price and so there will be no "catch up" in 2013.

Tasmanian health care card and pensioner concessions, which are already the most generous in Australia at \$450 per customer per year, will continue to be indexed to the price increase – this means that customers who are eligible for a concession are further protected from price increases for the period. There will be no changes to eligibility for concessions.

When the competitive electricity retail market starts in January 2014, price regulation will continue to ensure customers who don't want to sign up to a market offer can still access a regulated contract for electricity.