

# Immediate Price Relief

## OBJECTIVES

The Government's energy reform program will immediately limit forecast electricity price increases for households and small businesses on 1 July this year.

It involves a set of short, medium and long term actions that pave the way for the future of the Tasmanian energy industry in order to limit future price rises and ensure Tasmanians have the lowest sustainable electricity bills.

## FEATURES

- New method for calculating maximum prices for household and small business customers, reducing the potential price increase on 1 July 2012 on average by an estimated 7 percentage points, or about \$150 a year for an average customer.
- Smoothing some distribution service price increases over 5 years, reducing the price increase on 1 July 2012 by about 2 percentage points.
- New revenue policy introduced by Transend limiting increases to below the increase in CPI, which will reduce the price increase to households by 3 percentage points.
- No merits review by Aurora of the Australian Energy Regulator's recent pricing decision.

These measures will halve the potential price increase on 1 July 2012, preventing Tasmanians from having to pay an additional \$200 a year on an average electricity bill.

The setting of prices remains the role of the Tasmanian Economic Regulator.

## DETAILS

### New method for calculating maximum prices

The Government has changed the way the Tasmanian Economic Regulator calculates prices for households

and small businesses. This will reduce the potential price increase on 1 July 2012 by seven percentage points on average, at an annual cost to the Government of \$37 million. This will be funded from the proceeds made by Hydro Tasmania arising from the introduction of the carbon price.

The Government has done this in response to the recommendation of the Expert Panel Review that the method should change, and to share the benefits of Tasmania's renewable electricity with Tasmanian customers.

### Smoothing distribution services prices

Aurora has asked the Australian Energy Regulator to smooth out the under-recovery of its distribution services revenues from previous years, which will reduce the potential price increase on 1 July 2012 by almost 2 percentage points on average. This will provide price relief to households and small and medium businesses.

### New revenue approach by Transend

Transend has elected not to increase revenues by the extent allowed by the Australian Energy Regulator and will only increase revenues by half a percentage point less than the increase in the Consumer Price Index. This will reduce the price increase on 1 July 2012 by more than three percentage points on average for households and small and medium businesses. This will also be important for some major industrial customers that have expressed concerns over sharply rising network costs in recent years.

### No merits review by Aurora Energy

Under the National Electricity Rules, distribution businesses can request a review of the pricing decisions made by the Australian Energy Regulator.

Aurora will not request a merits review of the recent pricing decision made by the AER and will operate the distribution network within the allowance determined.