

RISING ELECTRICITY PRICES

Top lines

- Australia has always had some of the lowest electricity prices and one of the most reliable electricity supply systems in the world. This is still the case – but prices will rise as our energy demand grows and as more people want energy intensive products, like air conditioners.
- State Government regulators have increased retail electricity prices mainly because of the need to invest in Australia's electricity networks in order to continue to reliably meet demand.
- State and Territory Governments have programs and rebates targeted at consumers having difficulties with their energy costs - I would encourage consumers who are doing it tough to enquire about eligibility.
- Recent and expected price rises have occurred or will occur before a carbon price has even passed the parliament - they have nothing to do with a carbon price.

Key facts and figures

- According to the ABS, electricity prices have risen by over 40 per cent in the last three years (including 12.5 per cent in the year to December 2010).
- Most State Government regulators increased electricity prices last year. Some have proposed further increases to apply after 1 July 2011, these include: Queensland 5.8%; NSW 9.6-13.1%; Tasmania 8.5%; and SA over 12%.
- Network costs account for more than 60 per cent of recent increases in electricity prices in Queensland and over 80 per cent of recent NSW increases.
- Investors in Australia's electricity supply infrastructure are facing around \$100 billion in replacement and maintenance costs over the next decade.
- Recent research released by the Climate Institute, major banks and energy companies shows that even a short delay in providing certainty about a carbon price will raise retail electricity prices by up to 6 per cent in 2020.

Government policies and election commitments

- Regulation of electricity prices is within the jurisdiction of the State and Territory Governments.
- The Australian Energy Regulator regulates the revenues of network businesses, including by assessing the level of investment needed in order for them to reliably meet demand.
- Continued delay and uncertainty about a carbon price is inhibiting new investment in electricity generation, meaning prices will be higher than they

need otherwise be. The Government is working with the Multi-Party Climate Change Committee to consider how Australia can introduce a carbon price.

- While there is currently no carbon price the Government's Renewable Energy Target does have an impact on electricity prices. MMA modelling, undertaken in 2010 for the Department of Climate Change and Energy Efficiency, estimated that the impact on retail electricity prices is approximately 4.4 per cent over 2010-2015 and approximately 5.4 per cent over 2016-2020.

Opposition policy

- The opposition opposes a price on carbon in favour of a 'direct action' approach to climate change.

Who's impacted?

- Electricity prices impact broadly on the Australian economy. Those impacted include households and small businesses as well as large energy users such as the businesses and mining companies represented by the Energy Users Association of Australia.