

SACOSS Essential Services Factsheet: Energy



Utility Prices

Overview

The start of the 2011-12 financial year will bring increases in prices for the four key utilities – electricity, gas, water and sewer. This fact sheet summarises the scale, timing and basis for the increases.

Table of rising utility prices

Date Announced	Commencement Date	Utility	Review process	Increase	Increase in average bill p.a.
11 May 2011	1 July 2011	Water	SA Government's 2011-12 Pricing Decision to apply to SA Water	30% increase for average water bill	\$160
11 May 2011	1 July 2011	Sewer	SA Government's 2011-12 Pricing Decision to apply to SA Water	Expect around 5.5% increase (metro) and 6% increase (country) with actual rates to be fixed in June 2011	\$25
June 2011	1 July 2011	Electricity	ETSA Utilities network charges reviewed by Australian Competition Tribunal	30% increase electricity network charges - expected to lead to increase of 10% increase in the average electricity bill per annum	Incorporated in 7 July Electricity decision below
17 June 2011	1 July 2011	Gas	Australian Energy Regulator review of Envestra's Gas Distribution Revenue (July 2011-June 2016)	15% increase in distribution charges for 2011/12, and around 10% per annum in subsequent years	Incorporated in 30 June 2011 Gas decision below
30 June 2011	1 Jul 2011	Gas	ESCoSA review of Origin Energy's Gas Standing Contract Retail Price Path (2011-13)	14% increase, comprising an increase in the retailer component of 6% (\$17.50) and in network prices of 20% (\$66.50)	\$84
7 July 2011	1 Aug 2011	Electricity	ESCoSA adjustment of standing contract price based on application of 'relative price movement' methodology	17.44% increase, comprising increases in the network charges as well as CPI (14%) and application of the RPM method	\$226 ¹

In summary, a household with average consumption of electricity, gas and water can expect to see a **combined increase of between \$400 and \$500 from 1 July 2011.**

¹ The minimum increase is \$160 (for customers on market contracts)

Water

As of 1 July 2011, the fixed supply charge for water will increase by 65%, the first consumption block by 51%, the second by 11% and the final block (>520kL per annum) will not increase at all.²

Key Point:

Water price rises are concentrated in the supply charge and first block of consumption – minimising the opportunity to avoid the increases by conserving water.

According to the 2011-12 Regulatory Statement, the main reasons for the increase in water charges are:

- SA Water's continued investment in securing South Australia's drinking water supply
- Regulatory costs of independent economic regulation
- The recovery of water planning and management costs incurred by the Department for Water from SA Water and its customers³

Sewer

Sewerage rates are calculated as a percentage of the capital value of the property but with a minimum of \$81.25 per quarter. For 2011/12, the quarterly rates will be calculated in June 2011 when the Valuer General determines the latest property values. Those metropolitan customers paying more than the minimum rate should expect average increases of 5.5% and country customers are to expect an average increase of approximately 6.0%. In nominal terms, this means that residential country customers (with an average valued country property) will have increases of about 46 cents per week compared to 48 cents for metropolitan customers (who have an average valued metropolitan property).⁴

2011/12 increases in sewerage prices are due to a high level of capital expenditure as well as the costs of independent economic regulation.⁵

Gas

Two regulatory processes have been conducted in parallel – for distribution and retail:

1) The review of Envestra's Gas Distribution Revenue (July 2011 - June 2016) by the Australian Energy Regulator (AER)

The AER decision released on 17 June 2011 will see an increase in distribution charges of an average 15% in 2011/12 and around 10% per annum in subsequent years. This is after the AER dismissed significant revenue asks from Envestra. Envestra have however stated that they are considering taking the decision to the Australian Competition Tribunal for a merits review⁶.

² www.sawater.com.au/SAWater/YourAccount/UnderstandingYourAccount/Pricing+Information.htm

³ www.treasury.sa.gov.au/dtf/home_page.jsp

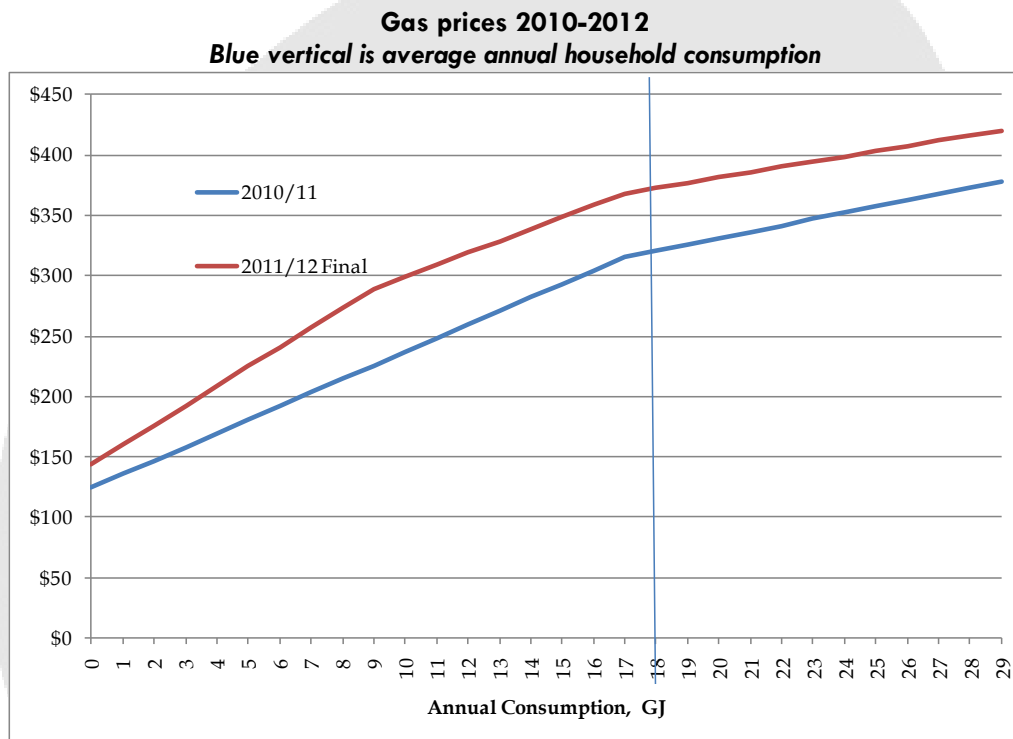
⁴ www.sawater.com.au/SAWater/YourAccount/UnderstandingYourAccount/Pricing+Information.htm

⁵ www.treasury.sa.gov.au/dtf/home_page.jsp

⁶ Envestra Media Release 17JUN11 from www.envestra.com.au: "The Company is accordingly reviewing the Decisions to determine whether it will lodge an appeal to the Australian Competition Tribunal."

According to ESCoSA, Envestra’s network charges make up 55% of a typical residential bill. ESCoSA has calculated that the impact of the AER decision on an average gas bill is an increase of \$66.50 per annum⁷.

Although households with ‘average’ consumption of 18GJ will experience price rises which reflect the 15% increase in distribution charges—that is, around 8% on their bill—households consuming less than 18GJ will be impacted by increases of more than 10%⁸ on their total gas bills (while those consuming more than the average will see increases of less than 8%).



The increase in prices were attributed to the mains replacement program, expansion of the network and also an increase in the allowance for the cost of capital.

2) The review of Origin Energy’s Gas Standing Contract Retail Price Path (2011-2013) by ESCoSA

ESCoSA’s final decision on the standing retail contract for Gas was for a 6% increase in the first year and for CPI only increases after that⁹. This is significantly less than what Origin asked for.

Electricity

Following a decision by the Australian Competition Tribunal (ACT), ETSA Utilities will increase electricity network charges by an average (and fairly uniform) 30% on 1 July 2011. Since virtually all retailers pass on the network charges in full, the average (5000kWh per annum) customer will experience an increase of \$157 (inc GST), the median (4000kWh) customer will experience an increase of \$125 per annum (inc GST)

⁷ <http://www.escosa.sa.gov.au/library/110630-GasPriceDetermination-FinalDecision-FAQ.pdf>

⁸ Consumption between 6 and 12 GJ/a impacted by increase of 20% or more

⁹ <http://www.escosa.sa.gov.au/library/110630-GasPriceDetermination-FinalDecision-FAQ.pdf>

The increase is due to the ACT accepting that the 'market value' of easements should be included in the Regulatory Asset Base and ruling that the AER had erred in its decision on the 'gamma' parameter (a parameter in the regulatory formula that relates to the proportion of franking credits passed on to shareholders).

ESCoSA fixes standing contract prices for 3 years commencing 1 January 2011 and then indexes the standing contract price based on the relative movement of market contract prices for all retailers. On 7 July 2011, ESCoSA's decision on the AGL SA P/L standing contract prices to apply from 1 August to 31 July 2012 included the already announced increase in ETSA Utilities Network Charges.

Supply Costs

Of particular concern are the increases appearing in the fixed supply costs and in the first blocks of consumption.

Supply Costs:

- Water – up \$92.20 from \$142.40 per annum to \$234.60
- Electricity – Distribution fixed charge increase of \$10 per annum
- Gas – Distribution fixed charge increase of \$22 per annum

These supply costs total around \$125 of increases before consuming any electricity, gas or water.

Concessions

Water concessions change on July 1st, 2011. It is understood that concessions will be increased in 2011-12, including an increase in the percentage rate used to calculate the concession amount, from 20% to 25%, along with minimum and maximum concession payments¹⁰. The settings for the new concession are as follows:

Water Concession	2010-11	2011-12
Concession as % of water bill (excluding sewerage)	20%	25%
Minimum for owner occupier	\$100	\$125
Maximum for owner occupier	\$210	\$235
Minimum for tenants	\$58	\$72
Maximum for tenants	\$168	\$182
Sewerage (maximum)	\$100	\$105

The energy concession will rise by 5% to \$157.50 on July 1st ... so, by coincidence, the average consumer will experience an electricity price increase a few cents more than the total concession.

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For further information regarding this fact sheet contact SACOSS on 8305 4222 or email sacoss@sacoss.org.au*

¹⁰ www.sawater.com.au/NR/rdonlyres/E0467A27-8883-4094-B5F0-6E5AF5386E03/0/201112pricingfactsheet.pdf