

PRESS RELEASE

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AER's SMALL STEP TO REIGNING IN POWER PRICES

The Energy Users Association of Australia (EUAA) has branded today's determinations by the Australian Energy Regulator (AER) as one small step for electricity users.

"It's a small step in the right direction, but given the massive cost increases of electricity in recent years, large energy users and consumers are looking for something akin to a giant leap," EUAA CEO, Phil Barresi said.

"The Australian economy has been built on reliable, affordable energy, but this foundation has been under threat. Unfortunately, these rulings fail to remove that threat, as costs to users will still remain artificially and unfairly high.

"The AER appears to have taken a conservative approach to its own methodology. We believe current network prices are between 70-150 percent over what they should be. Even so, most networks were proposing CPI increases or the next 5 years and the AER has applied reductions to these proposals of between just 5-28 per cent.

"The EUAA's submissions recommended further cuts of around 20 per cent (based on the current Rules) and had these recommendations been accepted, prices would be 25-50 per cent lower than the networks' proposals and around 20 per cent below the AER's draft decisions.

In the NSW decision, the AER has inappropriately added highly conservative adjustments that have significantly increased the networks target operating expenditure levels.

Those adjustments are inconsistent with the AER's obligations under the National Electricity Law (NEL) and the National Electricity Rules (NER), and will deliver major "windfall profits."

Networks have made many emotive, unsubstantiated and exaggerated claims regarding the safety and reliability implications of the AER's decisions. The EUAA's submissions provided extensive evidence that such claims do not stand up to scrutiny. They do not explain how interstate networks are able to deliver higher levels of safety and reliability performance for half that spent by NSW networks.

"We are concerned that while demand is flat, there is still too much fat for the networks. The EUAA is also wary that the generous treatment accorded the NSW networks will now be used as precedent for the final determinations that will be made for networks in Queensland and SA. The decision today also gives us great concern as we enter into the next determination considerations for Victoria.

"At the same time, the EUAA remains critical of those who claim these rulings go too far and place jobs at risk," Mr Barresi said. "The AER has not specified where cuts need to be made, so the claim that significant job losses will result is premature, to say the least.

"The shrieking from minority special interests who have no interest in, no knowledge of, and no regard for our economy is way off the mark." Mr Barresi said.

The EUAA is the peak industry body for Australia's energy users including manufacturers, retailers and resource based industries.

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