

Press Release

NSW Has an Electricity Price Problem

New South Wales (NSW) has an electricity price problem, according to the Energy Users Association of Australia (EUAA). Users in NSW are hurting from very large increases in network prices approved by the Australian Energy Regulator (AER) in 2009 that now feed into inflation, driving the July to June 2.9% Consumer Price Index (CPI) figure for NSW. In NSW electricity cost increases had the largest impact on inflation of any State.

According to the June Quarter's CPI, electricity has emerged as a major cause of inflation over the past year. New South Wales' electricity price increases accounted for 14% of the State's 2.9% CPI increase from June 2009 to June 2010. In NSW, electricity was the largest single expenditure class contributing to that State's CPI increase and helped make electricity the second largest contributor to inflation on a national basis.

"We are seeing systemic problems emerge in NSW's electricity networks, where massive capital expenditure increases were approved in 2009 and are now flowing into electricity prices. The network price increases in NSW are the largest in the country and will hurt both businesses and consumers," Mr. Domanski said.

"Everyone in NSW uses electricity - consumers and businesses - and when it goes up in price, it feeds into everything that is produced and consumed, all the way to the supermarket checkout. NSW industries that trade their goods and services in international markets also rely on competitively priced energy and these price increases will be having a negative impact on their ability to compete, to invest and to create and sustain jobs. Local businesses - including small and medium sized firms - that supply goods and services to export and import competing industries are also negatively impacted by price impacts of the magnitude we have seen in recent years and so become less competitive themselves."

"Unfortunately, the large electricity price increases in NSW are set to continue. In Sydney, electricity prices increased by 22 per cent last year. From 1st July this year they set to increase by at least a further 10 per cent. They are therefore expected to impact on the CPI again for a second consecutive year. And it is worth repeating that these increases are mainly driven by large network price increases which benefit the State Government, who own the NSW network companies, in the form of higher dividends and taxes. It is also worth mentioning that these businesses are very high cost and inefficient; and becoming more so."

Mr. Domanski further noted that it was disturbing to energy users that the NSW Government is effectively supporting outcomes that result in higher electricity prices which then feed into

higher prices for other goods and services, higher grocery prices and higher inflation, which all puts NSW at an economic disadvantage.”

“Victoria stands in stark contrast to NSW. Independent evidence shows that its privately owned electricity networks are lower cost, more efficient and more reliable than in NSW. Reflecting this, the AER has proposed outcomes that would see real network prices in Victoria fall over the next five years but keep the service reliable. Something must be done to halt the electricity price problem in NSW,” Mr. Domanski concluded.