

ESCOSA SUSPENDS WHOLESALE ELECTRICITY COST REVIEW

Media Release

18 December 2012

The South Australian Government has today announced a major policy change regarding price regulation of retail energy prices. In light of this announcement, the Essential Services Commission of South Australia has today suspended its wholesale electricity cost (WEC) review. Essential Services Commission CEO Paul Kerin made the following statements:

“The Commission made a Special Circumstances Determination and a Draft Price Determination in October. The latter would have resulted in an 8.1% price reduction for electricity standing contract customers, saving households an average of \$160 per annum. We note that the Government has announced price reductions for existing standing contract customers of 9.1% for household and 4.5% for small businesses. The Commission’s Draft Determination was instrumental in achieving this outcome”.

“The Commission has advocated reform to the retail pricing framework for some time and stated in its October Draft Price Determination that it would consider regulatory reform options – including price deregulation – early in 2013, after it had completed the WEC Review”.

“In light of the Government’s decision, the Commission has decided to suspend the WEC review. The Commission also notes that AGL is discontinuing its current application to the Supreme Court, which sought to prevent the Commission making a Final Price Determination. The Commission had planned to make and announce its Final Price Determination later this week”.

“The Commission’s decision to suspend the WEC Review was made on the understanding that the Government’s announced policy change and AGL’s price reductions would be implemented by early in 2013”.

“The Commission believes that vigorous competition is the best way to keep prices in check. While the Commission will no longer set standing contract prices, it will monitor prices and it notes that the Government is able to reintroduce stronger price regulation if that monitoring suggests that prices set by retailers are not competitive”.

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The Essential Services Commission is the independent economic regulator of essential services in South Australia with the primary objective of protection of the long-term interests of consumers.



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