Senate Finance and Public Administration Legislation Committee
Supplementary Budget Estimates Hearing – October 2009
ANSWER TO QUESTION ON NOTICE

Topic: Increase in power prices
Question reference number: CC5
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Question: (Senator Abetz**)**

Senator ABETZ—I am advised that power prices have risen a double digit percentage annual rate in several Australian states over the past year or two. Do you agree that that has been the case?

Dr Parkinson—Are you talking wholesale or retail prices?

Senator ABETZ—Both.

Dr Parkinson—I would have to have a look at that.

Answer:

Table 1 shows annual average regional reference wholesale power prices and their annual percentage changes from 2006 to 2009 for New South Wales, Queensland, South Australia, Tasmania and Victoria.

Table 1: Annual average regional reference wholesale power prices and annual percentage changes by State, $/MWh

Calendar year	NSW	Annual change	QLD	Annual change	SA	Annual change	TAS	Annual change	VIC	Annual change
2006	31.25		26.17		38.57		36.43		34.26	
2007	67.23	115%	66.89	156%	57.54	49%	56.86	56%	63.40	85%
2008	39.03	-42%	44.24	-34%	66.38	15%	49.78	-12%	40.19	-37%
2009[a]	33.45	-14%	30.62	-31%	69.50	5%	52.06	5%	37.49	-7%

Note: a – 2009 data is for January to November only.
Source: Annualised data per calendar year generated by Department of Climate Change from monthly regional reference price data reported by Australian Electricity Market Operator (AEMO), accessed 16 November 2009, http://www.aemo.com.au/data/avg_price/averageprice_main.shtml.

The data presented in Table 1 show double digit percentage increases in annual average regional reference wholesale prices in all the Eastern States from 2006 to 2007. This was followed by decreases in most of these States in 2008 and 2009.

Table 2 shows the annual percentage changes in retail power prices paid by households from 2006 to 2009.

Table 2: Percentage change in annual average retail prices paid by households in capital cities, 2006-2009

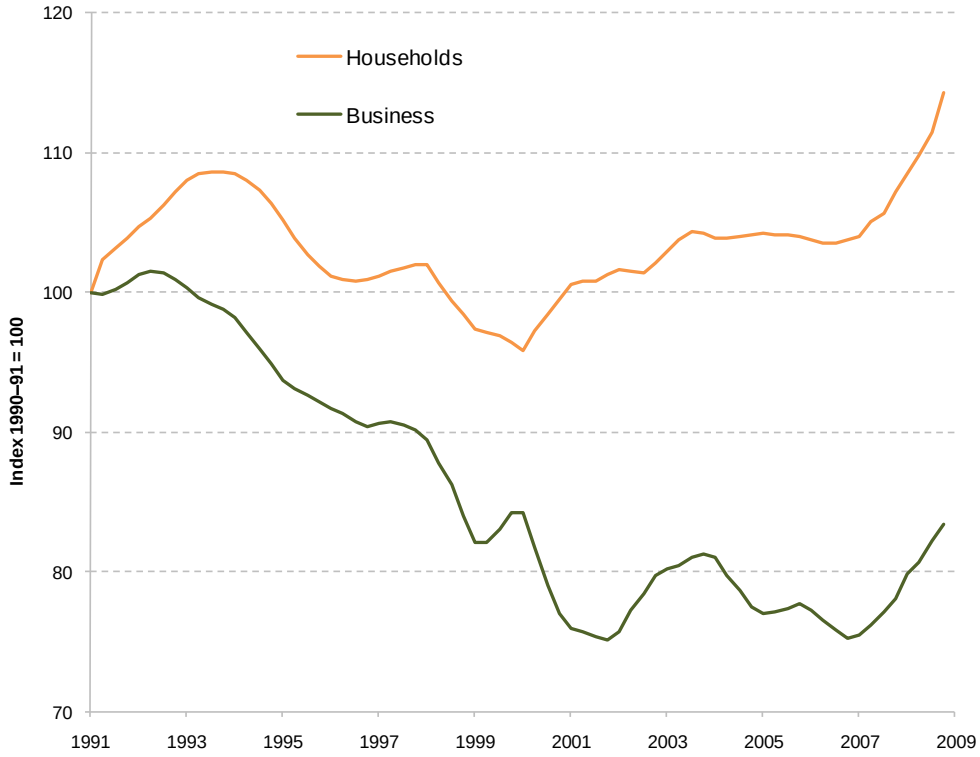
Period	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
2006-2007	7%	2%	7%	2%	0%	4%	4%	11%
2007-2008	8%	16%	10%	9%	0%	14%	5%	12%
2008-2009[a]	12%	10%	9%	4%	12%	4%	9%	6%

Note: a – 2009 data is for the first three quarters only.
Source: Department of Climate Change calculation based on quarterly survey data reported by the Australian Bureau of Statistics (ABS), 6401.0 Consumer Price Index, Australia, TABLE 13. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City, accessed 16 November 2009.data in Table 3.

The data presented in Table 2 show double digit percentage annual increases in retail prices paid by households in most capital cities over the last two years.

Historically, household retail tariff increases have been kept low, with retail price regulation resulting in businesses cross-subsidising households. The move to cost reflective pricing has contributed to rising prices paid by households (a process that is not yet complete in some jurisdictions). Figure 1 shows that, when adjusted for inflation, prices paid by businesses trended steeply downwards from the early 1990s until 2007, while prices paid by households trended almost constant over the period to 2007.

Figure 1: Retail electricity prices paid by households in capital cities and businesses (inflation adjusted), June 1991 to March 2009: index 1990-91 = 100



Note: Inflation adjusted household and business price data generated by the Australian Energy Regulator using Consumer Price Index and Producer Price Index data, respectively, from June 1991 to March 2009, both published by the Australian Bureau of Statistics 2009.
Source: Australian Energy Regulator, forthcoming publication, *State of the Energy Market 2009*.

The Australian Energy Regulator (AER) has recently approved significant increases in revenues for some networks.[1] The increases have mainly been driven by rising peak electricity demand, aging network assets, and more stringent planning requirements. Higher network costs are now being reflected in retail tariffs (for example, the 2009 determination by the New South Wales regulator, the Independent Pricing and Regulatory Tribunal).

[1] See for example: AER, *New South Wales distribution determination 2009–10 to 2013–14, final decision*, April 2009; and AER, *TransGrid transmission determination 2009–10 to 2013–14, final decision*, April 2009.