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MEDIA RELEASE

VICTORIAN ELECTRICITY DISTRIBUTORS DELIVER CONSUMERS VALUE

New research released today shows Victorians are continuing to benefit from the reforms to the electricity distribution sector that commenced in the 1990s, with residential electricity consumers paying significantly less for their network charges than customers in other jurisdictions.

The research concluded that in Victoria, network-related costs (excluding policy-related smart meter charges and feed in tariffs) make up only 30% of the average household electricity bill, compared to a range of 45–50% in other states and territories.

The study by energy sector experts Oakley Greenwood, the *Causes of Residential Electricity Bill Increases in Victoria, 2001-2012*, found that, while household electricity bills have increased by 28.4%, (after accounting for inflation) from 2001 to 2012, standard 'poles and wires' distribution costs in Victoria have decreased in real terms during this period, softening the scale of bill increases.

The study also showed that Victorians households pay less for their electricity than their northern counterparts.

The report was commissioned by Victoria's five electricity distribution businesses, CitiPower, Jemena, Powercor Australia, SP AusNet and United Energy. It analysed residential electricity bills across Australia between 2001 and 2012 and calculated the contribution of each component of the supply chain to customer bills and price increases.

The findings showed Victorian electricity distribution businesses are delivering services more cost effectively than their interstate counterparts and recent claims that 'poles and wires' are driving up electricity bills are inaccurate with respect to Victoria's privatised model.

The study found the key drivers of customer bill increases in Victoria over the past decade have been Government policy initiatives targeting broader and longer-term environmental/consumer benefits such as solar feed in tariff costs and the mandated roll-out of smart meters, as well as cost increases relating to the retail/wholesale parts of the supply chain.

The study brings into focus the difference between Victoria and other states and is a crucial piece of research that should be used to guide future debate and reform agendas. It highlights the lasting benefits of electricity reforms undertaken in Victoria in the 1990s.

The report's sponsors emphasised that the results of the study illustrate the benefits to customers of privatisation. Under the Victorian regime, distribution businesses have responded to incentives to plan their networks efficiently, using an output-focused approach to network planning, and adopting the latest technology choices to maximise network utilisation. This means that investment in distribution networks in Victoria is the most appropriate for meeting future energy needs, delivering improved reliability and lower costs to consumers.

Since privatisation, as well as delivering real price reductions in distribution costs, the distribution businesses have improved reliability to Victorian consumers. Victorian reliability performance exceeds the National Electricity Market average, and sets the foundation for future consumer benefits.

The Victorian distribution businesses are conscious that customers have faced significant electricity price rises over the past few years. However, they believe that, in the near future, the platform established in Victoria via advanced smart metering technology and introduction of flexible tariffs will enable electricity consumers to have more insight into their electricity consumption habits. This will enable them to make more informed choices and save money.

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The report can be found at the Victorian distribution businesses websites:

www.citipower.com.au
www.jemena.com.au
www.powercor.com.au
www.sp-ausnet.com.au
www.uemg.com.au

Notes to editors

The Victorian Electricity distribution businesses (DBs) own and manage the power poles and wires, and provide metering services, for the distribution of electricity safely and reliably to around 2.6 million residential and business customers across the State.

The Victorian DBs were formed as a result of restructuring of the State Electricity Commission of Victoria (SECV) and the Municipal Electricity Undertaking (MEUs) in the mid-1990s and the subsequent divestment of the associated retail businesses. The DBs were privatised during 1995.

All Victoria's DBs are privately owned, by a mix of ASX-listed and single investor-owned companies. Each DB supplies a geographic region of Victoria. CitiPower, Jemena and United Energy supply customers in inner and outer Melbourne. Powercor Australia and SP AusNet supply customers in western and eastern Victoria respectively.