

## ENERGY FACTS: ELECTRICITY DISTRIBUTION PRICES 2006 – 10

In October 2005, the Essential Services Commission (ESC) made its Determination on the distribution price controls that apply from 1 January 2006 to 31 December 2010. The distribution price controls limit the average annual increase in the prices charged for the use of the distribution network — one component of the total cost of electricity to consumers. The Determination provides for real price reductions in all of the distribution areas from 1 January 2006, with further real reductions in the 2007-2010 period (after taking inflation into account).

### What is the Distribution Network?

The distribution network is the physical assets (poles and wires) used to deliver electricity to homes and businesses. In Victoria, there are five separate distribution areas in different parts of the State, with a different business owning all of the distribution assets in each geographic area.

**Table 1: Victorian Distribution Businesses and Distribution Zone**

| Company                               | Area Served   |
|---------------------------------------|---|
| Jemena Electricity Networks (VIC) Ltd | Northern and south-western suburbs                      |
| CitiPower Pty                         | City and inner suburbs                                  |
| Powercor Australia Ltd                | Western suburbs and western Victoria                    |
| SP Ausnet (formerly TXU Networks)     | Outer northern and eastern suburbs and eastern Victoria |
| United Energy Distribution Pty Ltd    | Southern suburbs and Mornington peninsula               |

Victorians can choose their electricity retailer, but there is no choice of distributor — all of the customers that live within the same area are supplied by the same distributor. The only way to change distributor is to move to a different distribution area.

### How do Distribution Prices Impact the Price Paid for Electricity?

Distribution prices (called 'tariffs') are the price that the distribution business charges to the retailer for delivering the electricity to the retailer's customers (households and businesses). It is one of the costs retailers incur in supplying electricity and represents about 40% of an average energy bill.

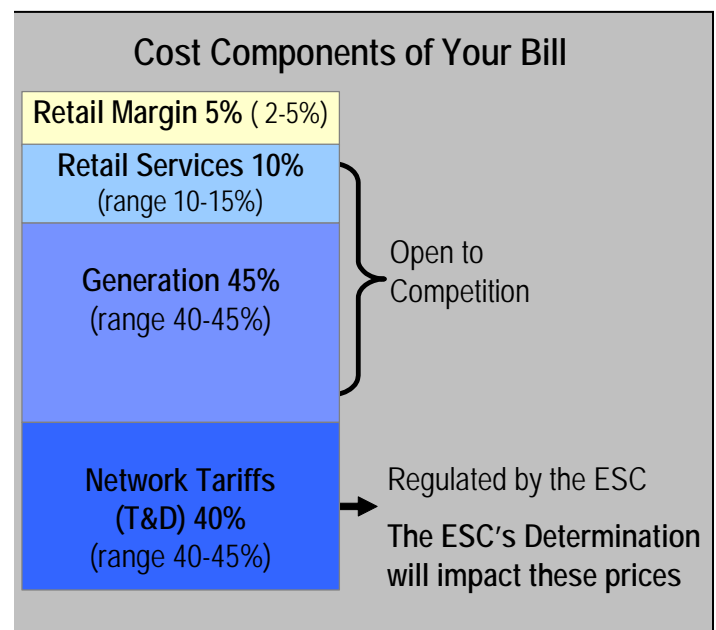
#### What Price Reduction Can I Expect?

The ESC's Determination has set the overall reduction for each distribution area (summarised in Table 2 over).

In each distribution area there are different tariffs applied to different groups of customers based on factors such as whether they are a business or domestic customer and type of meter they have. The distributor has flexibility in how the reductions are allocated to different tariffs.

The ESC will ensure that the overall price reductions are passed on to retailers from 1 January 2006. It does this by checking that the average reduction across all of the tariffs in each distribution area is equal to the reduction required under the ESC's Determination.

The change in the reduction tariff for your home or business will determine the amount of reduction in cost that is passed on to your retailer and that your retailer can pass on to you.



#### About this Document

This Document has been prepared by the Essential Services Commission - the independent regulator of the energy and water industries in Victoria. For further information, visit [www.esc.vic.gov.au/yourchoice](http://www.esc.vic.gov.au/yourchoice) or call 1300 134 575.

**Table 2: Final Determination - Electricity Distribution Price Review 2006-10**

| Company                            | Average Real Price Reductions Effective 1 January 2006 | Estimated Reduction in 2006 on an \$800 Residential Electricity Bill* | Maximum Yearly Increase 2007 - 2010 |
|------------------------------------|--|---|-------------------------------------|
| Jemena Electricity Networks Ltd    | 3.1%   | \$10  | CPI minus 1.2%                      |
| Citipower Pty                      | 7.7%   | \$25  | CPI minus 1.5%                      |
| Powercor Australia Ltd             | 16.4%  | \$53  | CPI minus 1.1%                      |
| SP Ausnet (formerly TXU Networks)  | 7.8%   | \$25  | CPI minus 0.8%                      |
| United Energy Distribution Pty Ltd | 15.6%  | \$50  | CPI minus 1.4%                      |

\* Assumes that the average price reduction required under the Commission's Determination is applied equally to all tariffs within the distribution area; that the distribution charges comprise 40 per cent of the bill; and that there are no other price impacts.

### How Will the Reductions be Passed On?

The arrangements for passing on the reduction differ, depending on whether you are on a 'bundled' or an 'unbundled' tariff.

#### Bundled Tariff

Most customers, especially residential customers, are on bundled tariffs. This means that your retailer charges you one overall retail tariff that includes all of the cost components 'bundled' together. For these customers, it is up to the retailer when and how much of the reduction is passed on through a change to the retail tariff.

The Victorian Government is working with all stakeholders to ensure consumers receive the benefits of the Determination as soon as possible.

#### Unbundled Tariff

Some customers, especially larger customers, have arrangements with their retailers where the network charges (including the distribution tariff) are directly passed through to them (called 'unbundled' pricing). This means that the customer bears the risk of any increase or decrease in the network charges. If you are on an unbundled arrangement, the network charge will appear separately on your bill and the full decrease in the network tariff should appear on your bills from 1 January 2006.

### Will I Be Notified of the Change?

Your retailer will advise you of any change in the price you pay. The exact method and time of notification will vary from retailer to retailer.

### What If My Retailer Does Not Pass on the Reduction?

Because the retail electricity market is competitive, you can always shop around for a better price. If you intend to switch retailers, make sure you understand your current arrangements and, in particular, if any early termination fee would be payable to your current retailer.

For more information about choosing an energy retailer, see **Energy Facts: Guide to Negotiating an Contract** available at [www.esc.vic.gov.au/yourchoice](http://www.esc.vic.gov.au/yourchoice) or by calling **1300 134 575**.

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