



# MEDIA RELEASE

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## DISTRIBUTORS ASK TO ADD AVERAGE 14% TO CONSUMERS' ELECTRICITY BILLS

Consumer Action Law Centre has made a submission to the Australian Energy Regulator (AER) after Victoria's five electricity distributors provided forecasts estimating they would need Victorian customers to pay for more than \$8.5 billion in expenses for the years 2011 to 2015, a whopping \$3 billion increase on 2006-2010.

Distributor prices account for 40% of a consumer's final electricity bill and Consumer Action's Senior Energy Policy Officer, Janine Rayner, says that if the distributors' pricing submissions are successful, Victorians will be paying on average an additional 14% for their electricity by 2015 – with the bulk of those increases to be felt next year. This increase would be on top of bill increases to pay for the current smart meters rollout and for any climate change policies introduced.

"The AER has a legislative obligation to protect the long term interests of consumers. If they fail to give the distributors' proposals the scrutiny they deserve, it could be a huge blow for Victorian consumers who are already facing significant cost increases for this period due to the roll out of smart meters."

"Fair customer pricing can only be set after we have realistic forecasts of distributor expenses. Unfortunately, past experience shows that distributors are consistently bad at accurately forecasting their revenue and expenditure," she said.

Consumer Action has commissioned research which shows that for the years 2001 to 2007, the distributors asked the AER to increase prices based on estimates of expenditure that turned out to be almost \$600 million dollars more than they spent during that period. That equates to nearly \$270 for each of Victoria's 2.2 million electricity customers.

"If the AER takes into account how out of step distributors have been in their forecasting during previous years, they could reduce the current demand by the same proportion and save Victorians almost \$1.4 billion in expenses alone," Ms Rayner said.

"There are large commercial benefits for the distributors to inflate their estimated future costs and underestimate their future income, and the regulator should take this into account to set fairer and more accurate benchmarks for distributor pricing from 2011 to 2015. Otherwise, Victorians will end up paying far more for electricity than they should, at a time when energy is becoming increasingly expensive," she said.

The regulator is expected to announce the 2011-2015 benchmarks and pricing structures by the end of 2010.

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