

MEDIA RELEASE

Sunday 14 December, 2008

CPRS – Energy Retailers say “pass through” is essential

The release tomorrow of the White Paper outlining further details of the Carbon Pollution Reduction Scheme (CPRS) provides another opportunity for the Federal Government to outline how they will ensure the cost of carbon will be passed through to consumers in an environment of State based retail energy price caps, according to the Energy Retailers Association of Australia (ERAA).

While the ERAA welcomed acknowledgement of the issue by the nation’s Energy Ministers in the Communiqué that followed the meeting of the Ministerial Council on Energy (MCE) in Adelaide last Friday, retailers still believed that any sort of price regulation left open the risk of “margin squeeze” which in turn would jeopardize the investment in low emissions technology the CPRS was premised on.

The MCE Communiqué dated 12 December, 2008 said that Energy Ministers agreed to propose to the Council of Australian Governments (COAG) that they would amend the Australian Energy Market Agreement (AEMA) to specify that, where retail prices were regulated, energy cost increases associated with the CPRS shall be passed through to end-use consumers.

“In principle what the MCE has done is encouraging, but in practice the objective will be very difficult to realise”, the Executive Director of the ERAA, Mr Cameron O’Reilly said.

“We are dealing with a very uncertain outlook for not just carbon prices but also the wholesale cost of energy as the generation mix of the National Electricity Market (NEM) changes in response a price on carbon.”

“Expecting a regulator to accurately forecast future retail prices in such an environment is optimistic to say the least, particularly when many in the industry believe retail prices are already below costs in some States and when in 2008 we saw a State Government publicly intervene in a pricing decision”, Mr O’Reilly said.

“Ultimately the best solution is for all State Governments to follow the lead of Victoria and establish a highly competitive retail market backed up by transparent price monitoring to ensure there is both pass-through of costs and appropriate investment signals for low emissions generation technology.”

Cont'd

“Both the State and Federal Governments expect the private sector to lead the supply side response to the carbon price with a massive amount of new investment and by maintaining any sort of retail price regulation they are risking the success of the CPRS, which they all claim to support, with another form of regulation”, Mr O’Reilly said.

For further information: Cameron O’Reilly – Executive Director, ERAA
Ph 0413150560.

About ERAA

The Energy Retailers Association of Australia (ERAA) is the peak industry body representing retailers of electricity and gas in Australia’s National Electricity Market (NEM) and national gas market. Member companies operate in all the States of Australia and have over 11 million customers. The members include AGL Energy, Origin Energy, TRUenergy, Energy Australia, Integral Energy, Country Energy, Aurora Energy, Victoria Electricity, Simply Energy, Australian Power & Gas, Babcock & Brown Power, Ergon Energy, Synergy Energy and ActewAGL.