



Energy Retailers Association
of Australia Limited

MEDIA RELEASE

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Price rises necessary for Western Australia's future – Energy Retailers

The Energy Retailers Association of Australia (ERAA) commends the Western Australian Government for its commitment to moving energy retail tariffs towards cost-reflective levels for both electricity and gas.

The ERAA's view is that in order for consumers to make rational and informed energy consumption decisions, consumers need to see appropriate price signals that reflect the true cost of energy.

Setting tariffs below cost-reflective levels suppresses competition, distorts markets and leads to under investment in energy efficiency. In Western Australia, the cost of doing so can be seen directly through the payment of taxpayer subsidies to the state-owned electricity generator, Verve Energy. A decade long electricity tariff freeze simply led to a need for higher overall taxation.

By moving towards cost-reflective prices, the Western Australian Government is making a positive step in the direction of a competitive and sustainable energy market. This will be better overall for both consumers and industry in the long run because it ensures that the future energy requirements of WA are met in the most efficient, least-cost means.

Victoria set cost reflective tariffs and allowed competition to develop to the point where retail price regulation was no longer required. Victoria is now ranked as the most competitive retail energy market in the world, according to a global study conducted by VaasaEtt. Victorian consumers now have the choice between up to fourteen different competing retailers who offer innovative energy products to their customers; this allows Victorian consumers to save on their energy bills if they shop around.

In recognition that moving to cost reflective tariffs will be difficult for consumers, the ERAA supports the initiative of the WA Government to increase the payments provided through the Hardship Utilities Grant Scheme (HUGS) and other assistance measures for those that may experience financial hardship following the price increases.

With national environmental and energy policy initiatives being implemented, such as the Renewable Energy Target and possibly the Carbon Pollution Reduction Scheme, it will become increasingly difficult for regulators to set cost-reflective prices due to the added uncertainty in the energy market. In the end the only guaranteed way to have cost-reflective pricing is to allow

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energy markets to set prices and ensure competition protects consumers from any market power. This is the situation which today prevails in Victoria.

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