

Why are electricity bills going up?

Australian households and businesses consume some of the cheapest energy in the world.

A number of factors, however, are making it impossible for Australia to avoid energy price increases.

Population growth, growing demand, greater environmental considerations and Government regulation are driving the increase in gas and electricity prices.

Growing demand

Changing lifestyles are driving new energy demands. We want modern creature comforts like flat screen TVs, dishwashers, multiple computers and air conditioners.

To feed this growing appetite for energy, we require major investment in the poles and wires that deliver our energy.

These increasing costs are a major contributor to the rising energy bills.

Environmental considerations

Australians want cleaner and greener energy and companies are investing enormous amounts of money to provide it.

The move away from coal-fired power generation to renewable energy sources and the 'greening' of existing infrastructure is costly and these costs are passed on to consumers.

Government regulation

The Federal Government's renewable energy target (RET) and plans to place a price on carbon are contributing to price increases.

Victoria's ultra-competitive, deregulated market is leading the way in tackling higher energy prices.

It has the highest switching rate of any energy retail market in the world, demonstrating both customers' willingness to embrace retail choice and the level of competition amongst energy companies in that market.

Victoria phased out energy price caps in January, 2009 which led to companies putting more resources into attracting customers with better offers.

Victoria has demonstrated if you get the market structures right, you can allow the market to set efficient prices and ensure consumers have both choice and protection.

Key points:

- Peak demand increasing.
- Demand for cleaner and greener energy.
- Carbon pricing uncertainty.
- Regulated markets reduce retailer and product choice.