



Energy Retailers Association  
of Australia Limited

## **MEDIA RELEASE**

Tuesday 9 June, 2009

### **ENERGY RETAILERS SUPPORT INDEPENDENT PRICING DETERMINATION AND INCREASED COMPETITION**

Today's announcement by the Queensland Competition Authority (QCA) that electricity prices to regulated customers will rise by 11.82 % from July 1, 2009 is a response to industry cost pressures, the Energy Retailers Association of Australia (ERAA) said.

The ERAA said that the result should enable retailers to better absorb rising electricity production cost pressures, which retailers have minimal responsibility for, or control over.

The 2009-10 prices also allow for a 'catch-up' increase to the 2008-09 prices. This is the result of a recent judicial review which found that the QCA had failed to determine the 2008-09 prices in accordance with the Qld Electricity Act, 1994.

ERAA Executive Director Cameron O'Reilly appealed for consumers to understand that electricity prices are determined independently by the Benchmark Retail Cost Index (BRCI), and the index is overwhelmingly driven by generator and network infrastructure costs.

“Retailers - who buy electricity from the wholesale market and provide it to consumers - account for a relatively insignificant proportion of the overall supply cost.

“Retailers are doing everything possible to be competitive and absorb costs but they can only be stretched so far”, Mr O'Reilly said.

Some of the underlying market cost pressures flow from massive investment in distribution and transmission networks to maintain electricity supply reliability.

For example, between 2005 and 2010 Energex and Ergon are scheduled to spend more than \$5.5 billion on the distribution network.

In recent years the cost of electricity generation has also increased because of drought, which has limited the amount of water available to some Queensland generators, resulting in tighter electricity supply.

Rising fuel costs have also been a major burden on electricity generators.



“We are all for customer choice and competition, but to deliver this retailers first need scope to deal with underlying costs,” Mr O’Reilly added.

“There needs to be sufficient margin to attract new retailers into the market to offer competitive customer discounts.

“We are already seeing the impact of insufficient profit margin for retailers with the level of retailer marketing activity having substantially declined over the past 12 months.”

“Ultimately fewer retailers in the market will reduce customer choice and lead to less competition in the market”, Mr O’Reilly said.

**FOOTNOTE:**

The Benchmark Retail Cost Index (BRCI) is used by the independent regulator – the Queensland Competition Authority - to determine retail electricity prices for Queensland households.

**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, Origin Energy, TRUenergy, Energy Australia, Integral Energy, Country Energy, Aurora Energy, Australian Power & Gas, Queensland Electricity, Simply Energy, Horizon Power, Synergy Energy and ActewAGL.

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