

MEDIA RELEASE

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Energy retailers welcome NSW mini-budget focus on generation

The energy reform plan outlined today by the NSW Government in its mini budget was an important attempt to address concerns about competition in the State's generation sector, according to the Energy Retailers Association of Australia (ERAA).

While the focus has been on the sale of State Government owned retailers, Energy Australia, Integral Energy and Country Energy, the ERAA said that bidder and new entrant retailer confidence in the NSW market would be enhanced by the sale of development sites and the outsourcing of the trading rights of existing NSW generators.

"While complex and less desirable than the generation privatisation plan voted down by the NSW parliament earlier this year, the government has acknowledged that private sector retailers are likely to feel more comfortable entering a market where their counter-parties, the generators, are managed by private sector traders", the Executive Director of the ERAA, Mr Cameron O'Reilly said today.

"The existing generators, Macquarie, Delta and Eraring, would argue they have been corporatised and operate on a commercial basis, yet the boards of private sector energy companies will never accept that Government owned businesses operate under the same conditions as themselves."

"For that reason, we have to acknowledge that in seeking private sector involvement in the retailing part of energy in NSW, the Government has done its best to address arguments about the market structure prevailing on the generation side", Mr O'Reilly said.

The ERAA stressed that the final detail of the trader model would still require some difficult risk management issues, but was not without precedent in the National Electricity Market (NEM), where some privately owned interstate generators have outsourced their trading rights.

The ERAA also believe that the Government will have to ensure that it follows through on its commitment to introduce cost reflective tariffs in NSW so that not just the buyers of the Government retailers, but a range of smaller second tier retailers enter the market to compete for customers.

"The real benefit for the people of NSW in today's announcement will come from the introduction of a more competitive dynamic to retailing and generation in the State, and in that regard today's mini budget reform plan is a step in the right direction", Mr O'Reilly said.

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