



Energy Retailers Association
of Australia Limited

MEDIA RELEASE

10 May, 2010

Victoria sets global benchmark for customer switching

Annualised customer switching in the retail energy market in Victoria in 2009 was the highest ever recorded in a fully contestable market according to world authority on retail energy markets, The VaasaETT Global Energy Think-Tank (“VaasaETT”).

The founder of the industry benchmark, the World Retail Energy Market Rankings, VaasaETT looks at contestable markets worldwide and seeks to rank them on the percentage of customers in each market switching their electricity and gas providers each year.

The level of switching is a tangible barometer of both customers’ willingness to embrace retail choice and the level of competition amongst energy companies in that market.

In 2008 Victoria had been the number one market in the World Retail Energy Market Rankings and seems likely to hold on to that status in 2009 based on Australia only figures released by the Energy Retailers Association of Australia (ERAA) and VaasaETT today (see attached).

They show that Victoria had a customer switching rate of 26.3% for gas and electricity in 2009 driven by the twelve or so retailers active in that market, the vast majority of which are ERAA members.

According to Dr Philip Lewis, the Chief Executive of VaasaETT, “Victoria is the most consistent highly active market in the world. It stands alone as the only market to have maintained a level of annualised switching at or above 20% for the last five years. With the exception of Great Britain, all other active markets in the world have historically fluctuated substantially in terms of activity. Some have risen promisingly only to die out. Others come and go. Victoria has maintained permanent competitive opportunities and pressures.”

The ERAA Executive Director, Cameron O’Reilly said the decision of the Victorian Government to phase out retail energy price caps from 1 January, 2009 saw companies putting even more resources into attracting customers in that state and into offering a wider variety of products to households and businesses.

“Once you took away the risk of a regulator getting price setting wrong, the extremely competitive market structure kept prices efficient while presaging a greater array of choice in product and provider for Victorian consumers.”

“While done in the name of protecting consumers, retail price caps that remain in place in States other than Victoria have simply reduced retailer and product choice in those markets”, Mr O’Reilly said.



Analysis of the other Australian states by VaasaETT shows Queensland, which only embraced full retail competition in 2007, saw an increasing switching rate in the second half of 2009 and overall figure of 15.4% for electricity customers, but a much lower figure for gas.

South Australia, which had previously ranked very highly in customer switching, lagged significantly behind Victoria in 2009 while NSW continued to exhibit moderate switching rates.

The ERAA urged the other States to follow the Victorian lead in phasing out price caps and moving to a price monitoring regime similar to that established by the Essential Services Commission of Victoria (ESCV).

“Given the uncertainties about future prices driven by carbon policy, the renewable energy target , feed-in tariffs, energy efficiency schemes and future network investment, regulators will find it virtually impossible to set accurate prices in the future”.

“What Victoria shows is that if you get the market structures right, you can allow the market to set efficient prices and ensure consumers have both choice and protection”, Mr O’Reilly said.

The ERAA emphasised that even where price regulation was no longer in place consumers enjoyed comprehensive consumer protection through State based retail codes and generic laws such as the Trade Practices Act and Fair Trading laws. Much of the specific consumer protection would in future be provided through a National Energy Customer Framework (NECF), while generic protection would be encapsulated in the Australian Consumer Law (ACL) due to take effect on 1 January, 2011.

About ERAA

The Energy Retailers Association of Australia (ERA) 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, Alinta Energy, ERM Retail, Red Energy, Momentum Energy, Ergon Energy, Synergy, Power and Water, Horizon Power and ActewAGL.

For more information on the World Retail Energy Market Rankings go to www.utility-customer-switching.com

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CUSTOMER SWITCHING

research project

SWITCHSTATS AUSTRALIA Scheme

Report 1 April 2010

2009 Summary

Australia remains one of the most active markets in the world in terms of electricity and gas customer switching, but rates differ greatly between jurisdictions.

For electricity a clear activity divide exists between the two most active markets (Victoria and Queensland) and the less active markets (South Australia and New South Wales), with Victoria the clear leader overall. For gas, Victoria is out on its own. In fact in 2009 Victoria achieved the highest levels of calendar year residential and aggregated* customer switching ever recorded for an electricity or gas market, anywhere in the world**.

***Important Note:** The following trends illustrate aggregated (residential plus commercial) switch rates. All quarterly values have been annualized.

**In 2007 slightly higher rates were recorded in Victoria, but that was based on NEMMCO data, which is believed to overstate switching levels by approximately 2-3% compared to SwitchstatsAustralia data (due to methodological and definitional differences). When this is taken into account the 2009 Victoria switching levels are higher than the 2007 levels.

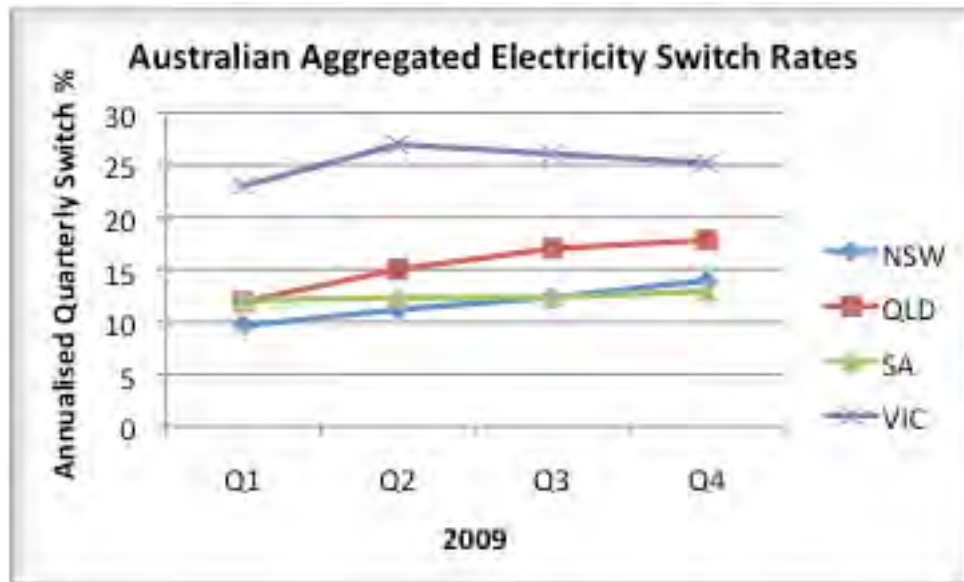
2009 Australian Switch Rates (%)

vaasa ett	Victoria	Queensland	South Australia	New South Wales
Electricity	25.3	15.4	12.4	11.8
Gas	27.4	7.6	11.9	6.5
Combined	26.3	11.5	12.2	9.2

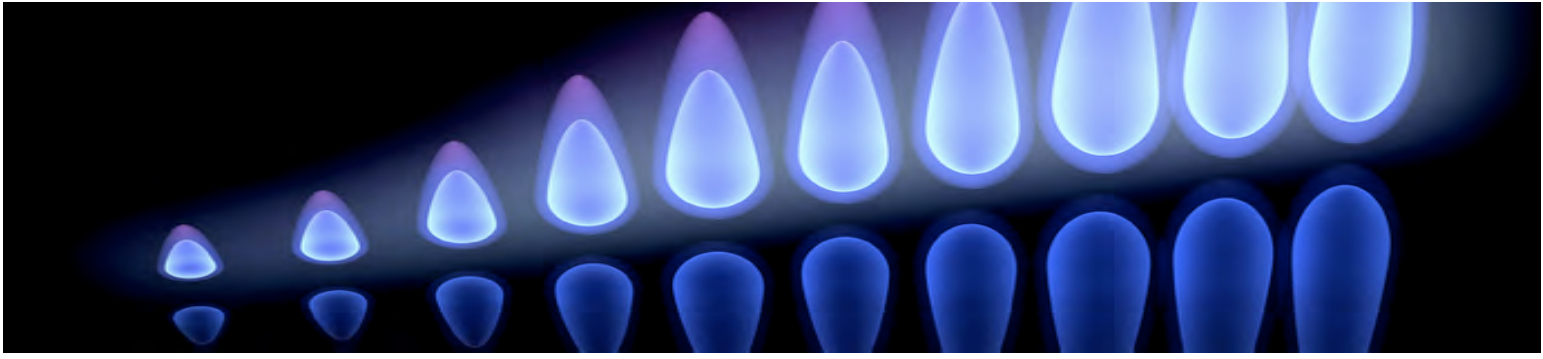
Source: VaasaETT Global Energy Think-Tank (vaasaett.com) 2010

Electricity

Victoria had by far the highest level of switching throughout 2009, but unlike the other jurisdictions, saw a slight decline in the last two quarters of the year. According to the 2009/2010 VaasaETT ranking definition, only Victoria is a 'Hot' market in terms of activity. The other jurisdictions are 'Active'-'Warm Active'.

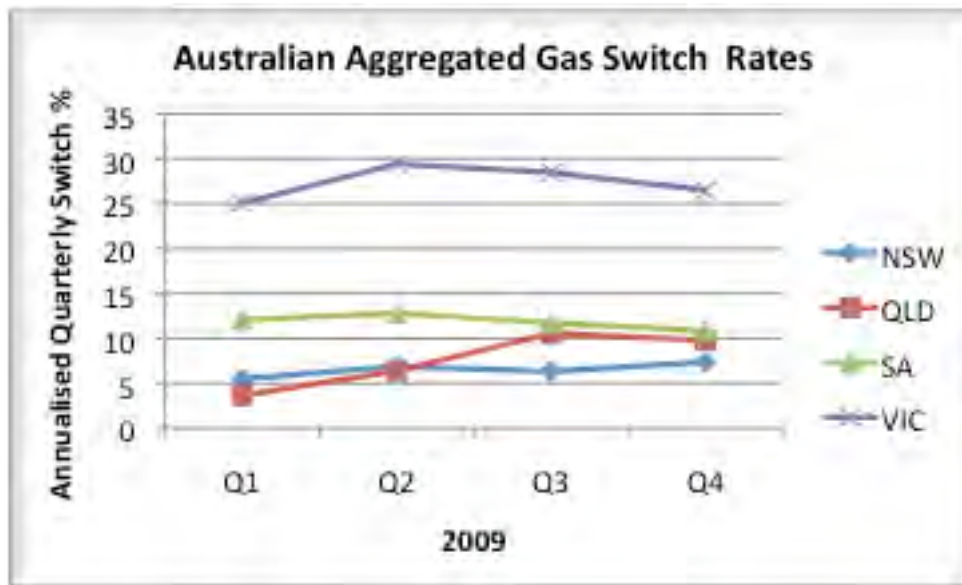


Electricity	Switch Rates Extrapolated			
2009	(Annualised Rates)			
	NSW	QLD	SA	VIC
Q1	9.65	11.92	12.06	22.98
Q2	11.18	15.02	12.33	26.97
Q3	12.35	17.02	12.36	26.06
Q4	13.97	17.82	12.93	25.19
Total	11.79	15.44	12.42	25.30



Gas

Victoria saw gas switching rates consistently between 25- 30% throughout 2009, around 15-20% higher than the other jurisdictions. While all jurisdictions are therefore 'Active' according to VaasaETT ranking definitions, only Victoria is 'Hot' in this respect.



Gas	Switch Rates Extrapolated			
2009	(Annualised Rates)			
	NSW	QLD	SA	VIC
Q1	5.50	3.67	12.09	25.06
Q2	6.91	6.38	12.82	29.43
Q3	6.32	10.58	11.75	28.48
Q4	7.40	9.77	10.85	26.50
Total	6.53	7.60	11.88	27.37

The Utility Customer Switching Research Project

The Utility Customer Switching research project, founded jointly in 2004 by Dr Philip E. Lewis and Paul Grey, monitors switch rates and trends in all fully liberalised energy retail markets worldwide.

It was the first and remains to this day the only global view of utility customer switching activity, as well as being the most comprehensive and uniform source of comparable switching statistics in the electricity and gas markets worldwide.

It also provides ever-increasing analysis of observed trends and explanations for utility customer switching behavior. Some of this information is provided free or through subscription services to our network members, additional insight is provided through client offerings.

More Information at: www.utility-customer-switching.com

SwitchStats Australia

The Switchstats Australia Scheme is a collaboration between the VaasaETT Global Energy Think-Tank and 10 Australian energy retailers representing over 80% of electricity customers and 90% of gas customers in Victoria, New South Wales, Queensland and South Australia. The collaboration is conducted in partnership with the Energy Retailers Association of Australia (ERAA)

VaasaETT collects switch data directly from the retailers, according to a strict and consistent methodology and definition, in compliance with the same definition used with the Utility Customer Switching Research Project (see: www.utility-customer-switching.com). This is based on the same definition (by Dr Philip E. Lewis) used by the European Union regulators, and therefore allows direct comparison against switching data from all European markets as well as fully liberalized markets in the USA and Canada.

For more information on members,, methodologies and definitions, please contact Dr Philip E. Lewis at Philip.lewis@vaasaett.com

Members of SwitchStats Australia

- Australia Power & Gas
 - Momentum Energy
 - Energy Australia
 - Simply Energy
 - Victoria Electricity
 - Country Energy
 - Integral Energy
 - Origin
 - AGL
 - TRU
- Note:** Victoria Electricity Includes Victoria Electricity, South Australia Electricity, Queensland Electricity, New South Wales Electricity.

About The VaasaETT Global Energy Think-Tank

The VaasaETT Global Energy Think-Tank is a unique and independent collaborative concept based on the philosophy of mutuality. Through its network of thousands of senior executives, officials, researchers and other experts who are for the most part known and trusted personally, the Think-Tank provides value-to-all by combining an interactive Community and Collaborative Projects. The Think-Tank focuses broadly on practical strategic business and market issues, as well as envisioning state of the art innovations and developments. The VaasaETT Global Energy Think Tank brings together utilities, authorities, universities, NGOs and other players in the energy industry.

More Information at www.vaasaett.com

