

MEDIA RELEASE

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Victorians to benefit from increasing retail energy competition

The decision today by the Victorian Government to replace its power to set household energy prices with a price monitoring regime has been labelled a “sensible move” by the peak national body for energy retailers, the Energy Retailers Association of Australia (ERAA).

The reforms to take effect from 1 January, 2009 should encourage more households to access the benefits of retail energy market competition in Victoria. Following their introduction, Victorians previously covered by regulated standing contract tariffs will not have to do anything if they don't want to. They will be guaranteed supply from January onwards at the default contract terms and prices set by their existing retailer.

The default prices for all retailers in Victoria as well as a range of other market contracts will be published on the web-site of the Essential Services Commission of Victoria (ESCV).

A comprehensive review of the Victorian market by the national rule making body, the Australian Energy Markets Commission (AEMC), found that retail energy competition in the State of Victoria was highly effective and leading to discounts of up to 10% against the standing contract tariffs for households who signed a market contract.

The AEMC report was consistent with the findings of a global study by energy think tank, VaasaETT, which ranked retail energy markets on the basis of customer switching behaviour. The 2007 rankings found that Victoria was the most competitive market in the world.

“Given that it is competition and choice that is delivering the best outcomes for consumers in Victoria, we welcome the Government's decision to adopt a different approach to regulation that involves a reserve price setting power, price monitoring and a range of consumer information services”, the Executive Director of the ERAA, Mr Cameron O'Reilly said today.

“Furthermore today's decision in no way impacts on the comprehensive array of non-price consumer protection regulation that exists in Victoria covering matters such as disconnections, hardship policies and an industry funded ombudsman scheme”, Mr O'Reilly said.

An ERAA commissioned report by Professor Graeme Hodge and Dr Diana Bowman of the Monash Centre for Regulatory Studies entitled “Consumer Protection in a Deregulated Retail Energy Market” addressed many of the forms of consumer

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protection that Victorians will continue to have access to irrespective of the approach to price setting.

“The industry recognises that electricity and gas are essential services which should be delivered at the lowest possible cost to consumers, and I would therefore encourage Victorians who are currently on the regulated standing contract tariffs to shop around for the best deal in what is a highly competitive market of more than a dozen active energy retailers”, Mr O’Reilly said.

“That market is likely to get more competitive and involve a wider range of market contracts now that the distorting impact of a government set price will be phased out”, Mr O’Reilly said.

For further information: Cameron O’Reilly – Executive Director Ph 02 94376180 or 0413150560.

For details of the Monash Centre for Regulatory Studies report on consumer protection in a deregulated energy market go to www.eraa.com.au