

MEDIA RELEASE

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Energy Retailers endorse ERIG views on Price Caps

Australia's peak industry body representing retailers of electricity and gas, the Energy Retailers Association of Australia (ERAA), has endorsed the recommendations of the Energy Reform Implementation Group (ERIG) that COAG and the MCE rethink their approach to assessing the impact of price caps on retail markets.

In its final report released on Friday at the COAG meeting, ERIG pointed out the contradiction between assessing whether effective competition was in place before removing jurisdictional price caps, when the caps themselves were likely to be a barrier to entry, and therefore a restraint on the development of competition.

In its submission to the Australian Energy Markets Commission (AEMC's) proposed Statement of Approach to assessing the effectiveness of competition released on 15 March, the ERAA has called upon the AEMC to give priority to barriers to entry in retail markets in preference to the criteria outlined by the AEMC.

"We are delighted that ERIG shares our views that the only way to get to a truly competitive market is to remove the price caps and allow competition to flourish", the Executive Director of the ERAA, Mr Cameron O'Reilly said.

"We would further endorse their view (Recommendation 1:6) 'that Governments conduct a detailed review of CSO arrangements' ... with a view to establishing 'transparent and targeted mechanisms in place of retail price caps'".

"For some time we have been pointing out that price caps are market distorting and are a very inefficient way of protecting customers perceived as vulnerable."

"At the end of the day the caps apply to retailers' margins which are a small percent of the end price to consumers, yet are the critical consideration as to whether a new retailer chooses to enter the market".

"A market in which there is cost reflective pricing across the board supported by comprehensive CSO's for vulnerable consumers, would be far more effective in ensuring the best possible outcomes for customers", Mr O'Reilly said.

The ERAA further endorsed ERIG recommendations in relation to the need to streamline electricity market rules and matters (Recommendation 2.4) by reducing jurisdictional derogations, and said the MCE's Retail Policy Working Group was the appropriate forum to undertake this task.

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“The ERAA does not see harmonisation of rules and regulations through the RPWG as an end in itself.”

“A national retail framework must not only look at how rules and regulations can be harmonised, but also how energy specific jurisdictional regulation is duplicating generic legislation and therefore imposing an unnecessary cost burden on retailers”, Mr O’Reilly said.

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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, Horizon Power, Synergy Energy and ActewAGL.