

MEDIA RELEASE

Friday 30 November, 2007

Victorian household energy prices - Retail Competition the key to getting the best outcomes

New regulated Victorian household electricity and gas prices for 2008 released today were a realistic response to cost increases impacting on all energy retailers, according to the peak industry body, the Energy Retailers Association of Australia (ERAA).

Those cost pressures have stemmed largely from the drought which has reduced the amount of water available for either the hydro generation of electricity or cooling coal fired electricity generators in the east coast National Electricity Market (NEM).

This has in turn increased the dependence on gas fired generation leading to an increase in gas prices.

Coupled with high user demand for electricity and gas, these supply and demand forces have seen an increase in the wholesale component of the regulated retail electricity and gas prices announced today.

The wholesale cost of electricity and gas represents around 40-45% of the final retail price to consumers, with another 45% being the regulated charges for energy networks (pipelines, poles and wires) and the remaining 10% or so being the retailing component which must cover a range of costs such as billing and metering.

“Today’s increases are a fair outcome for consumers and industry in a year which has seen an unprecedented number of factors coalesce in the NEM to drive up electricity and gas prices”, the Executive Director of the ERAA, Mr Cameron O’Reilly said today.

“They are broadly consistent with future increases in regulated household tariffs in a number of other States and Territories announced earlier in 2007, and are a reminder of the interdependence of our energy and water industries.”

“What is unique for Victorian consumers, is their ability to choose between nearly a dozen retailers who will be seeking to attract new customers by offering better market contracts than the regulated tariffs announced today”, Mr O’Reilly said.

A recent draft report on the Victorian market by the new 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 against the standing contract tariffs for households and small businesses who signed a market contract. An earlier study by First Data Utilities and VaasaETT found that Victoria had the highest level of customer switching in the world in 2006.



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It is essential that if this level of competition in the market is to continue, that regulated prices reflect changes in the wholesale market. Without this, new retailers cannot enter the market and existing retailers are limited in their offers.

From 1 January the Victorian Government has already announced that regulated standing contract tariffs for small businesses will be phased out, so consumers in this category who are not on market contracts and are seeking price guidance, should look for new default tariffs available on their retailer's web-site from the start of December.

Consumers have the option of contacting the Essential Services Commission of Victoria (ESCV) for a full list of energy retailers active in the Victorian market if they wish to shop around for the best available deals.

For further information: Cameron O'Reilly – Executive Director Ph 02 94376180 or 0413150560 **after 2pm on Friday.**