

## **MEDIA RELEASE**

**Monday 20 October, 2008**

### **Victoria leads the world in retail energy competition**

World Retail Energy Market Rankings released today by international utilities research centre, Vaasaett, show Victoria leading the world in customer switching for the second straight year.

The 2008 rankings were welcomed by the Energy Retailers Association of Australia (ERAA) who said the fierce competition for customers underlined by Victoria's number one status reinforced the decision of the State Government to replace government set tariffs with price monitoring from 1 January, 2009. Legislation enacting this change passed both Houses of the Victorian Parliament with bipartisan support last week.

The rankings, conducted in partnership with Peace CIS and Capgemini, are based on a benchmarking study of customer switching behaviour in retail energy markets across the world that have been opened to Full Retail Competition (FRC).

FRC allows individual households and businesses to choose their supplier of retail electricity and gas from a range of competing suppliers and offers. This allows them to obtain retail energy terms and conditions that are best suited to their needs.

The percentage of customers switching retail energy suppliers, the benchmark upon which the Vaasaett study is based on, is a measurable indicator of customers exercising the right to choose provided by FRC.

"In Victoria's case customers have had access to FRC since 1 January, 2002 and they continue to participate in large numbers in the competitive market with over 20% of customers switching supplier each year", the Executive Director of the ERAA, Mr Cameron O'Reilly said today.

"Victorians are very conscious of the fact that they can choose from amongst ten or so retailers active in the State's market and it is this competition that will ensure prices are kept at efficient levels in the future", Mr O'Reilly said.

The rankings which have Victoria as number one for customer switching also have South Australia, New South Wales and Queensland in the top ten markets worldwide based on data for calendar 2007.

These figures indicate Australia has introduced retail energy competition as well as anyone around the world.

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The entry of Queensland into the top ten after just half a year of FRC in 2007 reflects the initial work done by the Government's Energy Competition Committee (ECC) to encourage new market entrants and the industry's experience in operating in the competitive interstate markets.

"Unfortunately there is strong evidence that following an early burst of activity customer switching has dropped away in Queensland as retailers scale back marketing in response to the latest regulated tariff decision and an array of other regulatory changes", Mr O'Reilly said.

Victoria's and indeed South Australia's consistently high levels of customer switching more than five years after FRC was introduced was testimony to their understanding of the need for sufficient 'headroom' in retail tariffs to allow new market entrants to come in and compete for customers, according to the Managing Director of Vaasaett and co-founder of the World Retail Energy Market Rankings, Dr Philip Lewis.

"Indeed one of key findings of our global research on contestable retail markets is that political devolvement from the price setting process is more likely to lead to consistently high levels of customer switching over time ", Dr Lewis said.

"In a local sense, given the cost pressures coming in future years from the Carbon Pollution Reduction Scheme (CPRS) and the National Renewable Energy Target (NRET) it would be wise for all Governments to look at how they can harness retail competition to keep prices as low as they can possibly be", Mr O'Reilly said.

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For information on the rankings report which is available today from the ERAA website [www.eraa.com.au](http://www.eraa.com.au) please call Dr Philip Lewis, Managing Director of Vaasaett in Finland on 0011 358 40 5295852 (8 hours behind Australian time) or James Braatvedt of Peace Software in Los Angeles 0011 1 30 38038626

### **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 Energy, Origin Energy, TRUenergy, Energy Australia, Integral Energy, Country Energy, Aurora Energy, Victoria Electricity, Simply Energy, Australian Power & Gas, Babcock & Brown Power, Ergon Energy, Synergy Energy and ActewAGL.**