

MEDIA RELEASE

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Consumer Action calls on Energy Market Commission to ease energy bills by proceeding with rule-change

In a submission lodged today, the Consumer Action Law Centre called for the Australian Energy Market Commission to proceed with an energy rule change that would put downward pressure on household energy bills.

The Australian Energy Market Commission is the agency charged with overseeing and developing the National Electricity and Gas Rules. The Commission is currently reviewing those rules after a request from the Australian Energy Regulator (AER). The AER wants the Commission to change the rules it must follow in determining the charges the large, monopoly energy network businesses can recover from consumers.

‘Not many Australians know about the Australian Energy Market Commission’, said Consumer Action’s Director of Policy Gerard Brody. ‘But out of all the different levels and agencies of Government involved in energy, this Commission has enormous capacity to do something about the skyrocketing energy costs that are hitting the hip pockets of Australian households—the legislation sets the broad framework, but the Australian Energy Market Commission gets to make the detailed rules.’

In its submission, Consumer Action said it was disappointed by the Commission’s initial response to the rule change proposal.

‘In seeking the rule change, the AER asserts that the energy rules at the moment restrict the regulator’s ability to ensure fair and efficient pricing. While the regulator does examine the network businesses’ proposals, the current rules limit its ability to constrain prices—it can only reject the businesses’ proposals where it can demonstrate that they are inefficient,’ said Mr Brody.

‘This means that if a business proposes a solution to a particular network problem, the regulator must accept the proposal even if there is a more efficient way of undertaking the proposal or there is a cheaper more efficient alternative.’

‘The Commission doesn’t seem to us to have accepted that this is a real issue, and has suggested that the independent regulator has not provided sufficient evidence of a problem. We think that the Commission should listen more carefully to the independent regulator—if it says that the rules aren’t working to properly restrict price rises, then the Commission should do something about that,’ said Mr Brody.

In its submission, Consumer Action said that the main problem with the rules is that the onus of proof that proposed expenditure is efficient rests with the regulators instead of the network energy businesses.

‘The Commission should change this onus of proof, so the businesses must prove their proposals are efficient’ said Mr Brody. ‘This is an easy issue to resolve and is one of the most important changes that we think the Commission should make.’

Electricity networks are due to recover over \$55 billion from consumers to simply maintain and operate our networks over the current regulatory cycle—by way of comparison, this is over 50% more than the often-quoted \$36 billion price tag for the National Broadband Network.

‘Should the rules be changed as requested by the independent regulator, there is real scope that energy price rises may ease’ said Mr Brody.

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