

MEDIA RELEASE

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Contracting competition in the energy retail market results in lacklustre performance

A new report showing three leading energy retailers control almost 75 per cent of market share is bad news for Victorian households which are missing out on the financial benefits and service improvements that should stem from a successfully functioning competitive market. The Essential Services Commission's (ESC) annual *Energy Retailers Performance Review* also revealed a growing number of households were being disconnected because of financial hardship rather than being offered assistance such a payment plan.

Following the privatisation of New South Wales' energy market, bigger industry players have bought up second tier retailers. Janine Rayner, Senior Policy Officer at Consumer Action, said TRU Energy's acquisition of Energy Australia and Origin Energy's purchase of Country Energy meant that competition in the Victorian retail market had contracted, with the big three's total market share increasing for the first time since full retail contestability was introduced.

'The ESC's report shows that prices and customer complaints are both rising and we don't think it's a coincidence that this comes at a time when competition in the market is shrinking.

'Competition is meant to put downward pressure on prices but, with three companies effectively holding close 75 per cent of the retail electricity market share and around 80 per cent of the retail gas market share, we're not seeing the system working as it should. Recent acquisitions in the market have taken us closer to an oligopoly and that is a genuine concern for consumers and should be a genuine concern to the State Government.

'Even with more retailers in the market we were concerned that so called innovation focussed more on free offers and gimmicks than on genuinely innovative offerings to help consumer manage their electricity more effectively,' said Ms Rayner.

The ESC's report also suggests energy retailers aren't doing enough to help struggling households. Disconnections because of financial hardship appear to be increasing, while the number of customers accessing the retailers' hardship programs is reportedly dropping.

Ms Rayner said companies were legally obligated to offer hardship programs to help people struggling to pay their bills and also had obligations to tell their customers about these programs and make them easily accessible.

'The ESC's figures show a growing number of households are being disconnected and then reconnected at the same address – this is a telltale sign of people struggling to pay their bills and forfeiting supply as a result. Energy companies need to be more pro-active about keeping these houses connected.

'Gas and electricity are essential services so disconnection needs to be avoided at all costs – the figures in this report are a sad indictment on how retailers approach hardship and their understanding of their customer base,' said Ms Rayner.

Ms Rayner said consumers should also be concerned with reports that the retailers are withholding or providing inaccurate statistics to the ESC. Accurate figures are needed so the Government, regulator and consumers can hold energy retailers to account over their performance.

'We're not dealing with small businesses here – a number of those with poor reporting practices are mature operators and they should have their house in order. Sadly the level and quality of reporting we're currently seeing suggests retailers are running their own race and not that interested in accountability or their consumers.'

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