

MEDIA RELEASE

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Consumers the losers as competition tribunal sides with power companies – yet again.

Victorian households are staring down the barrel of yet another electricity price hike after the Australian Competition Tribunal (ACT) overturned significant aspects of the ruling of the energy industry's independent regulator.

The decision will put further strain on households, many of which are still feeling the pinch of the 1 January price rise, and makes what is supposed to be an essential service look increasingly like a luxury. The Consumer Action Law Centre (Consumer Action) and Consumer Utilities Advocacy Centre (CUAC) believe the decision continued the worrying trend of energy distribution companies successfully challenging a ruling from the independent Australian Energy Regulator (AER), which had sought to limit the amount of costs distributors could pass onto households.

Ms Rayner, Senior Policy Officer at Consumer Action, said the decision was further evidence that the ability of the distribution companies to appeal the independent regulator's decisions should be abolished.

'Consumers have every right to expect a process that is fair, balanced and transparent. Unfortunately, that is not what the current laws require,' said Ms Rayner.

'Under the current set-up, distributors can challenge the AER's pricing guidelines with minimal risk that the outcome will see them worse-off, because the system allows distributors to only challenge the parts of an AER decision they think they can win, and there's no one other than the distributors can effectively challenge aspects of the AER's decision that may be detrimental to consumers'.

Ms Rayner also said this unfair outcome is exacerbated by the practical inability for consumer groups to intervene in the appeals process.

'Consumer groups did attempt to intervene in this appeals process, but we were unable to continue due to a range of barriers including resourcing and access to technical expertise. That meant the tribunal didn't hear about a range of matters which would challenge the industry's case, or the impact of ongoing cost increases for consumers. The system should provide a greater balance between distributors and consumers, because at the moment it heavily favours the distributors.

Jo Benvenuti of CUAC said consumer advocates were concerned at the lack of checks and balances in place to ensure distributor's spending was necessary, efficient and that consumers weren't simply paying extra so that businesses could build their asset base and improve their share price.

'The AER has made attempts to limit what it sees as excessive cost being passed onto consumers in the past, but as today's public release of the ACT's decision shows, the appeals process is allowing distribution businesses to overturn elements of the regulatory decision at the expense of consumers,' said Ms Benvenuti.

Ms Benvenuti said distribution costs made up 40 per cent of a household's electricity bill so the ACT's decision to allow companies to pass on more costs would have a significant effect on Victorian households.

She said that the distribution businesses had won in relation to a number of key areas such as the level of debt risk premium, which has the most significant impact on costs passed through to consumers, which will be felt from 2013.

‘Victorians have seen their electricity bills continue to increase, so it’s particularly disappointing that on this occasion, when the AER was taking practical steps to limit increases, the appeals mechanism allowed the distributors to bypass the regulator’s decision . Consumer groups aren’t against increased investment in infrastructure, and understand the need to share these costs. However, we are concerned that distribution companies are spending more than is necessary to maintain service reliability and quality.’

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