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Queensland University of Technology
Brisbane Australia



MEDIA RELEASE

Energy rules must change—consumers and big business agree

Consumer representatives from across the nation demand fairness in energy prices as rule changes are proposed to prevent price gouging by energy network businesses.

Consumer groups from around Australia have joined the Australian Energy Regulator (AER) and some of the nation's biggest businesses in calling for reform to the process that sets electricity network prices, ahead of a forum on the energy network rule change review today in Brisbane.

"With network charges comprising over 40 per cent of a household's electricity costs, reform is urgently needed to break the cycle of sharply rising energy prices and to ensure this essential service remains affordable to all Australians", said Janine Rayner of Consumer Action Law Centre on behalf of 17 consumer, welfare and environmental organisations.

The consumer groups said that they strongly supported the AER's proposal to change the rules that set the way energy network prices are determined, and will be bringing the views of everyday consumers to the review.

"Energy network companies invest heavily in infrastructure—claiming that it is necessary for reliable network performance—and then recover the costs from consumers. They are natural monopolies so we can't rely on the market and competition to maintain downward pressure on prices. We need a strong, independent regulator applying fair rules to keep an eye on these companies and their profit margins", said Ms Rayner.

"According to the AER, network prices have risen around 41 per cent in real terms over the previous five-year regulatory cycle. Network prices are primarily responsible for the significant bill increases being experienced by Australian households year after year".¹

"The current rules allow energy networks to price gouge consumers by restricting the AER's ability to ensure fair and efficient pricing. While the AER does examine the network businesses' proposals, the current rules limit its ability to constrain prices—the requirement for it to accept network proposals where they 'reasonably reflect' efficient costs is far too broad.

"The AER needs to be given the power to ensure consumers are getting better bang for their buck. We need to be assured that energy networks are not just building and profiting from their asset base where there are cheaper alternative options available."

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.

Consumer groups are also welcoming the proposal from a number of large businesses—including Woolworths and Rio Tinto—to further amend the rules so that energy networks are less able to reap profit on the debt they raise and then pass this onto consumers in the form of higher prices.

"It's not too often that consumer advocates, the national regulator and big business are all on the same page, so that should tell you that something is clearly wrong with the current setup", said Ms Rayner.

"Our organisations, which represent residential consumers, including low income and disadvantaged consumers, will be participating in the rule change review undertaken by the Australian Energy Market Commission. Reform to the National Electricity Rules has real potential to limit ongoing increases in household electricity bills".

Signatory Organisations:

Alternative Technology Association
Brotherhood of St Laurence
CHOICE
Consumer Action Law Centre
Consumer Utilities Advocacy Centre
Commercial, Credit and Consumer Law program (CCCL) within the Faculty of Law, QUT
Ethnic Communities' Council of NSW Inc
Kildonan UnitingCare
Moreland Energy Foundation Limited
Public Interest Advocacy Centre
Queensland Council of Social Service
Society of St Vincent de Paul
South Australian Council of Social Service
Tasmanian Council of Social Service
Total Environment Centre
UnitingCare Australia
Victorian Council of Social Service

¹ Australian Energy Market Commission, Future Possible Retail Energy Price Movements: 1 July 2010 - 30 June 2013
<http://www.aemc.gov.au/Media/docs/CoAG%20Retail%20Pricing%20Final%20Report%20-%20Publication%20Version%2010%20June%202011-5fa4f4b8-8098-420c-a014-fa70808bb2e4-1.PDF>, pg 14

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