

Call for 'no frills' regulated energy price as electricity and gas bills soar

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Promised benefits from deregulating Victoria's energy industry have failed to materialise, leaving consumers paying much more for the same service, a review has found.

The review singles out the big three retailers – AGL, Origin Energy and Energy Australia – for putting profits ahead of customers.

It recommends that an independent umpire set a standard "no frills" price to keep costs in check, a move that could save the average household more than \$200 a year.



The review examined close to 700 power bills. Photo: AP

Report coauthor and former Labor deputy premier John Thwaites said the government had gone down the wrong path with market deregulation and must step back in to control costs.

"People are paying far too much for something that shouldn't cost a lot ... customers are paying these huge extra costs of competition," he said.

Victorian gas and electricity prices have risen 200 per cent over the past 15 years, the Independent Review of the Electricity and Gas Retail Markets in Victoria, released on Sunday, says.

The review was led by Professor Thwaites, former Liberal minister Terry Mulder and consultant Patricia Faulkner.



Former Victorian deputy premier John Thwaites says deregulation was the wrong path.
Photo: Wayne Taylor

The review found close to a third of the cost of household power bills, or more than \$400, is going directly to retailers as skyrocketing costs far outpace the wholesale cost of supply.

It examined close to 700 bills, finding households were paying on average more than 20 per cent a year above the cheapest available offer.

Nearly one in four customers was paying at least \$500 more than the cheapest available offer.

The review found the benefits promised when competition was introduced in 2002 had failed to materialise, with consumers paying more for the same service.



Energy Minister Lily D'Ambrosio said the government would respond to the review by the end of the year. Photo: Darrian Traynor

Retailers were found to be increasing spending on marketing in a bid to cut through in one of the world's most crowded energy sectors – there are 25 electricity retailers and 13 selling gas.

The report recommends changes to force retailers to market their deals in dollar terms and fix prices for at least 12 months.

Mr Mulder said the flood of offers in the market and marketing of discounts was leaving consumers confused and paying too much.

Energy Minister Lily D'Ambrosio said the government would carefully consider the review and respond by the end of the year.

"It's a very stark reality that competition and deregulation is failing consumers ... There is something wrong with our system."

Sarah McNamara, general manager of retail for industry body the Australian Energy Council, denied deregulation had driven up power prices.

She said re-regulating prices would fail to solve the causes of higher prices or protect households from increases.

"Recent price increases were the result of sustained national policy uncertainty, government interference and the resulting closure of old, large power stations," she said.

"We are concerned that re-regulation will not contain the cost pressures in the electricity market and will lead to less competition in Victoria."

Victorian Council of Social Service chief executive Emma King said the report showed that retailers had been fleecing customers.

"For too long, everyday Victorian households have been ripped off by energy companies. They have been fleeced, it's time for that to end."

Ms King said the consequences of failing to make the changes would be "nothing less than devastating".

She called on the government to fast-track its response to help struggling Victorians battling through winter.

Brotherhood of St Laurence energy spokesman Damian Sullivan said households on low incomes were hit particularly hard by rising energy retail costs.

"The review released today makes a series of important recommendations, which if implemented, would lead to much lower bills for households on low incomes."

Energy Consumers Australia chief executive Rosemary Sinclair welcomed the report as a sign governments are responding to the fact that electricity costs are becoming unmanageable.