



MEDIA RELEASE

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CONSUMERS CHALLENGE BASIS FOR RISING ENERGY PRICES

Victorian consumers will be hit by huge energy price increases from 1 January 2008 but without any public information about the basis for these price rises, said Consumer Action Law Centre today.

Standing offer contracts for Victorian households have been negotiated by the Victorian Government and the three incumbent retailers, resulting in price rises by up to 17 per cent, which average at about \$160 per household per year.

“Deregulation of public services was supposed to lead to increased accountability and transparency” said Energy Policy Officer Janine Rayner. “Instead, we’re seeing this deal being negotiated behind closed doors. To be confident that these increases are necessary, consumers need to understand what the costs are that make up these price rises. Instead, all we get are figures in the Government Gazette.”

Consumer Action, while acknowledging the impact of climate change related cost pressures, questions the Government and energy retailers’ position that the drought and booming demand for power have pushed the cost of generating electricity to unprecedented levels.

“Rising wholesale prices will of course impact the end consumer bill. But other analysis shows that the large retailers are sufficiently hedged from wholesale price volatility. Hedging allows retailers to manage risk of volatile wholesale prices. Why then are consumers bearing this risk?”

Consumer Action also questioned the premise that competition is bringing about benefits for energy consumers in Victoria. “We’re being told that Victoria has the most competitive energy market in the world”, said Ms Rayner. “Competitive pressure should bring down prices. Why then are prices being increased so much? Other states with supposed lesser competition have not seen price increases to this extent”.

Consumer Action did say that consumers can choose competitive market contracts that offer discounts from regulated tariffs.

“The problem in choosing a market contract is the complexity involved” said Ms Rayner. “Consumers who are approached by energy marketers are often not given a full explanation of the terms and conditions that apply. We’re seeing some retailers add on unfair fees and charges, and some that mislead and use unfair sales tactics”.

Consumer Action did say that competition can and should benefit consumers.

“Competition has of course provided some discounts for some consumers. But for those that are unable to choose or participate in the market, particularly disadvantaged or low-income consumers, we need fair, transparent and accountable retail pricing regulation” concluded Ms Rayner.

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