



MEDIA RELEASE

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CUSTOMERS TO BEAR COSTS FOR ENERGY RETAILER FAILURE

Consumer Action Law Centre has labelled the decision by the Essential Services Commission (the ESC) to charge consumers should their retailer go bankrupt or leave the market as outrageous and unfair.

Following the failure of energy retailer, Energy One, in 2007, the ESC has reviewed its Retailer of Last Resort process. This process is designed to ensure consumers have an uninterrupted energy supply should their energy provider go bankrupt or leave the market. The ESC's draft decision imposes a \$59 fee on consumers which is paid to the electricity retailer that takes over their account should their current retailer fail. A similar fee applies for gas.

"This supply fee is manifestly unfair to consumers" said Consumer Action Director of Policy & Campaigns Gerard Brody, "it represents a further cost for consumers and will be imposed through no fault of their own, and at a time when utility bill costs are soaring".

The example of Energy One leaving the market in 2007 suggests that further retailers may be pushed to bankruptcy as wholesale energy prices increase.

"The imposition of this fee is not fanciful", said Mr Brody, "we have seen one energy retailer leave the market, and with rising wholesale costs, other retailers are being stretched. Despite that, it is not the fault of consumers and they should not be penalised by failures in the market. After all, energy is an essential service and should be provided on fair and equitable terms."

In a submission to the ESC, Consumer Action has argued that the imposition of a supply fee will severely inhibit competition.

"We are told that competition is good for us and that it restraints prices, which is true," said Mr Brody, "but why would someone want to switch if they are going to be charged to be placed back with their original provider, should their new retailer go bankrupt? We're concerned that this fee will diminish competition and Victoria's reputation as the most competitive energy market in the world".

Consumer Action said that there should be a fairer, market wide mechanism to deal with the problem.

"While we vehemently oppose the imposition of a supply fee, should the government believe a 'safety net' for retailers is necessary in any instances of market failure, a managed fund would function more efficiently, where costs will be borne by all retailers (and ultimately all consumers), as opposed to the current position, where costs are borne by only a few", Mr Brody said.

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