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VICTORIAN ENERGY CUSTOMERS SHOP AROUND IN COMPETITIVE MARKET

Victorian electricity and gas consumers have continued to shop around for competitive market offers as energy prices have risen, according to a report issued today by the State's energy regulator.

The report by the Essential Services Commission (ESC) revealed that 635,191 electricity and 445,470 gas customers in Victoria elected to change retailers in 2008-09, equivalent to a gross switching rate of around 25 percent for both electricity and gas customers.

The Commission found that energy prices had risen since 2006-07, as drought conditions reduced the generational output of hydro-electric plants and increased the use of more-expensive gas-fired electricity generation.

Nevertheless, the report revealed that small business and residential customers could make substantial savings in their energy bills by taking competitive market offers provided by up to 14 energy retailers operating in Victoria.

For its *Energy Retailers: Comparative Performance Report for 2008-09*, the Commission undertook independent research into the market contracts on offer to electricity and gas customers.

In analysing the competitive energy market in May 2009, the Commission found that retailers were providing offers at a discount to the standing tariff. Standing offer prices apply to those customers who have not shifted from, or changed their arrangements with, their existing retailers since the start of competition almost a decade ago.

Up to fourteen retailers operated in the Victorian retail energy market in 2008-09, providing market offers in some or all of the state. The Commission's market analysis covers the price and non-price offerings of electricity and gas market contracts in the five areas of electricity distribution.

Based on a standard annual household electricity bill (4000kWh peak and 2500kWh off-peak), the Commission found that customers who had not yet moved on to a market contract would be paying an average of \$1144 per year. The amount varied between \$1021 and \$1461 depending on the retailer and the location of the household.

However, the average bill could be reduced by customers shopping around for better offers. The Commission report shows that retailers' market offers varied widely. The lowest published offer for a standard annual household electricity bill (based on 4000kWh peak and 2500kWh off-peak) was \$949.

In gas, the report recorded lesser price differentials between the standing and market offers in 2008-09.

Annual household bills for standing offers based on a typical usage of 60 Gigajoules per annum ranged from \$771 in Melbourne to \$1493 in Bairnsdale, while published market offers ranged from \$774 north of Melbourne to \$1448 at Bairnsdale.

ESC Chairperson Dr Ron Ben-David said the price comparisons alone did not reflect the full diversity of market offers. Many retailers also provided for a range of non-price benefits including loyalty discounts, vouchers, credit options and offers of appliances, as well as the option of purchasing 'green power' at a higher rate than that provided under the standing tariff.

"Energy customers are choosing from a wider selection of offers, so it is important to shop around and check the details," Dr Ben-David said.

Retailers are required to publish their offers on the Essential Services Commission's special website, which can be accessed at www.esc.vic.gov.au/yourchoice

"While many people continue to exercise their choice of energy retailer, it is also important to note that people are under no obligation to change their retailer and should not feel pressured to switch," Dr Ben-David said.

"Those customers who do shop around should always check a retailer's offer summary and the fine print of energy contracts for special conditions, such as any fees for early termination of market contracts and any potential additional charges."

The report also tracked a number of non-price indicators, including the level of estimated energy accounts, complaints and domestic electricity disconnections.

It found that billing problems experienced by the major retailer AGL contributed to an overall increase in the level of estimated accounts for electricity and gas and the number of customer complaints.

The level of estimated accounts for electricity rose from 22 per 100 customers in 2007-08 to 28 per 100 in 2008-09, while the number of complaints made to retailers regarding electricity services increased 127 percent, from 24,576 to 55,850, mostly comprising complaints attributed to AGL.

While domestic electricity disconnections rose from 0.29 per 100 customers to 0.43 per customers per 100 customers in 2008-09, Victoria's rate of disconnections was the second-lowest among Australian states and territories.

Copies of the Energy Retail Businesses – Comparative Performance Report (Pricing and the Competitive Market, and Customer Service) for the 2008-09 year can be accessed via www.esc.vic.gov.au

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