

Customers saving on retail energy market offers

19 December 2011

Electricity and gas

Victorian energy consumers continued to seek competitive market offers as electricity and gas prices rose in 2010-11, according to a report issued today by the State's energy regulator.

The report by the Essential Services Commission (ESC) revealed that about 1.2 million electricity and gas customers transferred their retail energy accounts in 2010-11, equivalent to a gross switching rate of around 28 per cent for electricity customers and 26 per cent for gas customers.

It also found that while smaller energy retailers continued to build market share, the three original incumbent retailers (AGL, Origin Energy, TRUenergy) accounted for almost 70 per cent of the state's retail electricity market and 77 per cent of the retail gas market.

The Commission's report found that the price of electricity increased by an average six per cent over 2010-11 for both residential market and standing offers (default or non-market offers) across all tariffs and across the five distribution zones.

Gas prices increased by an average seven per cent in 2010-11. ESC Chief Executive Officer David Heeps noted that while electricity and gas prices had risen, there had been a disturbing decline in the retailers' customer service standards.

This included an increase in both the waiting time for callers to speak to a retailer's call centre and the number of calls abandoned, as well as a significant rise in the number of customer complaints recorded by the retailers.

In addition, the report found that domestic electricity disconnections rose from 0.59 per 100 customers to 0.77 per customers per 100 customers in 2010-11, with gas disconnections decreasing from 0.85 per 100 customers to 0.74 per 100 customers in the same period.

Mr Heeps said the retail energy sector's customer service had compared unfavourably with that of the Victorian water sector, which had recorded improved call centre performance and lower supply restrictions for non-payment of bills over the same period.

Retailers cited increases in wholesale energy costs and network costs (including the rollout of advanced interval metering technology) and overall retail costs as contributors to the electricity price rises.

Standing offer prices apply to customers who have not shifted from, or changed their arrangements with, their existing retailers since the start of retail energy competition more than a decade ago.

Nevertheless, the report revealed that small business and residential customers could still make substantial savings in their energy bills by taking up competitive market offers provided by energy retailers operating in Victoria (as assessed by the Commission on 30 June 2011.)

By switching from a standing offer to a market offer, with discounts and bonuses, residential customers can potentially save around 10 per cent on their annual electricity bill, or between \$107 to \$205 a year, depending on the type of tariff.

Gas customers can save on average seven per cent or \$80 a year, when switching from a standing offer to a fully discounted market offer.

Average household electricity bills across the five distribution zones, based on market offers, ranged from \$1009 to \$1138 for single-rate tariffs and from \$1270 to \$1471 for two-rate (peak and off-peak) tariffs, with potential further savings from discounts.

Average annual residential bills for gas (market offer) across Victoria ranged from \$1000 to \$1446, depending on the gas distribution zone.

Information on standing and market offers is also provided in the Commission's YourChoice website

at www.yourchoice.vic.gov.au, to which retailers are required to provide gas and electricity offers that can be assessed on-line.

Mr Heeps 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.

“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,” he said.

“Customers shopping 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.

“Customers who wish to change their mind after selecting an offer also have a cooling-off period of up to 10 working days in which to contact the energy company and cancel the contract.”

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