

Australians pay highest power prices in world

Exclusive

Ben Potter and Andrew Tillett

Australian residential customers are paying the highest electricity prices in the world – two to three times more than American households – but experts say they need more than information to navigate the thicket of discounts and offers.

South Australian households are paying the highest prices in the world at 47.13¢ per kilowatt hour, more than Germany, Denmark and Italy, which heavily tax energy, after the huge increases on July 1, Carbon + Energy Markets' MarkIntell data service says.

When the eastern states' National Electricity Market was formed in the late 1990s, Australia had the lowest retail prices in the world along with the United States and Canada, CME director Bruce Mountain said.

The shocking reversal explains why Prime Minister Malcolm Turnbull has summoned energy retailer chief executives to Canberra next week to explain why they are charging households and small businesses so much compared to their counterparts in other countries.

In a letter he complained that big retailers were content to let customers slip off the deep discounts they attracted them with after a year or two, and onto a costly standing offer or a much smaller discount.

AGL Energy chief executive Andy Vesey admitted last year that big power companies were guilty of punishing their most loyal customers in this way, but said subsequently AGL was abandoning the practice.

Australian Competition and Consumer Commission chairman Rod Sims said last week he wanted to help consumers find better offers and lower barriers to new entrants to curtail the market power of AGL, Origin Energy, EnergyAustralia and Queensland's state owned power duopoly.

NSW households typically pay 39.1¢/kWh – hard on Italy's heels –

while Queensland and Victoria's typical retail charges of 34.7¢ to 35.7¢/kWh exceed those in all but the four or five most expensive European countries, the MarkIntell data shows.

When taxes are excluded, the four Australian NEM states have the costliest residential electricity in the world. American households – which benefit from a large market and cheap and abundant natural gas – pay just US12.5¢/kWh (15.75¢), the US Energy Information Administration says.

The annual cost to households of accepting a standing offer from one of the big three retailers instead of the best offer in the market has been estimated by the St Vincent de Paul Society to be \$830 in Victoria, \$900 in Queensland and \$1400 to \$1500 in NSW and South Australia.

Mr Mountain said ordinary customers without sophisticated spreadsheet and analytical skills had little hope of analysing competing offers to work out the best power deal.

Private comparison websites do not include all market offers and charge retailers for switching customers, while the websites offered by the Australian Energy Regulator and the Vic-

torian government do not provide the tools customers need to discriminate among offers.

"It's a market characterised by very high search costs, which means it is very hard to find the right offer and people make mistakes," Mr Mountain said. "Customers are alienated and it's characterised as 'people are lazy'."

Energy Minister Josh Frydenberg said the government wanted energy retailers to be more transparent around electricity bills, and left open the option of regulation.

"People may get a discount for one or two years but remain on a contract for five or six years, but they don't know when the discount ends and therefore they don't know when they could be getting a better deal elsewhere," he told

the ABC.

"The Prime Minister wants to eyeball the retailers and to tell them that we all need to do better to ensure particularly vulnerable households ... get the best possible deal because right now, it seems, many of them are stuck on standing offers, which are not as attractive as market offers."

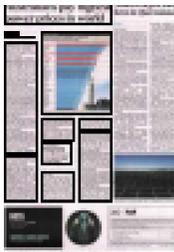
Energy executives did not comment on the retail price comparisons. "We're acutely aware of how price rises are impacting Australian households and businesses," Origin chief Frank Calabria said. "All of us in the industry and the government need to work urgently together on the issue."

An EnergyAustralia spokesperson said record prices and outages made it "hard to argue that the energy system is working as intended, in the interests of families and businesses" and electricity "must be available when people need it and at an affordable price".

EnergyAustralia urged governments to make it easier for customers by creating a national comparison rate for electricity prices, and a national accreditation scheme for energy comparison services to improve customer confidence and understanding.

It's a market characterised by very high search costs, which means it is very hard to find the right offer.

Bruce Mountain, CME director



05 Aug 2017

AFR Weekend, Australia

Author: Ben Potter And Andrew Tillett • Section: General News • Article Type: News Item
Audience : 56,141 • Page: 11 • Printed size: 545.00cm² • Market: National
Country: Australia • ASR: AUD 4,826 • words: 759 • Item ID: 822958900

isentia.mediaportal

Licensed by Copyright Agency. You may only copy or communicate this work with a licence.

Page 2 of 2

