

# MEDIA RELEASE

10 May, 2010

## **Victoria sets global benchmark for customer switching**

Annualised customer switching in the retail energy market in Victoria in 2009 was the highest ever recorded in a fully contestable market according to world authority on retail energy markets, The VaasaETT Global Energy Think-Tank ("VaasaETT").

The founder of the industry benchmark, the World Retail Energy Market Rankings, VaasaETT looks at contestable markets worldwide and seeks to rank them on the percentage of customers in each market switching their electricity and gas providers each year.

The level of switching is a tangible barometer of both customers' willingness to embrace retail choice and the level of competition amongst energy companies in that market.

In 2008 Victoria had been the number one market in the World Retail Energy Market Rankings and seems likely to hold on to that status in 2009 based on Australia only figures released by the Energy Retailers Association of Australia (ERAA) and VaasaETT today (see attached).

They show that Victoria had a customer switching rate of 26.3% for gas and electricity in 2009 driven by the twelve or so retailers active in that market, the vast majority of which are ERAA members.

According to Dr Philip Lewis, the Chief Executive of VaasaETT, "Victoria is the most consistent highly active market in the world. It stands alone as the only market to have maintained a level of annualised switching at or above 20% for the last five years. With the exception of Great Britain, all other active markets in the world have historically fluctuated substantially in terms of activity. Some have risen promisingly only to die out. Others come and go. Victoria has maintained permanent competitive opportunities and pressures."

The ERAA Executive Director, Cameron O'Reilly said the decision of the Victorian Government to phase out retail energy price caps from 1 January, 2009 saw companies putting even more resources into attracting customers in that state and into offering a wider variety of products to households and businesses.

"Once you took away the risk of a regulator getting price setting wrong, the extremely competitive market structure kept prices efficient while presaging a greater array of choice in product and provider for Victorian consumers."

"While done in the name of protecting consumers, retail price caps that remain in place in States other than Victoria have simply reduced retailer and product choice in those markets", Mr O'Reilly said.



Analysis of the other Australian states by VaasaETT shows Queensland, which only embraced full retail competition in 2007, saw an increasing switching rate in the second half of 2009 and overall figure of 15.4% for electricity customers, but a much lower figure for gas.

South Australia, which had previously ranked very highly in customer switching, lagged significantly behind Victoria in 2009 while NSW continued to exhibit moderate switching rates.

The ERAA urged the other States to follow the Victorian lead in phasing out price caps and moving to a price monitoring regime similar to that established by the Essential Services Commission of Victoria (ESCV).

“Given the uncertainties about future prices driven by carbon policy, the renewable energy target, feed-in tariffs, energy efficiency schemes and future network investment, regulators will find it virtually impossible to set accurate prices in the future”.

“What Victoria shows is that if you get the market structures right, you can allow the market to set efficient prices and ensure consumers have both choice and protection”, Mr O’Reilly said.

The ERAA emphasised that even where price regulation was no longer in place consumers enjoyed comprehensive consumer protection through State based retail codes and generic laws such as the Trade Practices Act and Fair Trading laws. Much of the specific consumer protection would in future be provided through a National Energy Customer Framework (NECF), while generic protection would be encapsulated in the Australian Consumer Law (ACL) due to take effect on 1 January, 2011.

### **About ERAA**

**The Energy Retailers Association of Australia (ERAA) is the peak industry body representing retailers of electricity and gas in Australia’s National Electricity Market (NEM) and national gas market. Member companies operate in all the States of Australia and have over 11 million customers. The members include AGL Energy, Origin Energy, TRUenergy, Energy Australia, Integral Energy, Country Energy, Aurora Energy, Victoria Electricity, Simply Energy, Australian Power & Gas, Alinta Energy, ERM Retail, Red Energy, Momentum Energy, Ergon Energy, Synergy, Power and Water, Horizon Power and ActewAGL.**

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For more information on the World Retail Energy Market Rankings go to [www.utility-customer-switching.com](http://www.utility-customer-switching.com)