



# Price Deregulation

## **Retail price regulation to date**

The standing offer price – the offer that energy retailers are obliged to make available to all customers - is currently set by negotiations between the Victorian Government and the retailers. This is referred to as retail price regulation. The standing offer price also acts as a reference point, or the “price to beat” for market offers. Since the introduction of Full Retail Competition (FRC) in 2001, retailers have also provided ‘market offers’ where they set the price independently.

## **Effectiveness of competition review**

As part of energy market reform, jurisdictional energy markets are being reviewed by the Australian Energy Market Commission (AEMC) to assess the effectiveness of competition and whether retail price regulation should be removed. In February 2008 the AEMC determined that competition was effective in Victoria and recommended the removal of price regulation. Legislation passed in October 2008 removes the role of the Government in setting electricity and gas prices from 1 January 2009.

## **From January 2009...**

- All retailers will be obliged to have standing offers, but the retailers will determine the price without any government or regulatory oversight
- Standing offers are fixed for a minimum of 6 months
- Retailers will continue to provide market offers
- All standing offers and some market offers will be published on the Essential Services Commission’s website

## **Possible winners and losers**

The risk for consumers is that retailers will adopt pricing strategies disadvantaging consumers where competition is low. For example, retailers may set high prices for standing offers in areas where it is expensive to compete for customers. Retailers may also set standing offers low to limit competition in certain areas.

Specifically, customers in non-metropolitan/rural areas, low volume users, tenants and people susceptible to door knocking campaigns may be disadvantaged by ineffective markets because:

- the cost of acquiring customers in remote areas is usually higher than metropolitan areas;
- low volume users are less profitable; and
- door knockers may use deceptive marketing techniques to win over new customers.

# Price Deregulation: Key Agencies and Links

Agency	Role
Essential Service Commission (ESC)- <a href="http://www.esc.vic.gov.au">www.esc.vic.gov.au</a>	Responsible for price monitoring, publishing prices and non-price retail regulation.
Australian Energy Market Commission (AEMC) – <a href="http://www.aemc.gov.au">www.aemc.gov.au</a>	Conduct effectiveness of competition reviews
Department Primary Industries, Energy Division - <a href="http://www.dpi.vic.gov.au/dpi/dpinenergy.nsf/Home+Page/Energy~Home+Page?open">http://www.dpi.vic.gov.au/dpi/dpinenergy.nsf/Home+Page/Energy~Home+Page?open</a>	State energy policy

ESC information about customer protections and energy retail prices (new website currently under development) - [www.esc.vic.gov.au/yourchoice](http://www.esc.vic.gov.au/yourchoice)

ESC Flyer about how to choose energy retailer: “10 steps to making the best choice”  
<http://www.esc.vic.gov.au/NR/rdonlyres/E84B2834-AAFB-400A-9FFC-3A4BB793E20E/0/DLMagnet.pdf>

ESC Energy Retail Code -  
<http://www.esc.vic.gov.au/NR/rdonlyres/638A442B-14B2-45D8-9AFD-041616E521EC/0/October2007EnergyRetailCodeVersion420071018.pdf>

ESC Code of Conduct for Marketing Retail Energy in Victoria –  
[http://www.esc.vic.gov.au/NR/rdonlyres/132AD8B7-C484-4716-9533-0E93E4A08C17/0/MCC\\_FinalOct04.pdf](http://www.esc.vic.gov.au/NR/rdonlyres/132AD8B7-C484-4716-9533-0E93E4A08C17/0/MCC_FinalOct04.pdf)

AEMC’s Review of the effectiveness of competition in Victoria –  
<http://www.aemc.gov.au/electricity.php?r=20080115.165948>

CUAC Expert Forum on Electricity Pricing (2007), Research Papers - <http://www.cuac.org.au/database-files/view-file/2348/>

Consumer Action and FCRC Research Report, Coercion and harassment at the door Consumer experiences with energy direct marketers (2007) - <http://www.consumeraction.org.au/downloads/EnergyMarketinginVictoria-Finalv.3.pdf>

Energy and Water Ombudsman Victoria (EWOV), Complaints and dispute resolution – [www.ewov.com.au](http://www.ewov.com.au)