

Consumers let down badly by electricity market: ACCC report

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The Australian Competition and Consumer Commission has called for sweeping reform of the national electricity market to lower power prices and restore consumer confidence.

In its damning report, to be released on Wednesday, the ACCC says consumers face a confusing and unfair market. Discounts are misleading and need to be made fairer; customers should be able to compare these against a benchmark rate set by the Australian Energy Regulator.

The ACCC backs the Turnbull government's push for its National Energy Guarantee (NEG), calling on other governments to commit to it. The federal government is presently trying to bed down the NEG with states and territories, against a distracting background of criticism from former prime minister Tony Abbott.

Prime Minister Malcolm Turnbull will deliver a consumer-focused speech on energy and power prices to the Queensland Media Club on Wednesday.

The ACCC's recommendations would require action by federal and state governments.

The ACCC says the electricity market is facing its most challenging time, with the present situation being unacceptable and unsustainable. But it holds out the prospect of "significant gains" for consumers and businesses if the changes it recommends are made.

Urging a reset, it says reform can "bring down prices and restore consumer confidence and Australia's competitive advantage". Unnecessary costs need to be got out of the system to save consumers hundreds of dollars annually.

The ACCC urges changes to get greater competition among wholesalers and retailers, and says network charges must fall.

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Tougher powers should be given to the Australian Energy Regulator to deal with “market manipulation”.

The customer transfer process needs to be speeded up, enabling people to move to new offers quickly. Special conditions like pay-on-time discounts should not operate in a harsh punitive manner.

The ACCC says small businesses should get access to the same improved rules as households.

Third-party sites showing comparisons in prices should state their commissions, it says.

The ACCC says there is a case for government support to underpin long-term contracts for large commercial and industrial users that brings on new dispatchable generation from operators that do not currently have a large market share.

It says big generators and retailers (“gentailers”) have market strength and often charge a large premium when selling wholesale electricity to their own retail operations.

It recommends a cap on any further merger or acquisition by a company with more than 20% generation market share - although such a company would be permitted to build new generation capacity.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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