



**The Hon. Scott Morrison MP**  
Treasurer

**The Hon. Josh Frydenberg MP**  
Minister for the Environment and Energy

## **MEDIA STATEMENT**

Monday, 20 August 2018

### **DRIVING POWER PRICES DOWN**

The Turnbull Government has today announced a package of measures to put downward pressure on electricity prices and stop energy companies from gouging their customers.

We are backing the ACCC to drive lower electricity prices for households and small businesses.

According to the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry released in July, the National Energy Market is not operating in the best interests of consumers, and reform is urgently needed.

The Government is implementing a number of key recommendations from the ACCC inquiry.

The ACCC and the Australian Energy Regulator (AER) will be directed to set a default price for households and small to medium-sized businesses; a price that will deliver genuine savings to customers.

This will replace the current standing offer in New South Wales, Victoria, South Australia and South East Queensland - jurisdictions where prices are not regulated.

The ACCC found the significant gap between standing offer prices and market offer prices has become excessive and consumers who have not sought a better deal are being ripped off.

A default offer will protect consumers from being exploited, while still allowing for the benefits of retail competition. This measure will prevent retailers from exploiting consumers and small business with inflated standing offers.

Under our plan, the AER would be given the power to set the maximum price for the default market offer in each region. Customers on high-priced standing offers will see their electricity price decrease as they move to a lower default market offer.

The ACCC estimates that for average customers on an inflated standing offer, the savings for residential customers from moving to the new default offer could range between \$183 and \$416.

We also think that small businesses have the right to the same protections and support. The ACCC estimates that savings for the average small to medium sized business on a standing offer could range between \$561 and \$1457.

The Government will also act to simplify the confusing array of offers that are currently on the market by requiring retailers to use the new default rate as a reference point for all advertised discounts. This will give customers more clarity when they compare retailers and offers and help ensure they get the best deal.

Limits will also be placed on the penalties customers can face when they don't pay their bills on time and lose their discounts.

The Government will seek initially to work with the states and territories on this reform. If the states do not agree, we will implement the offer through Commonwealth law. We expect the new default offer to apply from July 2019 at the latest.

In addition, the Treasurer will direct the ACCC to hold an inquiry into prices, profits and margins in the National Electricity Market. The inquiry will run until 2025 and include monitoring of retail prices and margins, wholesale bids and conduct and contract market liquidity.

The ACCC will prepare ongoing reports (at least six-monthly) and identify any cases where outcomes are unacceptable. Businesses will have the opportunity to explain and rectify issues raised by the ACCC. Where issues are not resolved, the ACCC will have the power to recommend a proportional and targeted response for the Treasurer's determination.

The range of enforcement remedies and responses that could be applied if the ACCC identifies problems would include:

- A public warning notice issued by the Treasurer or ACCC;
- A court enforceable undertaking, as currently used by the ACCC in other contexts;
- Converting the default market offer into a binding cap price;
- Tightening guidelines for how the AER sets the default market offer to further drive down the default electricity price;
- Fines and other financial penalties;
- Extending market making obligations beyond South Australia, which is a form of structural separation; and
- Ordering divestiture of assets or parts of an energy business (as a last resort).

The Government will also be accepting the ACCC's recommendation to implement a program to underwrite new, stable, low-cost generation for commercial and industrial customers. This program will be technology neutral, as recommended by the ACCC.

In addition, the Government will accept the ACCC's recommendations to:

- Limit market power by placing a cap on the share of generation any single market participant can own or control, excluding investment in new capacity and noting the ACCC's recommended 20 per cent cap;
- Establish a mandatory code of conduct for energy comparator websites to ensure they focus on benefits to consumers, not the commissions they receive from energy companies;
- Establish greater transparency in the wholesale electricity market and provide additional powers for the AER address market manipulation in the wholesale market.

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