

MEDIA RELEASE

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The time for electricity price reform is now

Australian households could save around \$100 a year on their electricity bills if governments fix the regulation of distribution networks, Grattan Institute Energy Program Director Tony Wood said today.

Speaking at the launch of Grattan's new report, [Putting the customer back in front: how to make electricity prices cheaper](#), Mr Wood said reducing the outsize profits that monopoly distribution businesses make could save consumers a total of \$2.2 billion a year.

"People are worried about rising electricity bills. There are things governments can do to make a difference, and this report explains what they are," he said.

Grattan's report shows how changes in recent years to the way distributors operate and charge their customers have unduly benefited these businesses and disadvantaged the public. To restore the balance, governments should:

- Direct and empower the Australian Energy Regulator (AER) to set the parameters that ultimately determine customer costs and company profits, and ensure that these parameters are consistent with the low risks faced by these monopoly businesses.
- Reduce the risk of political interference by transferring responsibility for setting reliability standards from state governments to the Australian Energy Market Commission (AEMC) and the AER, the national bodies that set and enforce the rules of the market.
- Implement more robust corporate governance standards for government-owned businesses to ensure they operate as efficiently as those privately owned. Otherwise they should be privatized.
- Prevent over-investment in the networks by empowering the AER to review the companies' capital expenditure forecasts annually against credible market demand forecasts, and subject any over-expenditure to a rigorous cost-benefit analysis.

Mr Wood said that rule changes proposed by the AEMC are heading in the right direction, but are still too general to instil confidence that the desired results will be delivered.

Regulators should not only have more resources and power – but should be directed – to act in the long-term interests of consumers, while not preventing distribution companies from making fair and reasonable profits.

"Our recommendations are sensible, would take some heat out of the electricity debate, and put customers back in front," Mr Wood said.

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