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Pass on savings, energy giants told

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Federal Energy Minister Angus Taylor has warned big energy companies to pass on large falls in wholesale electricity prices to their customers or face potential action from the competition regulator.

While some big retailers, such as AGL Energy and Origin, have offered retail prices of about 2.5 per cent to 5 per cent lower than last year, they are still a long way off from matching the plunge in wholesale power prices, which are at their lowest level in five years.

A recent report by the Australian Energy Market Operator found wholesale electricity prices, which make up about one-third of the residential electricity bill, were down between 48 per cent and 68 per cent on the same period in 2019.

Mr Taylor said there had been 10 straight months of wholesale price reductions since the introduction of the Morrison government's "big stick" legislation, which became law on June 20.

"While other government policies, such as the default market offer, have

delivered price reductions for Australians, it is the responsibility of all large energy companies to pass on savings," he said.

"The energy market has been one of the most secure markets during the COVID-19 crisis and the government will be watching retail prices closely.

"We will not hesitate to call on the ACCC and act if falling costs are not adequately reflected in retail bills."

The Australian Competition and Consumer Commission reports on electricity prices every six months and has been given the power to move on retailers that are dragging the chain.

The Morrison government's "big stick" energy laws include the threat of divestment for the big gentailers, although critics believe they will never be used. One of the triggers for the law is retailers not passing on a reduction in costs.

Big energy companies say they are passing on as many savings as they can in their new contract prices from July 1, but they are also dealing with higher network charges – some of which have been wholly absorbed by the power companies.

Australian Energy Council chief executive Sarah McNamara, who represents electricity and gas suppliers, said a wide range of factors went into retail prices, not just wholesale prices.

"Retail electricity prices will differ by retailer and region based on a range of factors, not just spot wholesale prices," she said.

"Key factors will include the cost to the retailer of wholesale hedging contracts, as well as network and environmental costs and other retailer costs."

The comments come as the Australian Energy Regulator is asking all energy retailers and network companies to extend their support to customers affected by the pandemic until at least the end of October, with chair Clare Savage warning the regulator would "call out" retailers that do not meet expectations.

"At a time like this, it is vital energy companies remember their broader social obligations," Ms Savage said on an AER release of an updated "statement of expectations" on energy businesses, which has been revised since its original version in March after the pandemic started.