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Network cost reductions must be passed through to consumers by retailers

Energy Consumers Australia interim CEO Lynne Gallagher today welcomed the Australian Energy Regulator's decisions on electricity network costs in South Australia and Queensland, saying it means lower retail prices from 1 July 2020 are on the cards.

Ms Gallagher said with network and wholesale costs falling and default market offers also coming down, there was now an absolute expectation from Australians that prices would fall from 1 July 2020.

"With the country moving into recession, and people and businesses experiencing loss of income, cost of living pressures become more important than ever.

"With network prices falling and wholesale prices at their lowest level since 2016, it is incumbent on energy retailers to announce lower prices from 1 July. Anything other than lower prices will fail the "consumer expectation" test, that industry is doing everything that is needed to improve affordability.

"It is critical that the cost savings to energy retailers flow through to households and small businesses, so that their bills can be managed, given that in recent years energy prices have never been more expensive," Ms Gallagher said.

In South Australia, annual electricity network costs will decrease by \$40 (2.1%) for households and by \$166 (1.8%) for small businesses. In Queensland, annual electricity network costs will decrease by \$73 (4.6%) for households, and by \$82 (3.7%) for small businesses.

The AER also today announced lower gas prices for New South Wales (NSW) consumers, where network costs represent about 41% of the total bill in coastal areas and 33% in regional areas.

Households in the coastal region of NSW will have lower annual network costs of \$55 (8.3%), while for other regional consumers annual network costs will be lower by \$81 (6.8%). Typical small business consumers should see lower network costs of \$289 (6%).

Ms Gallagher highlighted the role consumers had played in the decisions, with consumer organisations and the community being engaged in robust and open discussion with network businesses.

Through this very strong engagement, energy companies were not in any doubt about the priorities people and small businesses placed on being able to manage their bills, including through changing their energy use and investments in solar generation and storage, in having access to a reliable energy supply, and in participation.

"Where consumers and networks have achieved significant alignment, this is contributing to growing levels of co-operation and trust," she said.

"We also welcome the AER's decision on key financial settings including accelerated depreciation, treatment of different types of capital expenditure and network tariff settings.

"All eyes are now on energy retailers, who are expected to announce their price changes for 2020-21 in the coming weeks."

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