

A basic service offer is a quick fix for the energy mess

By Zac Gillam

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It was fascinating listening to the Premier attack the price gouging of energy retailers in Victoria, more so given the answer to the spiralling cost of energy has been sitting on the desk of the state's energy minister for a year. That talk is cheap has never been more true in the case of energy prices.



People choosing the BSO could be confident that the price they are paying for energy is fair. JAMES DAVIES

Twelve months ago, in August last year, an independent review of the electricity and gas markets in Victoria recommended introducing a Basic Service Offer — or “BSO” — into the energy markets. It's a simple concept. The independent state regulator would determine what is a fair price for energy, and all energy companies would be required to offer the BSO to everyone.

People choosing the BSO could be confident that the price they are paying for energy is fair. It's that simple.

We know that far too many of us are paying too much for our power — often without realising it. And the analysis just released [by the St Vincent de Paul Society](#) adds more heat to the

debate. It showed that Victorian households on the worst electricity deals are paying almost \$1000 more each year for the same amount of power as those on the best offers.

We know that navigating the market to find a fair price is far too complicated — many people have simply given up. With literally hundreds of plans to choose from, each with their own nuanced variations, who can tell which plan is better than another? So people stick with the retailer they know, because they're scared that if they take a leap they might get stung. Who can blame them?

And how much time and effort should anyone have to put in to making that comparison? There are better things to do than spend precious time comparing energy plans.

Under a basic service offer, a person wouldn't have to. A BSO would be a guarantee from the independent regulator that the price you're paying is fair. No more shopping around and no more worrying about whether you're paying too much. Simple.

Retailers have all lined up heavily against the BSO. When they profit from all the confusion, of course they would oppose a reform that offers simplicity.

They also claim that the BSO would "kill competition". This is nonsense. If a retailer is genuinely innovative there would be nothing to stop them offering prices either above or below the price point of a BSO, and attracting customers based on features other than price. When the only innovation we've seen is a lot of tricky marketing and confusing plans, it's clear we need some price discipline in the market to prompt genuine innovation that might — shock, horror — actually benefit those who pay the bills.

The energy market exists to deliver reliable energy at a fair price to everyone who needs it; it doesn't exist so that large companies can charge exorbitant prices and offer confusing plans to gouge their customers.

Soaring energy prices are not just a line on a graph. They mean young families choosing between heating or eating, old people sitting alone in the dark, and low-income households being disconnected from their power supply — with all of the poor social and health outcomes that entails.

Energy is not a discretionary purchase, it's an essential service. It's not right that we should be ripped off for a product that we cannot choose not to buy. It's not right that people should need a degree in energy economics to choose a power plan, and then still not be sure they're not paying too much. It's not right that we should trust the market to deliver, when 15 years of data show that things have become worse, not better. People have a right not to be ripped off when paying for their power, and a BSO would deliver that.

In March, the Andrews government responded to the independent review by stating that the basic service offer remained under consideration. Six months later, the government has surely had enough time to consider such an important reform to energy markets and should introduce this immediately.

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