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Day of judgment on power prices nears

The end of financial year sales are upon us with many Australians planning to take advantage with a good deal, but in previous years those savings have been wiped out as electricity retailers announced their end of financial year price changes.

Last year, headline double digit price increases in most states added hundreds to the average household electricity bill. But all that should change on July 1, when consumers in most states should expect to see savings in their electricity bills for the first time in years.

Network pricing decisions just released by the regulator mean many Australians should see the network cost part of their bill fall by up to \$40 a year. South Australians have already seen a \$180 a year decrease in network costs over the past two years and distribution networks prices were reduced in Victoria earlier this year.

Gas prices are also trending down and as Energy Minister Josh Frydenberg stated recently the wholesale power prices in the National Electricity Market have fallen nearly 30 per cent, year on year.

These falling supply chain costs in the energy sector are welcome news, but it only makes a difference to consumers if energy retailers such as AGL, Origin, and Energy Australia make the right decision to pass these lower costs through to their customers in the form of lower prices and lower bills.

The banking regulator APRA recently released a sobering report into the Commonwealth Bank. It found a culture problem at the heart of the Bank's decision making, a worrying disconnect with its customers, a widespread sense of complacency and lack of accountability to customers. The Bank's Board accepted all the recommendations of the report.

The question for the boards of Australia's energy companies is whether the same culture problem exists in that sector. Energy companies with a culture which says it's ok to take as much money from consumers as possible are not meeting community expectations, which is what got banks into trouble with fees for no service.

Only one in five consumers surveyed are confident the energy market is working in their interests and fewer households say they get good value from electricity providers than services including banking or internet.

All energy companies must tackle the energy affordability crisis now to re-build confidence in the market. Consumers expect to see prices and bills significantly lower in the coming year – they no longer accept small price increases, or flat prices, as an acceptable outcome.

The ACCC's final report on its electricity prices inquiry is due to be delivered this month and it couldn't be better timed. It is expected to be highly critical of the industry and to make far reaching recommendations.

The boards and management of all energy companies have a choice: resist consumers' demands and have change forced on them by governments and regulators; or they can recognise it is consumers parting with their hard-earned dollars that power the energy sector.

July 1 is judgment day for Australia's energy sector – retailers have a chance to show us they are listening to the voices of consumers by delivering lower electricity prices.