



Media Statement

21 October 2016

ERA recommendations benefit consumers through increased competition

The Economic Regulation Authority (ERA) has recommended changes to the West Australian electricity market to improve competition.

ERA chair, Nicky Cusworth, said the review of the effectiveness of the Electricity Generation and Retail Corporation regulatory scheme highlighted the need for changes to make the energy market more competitive.

“The State’s South-West wholesale electricity market is relatively small, and Synergy controls around three-quarters of the total wholesale energy supplied. As a result, market power mitigation measures are necessary to ensure only the lowest sustainable cost is passed through to consumers,” Ms Cusworth said.

“As reforms from the electricity market review process take effect and force Synergy to cut back its excess generation capacity, energy prices are expected to become more volatile,” she said.

“Retailers will have a greater need to fix prices in advance to manage their risk.

“Under the scheme’s safety mechanism, Synergy must increase the price at which it buys energy, if it increases its ‘sell’ price. This constrains Synergy’s ability to unreasonably increase its sell price.

“The ERA recommends the gap between the buy and sell price is narrowed from 20 per cent to 10 per cent.

“This will ensure that the energy contracts are priced competitively, helping retailers to manage their risk and encouraging greater competition.”

Ms Cusworth said the report also recommends improving the transparency of Synergy’s financial reporting to provide confidence there are no cross subsidies between Synergy’s businesses.

* The Electricity Generation and Retail Corporation (EGRC) Regulations and EGRC Regulatory Scheme (scheme) were put in place when Verve Energy and Synergy were merged on 1 January 2014. The ERA is required to assess the effectiveness of the EGRC regulatory scheme in mitigating Synergy's market power each year, and provide a report to the Minister for Energy. This is the second review of the scheme.

A copy of the report is available on the ERA website at www.erawa.com.au.

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