

PRESS RELEASE

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Energy users to maintain watchful eye on acquisition impact

Energy users are disappointed by the authorisation of the acquisition of Macquarie Generation by market giant AGL, announced late yesterday afternoon by the Australian Competition Tribunal following opposition posed by the ACCC.

AGL, Origin Energy and Energy Australia possess over 80% of the electricity retail market share. The EUAA voiced concerns in a submission to the ACCC that the acquisition could impact on second tier retailers and new entrants into the retail market.

'The potential to wield market power can be a sufficient threat,' said Phil Barresi, Chief Executive of the Energy Users Association of Australia (EUAA). 'Non-vertically aligned retailers and customers have more limited capacity to respond than generators and are therefore more dependent on hedges to manage market risk.'

'This decision allows the three largest vertically integrated retailers in the NEM to hold 44% of total registered generation capacity,' said Mr Barresi. 'Whilst we respect the Tribunal's decision we're not entirely convinced that the modelling we requested in support of the ACCC's opposition provided an accurate understanding of the impact of the acquisition on the market.'

'Whilst we welcome the clauses outlined in the decision we certainly stand by our concerns,' said Mr Barresi. 'We're not entirely convinced that these will mollify the effect of substantially lessening competition in the retail and wholesale electricity markets.'

"Reduced competition is a two edged sword" said Mr Barresi. "Our members' concerns effectively come down to market power as exercised by potentially withholding generation and resulting high prices."

"Our call for a comprehensive modelling of the possible effect of the acquisition has not been taken up," said Mr Barresi. "On behalf of energy users we will remain vigilant in our scrutiny of all future price and supply movements not only in NSW but elsewhere in the NEM."

The EUAA is the peak industry body for Australia's energy users including manufacturers, retailers and resource-based industries.

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