



THE HON CHRIS BOWEN MP
MINISTER FOR CLIMATE CHANGE AND ENERGY

MS23-003283

Ms Clare Savage
Chair
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Clare.Savage@acr.gov.au

Dear Ms Savage

Clare

A key priority for the Australian Government is tackling the cost-of-living challenge that is affecting families and businesses across Australia. The Government understands that Australians are experiencing significant cost of living pressures and is rolling out \$23 billion in cost-of-living relief to households and small businesses under the Government's 10-point cost-of-living plan. This plan has been carefully calibrated and methodically designed to mitigate cost-of-living pressures without adding to inflation in the economy.

As you would be aware, energy bills are contributing to cost-of-living pressures facing Australian families and small businesses. To shield Australians from the worst impacts of price increases the Government has partnered with states and territories to deliver the Energy Price Relief Plan to address the immediate impact of price increases. More than 5 million eligible households and 1 million eligible small businesses are expected to benefit from energy bill relief by up to \$500 and \$650 respectively.

The Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) shows that electricity prices increased by 4.2 per cent in the September quarter. Without energy rebates, the ABS estimates prices would have increased by 18.6 per cent.

While the Government's actions have put downward pressure on inflation, it is still too high – around the world and in Australia – and domestically, inflation is not expected to return to the RBA's target until 2025. There is significant uncertainty around the economic outlook, and the ongoing war in Ukraine, conflict in the Middle East and decisions by global oil producers pose an upside risk to fuel prices and inflation

With the prospect of cost-of-living challenges persisting in the Australian economy, I am requesting the Australian Energy Regulator take into account broader economic conditions and how they impact energy producers and users, including acute periods of cost of living pressures such as the one currently being experienced. I ask that the AER do this by exercising the flexibility afforded to it under s16(4) of the *Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019* when determining the Default Market Offer while these exceptional cost of living pressures persist. This request is intended as a temporary measure to lessen where possible increases to retail electricity bills faced by customers in regions where the Default Market Offer applies.

In making this request, I acknowledge the AER's role as an independent decision-making body responsible for regulating wholesale and retail energy markets, and energy networks, under national energy legislation and rules. As such I would expect this request to be considered on balance with the policy objectives of the Default Market Offer, including having regard to retailer profits as well as prices charged and costs borne by retailers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Bowen', with a stylized flourish at the end.

CHRIS BOWEN