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NSW Energy Retailer Roundtable

The Australian Energy Council welcomes the opportunity to make a submission to the NSW Government on how retailers will be assisting energy customers with bill increases from 1 July 2017.

The Australian Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council appreciates the opportunity to engage with Don Harwin MLC, NSW Minister of Energy and Utilities regarding concerns with bill increases from 1 July 2017. We set out below a high level overview of the issues canvassed at the NSW Energy Retailer Roundtable on Tuesday 16 May 2017.

Competition in retail electricity markets, as competition does in other sectors of the Australian economy, incentivises electricity retailers to optimise efficiency, improve service, develop products that meet customer needs and achieve lower costs so they are competitive. Like other competitive consumer markets, competitive retail electricity markets are best placed to facilitate the development and deployment of new technologies to customers.

Retailer feed-in-tariff offers to customers with solar panels

Deregulated markets are best placed to determine the most appropriate, sustainable and economic value for the electricity that is produced and exported by small-scale renewable technologies, including photovoltaic (PV) units. Just as the deregulated New South Wales electricity market provides customers with choice in energy offers, a deregulated market for Feed-in Tariffs (FiTs) allows energy retailers to compete to purchase the electricity exported from PV units. The market for electricity exported by PV units in NSW has matured over recent years, with retailers competing to provide customers the offer that best suits them. NSW currently has 22 retailers and with that competition comes a variety of offers.

The Energy Council acknowledges that higher forecast wholesale electricity prices in 2017-18 have resulted in an increase to IPART's benchmark range for voluntary solar feed-in tariffs. Where firm generation is scarce relative to demand, forward wholesale contract prices rise. This is evidenced by the significant increase in forward contract prices across the National Electricity Market (NEM) resulting from the recent removal of more than 2,000 megawatts (MW) of supply (the closure of

Northern and Hazelwood power stations) without firm generation replacement or changes in demand.

Improving retailer communications around digital meter rollout

The digital metering rollout requires a change to business and operational practices of electricity retailers to accommodate. This investment will be strengthened by supporting legislation, providing confidence to retailers offer smart metering in NSW ahead of the national arrangements.

To that end it is important that retailers and other market participants have the opportunity to work closely with the NSW Government on any communicating package that would be developed to communicate the benefits of smart meters more generally. A well thought out and informative communication package will assist in developing consumer confidence and participation in this important reform.

The NSW Government has taken a lead role to date in ensuring positive messaging on smart metering is projected to consumers in NSW to avoid the Victorian experience.

Helping consumers compare offers and find the best offers

Effective competition requires both sellers to actively seek out customers and consumers to seek out offers. Retailers have a variety of marketing channels to both existing and potential customers. These include various forms of direct marketing and partnerships with other organisations, such as One Big Switch as well as price comparison websites.

Removal of the Climate Change Levy from customer bills

Until 31 December 2016, the Climate Change Levy was the vehicle for funding the costs of the NSW Solar Bonus Scheme. The Solar Bonus Scheme has now terminated. Yet the government is still collecting significant sums from the state's distribution businesses, which they in turn pass on to customers via retail bills. We call on the NSW government to transfer the funding of its climate change activities on budget and relieve electricity customers from doing so. We recognise that given the timing of the state budget and changes to distribution charges this is realistically now a 2018/19 goal.

Energy affordability

We note that some retailers have announced measures to assist vulnerable customers to manage price rises. The AEC retail members are committed to working with the Government and the AER in the best interests of NSW consumers making it easier for them to stay connected.

Any questions about our submission should be addressed to Panos Priftakis, Policy Adviser by email to panos.priftakis@energycouncil.com.au or by telephone on (03) 9205 3115.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sarah McNamara', with a long horizontal flourish extending to the right.

Sarah McNamara
General Manager Corporate Affairs
Australian Energy Council