

Retail Electricity Market Monitoring
Independent Pricing and Regulatory Tribunal
Haymarket, NSW, 1240

By email: http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

7 November 2017

Draft Report 2017 NSW Retail Electricity Market Monitoring

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal (IPART) Information Paper for its 2017 review of the NSW retail electricity market.

The 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 welcomes IPART's Retail Electricity Market Monitoring draft report. Periodic review of NSW's electricity market is an important tool in monitoring the continued performance of the markets to ensure competition is delivering results for consumers. Competition in retail energy markets, as in other markets, creates incentives for businesses to create innovative products, improve their service and lower costs so as to remain competitive.

The NSW retail electricity market was deregulated in 2014, which has allowed retailers to design products and services to cater for the needs of different customer segments. The Energy Council supports IPART's finding that competition continues to improve and is providing positive outcomes for customers. We note the report's finding that there is scope to improve customer outcomes through improved customer engagement. The Energy Council is actively working with retailers and governments to continue to improve competition in retail electricity markets and assist customers have the necessary tools to engage with the market.

Competition continues to improve

The Energy Council welcomes the finding that based on key indicators, competition continues to improve in the NSW retail electricity market. The Energy Council has consistently advocated that deregulated markets drive the best outcomes for customers. Since the deregulation of the retail electricity market in NSW in 2014, indicators of competition have continued to improve, such as the number of retailers and the market share of smaller retailers.

While price rises to residential and business customers are concerning, the Energy Council acknowledges IPART's finding that price rises have been driven by constraints in supply in the wholesale market. This lack of supply has not sent the usual investment signals due to continued policy uncertainty. While the Energy Council is committed to working with retailers and governments to assist customers to engage with the market to ease cost pressures, stable climate policy is needed to encourage new investment into the wholesale market.

Standing offer customers

An indicator for performance of retail competition is the number of customers on market offers. As indicated in the IPART report, 77% of customers are on market offers in NSW. This is a pattern echoed across deregulated NEM states. As indicated in the table below, regions which have been deregulated for longer periods (such as Victoria) have lower percentages of customers on standing offers. Regions which remain regulated such as the ACT and Tasmania still have high numbers of standing offer customers.

NEM Region	2016 electricity standing offer %	Competitive retailers ¹
South East Queensland²	27	13
New South Wales	23	22
Australian Capital Territory	77	5
Victoria	10	22
South Australia	14	16
Tasmania	89	2
Total NEM	27.1	-
Fully deregulated NEM regions³	18.5	-

Engaged and active customers increase competitive pressures

The Energy Council supports the premise that more engaged and active customers improve retail competition outcomes. While customers in NSW are already engaged with 77% on market offers, the Energy Council agrees that there is scope to improve customer's participation in the retail energy market. The Energy Council as well as energy retailers are taking active steps to increase customer engagement in the retail electricity market in line with commitments made with the Prime Minister in August 2017.

These commitments include, but are not limited to:

- writing to all customers on standing offers or whose benefit periods have expired and outline alternative offers available;
- working on marketing in dollar terms rather than percentage discounts as part of work with the AER on comparator rates and factsheets;
- work with the Government Behavioural Economics Team (BETA) and the AER on a trial to test different approaches to promoting consumer engagement; and
- support rule changes to the National Energy Retail Rules to improve customer experience of energy markets, including for example the rule change to notify customers at the end of their fixed benefit period and a pending rule change to ban discounting off offers above a standing offer rate.

The Energy Council is actively working with the AER in the context of these commitments through participation in an AER reference group on energy price information. This group is working on creating new Energy Price Fact Sheets, comparator rates or reference prices to assist customers to compare offers and other tools to make it easier for consumers to engage with the retail electricity market.

The Energy Council is supportive of IPART's recommendation that assisting customers to engage with the market will result in better consumer outcomes than 'heavy handed' approaches such as reregulation of prices. In our view, reregulation poses a serious risk to retailers and to customer experience of energy markets. The result of reregulation would be fewer offers on the market, fewer retailers and increased prices for consumers in the medium to long term. It is imperative that competition is promoted to ensure smaller retailers offering innovative offers can continue to enter the market and capture emerging customer segments. These innovative offers are beneficial to the increasing number of customers taking up solar PV and other technologies, such as batteries.

Conclusion

The Energy Council welcomes the draft Review of the performance and competitiveness of the retail electricity market in NSW. The findings demonstrate that competition continues to improve and that this is resulting in better outcomes for customers. While a majority of consumers are engaging with the market, there is scope for improvement. The Energy Council is actively working with the AER, state and federal governments and industry to improve customer engagement with electricity markets, which will ultimately provide the best outcomes for customers.

Should you have any questions in relation to this rule change request please contact Isobel Graham, telephone (03) 9205 3107 or isobel.graham@energycouncil.com.au.

Yours sincerely,



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