

WHAT

This Fact Sheet explains the role of the Independent Pricing and Regulatory Tribunal (IPART) as the Market Monitor for the NSW retail electricity market, and sets out our proposed approach to carrying out this role for the 2015-16 financial year.

As the Market Monitor, we are required to report annually to the Minister for Industry, Resources and Energy on the performance and competitiveness of NSW retail electricity market. We delivered our first market monitoring report to the Minister in November 2015. We found that competition in the NSW retail electricity market was working effectively in 2014-15, although there were opportunities to make the market work better for customers. For example, we recommended that the Government promote greater use of the Energy Made Easy online price comparator, and remove components of state-based green and energy efficiency schemes that duplicate or are inconsistent with Commonwealth schemes.



WHY

Following deregulation of the NSW retail electricity market in 2014, the NSW Government tasked IPART with monitoring the performance and competitiveness of electricity retail market for small customers. Our role is set out in the *National Energy Retail Law (NSW)* (the Act).

WHO

In our role as Market Monitor, we focus on the impact of electricity retail competition on residential and small business customers in NSW.¹



HOW

In assessing the NSW electricity retail market, we are required to have regard to:

- ▼ the Australian Energy Market Commission's (AEMC) annual competition review, including findings from their consumer and retailer surveys
- ▼ the Australian Energy Regulator's (AER) State of the Energy Market Report and reports on the performance of the retail energy market
- ▼ information provided by the NSW electricity retailers
- ▼ any other publicly available information, such as complaints data published by the Energy & Water Ombudsman NSW (EWON) and St. Vincent de Paul Society's reports on energy prices.

We will be seeking information on standing and market offers from NSW electricity retailers current in December 2015 and June 2016 to inform our analysis.

¹ Section 234A of the National Energy Retail Law (NSW).

We will use the information collected from electricity retailers, the AER, the AEMC, and other sources to assess the level of price and product competition, customer engagement and affordability, by means of the competition indicators shown in Table 1.

How can stakeholders be involved?

We invite comments from stakeholders on our proposed approach as outlined in this Fact Sheet. We also seek stakeholder views on:

- ▼ What other issues/indicators should we have regard to in assessing the performance and competitiveness of the NSW retail electricity market?
- ▼ What other sources of information may be relevant to our assessment?

Stakeholder submissions on our Fact Sheet are due by **20 June 2016**. We prefer to receive them electronically via our online submission form:

www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

You can also send comments by mail to:

2016 review of the retail electricity market
Independent Pricing and Regulatory Tribunal
PO Box K35,
Haymarket Post Shop NSW 1240

Late submissions may not be accepted.



WHAT NEXT

We will release our preliminary findings on the state of competition in the NSW retail electricity market in our Draft Report by the end of August 2016. Stakeholders will have an opportunity to comment on our draft findings. We will submit our Final Report to the Minister by 30 November 2016.

The timetable for the 2016 retail electricity market monitoring review is outlined below.

Timetable for the 2016 retail electricity market monitoring review

Date	Stages of Review
23 May 2016	Release Fact Sheet
20 June 2016	Submissions on Fact Sheet close
End August 2016	Release Draft Report
End September 2016	Submissions close on Draft Report
By 30 November 2016	Submit Final Report to the Minister for Industry, Resources and Energy

How will we assess the state of competition?

Table 1 Proposed approach to monitor competition in NSW retail electricity market

State of competition indicators	How will we assess?
Barriers to entry, exit or expansion	<p>We will identify any barriers for retailers to freely enter, expand and exit the NSW electricity retail market. To do so, we will examine changes in market structure and concentration, including the number of retailers and their market shares. We will also determine whether regulatory or non-regulatory costs and impediments could pose as barriers, for example:</p> <ul style="list-style-type: none"> ▼ hedging availability ▼ economies of scale ▼ economies of scope ▼ exit costs.
Customer participation and outcomes	<p>We will examine how customers are responding to the range of market offers available. Among other things, we will consider:</p> <ul style="list-style-type: none"> ▼ data on customers switching retailers or plans with the same retailer ▼ customers' views on the ease of comparing market offers and of switching retailer or plan ▼ customers' satisfaction with their current plans, or their decisions to switch retailer or plan.
Price of electricity in regional areas	<p>We will compare prices between regional areas and urban areas, including price differences for:</p> <ul style="list-style-type: none"> ▼ standing vs market offers ▼ different network areas.
Rivalry and price and product diversity	<p>We will assess the extent of rivalry to attract and retain customers, including competition on price and products. To do so, we will consider:</p> <ul style="list-style-type: none"> ▼ the degree of concentration of market share ▼ data on customers switching retailers or plans with the same retailer ▼ innovation and diversity in prices, products and services offered ▼ key areas of customer concerns.
Price movements	<p>We will analyse price movements to assess if they are consistent with a competitive market. We will determine whether there is a need for a detailed review of retail prices and profit margins in the retail electricity market. To do so, we will consider:</p> <ul style="list-style-type: none"> ▼ price movements of standing and market offers, and price differences across retailers ▼ fluctuations in wholesale energy costs ▼ pass through of network prices. We note that future network prices may be affected by the Australian Competition Tribunal's (ACT) decision to set aside and remit to the AER for further consideration the determinations for the NSW electricity distributors Ausgrid, Endeavour Energy and Essential Energy. The AER has appealed the ACT decision to the Federal Court.