



Fact Sheet

Monitoring the electricity and gas retail markets for 2019–20

Each year, IPART reviews and reports on the performance and competitiveness of the retail electricity and gas markets in NSW. We have released our Final Reports with findings for 2019–20 and recommendations to the NSW Government.

The Final Reports can be found on our [website](#). This Fact Sheet summarises our key findings.

COVID-19 impacts will become more apparent during 2020-21

The COVID-19 pandemic was a major focus of the second half of 2019-20. The resulting restrictions have had a major impact on the economy and the behaviour of customers. Restrictions have led to a shift in demand, with residential demand increasing as people spend more time at home, and business demand falling correspondingly. This will lead to higher residential bills and may cause further financial hardship.

The Australian Energy Regulator (AER) moved quickly to support energy consumers who were vulnerable to the impacts of COVID-19. However, retailers haven't taken on additional responsibilities to support their customers and are likely to face increased customer debt. This will become more apparent over the coming year, especially as government support payments reduce. This may affect competition if some retailers leave the market, or if retailers remove their lowest prices to manage their financial sustainability.

The DMO has contributed to prices falling for customers on standing offers

Overall electricity and gas prices have fallen for many NSW customers and there are better offers available in the market than there were in June 2019.

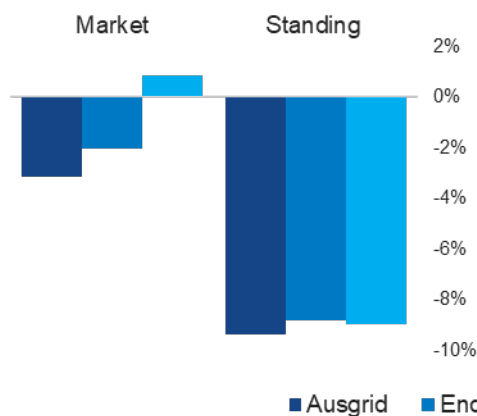
Electricity prices

2019-20 saw the implementation of the default market offer (DMO) which effectively caused standing offers to fall by around 9% from June 2019 to June 2020. For the more competitive market offers, which 87% of residential customers are on, the median offers fell for customers in the Ausgrid and Endeavour Energy distribution areas, but increased slightly for customers in the Essential Energy distribution area (prices vary by the distribution network area as there are different network costs for each distributor, which are passed on to customers in that area).

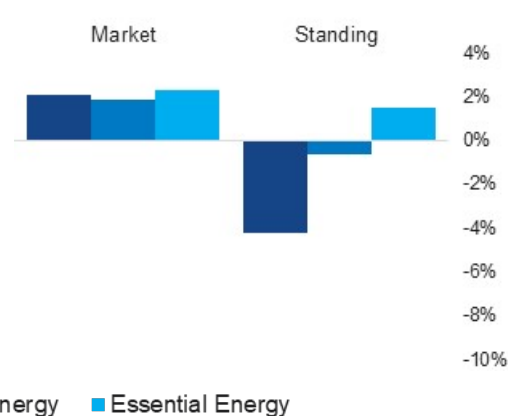
We also found that median bills for market offers increased (on a \$/kwh basis to account for usage) between financial years 2018-19 and 2019-20. Over the same time, the median total bill for this customer group fell, but consumption fell by a greater amount. Hence, the increase in price per kilowatt hour may be related to the relative contribution of fixed and variable charges to the bill. This suggests that customers could save money by looking for a better offer.

It could be a good time for customers to look for a better offer, as wholesale costs are forecast to fall in the next year.

Change in median standing and lowest offers (\$/kWh) for period June 2019 to June 2020



Change in median electricity bills (\$/kWh) for period FY2018-19 to FY2019-20



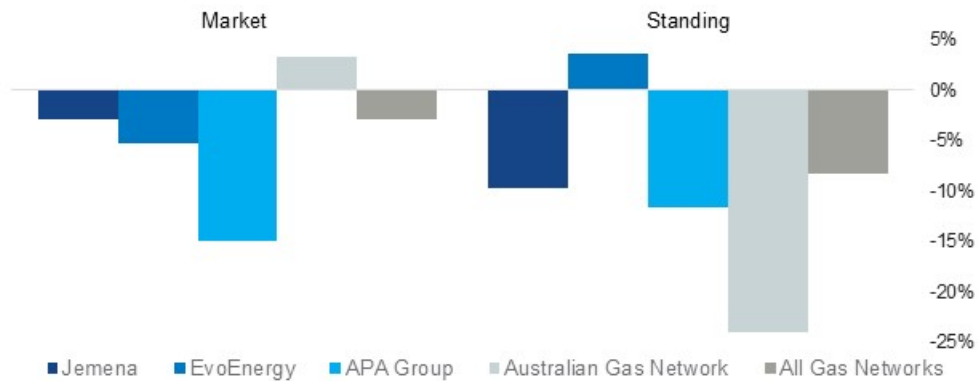
We also found that the DMO has led to a reduced spread in prices – the highest prices have fallen, and it is likely that the lowest prices are not as low as they otherwise would have been. This can reduce customers' engagement in the market as there are less attractive gains to be made, and could lead to higher prices in the longer term and may reduce the level of competition.

Gas prices

From June 2019 to June 2020, there were modest price increases in gas offers available for customers in the Jemena region (95% of gas customers), except the standing offer for small business customers. Offers then fell again in July 2020, continuing a trend of relatively stable gas prices.

A review of residential bills indicated the many customers paid less for gas in the financial year 2019-20 compared to financial year 2018-19, although this varied depending on the retailer and was generally due to decreased gas usage.

Change in median gas bills (total) for period FY2018-19 to FY2019-20



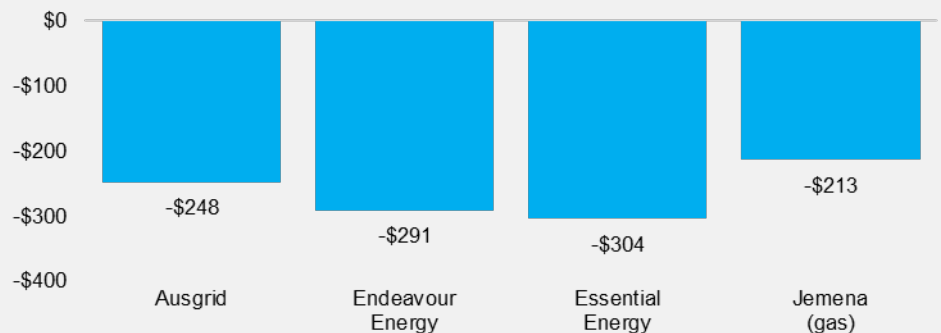
It pays to switch from a standing offer to a market offer

Around 13% of electricity customers and around 12% of gas customers were on a standing offer in March 2020, slightly fewer than in previous years. Customers can be automatically put on a standing offer when their market offer expires, or for other reasons. For electricity, standing offers are mostly set equal to a default reference price set by the AER (some are lower) but the gas standing offers can vary more.

Our review this year found that there are significant savings available by switching from standing offers to market offers.

We looked at each retailer's offers available in June 2020 and identified that significant cost savings can be achieved by moving from a standing offer to a market offer

Annual bill savings from switching from the median standing offer to the median lowest offer



Notes: The graph shows the difference in the median standing offer and the median lowest offer available in June 2020.

Savings are for typical usage in each distribution area - a particular customer's savings could be higher or lower.

Typical usage is 3,900 kWh in the Ausgrid area; 4,900kWh in the Endeavour Energy area; 4,600kWh in the Essential Energy area; and 24.4 GJ in the Jemena area.

Retail competition continues to develop in the electricity and gas markets

We use a number of indicators to assess the level of competition in the market, and several of these have shown some improvement in 2019-20.



There was also an improvement in customer satisfaction statistics and fewer complaints to EWON during 2019-20 than the year prior.

A future energy market that delivers better outcomes for customers

Advances in technology and increasing digitisation of energy services have the potential to deliver better outcomes for all energy consumers. Market design and regulatory rules need to evolve to ensure that energy services providers deliver affordable, reliable energy and a lower emissions electricity system.

Competition amongst energy service providers can continue to develop so that:

- ▼ Consumers' needs and preferences shape the services available and outcomes in the market.
- ▼ Retailers and other service providers offer new business models and innovative services that provide consumers with greater choice and value-adding opportunities.
- ▼ Technology automates much of the decision-making for consumers, and market design ensures they receive fair value for distributed energy resources (DER) such as rooftop solar PV and batteries.
- ▼ Consumers who don't, or have limited ability to, engage with the market or access technology still benefit from lower system costs and better reliability.
- ▼ There are adequate protections in place for all energy consumers.



The future energy market is currently being considered by the Energy Security Board, and Energy Consumers Australia recently released a framework to better engage with diverse customers and ensure good outcomes for vulnerable customers.