



Dr Peter Boxall, AO
Chairman
Independent Pricing and Regulatory Tribunal
Level 15, 2-24 Rawson Place
SYDNEY NSW 2000

27 October 2016

By electronic lodgement

Dear Dr Boxall,

Draft Report – 2016 NSW retail electricity market monitoring

AGL Energy welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s *Review of the performance and competitiveness of the retail electricity market in NSW – 1 July 2015 to 30 June 2016, Energy – Draft Report, September 2016 (Draft Report)*.

AGL is one of the leading energy retailers in Australia with over 3.7 million electricity and gas customers. AGL's largest electricity customer base is in NSW with over 800,000 customers. In addition, AGL is a standard retailer of natural gas in NSW with about 674,000 customers in NSW.

In the Draft Report, IPART has concluded that:

- Competition for residential and small business customers in the NSW retail electricity market is delivering greater choice, service innovations and prices consistent with a competitive market.
- Recent price changes retailers announced in July 2016 reflect changes in the underlying market costs of supplying small customers, and are therefore consistent with a competitive market.
- On the basis of these findings, a detail review of retail price and profit margins is not necessary.

AGL fully supports IPART's findings above.

In August 2016, AGL announced an indicative \$300 million capital expenditure program over three years to drive the digital transformation of AGL's customers' experience. This will provide improvements and innovations to the way customers interact with AGL, delivering greater competition in the range and level of services to customers, in addition to the range of price offers.

AGL also supports IPART's recommendation to remove the price regulation of the caps on early termination fee under the National Energy Retail Rules (NSW). In IPART's view, since the majority of retailers now either do not include an ETF, or have ETFs below these caps, competition is providing a more effective means of protecting customers. AGL has removed early termination or exit fees for new customers or existing customers swapping products or re-contracting since March 2015.



IPART has also considered that price differentials are a sign that the market is working. AGL has published a similar view in Working Paper No. 49¹. By some customers paying higher prices, retailers are able to offer lower prices to others who do shop around.

Should you have any questions in relation to this submission, please contact Meng Goh, Manager Regulatory Strategy, at mgoh@agl.com.au or (02) 9921 2221.

Yours sincerely,

Beth Griggs
Head of Energy Market Regulation

¹ AGL working paper no. 49, Reforming reform : differential pricing and price dispersion in retail electricity markets, June 2015, Paul Simshauser & Patrick Whish-Wilson - <http://aglblog.com.au/2015/07/new-agl-working-paper-2/>