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Submitted online to [www.ipart.nsw.gov.au/Home/Consumer\\_Information/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission)

2 November 2018

## **Performance and competitiveness of the retail energy market 2017-18**

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal’s (“**IPART**”) Performance and competitiveness of the retail energy market 2017-18 Draft Report. The Energy Council is the industry body representing 22 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 the draft findings that competition in NSW is continuing to develop in both the electricity and gas retail markets in 2017-18. We strongly support the development of competitive and well-functioning retail markets for the ultimate benefit of consumers. While we consider some work needs to be done to make it easier for consumers to engage, we do not consider the market is fundamentally broken in the manner alluded to by some policy makers. IPART’s findings on the ACCC’s proposed default offer and reference price are particularly pertinent in this environment. As various governments are rushing to re-regulate the retail price, IPART’s findings highlight the need to undertake an in depth assessment of critical reforms such as re-regulation to ensure unintended consequences are avoided.

### **Improving customer outcomes in the retail market**

The Energy Council agrees with IPART’s characterisation of the likely outcomes of a binding default tariff. While there may be short term price reductions for some disengaged customers, over time the outcomes will be far less positive. Re-regulation of the retail price does not resolve the underlying cost drivers that have led to higher energy bills for consumers. As noted in the Draft Report, the most effective way to lower energy bills for consumers is to provide conditions that encourage new investment in the wholesale market to increase supply and replace existing generators approaching their end of life. A stable and predictable investment environment would unlock substantial new infrastructure, ultimately delivering lower energy prices.

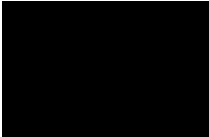
A binding default tariff will bring substantial risks to NSW energy consumers, for minimal benefit. Only 17% of NSW electricity customers remain on a standing offer, with that number declining rapidly. There is a genuine risk that the introduction of a binding default marketed as being a *fair* price for energy will encourage customers who otherwise would have switched onto a market offer to remain on the default tariff. This would represent a significant loss of opportunity for NSW customers, and result in the average energy bill being higher than it otherwise would be. In addition, as IPART notes, both the international and local experience shows customers in price regulated jurisdictions are less engaged. This would result in fewer active customers, and ultimately lead to fewer retailers and less competition.

We consider that a benchmark tariff will deliver vastly better experiences to energy consumers by providing a consistent base for retailers to discount from. This should, if implemented correctly, provide consumers with confidence when they are engaging in the market that they are making a

good choice for their needs. We agree however, that work is needed to ensure the benchmark (or reference bill) delivers the outcomes sought. The Energy Council will continue to engage with the AER and other market bodies throughout the development of any reference bill to ensure that it is crafted in a manner that achieves its objectives and delivers benefits to NSW consumers.

Any questions about our submission should be addressed to me by email to [ben.barnes@energycouncil.com.au](mailto:ben.barnes@energycouncil.com.au) or by telephone on [REDACTED]

Yours sincerely,



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