

2016 Retail Electricity Market Monitoring Review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Lodged (by online/email): [www.ipart.nsw.gov.au/Home/Consumer Information/Lodge a submission](http://www.ipart.nsw.gov.au/Home/Consumer%20Information/Lodge%20a%20submission)

27th October 2016

Review of the performance and competitiveness of the retail electricity market in NSW - Draft Report

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal's (IPART) Review of the performance and competitiveness of the retail electricity market in NSW – Draft Report (the Draft Report).

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.

Competition in retail energy markets, as in other sectors of the Australian economy, incentivises business to improve service, develop products that meet consumer needs and find ways to lower their costs so they remain competitive. Competitive energy markets, with deregulated prices, encourage efficient price discovery through the development of market offers. Deregulated prices encourages retailers to design products and services to cater for the needs of different customers. Electricity offers now make it easier for customers to manage their bills, to get more information and control over energy usage, receive real-time price signals and achieve energy self-sufficiency.

The Energy Council welcomes IPART's draft finding that the retail electricity market is working effectively. We support IPART's position that the ability of customers to shop around for lower prices is indicative of effective competition in the market. Furthermore failure to participate or engage in the market can represent a rational customer choice based on individual circumstances and is not necessarily evidence of the need for regulatory intervention.

IPART has also found that recent price rises in the market were a reflection of underlying costs. The Energy Council agrees with this draft finding, and we note that retailers have provided IPART with information that supports this conclusion. As IPART highlights, increasing wholesale prices in the NSW market was the main driver for these price increases, with increasing costs from Renewable Energy Target also contributing. Deregulated markets will more efficiently allocate the cost of supplying energy than a regulated alternative.

The Energy Council submits that competitive markets are best placed to facilitate the advancement of customer preferences and to encourage innovation around products and services and the development of new technologies. NSW has seen a substantial increase in the range of products and services available to electricity customers over the past two years. We endorse IPART's statement that "*innovation is one of the strongest indicators of a competitive market*"ⁱ.

We note in the Draft Report that "*as at 30 June 2016, there were 26 retail brands owned by 22 electricity retailers supplying to small retail customers in NSW, seven retailers also supplied gas. Six new entrants joined the NSW retail market in the last 12 months, in addition to five retailers that became active in 2014-15.*"ⁱⁱ The Energy Council submits this level of retailer activity strengthens the level of competition in the market. IPART's findings are additionally supported by the Australian Energy Market Commission (AEMC) 2016 Retail Competition Review, which also concluded that the retail electricity market in New South Wales is effectively competitive.ⁱⁱⁱ

Any questions about our submission should be addressed to Panos Priftakis, Policy Adviser by email to panos.priftakis@energycouncil.com.au or by telephone on (03) 9205 3115.

Yours sincerely,

Sarah McNamara
General Manager Corporate Affairs
Australian Energy Council

ⁱ Independent Pricing and Regulatory Tribunal, 2016, “*Review of the performance and competitiveness of the retail electricity market in NSW from 1 July 2015 to 30 June 2016*”.

ⁱⁱ Ibid.

ⁱⁱⁱ Australian Energy Market Commission, 2016, “*2016 Retail Competition Review – Final Report*”.