



EnergyAustralia

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Performance and competitiveness of the retail energy market 2017-18

EnergyAustralia is pleased to make this submission to IPART's Performance and competitiveness of the retail energy market 2017-18 Information Paper (Information Paper). We are one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

At EnergyAustralia, we value customers' ability to engage with us and understand their energy use and plans available to them. We also value our gas customers and strongly believe they should receive the same benefits of competition as our electricity customers. However, we recognise that those benefits may not yet be realised in the same way as there are obvious differences between the markets.

IPART's previous analysis shows that the NSW electricity retail market is becoming increasingly competitive, and this provides opportunities for incumbent retailers, potential entrants and leads to significant benefits for all customers. The most tangible benefit of greater competition for many customers will be competitive market offers that are tailored to customers' preferences and energy needs. As smart meters continue to be rolled out and technology improvements are made, the range products and services available to customers will continue to diversify to meet their needs.

Are there other measures that would make it easier for customers to shop around?

EnergyAustralia is an advocate for change in the retail energy market where change is required to assist customers engage more easily and to support better outcomes for customers.

There are number of regulatory initiatives underway which aim to improve customers' ability to understand and compare retail offers and increase customers' engagement in the retail market. The development and implementation of these regulatory initiatives requires

significant resources from retailers, particularly for making changes to retail systems, processes and marketing material. This includes a major overhaul of the AER's Retail Pricing Information Guidelines.

While many of these changes came out of the Prime Minister's roundtable commitments in 2017, a number arose from separate regulatory processes. These changes include: Advance notification of price changes and Benefit Change Notice (and guidelines) and a significant overhaul of the Retail Pricing Information Guidelines (RPIG) altering how retail offers are defined and marketed by retailers. Separate to this, the AER is also scoping and implementing enhancements to the functionality of Energy Made Easy (EME) to improve customers' ability to enter individualised data to identify and compare offers most suitable to their needs. In addition the ACCC's final report on the Retail Electricity Pricing Inquiry: Restoring electricity affordability and Australia's competitive advantage, is generating further consideration by government of a large suite of additional changes to the retail market.

Therefore, there is already a large amount of change underway in the retail market, the full effect and benefits of which are yet to be realised. Many of these changes are being implemented at short notice and with no time for effective customer testing to ensure that the change will be useful to customers and deliver the desired benefits.

EnergyAustralia believe that the current range of measures being considered will bring benefits in most cases, but that there may not be a need to proceed with all the changes that are underway or under consideration right now. We also note that some changes won't be implemented until 2019 or later. In all, we support a holistic assessment of the effectiveness of recent regulatory change on customers behaviour and outcomes before any further changes are contemplated. We

Do customers have particular concerns about competition between gas retailers, or outcomes for gas customers?

Given gas prices were deregulated on 1 July 2017, we expect to see a similar trend that has been observed in the deregulation of the electricity retail market: the further away in time we move away from deregulation the greater competition we will see. However, there are promising indicators that competition is working when we see that three new gas retailers have entered the NSW market since deregulation.¹ A further useful early indicator of competition may be to compare the number of customers on standing offer tariffs (SOT) prior to deregulation compared to the number of SOT customers post deregulation.

We note that in recent history it has been difficult for some market participants to get access to gas, however the recent changes in upstream supply and the introduction of the Domestic Gas Reservation Policy we expect to see improved pathways to access gas and transportation.

Are there other information sources to consider in assessing costs and cost drivers, particularly in the gas industry?

We refer IPART specifically to the ACCC's Gas Inquiry 2017-2020 Interim Report report which was released 2 August 2018 and make the following additional observations:

- There is commercial pressure to keep gas prices at a reasonable level so pipelines are remain well-utilised and still attractive to new customers.
 - We note that Jemena has responded recently with a very low daily rate and support for cheap low usage options for cooking and hot water only.

¹ AEMC report page 43

- Gas has seen major price increases as it's gone from being a locally managed commodity in great supply, to a globally traded commodity that can be shipped all up the East Coast.

Summary

EnergyAustralia encourage IPART to continue to take a holistic approach to the review of the performance and competitiveness of the retail electricity and gas markets in NSW. There is a high number of regulatory reviews and changes currently underway. This makes it difficult to obtain a clear view of their effectiveness or to recommend other improvements that may be necessary. Aside from changes to consumer protection regulations, we note that wholesale gas prices remain high and that this brings additional challenges to retail market outcomes.

If you would like to discuss this submission please contact Carmel Forbes [REDACTED]
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Yours sincerely

Melinda Green

Industry Regulation Leader