



3 August 2018

Jessica Robinson  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Submitted online: [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

Dear Ms Robinson

### **2017-18 Review of the Performance and Competitiveness of the Retail Energy Market in NSW— Information Paper**

Origin welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Information Paper on Performance and Competitiveness of the Retail Energy Market in NSW.

IPART has sought stakeholder views on the following:

1. *Are there other measures that would make it easier for customers to shop around?*
2. *Do customers have particular concerns about competition between gas retailers, or outcomes for gas customers?*
3. *Are there other information sources to consider in assessing costs and cost drivers, particularly in the gas industry?*

Over the course of the past year, there have been a number of reports that are likely to assist IPART in its review, most notably the Australian Energy Market Commission's (AEMC) 2018 Retail Energy Competition Review<sup>i</sup>, AEMC's 2017 Price Trends Report 18 Dec 2017<sup>ii</sup> and the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry—Final Report, June 2018.

Both the AEMC's 2018 Retail Competition Review and the ACCC report identified concerns with customers' willingness and ability to engage effectively with the competitive market, highlighting complex and confusing tariff structures, percentage discounts off standing offers, conditional discounts and transfer process delays among others as problems requiring attention.

We agree with the ACCC and AEMC's assessment that retailer practices and supporting regulation need to change to deliver better outcomes for customers. While there is much for industry and policy makers to address, progress has been made since IPART's last review and we encourage IPART to consider the initiatives to improve customer outcomes underway or recently completed:

- The development of industry-wide reference prices which will be displayed on new energy price fact sheets to help customers compare energy plans. These fact sheets, which Origin supported through an Australian Energy Regulator reference group, will be used by retailers and all comparison websites.
- There have been a raft of regulatory and policy changes affecting energy consumers, including five Commonwealth-initiated rule change requests. Origin supported these rule changes, including requirements that:
  - retailers to write to customers when the benefit under their market contract ends;
  - market contract discounts be based on the standing offer rate;
  - advance notice of any price change be provided to customers; and
  - Origin continues to work with the AEMC on rule changes in progress.

- The New South Wales Government's energy affordability package.

Retailers are also changing their practices to better meet customer expectations. Recent initiatives by Origin to mitigate the impact of high energy prices on our customers and make energy plans easier to understand include:

- Rebates for NSW customers in our hardship program to fully offset the 1 July 2017 electricity tariff increases;
- Holding electricity tariffs flat from 1 July 2018 by subsidising higher network tariffs;
- Implementing a 3 per cent decrease in gas tariffs in NSW from 1 July 2018;
- Launching a new comparison website, Savernator, which allows customers to upload a recent bill and quickly determine whether they can save with Origin;
- Continued sales of Predictable Plan, a fixed price plan regardless of consumption;

### **Retail prices and competition**

IPART noted in its 2017 report that the NSW market is becoming more competitive and the market share of smaller retailers was increasing, with more than three-quarters of customers on market offers and a substantial portion of customers switching retailers or offers.

Origin considers that retail competition has continued to mature in FY17 with a number of new entrants in the NSW electricity and gas market, smaller retailers continuing to gain share, switching increasing and a greater number of customers on market offers in both and gas and electricity.

Since peaking in July 2017, NSW retail prices have stabilised. In July 2018, Origin held its prices for residential and SME customers flat. This is expected to represent a turning point for customers, with the AEMC Price Trends report and ACCC report both suggesting retail prices in NSW will continue to decline over the next few years driven by lower wholesale prices and modest reductions in average network costs.

Retail gas prices in NSW have faced a similar price path with Origin's retail prices rising by around 8 per cent in July 2017 and falling by around 3 per cent in July 2018. These gas price movements have been driven by changes in gas wholesale cost as the gas market tightened (in response to the LNG export industry increase in demand) and has more recently eased. The ACCC gas monitoring reports describe this change in wholesale gas prices, with prices peaking in early 2017.

AEMO's 2018 Gas Statement of Opportunities (GSOO) describes recent developments in the supply demand balance and the outlook through to 2030, presenting a more positive outlook noting no forecast supply gaps before 2030 under expected market conditions and the risk of shortfalls previously projected for 2019 reduced due to changes in energy markets.

This was affirmed in the ACCC's latest interim gas market report, released on 2 August.

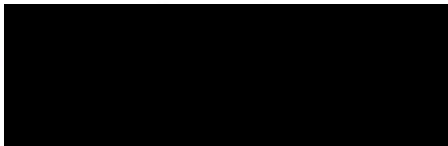
### **Indicators for assessing competition in NSW retail electricity and gas markets**

Origin supports IPART's proposed approach and assessment framework to determine the effectiveness of retail energy markets. In Table 1 of the Information Paper, IPART sets out four indicators for assessing the degree of competition in the market. As Origin noted in its comments on last year's Information paper "Competition is appropriately seen as a rivalrous discovery process"<sup>iii</sup>. The first three indicators in Table 1 should provide IPART with a reasonable assessment of the competitiveness of the market.

IPART has advised that, consistent with previous years, it intends to engage an expert consultant to assist with an assessment of retail cost drivers. We would be pleased to assist IPART in understanding the cost changes reflected in recent gas and electricity retail price changes. Given the difficulty in identifying what a competitive price should be, we encourage IPART to place a strong weighting on assessing whether competition is present in the market and how it can be improved as prices will invariably reflect the competitive process.

I would be pleased to discuss any matters raised within this response with IPART and can be contacted on [REDACTED].

Yours sincerely

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Keith Robertson

General Manager, Regulatory Policy

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<sup>i</sup> 2018 Retail Energy Competition Reivew, Final Report, AEMC, 15 June 2018, accessed at <https://www.aemc.gov.au/sites/default/files/2018-06/Final%20Report.pdf>

<sup>ii</sup> 2017 Residential Electricity Price Trends, AEMC, 18 December 2017, accessed at <https://www.aemc.gov.au/sites/default/files/content/bf56a5d5-e2b2-4c21-90ed-79dda97eb8a4/2017-Residential-Electricity-Price-Trends.pdf>

<sup>iii</sup> Littlechild, McCarthy, Marshall, Smith, Spottiswoode, *Submission to CMA*, 7 August 2014, p. 3. Accessed here: <http://www.eprg.group.cam.ac.uk/wp-content/uploads/2014/08/Submission-to-CMA-7-Aug-2014.pdf>