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Independent Pricing and Regulatory Tribunal
PO Box K35
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Via website: www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

Review of the performance and competitiveness of the NSW retail electricity market

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group or Powershop) thanks the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to provide comments on IPART's Review of the performance and competitiveness of the NSW retail electricity market draft report (the Report).

Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations in New South Wales, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy.

Powershop is an innovative retailer committed to providing lower prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Over the last five years, Powershop has introduced a number of significant, innovative and customer-centric initiatives into the NSW market, including the first mobile app that allows customers to monitor their usage, a peer-to-peer solar trading trial and a successful customer-led demand response program. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and funding a large range of community and social enterprise energy projects through our Your Community Energy program.

IPART Findings and Recommendations

Powershop acknowledges that the Report is a fair representation of the retail market in NSW. Competition is growing, more customers are switching, and market retail prices have decreased, but there are challenges that still need to be overcome.

Powershop agrees with IPART's recommendations:

Recommendation	Powershop Comment
1. <i>Energy Made Easy and NSW Energy Switch should allow customers to input interval meter data to make more accurate estimates of customers' bills under different offers. This should be ready for the launch of the Consumer Data Right on 1 July 2020.</i>	Powershop agrees that allowing customers to compare offers using their interval data will enable a more accurate comparison while aligning with upcoming the consumer data right changes in 2020.

	The implementation of this functionality must be accompanied by appropriate fit-for-purpose information to help customers to enter the correct data and to understand the impact.
2. <i>That the NSW Government removes the requirement for IPART to monitor the retail electricity market in NSW. Customers are protected by market monitoring by the AER, AEMC and ACCC.</i>	Powershop strongly supports IPART’s recommendation to reduce the regulatory burden, obligations and reporting requirements, reduce the duplication of effort and data for the regulatory bodies, retailers and other market participants and reduce the regulatory cost ultimately borne by consumers.

Please find below Powershop’s response to the key areas examined by IPART.

Competition

The Report highlights that competition is increasing in the NSW retail market with the increase having a positive price effect on retail customers who have a market retail contract. A continued uptake of market offers (86% of customers are on a market offer) from customers moving away from standing offers also highlights the positive impact of competition.

Powershop agrees with IPART’s conclusions that the impact of the Default Market Offer on the market and specifically on customers that are ‘not engaged’, still requires more time and analysis to fully understand.

Price and product diversity

Powershop has concerns regarding price and product diversity. While confusing discounts and the number of market offers in the market is reducing, distribution networks are introducing demand based network tariffs for residential customers – such tariffs are confusing for customers. Powershop is concerned about the punitive nature of demand tariffs and their inherent complexity, of which customers must fully understand if they are to experience the benefits of the tariff.

There have been numerous consumer advocate groups and research papers that have stated that the energy industry and its pricing is confusing, hence Powershop’s concerns about forcing demand tariffs on residential customers. Powershop would prefer the market focus on demand response programs and time-of-use (TOU) tariffs to manage network demand issues and send price signals to customers. Powershop’s demand response program Curb Your Power has demonstrated that incentivising customers to reduce demand is effective and such initiatives should be further examined.

The Report also highlights that customers on a TOU tariff can access cheaper prices if they use their energy at the appropriate times compared to a flat tariff. To enable customers to easily compare flat tariff prices with TOU tariff prices, the Report rightly points out that Energy Made Easy should allow customers to input interval meter data. It is essential that customers are effectively informed about these changes to help customers source and enter the correct data, and subsequently understand and assess the results presented.

Barriers to entry, exit and expansion

Powershop broadly agrees with IPART’s finding that barriers to entry remain relatively low. However, it is unclear whether recent regulatory and market changes will mean that barriers to entry will remain low and that new entrant retailers will be able to compete in the market over the long term. It is important to note that there are significant challenges for new entrants, including:

- retailers wanting to compete on a national level to leverage scale, face a confusing regulatory landscape with one of the biggest markets (Victoria) not being bound by the National Energy Customer Framework (NECF). This adds significant compliance costs to businesses with an additional layer of training, system development and compliance resources required to monitor the different regulatory requirements. The range of state-based schemes, derogations and safety requirements that must be monitored and complied with increase this complexity;
- the NSW Social Programs for Energy Code reporting requirements are time consuming and costly to compile, only providing minimal, material insights. Powershop encourages the NSW government to remove these reporting requirements or at a minimum – significantly reduce the granularity of data required. This is in-line with the Australian Competition & Consumer Authority Retail Electricity Pricing Inquiry - Final Report (the ACCC Report) recommendation whereby harmonisation of electricity regulation was encouraged across the National Electricity Market to reduce retailers’ cost-to-serve;

- volatile wholesale prices increase the risk and costs for retailers, especially non-vertically integrated energy businesses; and
- political uncertainty and unpredictability add additional layers of complexity and risk for businesses looking to invest in retail innovation and service and generation.

Though this review is focused on NSW, it is important to look at competition on a national scale as most retail businesses would want to compete on a national level (as evidenced by the requests for retailer authorisation received by the Australian Energy Regulator in 2019). It is therefore vital that all jurisdictions support and influence Victoria to adopt the NECF in accordance with the ACCC Report recommendations and for the retail market to become more efficient, cost effective and less complex for all customers.

Customer participation and outcomes

As noted above, more customers are engaging in the market and moving from a standing contract to a market contract and receiving the associated savings.

If you have any queries or would like to discuss any aspect of this submission, please do not hesitate to contact me.

Yours sincerely,



Michael Benveniste
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