

17 October 2017

WHAT

IPART is reviewing the performance and competitiveness of the retail electricity market in NSW.

Our 2017 report will be our third annual monitoring report on the retail electricity market.

WHY

Prior to 2014-15, IPART set a regulated retail price for electricity customers. Retailers could offer different prices to customers, but customers who did not accept a “market offer” were charged the regulated rates set by IPART.

IPART has not set regulated electricity prices since 2013-14, which means that all retailers set their own prices. This should drive better outcomes than regulated prices, because if retailers do not have attractive offers in the market they will be outcompeted and lose customers.

When the Minister deregulated prices, IPART was given a role to review the performance of the market each year to assess how competition is working.

WHO

Our role as market monitor is focused on the retail electricity market for residential and small business customers. While our 2016-17 is focused on the electricity market, we have also looked at the most recent gas changes to assess whether the

price movements are consistent with a competitive market.

KEY FINDINGS

We found that electricity prices for residential customers increased by an average of 14% in July this year, which was driven by rapidly increasing wholesale costs.

However, these rising costs have been largely offset by decreases in network charges over the previous two years. The net result is that on average, residential customers are paying 2% more for electricity since 2013-14 when prices were deregulated. This is a real decrease in prices of 5% (once CPI is accounted for).

This period of relative price stability contrasts with the large price increases in the 5 years leading up to 2013-14, which were driven by increases in network charges.

Since 2013-14, competition in the retail market has continued to develop. The number of brands competing in the market has risen from 15 to 26; the market share of smaller retailers has increased from 7% to 13% and the number of small customers on market offers has risen from 63% to 77%. More than 30% of customers switched either retailer or offer in the last year.

However, further improvements could be made so it is easier for the 23% of customers who are still on standing offers to shop around. As the spread of offers in the market has widened, customers on standing offers are paying around 25% more than customers who have switched to a better deal, and they are paying about

10% more than what they were paying five years ago.

Retailers, governments and third parties should focus on facilitating increased customer engagement in the retail market to further enhance competition, and in particular ensuring that vulnerable and hardship customers are not paying more than they need to.



WHAT NEXT

We are seeking feedback on our draft findings and recommendations by 7 November 2017. In particular, consulting on our recommendations to

- ▼ Enhance and promote the AER's energymadeeasy web comparison tool so that customers are better able to compare offers, including customers with solar panels.
- ▼ Investigate the most efficient method to provide electricity customers in residential caravan parks improved consumer protections because these customers are not able to choose their retailer.

We will submit our Final Report to the Minister by 30 November 2017.