



INFORMATION

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Initiation of the 2020 Retail Energy Competition Review

The Australian Energy Market Commission (AEMC) has initiated its seventh annual review of retail energy competition in the national electricity market (NEM). This information sheet sets out our proposed scope and approach for the 2020 review and seeks stakeholder submissions on two issues papers.

Scope for the 2020 review

The purpose of the review is to assess the current state, and possible future development, of competition for small customers (residential and small business) in retail energy markets in all NEM jurisdictions. This includes retail electricity and gas markets in the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania, and Victoria.

The 2020 review will adopt the same approach as the 2019 review and consider how competition is evolving, and it will also be the first review of retail energy competition since the introduction of the default market offer in South Australia, New South Wales and south-east Queensland, and the Victorian default offer in Victoria. The review will utilise key competitive market indicators provided by the COAG Energy Council's Terms of Reference (2014) to comment on the following:

- *The current structure of retail energy markets*, including:
 - the number of retailers in the market
 - market concentration
 - ease of entry and exit
 - the extent of independent rivalry.
- *Retailer behaviour and consumer engagement*, including:
 - consumer activity and preferences
 - switching and retail pricing offers in the market, including consideration of differences between standing and market offers
 - different products and services offered to consumers, including those provided by non-traditional energy service providers.
- *The overall performance of retail energy markets*, including:
 - trends in consumer satisfaction
 - the rate of customer complaints and disconnections.

As with the 2019 review, our report will focus on a number of research studies to provide a deeper understanding of specific aspects of the market. For the 2020 review these focus topics are:

1. The next phase of our review of the National Energy Customer Framework (NECF) and Australian Consumer Law (ACL). This work will analyse some regulatory issues related to new energy products and services and if there is a need for potential changes to the application of energy specific consumer protections.
2. Analysis of how digitalisation is challenging some of the existing NECF provisions for the traditional supply of energy. This includes issues related to information provision, cooling-off periods and explicit informed consent requirements.
3. Assessing innovation in the retail market in relation to electric vehicles, including are there energy regulatory barriers to the uptake of electric vehicles.

We have published issues papers on our consumer protections research studies to seek

stakeholder feedback. We will also hold workshops in February 2020 to engage with stakeholders. For more information on that work, please refer to the AEMC's website here or contact Stephanie Flechas on (02) 8296 1640. Background material on the first phase of the AEMC's consumer protections work can be found [here](#).

Approach for the assessment of competition

No one set of indicators can be used to determine the effectiveness of competition in retail energy markets in the NEM.

The 2020 review will retain the structure-conduct-performance framework used in the 2017 to 2019 reviews (illustrated below). This framework considers the interaction between how a market is structured, the degree of competition between providers, behaviour of consumers, and, in turn, the outcomes the market delivers for consumers (such as price, range of products, and consumer satisfaction levels).



Our final report will deliver the following advice:

- current state (and likely future development) of competition in the NEM
- trends in retail markets over time
- recommendations to improve retail competition across NEM jurisdictions.

The report will be evidence-based and draw from a range of information sources and data. This includes information from:

- stakeholders
- Energy Consumers Australia household and small business consumer survey and other customer research
- a retailer survey and interviews
- international experience and information
- data provided by ombudsmen, retailers, jurisdictional regulators, the Australian Energy Regulator, the Clean Energy Regulator and the Australian Energy Market Operator.

We will be scoping and data gathering until March 2020. The final report will be published in mid 2020.

While we are not seeking stakeholder submissions (other than on the issues papers described above), we welcome comments on our focus and approach for the 2020 view. Comments can be provided by contacting Ben Davis or Joel Aulbury by 28 February 2020 (contact details below).

For information contact:

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