

Australian Power & Gas: Views on NSW Retail Competition and Paths to De-regulation

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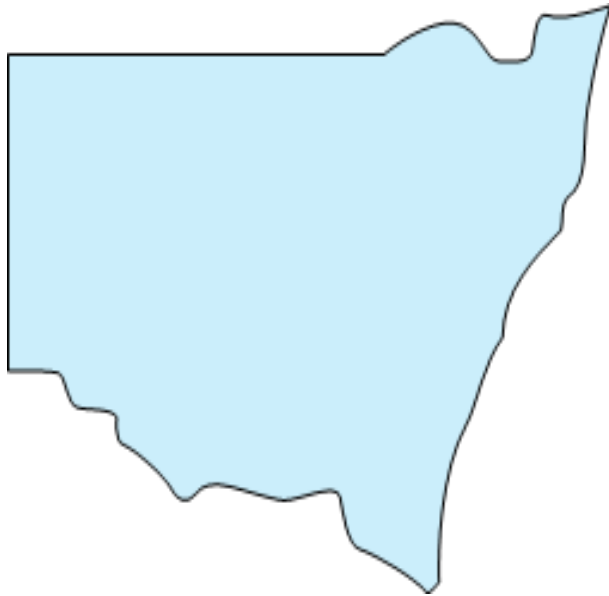
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Australian Power & Gas - Snapshot

- Leading independent energy retailer
- Opened doors in 2006 and have grown to 341,000 customers
- Operating in NSW, Victoria and Queensland
- Providing both electricity and gas to residential and commercial customers

Focus on NSW



- Growth market for future
- Serving >90,000 electricity and gas customers
- First Tier 2 to enter gas market and see dual fuel as important
- Operating in all network areas
- IPART 2012-13 price determination has limited activity in Ausgrid
- O'Farrell government open to increased retail competition
- IPART Review of 2013-16 pricing has positive indicators

Views on NSW Retail Competition

Overall

- Increased marketing activity and switching rates across all retailers over past 2 years, less in gas but still healthy
 - NSW top 10 market based on switching rates globally
 - Accelerated post-privatisation of state-owned retailers
- Customer awareness of market options and response to marketing high
 - Increased understanding of costs of energy as part of household bills
 - Ease of switching retailers evidenced
- Price and discounts main driver of customer switching retailers

Views on NSW Retail Competition

Barriers to growth and innovation

- Regulatory uncertainty of effective price ceiling reduces growth potential and hinders new market entry
- Competitive activity limited to price and not product innovation

Victorian market successful

- Increasing number of retailers and energy-savvy consumers
- Market remains #1 globally in customer switching
- Retailers innovating

Path to Price Deregulation

Approaches

- Staged as in Victoria but make simple to implement and understand
- Immediate as in South Australia
- NSW opportunity to move quickly with network pricing increases slowing and carbon price review/removal

Consumer protections

- Comprehensive education and awareness campaign
- NSW commitment to NECF with increased consumer protections designed to operate in price de-regulated markets
- Consider price monitoring approach as in Victoria and South Australia

THANK YOU

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