



NEWS

National Energy Retail Competition Review released

The Australian Energy Market Commission (AEMC) today released its yearly report card on the state of competition in retail energy markets. The report finds that consumers are seeing greater choice and opportunities to save on their energy costs as competition evolves over time.

The 2015 Retail Competition Review assessed retail energy competition in each state and territory in the National Electricity Market with reference to the structural, regulatory and market characteristics which impact on consumers' experience.

Overall, retail competition remains effective for electricity markets in South East Queensland, New South Wales, Victoria, and South Australia, although less effective in the Australian Capital Territory and is yet to emerge in Tasmania and regional Queensland.

Key indicators of effective competition are steady or have improved since last year's report:

- **Switching rates:** Around 90 per cent of consumers surveyed are aware they can choose a different energy company, 31 per cent are actively investigating their options and around 20 per cent actually switched in the last 12 months.
- **Market concentration:** New electricity retailers have entered and second tier retailers have gained market share, leading to declines in market concentration. There are now 11 to 21 electricity retail brands offering plans in the different competitive markets.
- **Consumer satisfaction:** Sixty nine per cent of electricity consumers surveyed were satisfied with their retailer.

The report showed that consumer satisfaction tended to be higher in states where competition has been effective for longer and AEMC Chairman John Pierce said this suggested that competition was evolving over time.

"As competition evolves, consumers are increasingly seeing more choice and opportunities to save on their electricity and gas bills and this is reflected in their levels of satisfaction.

"We also must recognise that while the majority report being satisfied, some customers have negative experiences," he said.

One area of focus in the report is the link between consumers' experiences and access to trustworthy information, particularly independent comparison websites and phone services.

“Consumers are seeing greater choice and opportunities to save on their energy costs as competition evolves over time”

Consumers who used price comparator websites to investigate their options were significantly more aware of the choices available to them and also more confident they could find the right information to help choose an energy plan.

Mr Pierce said independent information for consumers was particularly important in a rapidly evolving energy market.

“The nature of the market is changing with new technologies giving consumers more options to actively participate in the energy market. This is also changing the customer experience and presents opportunities and challenges.

“We know that well informed, active consumers can drive better outcomes for themselves and market competition overall,” he said.

To promote competition in retail markets and improve consumer outcomes, the report recommends:

- raising awareness of tools available to simplify comparing energy offers;
- ensuring concession schemes are delivering on their intended purpose in a targeted way;
- continuing to harmonise regulatory arrangements to reduce the long terms costs of competing across jurisdictions;
- implementing the recommendations of the AEMC’s review of electricity customer switching to improve the accuracy and timeliness of the customer transfer process; and
- removing energy retail price regulation where competition is effective.

Our analysis assessed retail competition in electricity and gas markets for all National Electricity Market jurisdictions, drawing on research and data collected up to the first quarter of 2015.

The report and further information is available at www.aemc.gov.au.

Other results

Solar consumers reported being more active and confident in shopping around for an energy deal and switching retailer or plan. They also reported higher levels of satisfaction with their retailer and the level of choice in the market.

Customers continue to move away from the ‘big three’ retailers to second tier retailers, which collectively gained market share in all jurisdictions. Switching data and customer research also suggests there is rivalry between the ‘big three’.

In retail gas markets, competition is effective in most parts of Victoria, South Australia and New South Wales. However, in some regional areas there is no choice between gas retailers. Competition is less effective in South East Queensland with only two retailers operating.

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About the AEMC

We are the independent body responsible since 2005 for providing advice to Australian governments on development of the electricity and gas sector. We make statutory energy market rules which are applied and enforced by the AER.

The AEMC is required under the Australian Energy Market Agreement to assess the effectiveness of competition in retail energy markets in National Electricity Market jurisdictions. This is an annual review under the approach agreed by the former Standing Council on Energy and Resources, now known as the COAG Energy Council.

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