

19 February 2015

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically: www.aemc.gov.au

Dear Mr Pierce,

RE: 2015 Retail Competition Review Approach Paper (RPR0003)

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) 2015 Retail Competition Review Approach Paper (**the Approach Paper**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA supports the proposed approach for the AEMC's 2015 retail competition review as outlined in the Approach Paper however strongly believes the impact of alternative energy sellers must be given adequate consideration in the review. In the Approach Paper, alternative energy sellers are referred to as 'exempt sellers' and it is stated that where relevant to the competitive market indicators outlined in the Approach Paper the AEMC may consider associated issues. The ERAA strongly believes that these entities directly impact the indicators to be used by the AEMC. The ERAA has consistently advocated for policies that encourage competitive retail energy markets. Increased competition is supported and encouraged in markets in which competitive neutrality and necessary consumer protections are maintained.

Retail price regulation

Open, competitive energy markets free from distortions such as retail price regulation naturally encourage prices to be efficient through the development of market offers. Competition in retail energy markets, as in other sectors of the Australian economy, incentivises business to improve service, develop products that meet consumer needs and find ways to lower their costs and pass these savings onto consumers. Should this review find that competition in a particular market is effective, jurisdictions should have the confidence to remove any remaining price controls.

The ERAA supports the recent decisions of the Queensland and New South Wales governments to deregulate electricity prices and move to price monitoring regimes following previous retail competition reviews conducted by the AEMC. The continued price regulation of gas in some jurisdictions, despite findings of sufficient levels of competition remains a barrier to entry and the ERAA urges those jurisdictions to implement their commitment to the removal of such regulatory barriers.



Regulatory consistency and barriers

Regulatory consistency across jurisdiction is important to allow retailers to participate in multiple jurisdictions economically. The ERAA urges the adoption of the National Energy Customer Framework (NECF) without derogations in those jurisdictions that have not yet adopted the NECF. Inconsistencies force retailers to maintain state specific processes and procedures which result in higher costs for consumers and varying consumer outcomes across the NEM. Derogations impact on competition as they create external risk which retailers need to account for when deciding to either enter or expand in any given market. The ERAA would welcome the AEMC examining the derogations and inconsistencies across jurisdictions and how these act as barriers to entry and expansion.

The level of competition in a particular jurisdiction's retail energy market is influenced by a number of factors including different regulatory and government policies such as those related to feed in tariffs. Regulation of feed in tariff arrangements remains a challenging barrier for retailers and also hinders the level of competition and market experiences for those consumers with distributed generation. The ERAA views the continued regulation of feed in tariffs as an impediment to both competition and innovation in product offerings to customers with distributed generation.

Gas

The ERAA believes that the downstream retail gas market in all NEM jurisdictions is sufficiently competitive to protect consumers from future uncertainty. As such, our views on electricity contained in this submission apply equally to retail gas markets. The ERAA urges the jurisdictions to consider the AEMC's assessment of the level of competition in retail gas markets and take steps to deregulate those markets found by the AEMC to be sufficiently competitive.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia