



Simon Corbell MLA

ATTORNEY GENERAL
MINISTER FOR POLICE AND EMERGENCY SERVICES
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MEMBER FOR MOLONGLO

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2499
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

I write in response to the Australian Energy Market Commission's (AEMC) *Review of the Effectiveness of Competition in the Electricity Retail Market in the ACT* that concluded with the release of its Stage 2 Final Report on 3 March 2011.

I would like to first acknowledge the time and effort that the AEMC has put into the review process. The AEMC review accurately reflects some of the unique characteristics of the ACT electricity market, including its small size, dominance by a single retailer, relatively low prices as well as the high levels of customer satisfaction experienced by ACT electricity consumers.

The ACT Government accepts that some barriers to entry exist for electricity retailers wanting to participate in the ACT. These include a well recognised local retailer which, when combined with a small population base, is perceived to limit financial returns available to new participants. Our experience also indicates that new market entrants have not been able to construct alternate competitive service offerings attractive to ACT customers.

The Stage 2 Final Report includes a number of key recommendations to promote enhanced retail competition in the ACT, including:

- the removal of price regulation accompanied by a new monitoring regime for pricing, customer protection and switching frameworks;
- a customer information campaign promoting the benefits of retailer switching and providing comparative price information; and
- timely ratification of nationally consistent legislation including the National Energy Customer Framework (NECF).

The ACT Government is committed to a timely implementation of the NECF and will continue to work closely with our federal, state and territory counterparts to develop further reforms that will create a more seamless national market for electricity retailing. As a relatively small market, the ACT stands to benefit from reforms that reduce costs and regulatory barriers and that attract competitive participants in our retail market.

ACT LEGISLATIVE ASSEMBLY

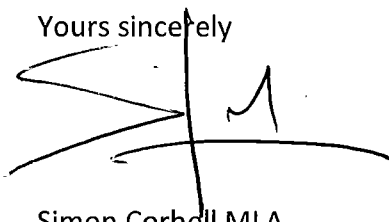
Despite my appreciation of these recommendations, I do not believe the AEMC report has made a convincing case for removing retail price regulation in the ACT. The report confirms that a state of ineffective competition exists in the ACT retail electricity market. However, it recommends removing price controls to increase competition by allowing retailers to offer higher tariffs and making the market more attractive to new entrants. Such an action may represent a significant financial transfer to retailers at a direct cost to ACT households and small businesses, without the guarantee of improved services and products in our market which has some monopolistic characteristics. This outcome conflicts with the ACT Government's strong commitment to managing the process of energy market reform and increased competition for the benefit of our community.

The national electricity retail market is currently undergoing significant changes. These include the future implementation of the NECF, restructuring in the New South Wales electricity markets, ongoing strategic reviews, as well as the potential emergence of a national retailer obligation energy efficiency scheme and a carbon pricing regime. Collectively, these events have the potential to significantly impact on energy consumers, particularly households. In light of these ongoing changes, the ACT Government will actively monitor market conditions over the coming two years with a view to removing price controls where it can be demonstrated to be in the interests of the ACT community. The ACT Government remains committed to ongoing reform of our electricity markets, including measures to encourage retail competition and achieving benefits for ACT consumers and businesses. The work conducted by the AEMC will underpin the efforts of the ACT Government through this process.

In the meantime, it is the Government's intention to continue to regulate electricity tariffs for small customers due to the lack of effective competition, consistent with our obligations under the Australian Energy Market Agreement.

Please accept my sincere thanks and appreciation for the work of the AEMC in undertaking this review.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Simon Corbell', written over a vertical line that serves as a separator between the signature and the typed name below.

Simon Corbell MLA
Minster for the Environment and Sustainable Development

1.9.11