Australian Energy Market Commission

Review of the Effectiveness of Competition in the Electricity and Gas Retail Markets in South Australia

Public Forum
Thursday 17 July 2008
12:30pm
The Glenroy Room
Mercure Grosvenor Hotel
125 North Terrace
Adelaide

AEMC: in attendance
JT – Commissioner John Tamblyn
CM – Catherine McKay, Senior Advisor
AL – Anita Lai, Advisor

JT What we want to do today is just run through with you the key findings of our review so far and our draft report; listen to any comments and questions that you have on the analysis we done so far and then have a broad discussion with you about your views on our analysis so far. So we've got a presentation to run through. We'll try and go through it fairly quickly on the assumption that you've all had a chance to read or at least thumb through the draft report, but nevertheless we'd like to set the context of our review and findings so far. Can I emphasise the findings and the analysis are preliminary. This is a draft report. It has been put out for you to reflect on and comment on, we will listen very carefully to the comments that you have made. Where appropriate we will conduct further analysis and enquiry on issues that you've raised. So the draft report is to promote discussion and for us to listen to your views and comments on where we've got to so far. We want to close off our views on competition having seen your further submissions on the draft report.

Let's go through the presentation. We've been asked by the Ministerial Council on Energy to review the effectiveness of retail competition in South Australia for the small customer sector for gas and electricity and where we find that competition is effective to make recommendations on how the South Australian government should deal with retail price regulation going forward. Where we find competition is not effective either generally or in particular respects to make recommendations on how competition could be improved so it is effective. The final decision on our work, particularly in relation to the future of retail price regulation or any modifications to it, is a matter for the South Australian Government on the basis of the analysis we put forward and the wide public consultation that we'll go through and the views that are expressed by South Australian stakeholders on the review. So that's the work we are doing. As I've said, our objectives today are:

- to present our findings as clearly but succinctly as we can;
- to provide you the opportunity to ask questions about anything you don't understand the basis for or want to have further information, we can elaborate on our draft report;
- to draw on you for your comments, criticisms, observations; and
- to assist you to plan if you would like to put in submissions on this draft report to inform us as we go to our final report.

So that's our objectives for today.

We've got a broad agenda here which we put on your chairs. We want to just give you a quick overview of the way we've engaged with stakeholders and the information sources that we've drawn on. We want to then just summarise and go through quickly an overview of what our preliminary finding on competition has been. We'll have some brief discussion on how we are seeing effective competition, what it looks like, what considerations you'll have regard to in that regard. Then we'll go through in a bit more detail the evidence we've drawn on and how we've analysed that evidence to come to our preliminary findings. Then we'll have some commentary on the future of retail competition in Australia but also in South Australia. There we have noted that this is a bit of watershed time in the energy market with changes already underway in the market but the prospect of very significant policy change, particularly the climate change policy work, the meaning of those considerations and their impact on the energy market and retail competition in South Australia need to be considered. So we'll have some commentary on that and you may have some views as well. We'll then conclude about the process going forward. What consultation process we will do in relation to the draft report and the timetable for finalising our work.

Now Catherine I might just get you to describe the kind of stakeholder engagement and information sources we've gone through.

CM Good afternoon everyone. Thank you for coming to hear us speak this afternoon and to ask us, no doubt, a series of probing questions. To get to the point we are at today we have undertaken a number of meetings with a range of stakeholders. We felt that it was very important to ensure that we were speaking with a range of different people who had been involved in the South Energy retail markets. This slide just really gives an overview of those discussions. We met with people prior to the release of an issues paper and received about a dozen submissions to that which we considered in conjunction with submissions we got from a statement of approach that we published last year. We have also had ongoing meetings with the Department of Energy with ESCOSA and with the Consumer Advisory Committee and the Energy Consumers' Council throughout this process to date and we will continue to meet with all of those key stakeholders. We also spent some time speaking with retailers to get their perspectives of the issues that are facing energy markets in South Australia.

Two of the key pieces of qualitative and quantitative research that we undertook were surveys. The first one that I'll talk about is the Consumer Survey. McGregor Tan was engaged by the Commission to undertake this survey for us on the back of some of the work that they have been doing for ESCOSA over the past few years. It was a representative sample of 1200 residential customers and 650 business customers. It was a telephone-based survey and we covered a range of issues with the respondents surveying their attitudes but also their experiences of the competitive market, had they been approached by retailers, why did they chose to switch or why did they chose not to switch. The report that sets out those findings is available on the AEMC's website and it also contains the results of eight focus groups that we did. When we did this review in Victoria last year we didn't focus specifically on focus groups as a source of information and we felt that was an area we could improve on, so in each of Mt Gambier and Whyalla we did one focus group with residential customers, one with business customers and then when we got to Adelaide we had two residential focus groups, one with small business customers, and we also had a specific focus group with older residential customers in South Australia just to make sure we were aware of any issues that were particular to them. We also did a retailer survey. That was a written survey that LECG, an economic consulting firm, which was engaged to undertake on our behalf and then we had follow up interviews with each of the retailers who participated. The LECG Report and the results of the survey are also available on the website. In relation to both of those reports, we would invite comments in submissions to the First Draft Report identifying any issues that you think require further analysis or consideration, if there are views that are expressed within those reports that you either agree with or disagree with we invite you to identify those as well.

For the sake of completeness we've also included a slide that identified who the retailers are that are currently licensed to supply and sell to small customers in South Australia, and when we talk about retailers these are the list of the organisations that we are typically referring to. So what we did was just make sure that we knew who was licensed and who was currently supplying small customers and you'll see that there are a couple who've been licensed and, this is particularly the case for gas, but haven't yet started selling gas to small customers. So we wanted to make sure that we were aware of who the players actually were but also if there were particular differences in their attitudes that were reflective of their current business practices.

I'll hand back to John now who is going to take you through the AEMC's preliminary findings and give you a high level overview for the evidence for that.

JT One thing that I overlooked to mention is that we are not going to just talk at you all afternoon. Just by way of housekeeping I just want to mention that we are recording the proceedings and so we will put an edited transcript on our website which you and other stakeholders can refer to, in that regard though when you speak could you identify yourself by name and organisation so that the transcript will be able to see who is saying what. The second point I want to say though is that we'll go as quickly as we can through our main findings but we would like to pause as we do that to give you an opportunity for clarifying questions or brief comments at particular parts of that presentation but we'd ask you to hold some of the more strong views that you hold or elaborations on your concerns until we have about an hour or so of general discussion. So clarifying comments and questions during the presentation and then an open forum after that.

Just going to our preliminary findings, and I emphasise preliminary, our preliminary finding is that competition for small electricity and natural gas customers in South Australia is effective, although relatively more intense for electricity than in gas. And on this slide and the next one I've just listed the high level basis, I'll elaborate this much further. We found we believe evidence of strong rivalry between energy retailers on both price and non-price dimensions of service. We saw quite significant changes in market share as customers moved from the host retailers, this is historically looking at this market, as they moved from host retailers to second tier retailers and from standing offer arrangements to market arrangements. So there was evidence of market share changes and rivalry. High level customer awareness from our survey results, some of you may have comments on some of these results but these are the results that came from the survey. Customers were aware that they had a choice of retailers. Customers showed themselves willing to respond to offers from retailers particularly if those offers were offering price discounts against the standing offer price. The survey indicated for the sample of 1200 customers that we surveyed a high level of satisfaction with the results when they moved onto a market contract. So broadly and we'll go through these matters in further detail in our presentation, those things seemed to us to be the main elements of why we felt that competition was effective in South Australia. Nevertheless going to the next slide. Yes?

P [Recording not clear: Question from the audience regarding whether the slides will be available on the AEMC website.]

JT Yes, these slides will be on the website tomorrow so that you can download but also for people that haven't had the benefit of coming along today will be able to see them and those together with the transcript I think will give people a pretty solid view of what happened here today.

Now there are some areas of concern or reservation. The liquidity in the electricity contract market was identified by a number of stakeholders as a matter that has been reducing in recent times and is important for its impact on competition, including at the retail level and aspects of the structure of the wholesale market, particularly in South Australia and some of the wholesale market outcomes were raised as matters of concern. We also identified in our draft report some structural limitations in the gas market, particularly affecting the access of regional gas customers to competitive choice and we've indicated that we want to explore those matters further and get further information on that in coming to a view. We also identified in the draft report emerging pressures on costs and therefore on prices arising from the situation in the wholesale market, particularly we've identified tightness of supply and demand, comment from David Headberry on that, no doubt, and also rising costs for investment and the need for stronger investment in the network sector are important cost drivers that are emerging in the market as well as the prospective policy developments in the climate change world – all of which seem as if they are going to be imposing upward pressure on costs and therefore prices, and we've identified this as an issue of materiality as we look at competition and its ability to deal with that future and policy responses in the context of rising costs and prices. So they were the broad high level comments that we made in our draft report but we'll elaborate those in further detail.

What I might do now is just go through a quick check list of the issues we've had in mind as reflecting the elements of effectively competitive market, and again you're welcome, as no doubt you will, to comment on this framework but it is broadly drawn on the guidance that we were given by the MCE in the terms of reference for this review.

First of all we think that informed customers shopping around and exercising choice amongst alternative suppliers, retailers and alternative price and service offerings is an essential element of a competitive market. If this is present, it does put a lot of pressure on suppliers to make sure that they are maintaining their market share, their customer base, and not losing it to retailers offering better deals. Strong rivalry, retailers need to be seen to be competing with each other to maintain or obtain new customers and they do that on the basis of price and non-price elements. There should be ease of entry, or the threat of entry if prices and profits seem to be getting out of line with efficient costs, so we've looked at entry conditions in the market place. One indicator as well is that the kind of returns that retailers are earning in these competitive market environments should be at a competitive level, that is covering the costs of supply and an efficient return on the investments made and the risks being undertaking but not excessive profits and margins. We've looked at some evidence about the margins being earned in this market. And prices should be able to respond flexibly to changing cost and supply and demand conditions in the market place. That is the feature of a competitive market that, provided there aren't excess prices and profits being earned and in a market environment that is changing, prices should be able to adjust to reflect that. They seem to us to be the key elements of a competitive market. We've sought to test the environment in the South Australian market against those broad criteria, and I might pause and note that a number of submissions have nevertheless questioned and commented on the interpretation that we've placed on some of those matters and the analysis that we've conducted so we want to listen to those comments.

Now the last thing I'll do before we take a brief pause is just give you an opportunity to ask any clarifying questions – this is a high level view of the four key areas that we examined and analysed and the dot points indicate the broad evidence or information that we felt supported the effective competition conclusion. And I will just quickly touch on them or go through it in more detail.

Active customer participation: high awareness, high rates of switching, customers prepared to respond and move onto a market contract when they were offered a tangible benefit by retailers and this was found to be mainly a price benefit.

Strong rivalry: evidence of direct marketing by all retailers; price discounts being offered against the standing offer tariff and non-price benefits or incentives being offered as well; new retailers entering the market and eroding the market share quite significantly of the original host retailers of AGL and Origin and we note that competition for gas is being largely driven by dual fuel opportunities and we noted it was less visible or active in regional South Australia.

Conditions of entry: we have noted in the last 6-12 months there has been quite a significant change in the climate in the market, but there has been evidence of entry and expansion of new retailers in the market as I have said, we will show the changing market share and the erosion of the host retailer market share by entrants. Few barriers to entry for small electricity retailers and that is a particularly historical comment where scale economies and other features did not seem to be an obstacle to entry for smaller retailers and larger retailers who have over a number of years accessed the market and market share. As we say structural issues limiting competition for regional gas customers and also this question about the liquidity of the contract market and the competitive environment at the wholesale electricity market and structural issues that we've identified in the report that will need to be given further examination.

The last point that I mention here, we did quite a detailed but qualified analysis of the profit margins that have been earned in this market place by retailers over the past period of contestability which broadly speaking showed that the margins being earned by retailers on standing offer contracts for electricity were broadly within the range that you would expect from a competitive retailer in the range I recall of 5%-8% but on market contract, particularly more recently margins were falling below the lower bound of that range, below 5%, they were roughly about 3% and if you allowed as we did with our sensitivity analysis for increase in costs in future and the retention, this was an assumption of the standing offer price, margins would fall to an unsustainable level. So the question of allowing retailers, particularly the small retailers that are the dynamic driver of competition in this kind of environment, if they are not earning competitive profit margins they won't stay in the market, so we identified that as a risk and a challenge going forward. That is the broad overview. We believe that competition is effective in the electricity and gas market for small customers for those reasons, with the qualifiers that I've identified there are some changing circumstances, there are some risks, there are some structural features and these are the matters that we want to now examine much more closely with you, with industry participants and with informed regulators and market operators that might help us to a well informed view on those questions. So perhaps I might pause there. Can I say what we want to do now is go through that analysis in a bit more detail under each of those four headings I've spoken about. Could I just pause there and ask in terms of what I've said so far, and the way I'm charting the rest of the afternoon, are there comments or questions that people would like to make right now.

MH Mark Henley, Uniting*Care* Wesley, when you talked about the South Australian market, what actually are you talking about, particularly from a geographic perspective?

JT This is a pretty good question Mark. As you know markets are defined for competition law points of view in particular ways. We have taken the view and we've drawn on the terms of reference from the MCE on this, that we are being asked to look at a market called, for the purpose of this review, the South Australian Retail Market for electricity and gas services to small customers. That's the market. In the terms of reference, by recollection, we've also been asked to have regard to classes of customer which might be divided in certain ways, which might be relevant and they might be regional, they might be other classifications. We have not gone to a detailed subclass of customer because it hasn't risen to the surface in our analysis so far that there are particular classes or groupings or regions where there are circumstances that need to be understood separately. A qualifier to that would be the comment we've made on the regional gas customers where their choice seems to be, for various structural reasons, limited to Origin. They can move from a standing offer to a market contract but only with Origin. So that's the answer and I think from the discussion we had this morning there may be community representatives that have perspectives or information on some groupings that they would like to bring to our attention but at the moment we're taking a fairly broad view.

[Short question and answer not audibly recorded.]

JT Let me ask Catherine to just go through the customer participation material that we have.

CM An integral input into the findings that we've reached in terms of customer participation has been the Consumer Survey. I won't step through all of the percentages in any real detail but what the survey indicated to us was that customers in South Australia are aware that they can change retailer. We looked at the differences between residential customers and business customers and as you can see from the numbers that are up on the slide there is a higher level of awareness of full retail competition in the state. Using NEMMCO and REMCo data we also examined the proportion of customers who have switched to market contracts and you can see here that for electricity there is a fair proportion of the customers who have switched from a market contract. Our report details more specifically what proportion of customers remain with AGL on a market contract and that the market shares of each of the other retailers are. But you can see that for electricity and gas they are reasonably similar and we thought that was encouraging in the sense that customers are out there and they are willing to switch if approached by a retailer and as John mentioned if there is a tangible benefit they will change their supply arrangements. The Consumer Survey also indicated that retailers are making offers to customers in all areas so we were conscious of the fact that metropolitan customers may be having a different experience to regional customers with the exception, as John mentioned, of regional gas customers, we found that there was a great range of choice available throughout the state. The evidence from the Consumer Survey also indicated to us that customers are benefiting from the opportunity to switch. Some of the findings from the focus groups indicated that customers were switching multiple times, or have switched multiple times, since the commencement of FRC and not because they were dissatisfied with their existing arrangements in terms of service levels, they actually were being presented with improved offers which they took up and were pleased with the results. It is clear to us from that information that customers are exerting competitive pressure on retailers and are assisting in the development of competition in the state.

In terms of what was motivating switching, it was a clear finding from the Consumer Survey that price was the driving factor. You can see the proportions there that are quite high for those customers who said that the primary motivating factor was to obtain a lower price for their supply arrangements. Green energy and the opportunity to be supplied for both fuels by a single retailer were also important factors but it really is price based competition that is driving switching behaviour. We also asked customers specifically whether or not offers of free gifts, loyalty bonuses and other sorts of incentives were a factor in customers' switching decisions. The results that indicated customers do take these things into account but the primary motivation as

I've already said is price. So while I think they add an extra dimension to competition they are not the primary driving factor.

We also thought it was very encouraging that the Consumer Survey indicated high levels of satisfaction with post switching arrangements. Given that price is what is driving switching behaviour, we were encouraged to see that the vast majority of customers who have switched indicated that the outcomes from switching delivered what they were anticipating. So part of the focus of the Consumer Survey was to make sure that customers who switched for any given reason weren't switching on the basis of misinformation and did have the opportunity to fully consider their options and so we were encouraged to know that people who were switching for a lower price were in fact receiving a lower price. We also took on board comments that were made prior to the release of the issues paper and also in the submissions that followed that it is important when assessing competition to understand why customers aren't switching. We wanted to assess what levels of status quo bias existed amongst the customer base and we wanted to test issues around brand recognition and brand loyalty and we found that most of the customers who had elected not to switch did so because they were satisfied with their existing arrangements that they had with their current retailer. Now I don't have the specific break down of the numbers here but in the report, the McGregor Tan report, we look at the differences in attitude between customers who have elected to stay on a standing contract and those customers who have switched to a market contract but have only switched once. So if you are interested in getting some more information I would refer you to the McGregor Tan report.

We also took on board submissions that were made to us that related to the ease of understanding of information that is available to customers in the market place. One of the issues that was raised as a matter for consideration was whether or not customers who are switching are doing so to get rid of a retailer from their doorstep because they feel pressured and they don't feel they've got the opportunity to take the time to consider it, or they are otherwise the victims of mis-selling or other inappropriate marketing conduct. What we asked our survey respondents to do was to rate their level of agreement with a series of statements about the quality of information that was available to them and we were encouraged to learn that residential and business customers did find that the information was generally easy to understand, they felt it was useful. They felt that they had access to sufficient information to make an informed decision. Now one area that we did notice that there was probably some improvement possible, was around the provision of information for small business customers. Many of you would be aware of ESCOSA's estimator service which we understand is actually only available to compare the offers for residential customers and that currently there is no service being made available for small business customers, however we also note that ESCOSA is about to launch, or will in the coming months, launch a similar service for small business customers and we are hoping that this will fill some of information gaps that small businesses had identified. That's really the high level results of the evidence that we have about customer participation. If anyone has any questions about those specific matters we can take them now or we can deal with them at the end if you prefer.

SD Shane Dinnison, Deputy Director of SACOSS, South Australian Council of Social Service. Catherine I noticed, and John said, that you didn't actually drill down into the data or your brief was not about particular sub classes of consumers or customers. From a social services perspectives and equity perspective that is very disappointing. I did notice that you did do a focus group with older South Australians which was encouraging. However we know that vulnerable, disadvantaged and low income South Australians which actually make up a quarter of our population living on a low income in South Australia, are disproportionately affected by energy prices. It is a much larger percentage of their household income so our high level comment from the social services sector is firstly, where two agencies have 70-80% of the combined energy market, we can't concur with the conclusion that retail competition is effective and secondly we are very, very disappointed that there has been no disaggregation of data to actually find out what the impacts and the issues around vulnerable South Australians. Anecdotally our member agencies who work with low income South Australians tell us that there is not much door knocking going on in Devon Park or Huntfield Heights which are the lowest socioeconomic areas of Adelaide.

JT Thanks for those comments and we'll certainly take them on board. In terms of drilling down into the detail certainly the sample survey results are capable of more detailed analysis in terms of stratifying by socioeconomic groups and to some degree other classifications. What I would ask stakeholders to do, if there is anecdotal or more detailed information available in your experience which you can draw to our attention, we would certainly welcome that in your submissions, including if it comes from your databases or the clients that you deal with in the disadvantaged sector. so please if you've got comments and criticisms but you've also got information that will help us deal with those matters, let us have it. On the question of your disappointment with our conclusion I don't doubt that a number of comments will be making critical observations on the analysis or the weighting of the analysis we have undertaken. We will consider very carefully the comments that you make in your submissions. I would ask you though if you could support your comments with information, evidence, analysis which gives them weight so that we can draw on them, rather than we've got people that disagree with us without giving us material that can help us in the adjustment of our conclusion. But having said that I hope that didn't sound too defensive. We are here to listen. We are here to put our views out for comment and we welcome your submissions but please give us information that would help us make adjustment to our conclusion on the basis of evidence. Thanks for those comments. Any other comments on the consumer participation. Yes David.

DH David Headberry, advisor to Uniting*Care*. One of the concerns that sticks out is when you've discussed with consumers what they understand about the market, they have been operating, or all consumers have been operating against a benchmark, a standing offer and therefore their understanding is: a) Yes I can change and b) I'll only change depending on the discount I get from the standing offer. My concern that comes out of that, that if we remove the standing offer, there is no benchmark and therefore customers have to rely on what they're being told by the retail seller person or they are going to have do their own investigation of what is the drivers, what are the costs for all the various elements that go to make up the retail price and as we know from hard experience in the larger consumer sector, that is an extraordinarily difficult task trying to understand it. So whilst there is apparently a high degree of understanding of customer and participation and knowledge of what is going on, that is all based on the assumption that they have a benchmark to refer back to. If you took that benchmark away, do you have any understanding of whether the participation and understanding would be sufficient to be able to analyse in isolation?

JT Now David you've dived straight to the end of the process and we are well ahead, or back from that particular matter. So what we are looking at is: Do customers know they have a choice and that there are a number of retailers in the market place they can choose from and the answer from the survey is there is widespread understanding of that fact. Second proposition is that the survey shows, and I think anecdotal evidence shows that the change from standing offer to market contract has been largely driven by that discount that you've identified and it is a discount usually referenced to the standing offer price. So the question about what conclusions are drawn about competition and its effectiveness at the moment as an input into a policy discussion about what options are available from the status quo to other options in the light of the conclusions on competition, and what that might mean for how the standing offer arrangements are varied, eliminated or maintained, that is the next stage, so I think you've jumped three months ahead, or four months ahead, six months ahead. But I take your observation that customer information about what is going on in the market and why what is being offered to them represents value is going to be an important consideration. Let's park that, but note the point and that was a matter that was discussed in a lot of detail in the Victorian review as well. It is a real issue and it is something that we'll address in the next stage. Any other comments or questions?

JP John Pike, Chairman of the Energy Consumers Coalition of South Australia. John thanks for your comments and I can understand the points that you made but as a buyer for corporations, large blue chip corporations and having been in contact with large blue chip corporations throughout my career, normally competition to a buyer means that if you have multiple parties you drive the price down. If in this market and you've clearly defined market to be purely retail competition, and that's your only definition of the market, of course retailers will have rivalry, they are not friends and pals, they're rivals and so there is always going to be rivalry, but if you remove the standing offer level of pricing in the market and for instance let's say the market doubled you would have competitively much more expensive pricing and they still might be able to pick at each other at 3% or 5% below one another's pricing, but the whole definition of competition and competitive outcome, if you measured it purely on churn you might say that's competitive because of the number of changes that people have made, but I don't think you can decouple the social implications of what that means to the average person, and especially to those who are economically challenged, and it completely drives them in the opposite direction of what the normal definition, at least to consumers, of what competition is. You could have great competition but if that was at three times the price that is not a competitive outcome for the man in the street whether he is economically challenged or otherwise. That is just a comment I would like to make at this stage.

JT Thanks for this. We need to move along. We are moving into the wider discussion we'll have towards the end. My only observation there is that we've set up some criteria for how you would recognise effective competition when you see it and we've sought to measure what is happening in South Australia against those criteria. We will have different views around the room and across stakeholders on the judgements we've made and that's what we want to test. But can we just go to the subject matter that we are describing and have a wider debate about the conclusions we have drawn on our analysis when we come to the conclusion of the forum. I think we should move on and we'll say a few quick things about retail rivalry. And Anita I think will take you through that. If you like to go through it fairly quickly as I think it is broadly well understood and we need to get to this general discussion.

AL To look at retailer rivalry we used information that we obtained from the retailer survey and interview process to look at the nature and extent of rivalrous behaviour shown by retailers and we did find evidence of rivalry. The retailers do use direct marketing as one of the principle means to contact customers. That has been put down to energy being seen as a low involvement commodity. So the small customers are generally unlikely to go out and seek better offers on their own but if they are provided with an offer then they would consider that. Retailers do have that incentive to actively market their products to overcome this low level of engagement shown by customers. The retailers do that through a number of different channels so including direct marketing such as door knocking and telesales, some retailers also use TV and radio. But we did find that the larger retailers tend to use TV and radio on a more regular basis. The new retailers that have come in have been able to win a reasonable portion of customer share.

At the moment we have 10 retailers selling electricity to small customers and four retailers selling and supplying gas to customers. We've got a couple of graphs to demonstrate the customer share that has been won by the new retailers. So if you have a look at this graph here, the green at the top for electricity retailers shows the proportion of customers that is with the new retailers, so by the end of 2007 that is over 40% of the customer base. The dark reddish colour down the bottom, that's the contracts with AGL, the standing contracts with AGL and the white shows the market contracts that AGL has. So you can see that proportion with the host retailer has been falling gradually since the start of FRC. For gas retailers we can see a similar trend. The darker colour at the top, again that is the proportion of customers held by new retailers and the greenish colour down the bottom shows Origin's customer share that has been decreasing. The white is the number of market contracts with Origin, so that could be customers who have chosen to stay with Origin but have switched to a market contract or customers that have returned to Origin.

As part of the analysis we did look at the market offers that were made available to small customers. In terms of the price rivalry, generally retailers tend to offer a discount to the standing contract price. For electricity offers we found that there is up to a 7% discount for residential customers and for residential gas offers there is up to a 4% discount off the standing contract price. In addition to that there are other types of discounts that we've seen such as pay-on-time discounts and discounts given if customers pay by direct debit. So in addition to competing on price there are prepayment products, and green energy products but as Catherine mentioned before the price discounts is the main driver for people to switch. The type of incentives that have been offered have been changing to reflect consumer preferences and retailers marketing strategies and generally the value of non-price incentives come to about 5% of the value of the bill. In terms of any mis-selling we haven't found any evidence to suggest that mis-selling is widespread or systemic. Some of the consumer groups have advised that customers have had negative experiences but retailers do have that incentive to address any issues quickly to minimise any damage to their reputation and minimise costs for managing compliance and administrative issues. Recently some retailers have ceased actively marketing to acquire new customers and retailers have indicated that this is due to increases in input costs and we will be discussing that in a bit more detail in the remainder of the presentation.

JT Can we just pause there and see if there are any comments on that. There might be for instance comments on the mis-selling issue and we'd certainly like to have that further explored but are there any general comments on the material we have just heard from Anita? Well if there are not, but since I've raised that point, let me just talk about it. When we did our Victorian review we looked at the available evidence of mis-selling and evidence of systemic problems in the marketing area and there was clear evidence that from time to time there were quite serious examples of mis-selling which the evidence in front of us in Victoria was that it was responded to directly and quickly and dealt with. There was a difference of view between the AMEC and some of the consumer organisations on this matter. We said: Look please bring forward the evidence, the information and the examples and that proved to be difficult and we also said: Look there are laws, rules and regulations, license obligations and regulators in place. Where there are instances of mis-selling, misleading and deceptive behaviour that is a breach of the licence that the retailer has, that can be a breach of the Trade Practices Act or the Fair Trading Act and so we said this is a compliance matter and there should be if there are problems, which we found limited evidence of, a more proactive approach to dealing with those problems by the relevant authorities. But we'd like to hear if the community sector groups and their experience takes a different view from the one we've just expressed but we'd like to see information and examples and evidence, particularly if it's a systemic issue as opposed to instances, which do go wrong and sometimes badly wrong but are corrected quickly. So I thought I'd just touch on that point because it is a matter of concern to consumer groups and there are disadvantaged people that occasionally do have bad experiences. If you've got better information please let us have it. I wanted to go on, I wanted to say quickly a few things about entry expansion and exit and this is where some potential issues do arise. First of all looking back historically as the changes in customer shares in the number of retailers show, entry has been reasonably easy and positive since in the period since retail competition started up until very recently. In that period there was limited evidence of barriers to entry, scaled economies and other issues did not seem to be a problem and we saw both pure retailers and larger gentailers entering in a quite dynamic competitive environment in the retail market during that period. However as I have said a couple of times the energy market more generally in Australia, and the energy market in South Australia has reached a watershed if I can put it that way, where there are a number of changes that appear to be evident in the market place. I have characterised it as circumstances of rising costs for a range of reasons to do with the need for investment in generation around the Australian market, the need for replacement and augmentation of the network and indeed rising costs of materials, steel, aluminium, labour costs in the engineering area, there are a range of cost pressures going forward. We have also seen some uncertainties in the wholesale market in particular in relation to the future of policy for climate change and implications for new investment in generation and uncertainty about any imposition on fossil fuels versus renewable energies, and this has led to some delay. So I'm making the point, somewhat belatedly that this is an area or a time of some uncertainty about the future. In that context we have seen rising spot prices in the wholesale market in general and particularly in the South Australian market. We've seen reducing liquidity in the contract market, the ability of retailers to obtain hedges in that contract market and we've seen the prudential obligations which are strong drags on working capital of retailers rising significantly because of the higher spot and contract prices in the market place. So a number of retailers have said to us that these circumstances are making it difficult for them to continue to expand and market in the market, it is making it difficult for them to cover their positions and this is having some short term implications for competition in the market place. So we've identified that as matter that is current and we need to look at what the likely future developments are going to be. We found entry into gas retailing also is more feasible on a larger scale, mainly because there are larger sunk costs in establishing supply and particularly transmission rights and contracts in that market. So entry we found was less easy in the gas market. Dual fuel as we note here was an important feature to be successful as a gas retailer in South Australia. If you could add gas as a service to your electricity offerings that seemed to be an attraction to customers. We have also noted, and we've noted a couple of times that there were structural issues in the gas market that are making competition and offers in regional South Australia more difficult. We did find that the impact of regulatory obligations can have some bearing on entry and feasibility and viability so that the standing offer contract price, while it is focal point for competition, is also an issue if costs are rising, contract prices are rising and you've got a standing offer price which you rarely offer prices above. So that became a concern.

Regulatory compliance: I mentioned already the climate change policy environment is also a very significant risk which is a concern. So that's the broad view of entry and expansion. It has been quite vigorous and very positive. We are at a point of balance where the question of improvements in competition are going forward or some challenges for the market are matters that we have to come to grips with.
That leads us to this particular slide here where it may well be that Uniting*Care* Wesley in particularly wants to elaborate some concerns they've expressed about the circumstances in the wholesale market. But I've mentioned already that liquidity in the wholesale market is much reduced on what it was. The availability of contracts at prices that retailers can recover their costs under the standing offer price has been much more limited. The bidding strategy of the Torrens Island Power Station and its particular position in the merit order in South Australia has also been identified by retailers and in a quite detailed submission from Uniting*Care* Wesley. That's a matter that we have commented on in the draft report, reserved our position and said we want to explore that issue and its implications for retail competition more fully between the draft and final reports. So I think that is perhaps leave those comments on entry and exit. Are there any comments, questions, observations in the brief. The major commentary perhaps we can leave to the open forum. But any comments on that? David, yes.

DH David Headberry, advisor to Uniting*Care* Wesley. John, you are right we do have a major concern about the issues raised there but one of the comments that has been made in the report that you made just before, is that there are a number of short term implications and the implication from what you've written in the report and what you've said there is that if there is a short term hiccups at the moment that shouldn't prevent us from going into full competition and opening up the market. No-one has ever come out and said how long are these short terms going to be, or even given an indication of how long those short terms might be and maybe there is an alternative to implementing full competition at this stage until those short term things are overcome. Could you elaborate on what you really mean by short term and which comes first, the pain or do we put the bandage on first.

JT Thank you David. Yes, probably loose language on my part. Where we are is to say that the market has been visibly and inevitably competitive up until this last 6-9 or 12 months. Your submission, or the Uniting*Care* Wesley submission, observations by a number of retailers, observations of the wholesale market realities in the last six months, in our mind raise a number of issues that we need to examine further between our draft report and our final report. We will do that by speaking to a number of relevant stakeholders or knowledgeable people. We will certainly examine the Uniting*Care* submission more closely and respond more directly to the propositions raised in it in our final report. We intend to speak bilaterally and perhaps multilaterally with retailers, second tier retailers or to have strong views and information about this matter. We will speak to the two host retailers. We may well need to speak to generators other than Torrens Island as well as Torrens Island. We will speak with the regulators who has insights into these matters, the AER, ACCC and NEMMCO. We have spoken this morning to David Swift at ESIPC. We will talk to them. So what I am saying is this is an issue, its future direction and development, in context by the way, of a quite dramatically changing policy environment which may well change quite significantly the comparative advantage and competitive positions of generators in this market in future, will all be considerations in us coming to a final view. The question of what is the short term and what should be the policy stance given the analysis of competition, and its likely future direction is a matter that we'll consider in stage 2, having dealt with the competition question. So I'm not answering the question on short term, medium to long term, I'm saying that we have to have a well informed view and analysis about the direction of competition and its likely effectiveness at the retail level as an analytical conclusion before going to those policy considerations. My sense is that was a pretty long winded answer but there it is. Now any other comments?

Profit Margins – I've almost dealt with. Let me quickly run through the profit margins material. I really just want to get to how we've done it. I've said why it's important to have a very clear view of the relation between cost and price and whether the profit margin being earned after recovering costs is on a competitive level, which we've assessed for drawing on, by the way, ESCOSA material and information. A reasonable profit margin for electricity retailers we've assessed as being within the range 5-8%, slightly higher range for gas and we've put our reasons down for that. Then using data that was available to us including the forward price path arrangements here in South Australia developed by ESCOSA we have made an assessment of what the actual price margins are that are being earned. Basically in the base case electricity standing contracts, now the base case by the way is what we believe are now historical assumptions about the future price path of the standing offer and we believe with recent developments on cost and market developments those base case assumptions were quite conservative. But on the base case under standing offer contracts the margin analysis shows that competitive margins were being earned. They are within the range, that is excessive margins, there wasn't any evidence of excessive margins being earned against the standing offer contracts. Similarly with the gas standing offer contracts, the measured margins were within the expected range for a competitive retailer. Electricity market contracts for the base case with the conservative assumptions about costs was below the range for a competitive retailer. It was about 3%, a couple of basis points below the lower margins. That is saying the evidence on profit margin is not that there is any evidence of excessive margins but that margins are at a level that would raise questions about the future viability of some of those retailers at a 3% average margin. We also did, and this is explained in some detail in the report, sensitivity analysis of what would happen to margins on the data we had if there was a 10% increase in energy cost for electricity and a 15% increase for gas and we found that under that assumption, based on the view that there is a lot of evidence that cost and therefore prices are going to have to rise in the future, the electricity market contract margin went negative and the gas market contract margin went below the lower bound of the expected margin. Key point, no evidence of excessive profits being earned in the retail sector but emerging evidence that changes in costs that margins are falling to a level where if there cannot be some adjustment in price, the viability and therefore the effectiveness of competition going forward of retailers will be in question. And that led us to some commentary that in a rising cost future environment, enough flexibility for retailers to continue to earn competitive margins and recover the real resource cost of providing the service, which of course includes the energy and the cost of the transport service as well as the retail services, otherwise the retailers would be forced to a non-viable position. So that was quite a sombre outcome but it did not disclose evidence that there was excessive margin or profit being earned. So perhaps that will just leave me, we're almost through here. So that just led to a theme– Comment?

OC I am Owen Covick, the Chairman of the Energy Consumers' Council of South Australia. An economist looking at that slide I think would reach a different conclusion possibly, or suggest a different conclusion to the one you made. The red now in the third entry in the right hand column could easily mean that the dominant retailer in the market is pitching their market contract price at a level designed to hurt the less well entrenched retailers. If we were looking at this slide and we knew that this was a current short term period with that same short term period having the other features referred to in your answer to the earlier question, I think that might lead the economist to think even more strongly that the red now was not what you have suggested it meant. So I think you've got to be very careful about interpreting that diagram. I think that could actually be evidence of monopoly behaviour in this market at this time, rather than the more comfortable opposite conclusion you seem to draw from it.

JT Well I would certainly welcome some analysis and thinking of that particular view of the data. There may also be an implication from the earlier comment that wholesale market conditions and behaviour may be an influence. A point that we have raised is that we don't see evidence of profit being taken at the retail level and I think you're raising a question about that. We have raised this point that in a market where there is a regulated standing offer price above which second tier retailers in particular cannot go and expect to retain or gain customers, is another potentially contributory factor to that. If these were genuine resource cost increases but retailers were being prevented from pricing up to a level that recovered their costs and a return on their investment and risk taking, that would be another scenario. So I take your point that there are a number of views that could be taken on data which is qualified. The source of the data, the averaging of the data, is a question, we've nevertheless put out a quite detailed analysis of where the data came from, how we've used it, what the results have been, and the interpretation we've place on it. If you want to look at all of that, raise questions about the believability of the analysis on the numbers, but also the interpretation, please do. We've put one on in our draft report which we think is the better view, but certainly lets hear from you if you've got some views. Thanks for your comments. David?

DH David Headberry, advisor to Uniting*Care* Wesley. One of the things that hasn't been done as part of the analysis of retail margins is that 95% of all retail contracts are with gentailers, that gives them the ability to adjust their transfer pricing between their generation and retail activities. So what could be happening here is that there is notionally an observable reduction of retail margins but in fact the entire profit might be taken at the generator end and that is a very likely outcome from the data that you've given there, as well as the point that Owen makes. I think that there needs to be further investigation about the transfer pricing issues within the gentailers before you could make an observation that saying that retail margins are being squeezed and then that also comes back to the issue of the second tier retailers who don't have generation, they are being squeezed because the retail margins are being taken as part of the generation profits.

JT Now that thesis is broadly consistent with the submission that you have put in and that is a matter that we'll give some further examination to. Now where are we up to Catherine. I think we are just about through. We're now taken much more time than I expected to get all that out, we really now want to throw the floor open and we can take certainly another 20 minutes, maybe longer, before I have to go another meeting. We've listed the broad issues on these issues for comment and question. The broad issues we think that have been raised by our analysis as a reminder to you and you may well want to go back to some of the issues we've touched on and put a comment, a strong view, a criticism, a suggestion as to how we might proceed to our final report. So floor's open and I invite comments, questions or suggestions. Yes.

GM Graeme Warnock, Council on the Aging. John, Catherine in her talk, talked about a number of customers switching more than once. Is there any data on how many switched more than once, and do we have any information on the demographics of that group or those groups that switched more than once.

CM The McGregor Tan report does contain the responses to questions where we did ask customers how many times they had switched, once, twice, three times, I don't think anyone had switched more than four times. There are some high level observations made at the conclusion of each survey question about any demographic trend that was statistically significant that we could make about those results. Now it may have been a demographic trend or it may have been a geographic trend but the best place to find that information will be the McGregor Tan survey.

DH David Headberry, advisor to Uniting*Care* Wesley, one of the observations that we made out of the report was a comment that comes up on a regular basis that we should expect higher prices because the demand/ supply balance is "tight" in fact in the South Australian region our analysis indicates that this is not the case that in fact there is more than adequate generation both installed generation within the region when you look at all the peaking plants, the base load plants, the intermediate plants such as TIPS, plus the wind farms, plus the interconnection, but there's probably an oversupply, particularly if the interconnectors worked at a level they should which they don't normally, which is a pity, but even despite that there is more than adequate indigenous generation such that when Victoria had a problem we were able to export from South Australia both last June/ July when there was problems in New South Wales and again even when South Australia was meeting its peak demand of 3,333 megawatts we were still able to export power at that time. So the construct behind what is there is that there is a tight balance and in fact that is not the case and therefore we would expect that the wholesale market would be much more competitive and in fact the reverse is the case that during the first quarter of this year the wholesale market for significant numbers of half hour periods demonstrated market power by AGL TIPS and we actually saw that the average volume weighted price for the whole of the quarter was about 4-5 times the average price in previous quarter ones of each of the previous years. In accepting that there is a problem there and the AER in their report on what has happened also confirmed that AGL TIPS has market power at around 2400 or 2500 megawatts. So our main concern is that if there is inadequate competition being demonstrated in the wholesale market, particularly at those critical times which you have the ability to drive the price really high, and therefore that increases the volatility and the overall price, this means that AGL TIPS particularly can effectively drive out all of its retail competitors other than perhaps the other gentailers who are in the market place and there has been no analysis done in your report to look at that aspect and in fact in NERA in its report highlights the fact that you can't have retail competition if you don't have wholesale competition so I guess my concern is that if we don't see wholesale competition and therefore retail competition really can't exist. It doesn't happen in isolation of the other.

JT Again we talked about this in some detail this morning. I simply want to observe that in the further work that we intend to do on this, one of the things we will do, is look very carefully at what ESIPC and NEMMCO have in mind for the interconnector. We will also look at prospective entry issues. We appear to be moving, just a top of the head comment, to a world and a future where gas is likely to be the transition fuel of choice. We appear to be moving to a world where wind generation is going to be a stronger participant in the market and South Australia is going to have a comparative advantage network capacity allowance in that area. So the question of what are on the drawing board or prospective developments in this area as well as going back to the fundamentals of your thesis which we want to examine more fully. So accepting your comments we acknowledge these points in our report, we didn't take them to the final analysis, we intend to do that but also look at competitive prospects going forward. In other words one implication of where you're going is we need to tighten regulation in this market, that is not a starting point for our thinking it is what are the implications of the circumstances you describe for the retail market and its competitiveness and what are the emerging market responses to what I call the watershed situation we currently see ourselves in in the Australia wide market, and as you observe there is an interconnected market when South Australia is an exporter, it surprises us elsewhere and TIPS has less or no market power. So what are those prospective developments. It goes back to your time period question as well. So these are important matters that we need to explore further and I would certainly invite informed evidenced based analytical further observations on this question, it's a very important one, and we will be exploring it without further enquiries as well. I have got a sense that again that was a long winded answer to say we understand the point. But you need to recognise that this is not a frozen market in time, it is a dynamic and there will be changes and there are market responses to profit taking in a world where investment climate is going to change very dramatically. So these matters need to be looked at very closely. Any other comments that people would like to make. Yes.

OC Owen Covick again Chair of Energy Consumers Council of South Australia. I thought I should say at this opportunity to say partly for the benefit of the other people here, partly for everybody listening to the record, David and Mark are not alone in the concerns raised – the Energy Consumers Council, I believe, in our submission made similar points. Also I think it might be helpful for us if you were to give us some type of indication as to why you didn't take it on board the first time, that will help us with how we go about doing something rather than just saying it all again. It's like well there's all we said in the first place, why don't you listen to it the second time. So as well as asking us for further submissions and further evidence, I think it would be helpful for the mutual education process if you could let us know what was so bad about what we said the first time and why you didn't take it on board.

JT Thanks for that question and putting me straight on the spot. Let me give you this answer and the Uniting*Care* people that we spoke with this morning did not read it this way. The way we expressed ourselves on this matter in the draft report was to keep it open and we have not formed a view that this is not an issue for retail competition. We said we haven't been persuaded yet that it was a matter. We acknowledged a number of the points and so where we are positioned is we think we need more information, not just from the community sector and maybe more particularly from some of the market participants in the market place on this matter as well as the informed market planners and regulators. So we are going to subject this to closer and more detailed analysis and our drafting was to say that we can see the entry climate, the climate for expansion by second tier retailers has apparently changed in the last little while. We are going to look at that much more closely but at the moment in the preliminary views we have not been persuaded. So I'm not answering your question here today but we've got further work to do, we will engage bilaterally as well as in groups, where there are interested South Australian stakeholders including putting further views and information that has come to our attention forward, but at the moment we are waiting to see whether we move towards the pro-competitive, this is not going to be a sustained view or this is a more serious question for the marketplace. So that is where we are at the moment and we have found the submission that we have received helpful, very helpful, but we need to subject this to further analysis and enquiry and that is what we're going to do. Yes at the back there.

JP John Pike again, chairman of the Energy Consumers Coalition. Taking on board the comments you've already made in response to my previous question, I just wanted to share the fact that I'm in possession of a confidential report which can't be shared in terms of specific details but a number of our large member companies, and the reason I am saying this, and I value the fact that you are saying that the wholesale market is inextricably linked in terms of some of the things that you are looking at and giving further consideration to, inextricably linked into the retail market, due to the nature of the market and some of the wholesale market behaviours that we've observed in recent times, there are a number, much more than one or two, but a number of our member organisations that have gone from contracts expiring in 2007 timeframes, those contracts having been in effect roughly the 2-3 year time frame going onto contracts in 2008 and 2009 of pricing levels, contract pricing levels 50-100% greater than the ones that they have been on and we're medium to large sized businesses, that would very much seem to reflect the fact and portend to the future that, and the term prudent retailer gets used, who would be more of an expert than any individual company, because they are full time buying in the market, it would be reasonable to expect that the kinds of pricing shocks that will be seen by the market will be reflected to that extent in terms of the effective wholesale contract market. And when I'm talking rough percentages I am talking about flat contract pricing effective, flat contract pricing, when you look at it. So that is an indication of the potential pricing shock that could be coming the way to the smaller consumer regardless of the size and even small business as well.

JT Well thanks for the observation and if there is anything you can put to us on that experience which doesn't disclose individual company confidential information, we would certainly welcome that. As we've said our focus is on the small customer sector but as we look at matters such as the contract market, the wholesale market position, that transcends that sector. So any information that might improve our understanding and information would be welcome. So you might think about what you can put to us in that area and I think David you've got material as well which might be able to be neutralised in some way which gives us some further insight. Any other comments, I need to wrap up fairly soon, we've got another meeting, but any other observations or questions.

KJ Kym Jervois from the Department of Transport, Energy and Infrastructure. Just wanted to make a point about the number of retailers for the gas market. Obviously there are quite a small number here, four, I was wondering if the survey had indicated if there were any retailers who were no longer in that list of four why they were no longer in there and the other thing was that obviously the AEMC has already looked at the Victorian market where it has concluded there is effective competition in both electricity and gas, now in the Victorian gas market, obviously a) there is a market and b) there is a lot more retailers, and also residents use approximately twice the amount of gas they do here in South Australia. So I was wondering looking at what you've done before might be able to give you some clues as to why in South Australia we don't have very many retailers for gas. We seem to have had them for quite a while. It seems to be a more difficult market as Catherine has indicated to get into. If that comparison can be made that may essentially give some clues to how we can improve the competitive of that market, be it either structural issues or possibly there are some non-structural issues such as the amount of volume of gas that temperate South Australia uses versus a colder climate in Victoria.

JT Thanks Kym for the comments. You might have a comment Catherine, but the general point you have made at looking more directly at the range of circumstances in Victoria and comparing that almost to the checklist, comparable checklist in South Australia may give insights and I think we have more generally looked at that but not specifically. So that's a useful suggestion. Have you got any comments on that Catherine?

CM The only additional observation I would make is that the retailer survey did ask questions about perceived and actual barriers to entry for gas retailers. There were a number of things that were identified by a range of different retailers as impacting on their decisions to enter or not, so the LECG report does contain some discussion of those issues and I think particularly in the light of the comments you've made today we can have further regard to that and test that further as we move through the remainder of the review, particularly when we get to the stage of providing advice to the MCE and South Australian government.

JT Okay. Mark did you want to say something before we close.

MH Mark Henley, Uniting*Care* Wesley, [question/comment regarding the submission process and next steps – not audibly picked up by mircrophone.]

JT If we could end on that note. If I could just emphasise as well that the three of us will be in Adelaide and South Australia regularly in the closing off of this first stage and then during the policy review and stage 2 and there will be other opportunities including bilateral opportunities for you to raise issues with us, as well as in some of your consultative groups. So this is not the only forum that we will have and we'll try and make sure that we are available for further discussion and comment as we move through the review. Perhaps in response to Mark's observation there could you just run through the final process.

CM Probably the key date is submissions are due 13th August, that is a Wednesday. In response to a number of different requests we've indicated a couple of items that we are particularly interested in receiving comments on as part of the submissions. There will be some overlap with some of the issues that we've talked about today, but there might be a couple of new ones up there, but of course as John said we would welcome commentary on any matter that is relevant to the review.

DH David Headberry again, advisor to Uniting*Care*. You've got a note there about access prices to the SESA pipeline. The SESA pipeline is a very specific pipeline that goes from the sea gas pipeline to Katnook. Is that the pipeline you mean or do you really mean the SEAGas pipeline?

CM Yes I am familiar with the two pipelines, I mean the SESA pipeline.

DH Well why don't you include the Katnook to Millicent and the Mt Gambier pipeline as well because the same issue applies there, it is still fully contracted to Origin. Origin actually built the SESA pipeline and I think they are a third partner at the moment, it is still a SEAGas pipeline, so not anymore? You've sold it. Who did you sell it to?

CM Sorry David. They are, I think, issues that we would welcome to be canvassed in the submissions. I refer you to Appendix E of the report which has the key discussions so if you want to have a look at what we said about SESA it is in there.

In terms of the timing going forward, after the close of submission we will obviously take on board the material that people have put to us as we indicated earlier there will be a range of other meetings with stakeholders where we will seek to test the material put to us in submissions and also undertake our own further information gathering and analysis processes. We are endeavouring to publish our first final report in September. We will then move into the second stage of the process based on whatever our final findings are about the effectiveness of competition, start formulating views and testing them with stakeholders, what advice we will put to the Minister and to the MCE in terms of the future of price regulation. As John indicated before there will be a range of opportunities for people to put their views to us and to discuss what measures they think could work or won't work and so we look forward to hearing from people on those matters as well. There will be the opportunity to comment on a draft advice. There will be a submission process and no doubt another forum similar to this and then we're endeavouring to publish our final advice prior to Christmas. In any event, we have to have the review wrapped up at the end of the year in accordance with the MCE terms of reference.

Two closing observations. As John mentioned earlier the slides will be available on the AMEC website in the retail review section. Please don't go looking for them before lunch time tomorrow because I guarantee they won't be there. We will endeavour to turn the transcript around as quickly as possible and we will post that subject to any editorial changes; we won't change content and we'll have that on the website as quickly as we can.

MH Mark Henley, Uniting*Care* Wesley, will you be calling for public comment prior to the October publishing of your draft second report or will there be input sought after that has been published.

CM There will be the opportunity. Based on the current timing, we are endeavouring to seek input prior to the preparation of that advice. The precise nature of the opportunity to provide input is yet to be finalised but we are looking at things like possibly a workshop with a range of stakeholders where we can throw a whole bunch of ideas around. Perhaps we will meet individually with people. Perhaps we do both. We still have to finalise that.

MH Given the timelines I would want to encourage that sort of combined stakeholder forum, somewhere between September and October.

CM Which is part of the reason why we would be really keen to receive everyone's submissions by 13th August because if we get them on time then that preserves the time for future analysis.

JT Can I just close by thanking you all for your patience and participation. It has been very valuable to us and we will keep the dialogue going. Please get your submissions in, please be as frank and fulsome as you can be and we'll certainly have regard to that input as we finalise our process. So thanks again and we'll see you soon.

End of transcript