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**28 November 2014**

Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

**By email**

**AEMC project number RPR0003**

Dear Sir/Madam,

### **2015 Retail Competition Review – Consultation Paper**

AGL Energy welcomes the opportunity to make a submission to the AEMC's Consultation Paper on the second of its annual NEM-wide reviews on the state of retail competition.

The AEMC's report on the first competition review released in August 2014 has provided a broad-ranging assessment of the state of retail competition NEM-wide. In AGL's view, this report provides a fair representation of the state of competition in the retail energy markets in the NEM. The key findings are consistent with AGL's understanding of the retail energy markets and AGL agrees with the key findings and recommendations of this review.

The Consultation Paper on the 2015 review seeks views on the assessment framework with reference to the 2014 review.

### **Retailer surveys**

The AEMC plans to conduct the 2015 review in a way that is broadly consistent with the 2014 review with the exception that the interview process with retailers will not be repeated. Instead, the AEMC intends to use a retailer survey to determine whether there have been any key changes in retailers' views and experiences in operating in energy markets since the last review. This may be followed up with interviews with retailers if further detail would be informative.

The standing terms of reference for the competition review from 2014 onwards requires the assessment to be "based upon objective measures and analysis". The AEMC is to have regard to the criteria under the assessment framework "where practicable, and subject to data availability and resourcing constraints".

Given that these competition reviews will be conducted regularly, i.e. annually, there should be greater reliance on objective statistical data rather than opinions and views which are unlikely to be robust or normalised. AGL supports the AEMC's approach in 2015 to discontinue the interview process.

In 2014, the retailer surveys included questions which required a rating based on a scale of 0 to 5. As such information from retailer surveys is non-specific and not normalised, the use of retailer surveys should be considered carefully.

### **Assessment framework**

The AEMC has considered the competitive market indicators in a comprehensive manner in the 2014 review. This review has provided useful insight in a number of areas such as customer

engagement, attitudes and experiences. The findings of the 2014 review complement AGL's understanding of the state of competition. Given that the 2014 review has established a baseline on the state of competition in the NEM, AGL anticipates that the 2015 review will focus on areas where there are material changes.

One key area where further information will be useful to assess the state of competition is the market shares of retailers. The 2014 review did not provide this. Whilst the Herfindahl-Hirschman Index to assess market concentration is used in the review, market shares are more easily understood. Together with the number of active retailers, market shares will provide a more objective view on the state of competition in each market. Currently, some information on market shares are available in performance reports produced by the ESC for Victoria and AER for jurisdictions which have adopted the National Energy Retail Law. However, a complete view of market shares in all jurisdictions in the NEM is unavailable. It is also worth noting that AGL already publicly discloses the number of customers by state and fuel in its results announcements to the ASX (Appendix 4D and Appendix 4E statements).

It will also be useful to highlight the entry or exit of retailers in the retail energy market in the NEM during the year. In addition to traditional retailers, there has been a growth in a number of entities who are exempt from the requirement to hold a retail licence but nevertheless participate in a part of the electricity market such as the solar PV market. AGL suggests that the AEMC consider the implications of the entry of these entities on retail competition.

If you have any questions in relation to this submission, please contact Meng Goh, Manager Regulated Pricing, on (02) 9921 2221 or mgoh@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink that reads "N Wallis".

Nicole Wallis  
Head of Energy Market Regulation