

1 December 2014

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

Lodged electronically: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Pierce,

**RE: 2015 Retail Competition Review Consultation 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 Consultation Paper (**the Consultation 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 assessment framework for the AEMC's 2015 retail competition paper as outlined in the Consultation Paper. We also take this opportunity to provide comments on a recent major development in the retail energy sector.

**Alternative energy sellers business model**

The emergence of new energy business models in Australia is changing the shape of the energy industry. The prevailing market view of an energy retailer solely providing the energy requirements of customers through the existing energy supply chain has ended. The emergence of alternative energy sellers which typically sell solar PV installations for no upfront cost or fees is driving this substantial change. The advent of new technologies including battery storage should exponentially increase the appeal of this business model and challenge all existing participants within the energy supply chain. This is expected to drive households to either partially and fully separate from the distribution grid with estimates that this number may be as high as 2.5m by 2020.<sup>1</sup>

The barriers to entry for these new providers selling energy are low and to date, the AER has approved approximately forty eight applications for an exemption from authorisation.<sup>2</sup> The companies applying for exemptions range for small start-ups to major energy retailers listed on the Australian Securities Exchange (ASX).

<sup>1</sup> <http://www.theaustralian.com.au/business/mining-energy/agl-promotes-solar-energy-for-households/story-e6frg9df-1227124958454>

<sup>2</sup> AER website <http://www.aer.gov.au/retail-markets/retail-exemptions/public-register?sector=4&region=All&status=7&exemption=1355>



The number of exemptions now exceeds the total number of retail authorisations granted and is continuing to expand on an almost weekly basis. Presently, AER-exempted alternative energy sellers operate in markets with AER/ACCC oversight.<sup>3</sup>

The alternative energy sellers are often not required to meet the requirements of the National Energy Customer Framework (NECF) lowering their cost structures compared to existing energy retailers.<sup>4</sup> Whilst we regard increased competition as a positive outcome for consumers, this present arrangement in our view clearly violates the competitive neutrality principle, which is so important to sustainable competition.

The low barriers to entry for these entities retailing energy to consumers means that the AEMC will need to commence taking them into account in its 2015 assessment framework. They represent a new form of competition in the energy retail market that will further increase rivalry in the sector and will likely result in higher levels of energy retailing falling outside the NECF.

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

---

<sup>3</sup> There is currently no transparency as to the numbers outside the non-NECF states.

<sup>4</sup> We note that the AER has recently released an Issues Paper on their approach to regulating innovative energy selling models. We are however concerned that the AER will limit findings from this review to alternative energy sellers that offer solar PPA's as well as battery storage.