



NSW energy retail markets

AEMC review of competition in electricity and gas retail markets

The AEMC has found that electricity and gas markets remain competitive in New South Wales. Retailers are competing for residential and small business customers by offering a wide range of energy deals and discounts, and many customers in New South Wales are taking advantage of these.

The AEMC completed a detailed review of competition in the New South Wales energy retail markets in October 2013. The findings for the current review are consistent with those from 2013.

In April 2014, the NSW government announced the removal of electricity price regulation from 1 July 2014. As this review focuses on information from the 2013 calendar year, it is too early to identify any market developments flowing from that decision.

A range of energy choices are available in New South Wales

Around 60 per cent of electricity customers and 70 per cent of gas customers have chosen a market offer, rather than a standing offer with regulated terms and conditions.

Customers can choose between at least fourteen electricity retailers and at least 30 different electricity plans. This choice means that different types of customers can choose an electricity plan that suits their specific needs and wants.

A further six electricity retailers have said they are considering entering the market or expanding their activities over the next five years, following the removal of retail price regulation. This is consistent with our finding that it is relatively easy for new retailers to enter this market and provide further options for customers.

Customers can save money by shopping around

With a range of energy plans available, it can pay to shop around. Last year, 18 per cent of electricity customers and 17 per cent of gas customers changed their retailer in search of a better deal. Others found a better deal with their existing retailer.

Conservative estimates show that customers could save around \$190 a year or more if they had changed their electricity plan in 2012-13. This does not include the additional savings if a customer switched to the best advertised offer or negotiated a lower price than advertised. Possible savings may be even higher now, with new offers available.

Many customers find it difficult to compare “apples with apples”

The energy plans available differ in a number of ways. This includes differences in prices, discounts, fees and charges, sign up bonuses, fixed price and variable contracts, the level of GreenPower, and the payments offered to customers with solar panels.

Our research shows that customers want choices, but they find it difficult to compare their options. They are seeking more transparent and meaningful information from retailers and governments to help them shop around with confidence.

A government-run website is available to simplify comparing energy plans

Many customers say they want a trusted tool that makes it easier to compare offers and find possible savings. Just one per cent of customers surveyed were aware that the Australian Energy Regulator offers such a tool. *Energy Made Easy* enables customers to compare electricity and gas prices online or over the phone.

Greater awareness of these tools could increase customer confidence in shopping around for a better energy deal. However, some customers may require additional support as set out in the AEMC's customer engagement blueprint published in 2013.

Smaller retailers are becoming increasingly active and attracting customers away from the larger three energy retailers.

The outlook for competition in New South Wales

Competition in the electricity retail market can be expected to continue to evolve now that retail price regulation has been replaced with market monitoring. The full impact of this policy decision may take time to emerge as retailers and customers will take time to respond to new opportunities.

In the retail gas market, competition is providing choices for the majority of small customers in New South Wales. While the ongoing regulation of gas prices could be one factor deterring further entry and expansion, retailers tell us that the overriding issues affecting entry are their ability to access transmission pipelines and obtain competitively priced gas in a tightening wholesale market.

Recommendations to all governments

The AEMC has made a number of recommendations to all governments. Of relevance to New South Wales, we recommended the Government: consider options to increase awareness of the tools available for comparing offers to increase customer confidence; ensure concession schemes are working properly; harmonise regulations across jurisdictions to reduce costs; and remove energy price regulation where competition is effective.

About the review

This is the AEMC's first National Electricity Market-wide competition review under a revised annual approach agreed by the COAG Energy Council (formerly the Standing Council on Energy and Resources) and the Council of Australian Governments.

The Review is an assessment of customer and retailer activity and outcomes as indicators of competition. The AEMC has assessed competition against five competitive market indicators. It is important to consider all five indicators together to provide a comprehensive assessment: each only provides one part of the picture.

We have interviewed customers and retailers, consulted with stakeholders, and analysed data from the Australian Energy Regulator, Ombudsmen, regulators, the Australian Energy Market Operator and retailers to understand what is happening in each market.

Additional details of our customer research and retailer interviews are available in consultant reports on our website.

Later this year we will be consulting publicly on the approach for future retail competition reviews.

About the AEMC

The Australian Energy Market Commission is the independent body responsible since 2005 for providing policy advice to Australian governments on the electricity and gas sector. It makes energy market rules which are applied and enforced by the Australian Energy Regulator.

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