

# NSW Retail Competition Review

Public Forum 20 March 2013



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# Agenda

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- Plan for the day
- What we have been asked to do
- Where we are at
- Our approach
- Key areas – mainly questions at this stage.

# Plan for the day

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- Want the discussion to be as interactive as possible
- Three guest speakers (APG, PIAC, AGL) will give their views on retail competition in NSW
- Neil Howes will present on effectiveness of competition, focusing on consumer surveys and retailer interviews.
- Questions and discussion
- Short break
- Elisabeth Ross will present on paths to deregulation
- Further questions and discussion

# What we have been asked to do

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- Assess effectiveness of competition for small electricity (<160MWh) and small gas (<1TJ) customers in NSW.
  - Consider availability and take up of time of use tariffs
  - Advise how competition can be improved where it is not effective
  - Advise on paths to deregulation, whatever state of competition
  - Consider deregulating by a reducing consumption threshold.
- Must report to SCER by 30 September 2013.

## Where we are at

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- Began work late last year
- Issues Paper December 2012
- Submissions closed February 2013 – 16 submissions received
- Published consultant reports on consumer surveys and retailer interviews
- Draft report to be published late May 2013
- Still finalising policy – discussion today can influence our approach
- No conclusions yet, but today we will provide a guide to areas we are focusing on

# Our approach

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- We are required to apply six criteria to assess competition:
  - Independent rivalry in the market
  - Ability of suppliers to enter the market
  - Market choice by consumers
  - Differentiation of offers
  - Price/profit margins
  - Customer switching
- The SCER-approved statement of approach also identifies four areas of analysis: market definition; market structure; market conduct; market performance.
- We are also required by AEMA to assess rebates/concessions available, and the effect these could have on competition.

# Key issues

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- Price regulation – what is the purpose of price regulation? Who benefits and who loses from price regulation?
- Market definition – what geographic definition? (NEM-wide v NSW; urban v rural)
- Market definition – what product definition? (electricity v gas v dual fuel; residential v small business customers)
- If competition is effective in one market but not another, could there be distortionary effects if price regulation retained in one but not the other?

# Key issues

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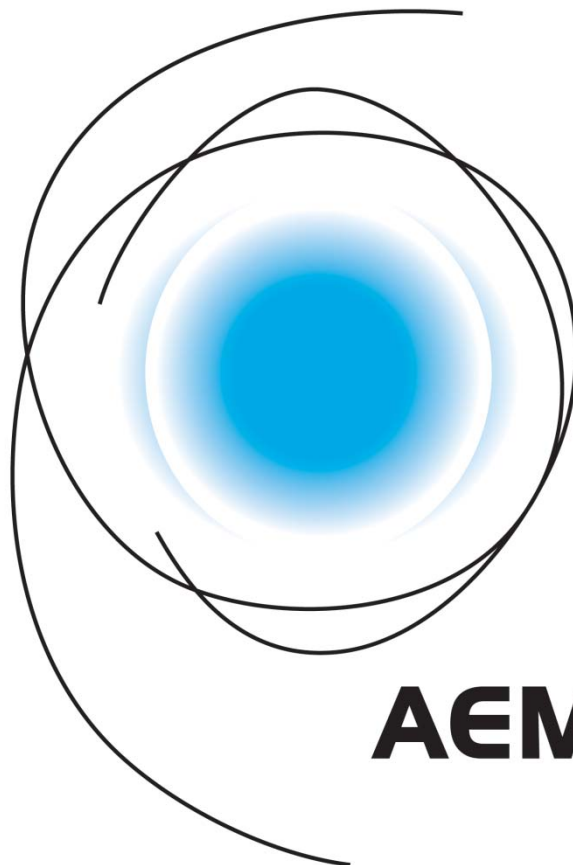
- How active are customers within the market?
- Are retailers able to enter/expand/exit market? Are they doing so?
- Is there independent rivalry between retailers?
- Outcomes – what is the level of satisfaction of customers?
- Outcomes – What do retailer profit margins reveal about competition in the market?
- Information requirements – Already appear to be some issues in this area. What additional information/ education/ literacy requirements are needed for consumers?



# Key issues

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- Time of Use Tariffs
  - Consumer ability to choose TOU tariffs v non-TOU tariff
  - Is network TOU charge being passed through to consumer?
- Paths to deregulation
  - Should any deregulation occur before the end of the upcoming IPART price control period (1 July 2013 – 30 June 2016)?
  - Further discussion in Elisabeth's slides.



**AEMC**