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26 November 2014

Mr. P Smith
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC reference: RPR0003

Dear Mr. Smith

AEMC 2015 Retail Competition Review: Consultation Paper

Thank you for the opportunity to respond to the AEMC's Consultation Paper for the 2015 Retail Competition Review (2015 Review).

The Commission retains a direct interest in the AEMC's retail competition reviews through its legislative requirement to conduct a review of the National Energy Retail Law (NERL Review). It proposes to rely on the AEMC's work in this area to the extent possible to avoid the costs of duplication.

I would first like to acknowledge the very useful and detailed analysis undertaken by the AEMC in its 2014 Retail Competition Review (2014 Review). It will form a sound basis for the competition aspect of the Commission's NERL Review.

In terms of the specific questions raised in your Consultation Paper (at Attachment A), the framework as set out in section 3 of the paper will enable an adequate assessment of the state of competition, noting the plan to adopt a similar approach to the 2014 Review. However, it is considered that the assessment would be enhanced by reporting on the extent to which customers changing plans are actively choosing from amongst a range of products offered by their existing retailer when existing contracts expire, rather than being simply rolled over to a default or standard contract. Such information would be a useful complement to customer switching data.

Further, when the Commission was previously performing a competition monitoring role, it assessed the impacts on low-income groups as one of the key competition indicators. While the 2014 Review did report a limited amount of information for low-income groups, a focus on this cohort would be useful in future reviews.

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The 2014 Review also reported that retailers acknowledge that it can be harder for some groups to take advantage of competitive offers, such as special needs, non-English speaking and elderly customers. This outcome is consistent with the last survey work undertaken by the Commission, prior to the commencement of the National Energy Customer Framework, which identified the risk that vulnerable customers may have less ability to take advantage of retailer energy contract offers. For example, those customers surveyed with low income were less likely to be aware of web-based price comparison services such as the Commission's Estimator (which was in operation at the time of the survey).¹ Such customers were more likely to indicate they sourced information from door-knockers or telephone sales.²

It would therefore be very useful for the results of customer surveys to be reported separately for low-income customers and other customer groups as outlined above, and we would ask you to consider these two additional aspects for the 2015 Review.

While accepting the caveats the AEMC has identified in deriving and assessing retail margins, whether as part of the 2015 Review or separately, it would be useful for any such analysis to include South Australia, to enable comparisons to be made over time.

Finally, the Commission would ask the AEMC to replicate the 2014 review surveys (quantitative research), undertaken for both customers and retailers, to provide a consistent set of data over time, to enable stakeholders to be able to monitor trends in this important area of reform.

Any enquiries on this matter may be directed to Mike Philipson, Principal Advisor, on (08) 8463 4322 or mike.philipson@escosa.sa.gov.au.

Yours faithfully



Adam Wilson

Chief Executive Officer

¹ Colmar Brunton, *Monitoring the Development of Energy Retail Competition in South Australia and Consumer Preference for Market Contract Information*, Report for the Essential Services Commission of South Australia, August 2010, p101, available at <http://www.escosa.sa.gov.au/library/100806-ConsumerPreferenceColmarBruntonReportFinal.pdf>

² Colmar Brunton, October 2010, p. 99.