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Via online submission

Australian Energy Market Commission

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Dear Mr Pierce,

RPR0003: 2015 Retail Competition Review — Jemena response to first consultation paper

We welcome the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) consultation paper as part of its first stage of consultation on the 2015 review of the state of competition in electricity and natural gas retail markets.

Jemena is an \$8.5 billion company that owns and manages some of Australia's most significant gas and electricity transportation assets, including the Jemena gas distribution network servicing 1.2 million customers around NSW and the Eastern Gas Pipeline which delivers gas from Victoria's Gippsland basin to the ACT, Sydney and regional NSW.

As an owner of gas transmission and distribution pipelines, Jemena has a strong interest in the review. The functioning and performance of the NSW retail gas market has a significant influence on the 'customer experience' and 'gas brand' in NSW.

In an environment of rising wholesale gas prices, it is crucial for customers to be encouraged and supported in their participation in the NSW retail gas market. Network businesses, retailers, regulators and policy makers need to create positive retail market conditions if we are to put downward pressure on customer bills.

For this reason we welcome the first stage of the AEMC's consultation regarding the assessment framework for its review including indicators of customer activity and barriers to retail market activity. We also welcome the AEMC's consideration of measures to improve the performance of retail markets and advice on possible ways to transition to price deregulation.

Jemena is responding to customer feedback about the gas retail market

When developing our 2015-20 gas access arrangement in NSW we engaged extensively with our customers and stakeholders. They have told us they value:

- access to the choice of retailers in the competitive retail market
- network pricing that is simple and easy to understand, particularly as many retail market contracts include a pass through of our network charges

- network pricing that is transparent and predictable, with annual changes in network prices made earlier
- assistance to make it easier to find a better retail market offer, and to switch retailers.

Our proposed 2015-20 gas access arrangement responds to what we heard from our customers and commits to doing what we can to:

- assist our customers participate in the NSW gas retail market
- make the NSW gas retail market work more effectively for our customers.

Attachment A to this submission provides detail on what we are doing to support customer participation in, and the functioning of, the NSW retail gas market.

Ensuring the policy and regulatory framework support customer empowerment and gas retail market competition

While we are doing what we can to positively support customer participation in, and the functioning of, the NSW retail gas market, it is important that these actions are supported by appropriate policy and regulatory settings. In particular, the policy and regulatory framework that governs gas supply—including transportation and metering services—by energy intermediaries.¹

We estimate that by 2020 around half of our new gas customers in medium-density and high-rise residential and commercial developments could be supplied gas, hot water and potentially electricity through an energy intermediary. This represents around 35,000 new customers by 2020.

Under these arrangements, many of the core responsibilities for supplying these residential and business customers would rest with the intermediary—including the provision of metering that facilitates individual billing and choice of retailer in the competitive retail market—rather than with us.

This could adversely affect the customer experience and effectively create a barrier both to customer participation in the NSW retail market, and retail competition in this market, given that:

- it is not clear whether energy intermediaries and developers are incentivised to provide customers with access to individual metering and their choice of retailer in the competitive market
- the policy and regulatory frameworks that support these arrangements are in the early stages of development, only cover some of the issues relating to gas supply (i.e. exclude gas used for hot water), or are not in force under the transitional NECF provisions in NSW.²

¹ Energy intermediaries could be authorised energy retailers or entities that have been granted an exemption by the Australian Energy Regulator under the National Energy Retail Law.

² Schedule 3 of the National Energy Retail Rules

<http://www.aemc.gov.au/getattachment/524ca290-a33d-4ef0-b045-c7b12d32cd8e/National-Energy-Rule-Version-1.aspx>

The benefits of improving customer participation in the NSW gas retail market have been highlighted by the AEMC as well as the NSW Government, and the Independent Pricing and Regulatory Tribunal. While we consider it important to facilitate technological and commercial developments in our energy services, it is important that this is supported by a policy and regulatory framework that provides customers with choice, including being provided with clear information about their ability to choose their retailer.

We would welcome the AEMC's consideration of how the policy and regulatory framework can appropriately balance customer participation in and functioning of our gas retail market, with facilitation of innovation in energy services.

If you wish to discuss the submission please contact Alexis van der Weyden, Manager Regulatory Economics and Policy on (02) 9455 1575 or at alexis.vanderweyden@jemena.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. McMillan', with a long horizontal flourish extending to the right.

Robert McMillan
General Manager Regulation
Jemena Limited

Attachment A – What Jemena is doing to make the NSW gas retail market work more effectively for our customers

Issue	What we heard	What we are doing
Access to choice of retailers in the competitive retail market	<ul style="list-style-type: none"> • Customers value the choice of individual billing and metering and their choice of retail supplier • These market changes may require greater regulatory protection for customers supplied by energy intermediaries and or more information disclosure about the implications of being supplied by an intermediary. 	<ul style="list-style-type: none"> • Working with developers and other stakeholders to encourage installation of metering to facilitate customer choice of retail supplier • Advocating for policy and regulatory changes to ensure all customers – including those who rent their property, or live in a caravan park or boarding house – have the choice of individual billing and metering and their choice of retail supplier
Network pricing that is simple and easy to understand	<ul style="list-style-type: none"> • Customers value us simplifying our network tariffs and charge components to allow customers to better understand energy pricing and compare retail price offers 	<ul style="list-style-type: none"> • Simplifying our price and tariff structures, including our disconnection charges, to make it easier for customers to understand and retailers to pass through network price signals
Network pricing that is transparent and predictable, with annual changes in network prices made earlier	<ul style="list-style-type: none"> • Customers value transparency in the way we make pricing decisions today and in the future • Customers value us bringing forward the timing of our annual changes to network pricing to give retailers more time to prepare market offers, and allow customers more time to shop around and compare retail offers 	<ul style="list-style-type: none"> • Improved the transparency of our pricing decisions by publishing a Tariff Structure Statement on our website³ which details how we decided on our current prices, and how our price structures and levels may change in the future • Requested the AER make the necessary changes necessary so we can propose network prices by 15 March each year (one month earlier than at present).
Assistance to make it easier to find a better retail market offer, and to switch retailers	<ul style="list-style-type: none"> • Vulnerable customers in our community need assistance to manage their energy bills, and that we should play a role 	<ul style="list-style-type: none"> • Providing clear and accessible information on how they can find a better retail market offer • Reducing the charges for special meter reads to reduce barriers to customer switching for all customers

³ <http://jemena.com.au/Gas/Jemena/media/JemenaGasNetworksMedia/Community-Engagement-Documents/Our-2015-plan/Tariff%20structures%20statement.pdf>