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The Australian Energy Market Commission
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Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in South Australia – First Draft Report

Thank you for the opportunity to comment upon the Commission's *Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in South Australia – First Draft Report*.

TRUenergy supports the Commission's finding that competition is effective for small electricity and natural gas customers in the South Australian retail energy market. In particular, as identified by the Commission, the market is defined by the following characteristics, consistent with effective competition:

- Strong rivalry between retailers
- Retailers offering customers discounted tariffs with a range of non-price incentives
- Customers demonstrating a high willingness to switch retailers
- Substantial new entry into energy retailing

Whilst customer transfer activity has slowed in recent months, this is directly related to recent wholesale price increases, and its impact on retail margins squeezed by a retail price cap which no longer reflects market reality. This experience has demonstrated that the greatest threat to the ongoing competitiveness of the South Australian market is the retention of price regulation. Despite their best intentions, regulators and their consultants are simply incapable of replicating market outcomes.

Nevertheless TRUenergy regards the underlying factors contributing to recent wholesale price increases as temporary in nature, and will be appropriately resolved through normal market dynamics. Rather than addressing these issues, retention of retail price regulation will only impose further distortions, and create a greater threat to energy security.

TRUenergy notes the Commission's claim of evidence suggesting "*higher opportunity costs faced by businesses in researching market offers themselves and/or responding to direct marketing approaches by retailers.*" We are concerned that this view may not provide an accurate reflection of business participation in the retail market.

The McGregor Tan report shows that on questions related to the customer research process for electricity contracts, including ease of obtaining information, sufficient time available to make an informed choice, and ease of comparing offers, the views of businesses were consistent with those of residents. There was almost no difference in the proportion of residential (21%) and business (24%) customers who stayed with their current retailer because to change would be "*too much effort/couldn't be bothered*," Finally, only 4% of businesses thought the transfer process was difficult.

The Commission's view may be based on the qualitative analysis, which included a quote taken to reflect a number of views: "*If you are busy running your business, it's just too hard to take the time to talk to them.*" Whilst such a perception is understandable, it does not reflect the experience of those businesses contacted by retailers or those who have gone through the transfer process. The available quantitative evidence demonstrates that the opportunity costs of businesses participating in the competitive market are no higher than for residential customers.

Please contact me [] if you require additional information.

Yours sincerely,

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Regulatory Manager