



2018 Retail energy competition review

Initiation of annual review of retail energy market competition

The AEMC has initiated its fifth annual review of retail energy competition in the national electricity market (NEM). This information sheet sets out our proposed scope and approach for next year's review, which will be published in June 2018.

Scope for the 2018 review

The purpose of the review is to assess the current state (and possible future development) of competition for small customers (residential and small business customers) in retail energy markets in all NEM jurisdictions. This includes retail electricity and gas markets in the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania and Victoria.

The review will adopt the same approach as the 2017 review to consider how competition is evolving. We will use the key competitive market indicators provided by the COAG Energy Council's Terms of Reference (2014) to comment on the following:

- *The current structure of retail energy markets.* This includes the number of retailers in the market; market concentration; ease of entry/ exit and extent of independent rivalry.
- *Retailer behaviour and consumer engagement.* This includes consumer activity and preferences, switching, and retail pricing offers in the market, including consideration of differences between standing and market offers. We will also look at the different products and services offered to consumers, including those provided by non-traditional energy service providers.
- *Overall performance of retail energy markets.* This includes business outcomes, trends in consumer satisfaction and the rate of customer complaints and disconnections.

As part of the analysis of different products and services emerging in the retail market, we will conduct a deeper analysis of household energy products, such as solar panels and battery systems, and explore the economics behind adopting these systems.

Additionally, this year the AEMC will use the household data from the Energy Consumer Sentiment Survey published by Energy Consumers Australia to inform its review.

Approach for the assessment of competition

No single indicator can be used to determine the effectiveness of competition in retail energy markets in the NEM.

The 2018 review will therefore retain the structure-conduct-performance framework used in the 2017 review (illustrated in Figure 1).

We will use this framework to look at the interaction between market structure, the degree of competition between providers, the behaviour of consumers, and, in turn, the outcomes the market delivers for consumers and businesses (such as price, range of products, and consumer satisfaction levels).

The AEMC has commenced its fifth annual review of retail competition in electricity and gas markets across the NEM

Figure 1: Summary of scope and approach



Our final report will deliver the following advice:

- the state, and likely future development, of competition in the NEM
- trends in retail markets over time
- recommendations to improve retail competition in electricity and gas markets across NEM jurisdictions.

The report will be evidence-based and draw from a range of information sources and data. This includes information from:

- stakeholders
- Energy Consumers Australia’s household consumer survey and other customer research
- retailer surveys and interviews
- international experience
- data provided by ombudsmen, retailers, jurisdictional regulators, the Australian Energy Regulator, the Clean Energy Regulator and the Australian Energy Market Operator.

While we are not seeking stakeholder submissions, we welcome comments on our proposed approach for the 2018 review. Comments can be provided by contacting Michael Bradley or Prabpreet Calais by 7 February 2017 (contact details below).

Timelines

Scoping, data gathering, stakeholder comments on scope and approach	December 2017 – February 2018
Final report publication	30 June 2018

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