

8 February 2013

Mr Eamonn Corrigan
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Corrigan

**Submission – Review of Competition in the Retail Electricity and Natural Gas Markets in NSW
AEMC project number RPR0001**

Energy retail market competition relies on transparent price and demand data to facilitate customer choice and to counter market power. Historically, this aspect of market reform has been given lower priority to other factors such as the efficient delivery of wholesale and distribution functions.

We are therefore delighted by the AEMC's recent Power of Choice review and recommendations in relation to customer access to metering data. However, the AEMC's review appears to have overlooked some important requirements in relation to retail data that would enhance competition for customers, being:

1. Meter Data -

- a. That *End Customers* become a defined term within the National Electricity Rules with concomitant rights to access their demand (meter) data in the most economically efficient manner possible, consistent with the National Energy Objective.

This would then allow customers to have defined rights to access their data should it be held by any other party.

- b. In the interests of economic efficiency, end-customer-appointed third parties are able to access standing and consumption data via B2B requests of the Market Operator - (specifically AEMO).

It is in our experience that many Retailers lack the ability to efficiently provide customer meter data and lack a commercial incentive to change this.

2. Tariff Data

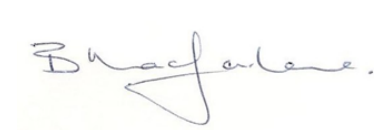
- a. That retail and distribution tariffs should be published in a standard format across all states and distribution areas in a machine readable format, ideally from a single source.
- b. That network tariff codes be accessible via the market operator, to assist price discovery.

There is currently no simple way for customers or policy makers to compare prices (both retail energy and distribution charges) across locations or time. Further, customers have no easy means of deconstructing their energy bills into contestable energy and other non-contestable elements, hampering their ability to manage energy and to comparing competitors offers on a consistent basis. We note that the sector is now in a position of being well behind telecommunications regulation in this regard.

The above changes could be readily achieved at a national level via Rule changes, within the remaining life of the current parliament. On the other hand, without these changes, competition will continue to be less than effective and economic outcomes less than efficient to the detriment of customers.

We would be happy to discuss further if the AEMC so wishes, and provide additional information to support our observations in the following attachment.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'B Macfarlane', with a stylized flourish at the end.

Bruce Macfarlane
Associate Director
Exigency Management

Attachment: Responses to Questions within AEMC Issues Paper

Exigency has limited our responses to the AEMC's Question 17 to support our observations made in our covering letter.

Question 17 Market conduct

- (a) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that is easy to understand, relevant and up to date?*

Meter data is currently not simply accessible for retail customers in NSW (or indeed elsewhere in the NEM or SWIS). Data is provided in a variety of formats by each retailer (typically in a locked pdf format) and through a variety of request processes. Moreover we have recently been advised by one retailer that for a basic metered customer, meter data was not available, and instead, had to be "extracted" from a copy of the bill.

While the AEMC's Power of Choice recommendations for making meter data available to customers in a standard and timely way are positive. The simple recognition of a retail customer's ownership of meter data coupled with an obligation on both retailers and market operators (where a request is made by an accredited customer appointed third party) would remove an informational barrier to delivering on the National Energy Objective.

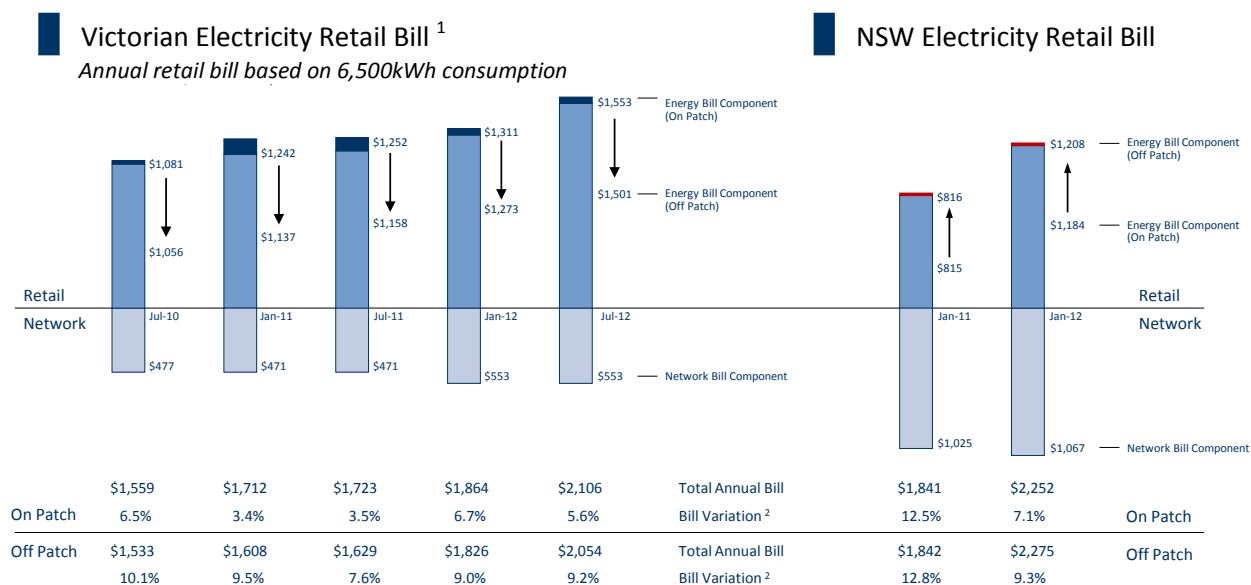
- (b) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that enables competing energy offers from energy retailers to be compared?*

IPART's "My energy offers" website provides the most price information to customers (both regulator and commercial provided) in Australia. The site provides both simple total bill and more detailed tariff data. All other regulator comparison sites offer less functionality than IPART's.

By contrast customer standing or regulated tariffs are generally difficult to access on retail web sites and market offers are presented in a variety methods.

Further, IPART has previously provided Exigency with the web-site's underlying tariff data in excel format taking the view that the data is publically available and not commercially sensitive. This pragmatic and sensible approach to tariff data is different to all other state and national regulators with a charity currently providing the only consistent data set for interstate and intrastate comparisons.

IPART's approach to energy retail tariff data is one that facilitates effective provision of price data for customers to make informed decisions and for industry analysts to compare retail price dispersion and discrimination (like that provided below based on Exigency analysis and made by the UK's Office of Gas and Electricity Markets). That said publication of network tariffs in a corresponding format to retail tariffs would further assist customers in making informed decisions in relation to electricity contracts.

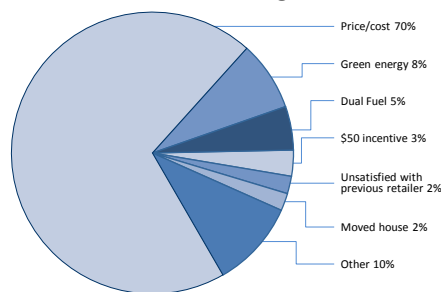


¹ Exigency analysis of data from IPART and St Vincent de Paul Energy Reports, July 2012. Reported results are average retail bill across state based on 6,500 kWh annual consumption.

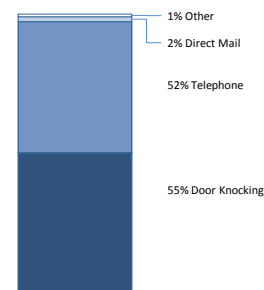
(c) *To what extent do small customers in NSW's electricity and natural gas retail markets rely on the energy related information referred to in (a) and (b) when deciding whether to switch energy retailers?*

The AEMC's own analysis suggests that customers' primary motivation for switching is based on prices. However, without easily accessible demand or price data it is reasonable to surmise that customers switching behavior is most likely motivated more by a qualitative assessment of supply cost rather than a sticker price comparison. Retailers exploit this inability for customers to compare sticker prices in their marketing and sales methodologies as demonstrated by their 'voice-based' or 'personal touch' sales channels.

Retail Drivers for Switching ²



How Retailers Contact Residential Customers



(d) *What information are small customers presented with by their energy supplier at, or near, expiry of their existing energy supply contract? What action(s) must small customers undertake to ensure a continuation of energy supply?*

Information provided to customers at expiry of their energy contract differs by retailer with retailer business practices including:

- 1) Initiation of a new retail market contract if customer does not notify retailer (with penalties for switching re-started in new contract);
- 2) Roll back to standing or regulated tariff.

Retailers will argue that these business practices are described by their Terms and Conditions. However, as a customer's energy supply is unrelated to their retail contract price and the invoice carries no contracting details, many customers will overlook the opportunity to re-price their supply arrangements at contract end date.

Data that would best assist customers with re-pricing their energy contracts includes their demand (meter data) and market prices.

² Consumer Survey Report, AEMC Review into effectiveness of retail competition in South Australia, June 2008