

Initiation of the 2019 Retail Energy Competition Review

The Australian Energy Market Commission (AEMC) has initiated its sixth annual review of retail energy competition in the national electricity market (NEM). This information sheet sets out our proposed scope and approach for the 2019 review and welcomes stakeholder comments and input.

Scope for the 2019 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) 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 2019 review will adopt the same approach as the 2018 review and consider how competition is evolving. It will utilise 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*, including:
 - the number of retailers in the market
 - market concentration
 - ease of entry and exit
 - the extent of independent rivalry.
- *Retailer behaviour and consumer engagement*, including:
 - consumer activity and preferences
 - switching and retail pricing offers in the market, including consideration of differences between standing and market offers
 - different products and services offered to consumers, including those provided by non-traditional energy service providers.
- *The overall performance of retail energy markets*, including:
 - trends in consumer satisfaction
 - the rate of customer complaints and disconnections.

This year our report will also look at the focus topics of:

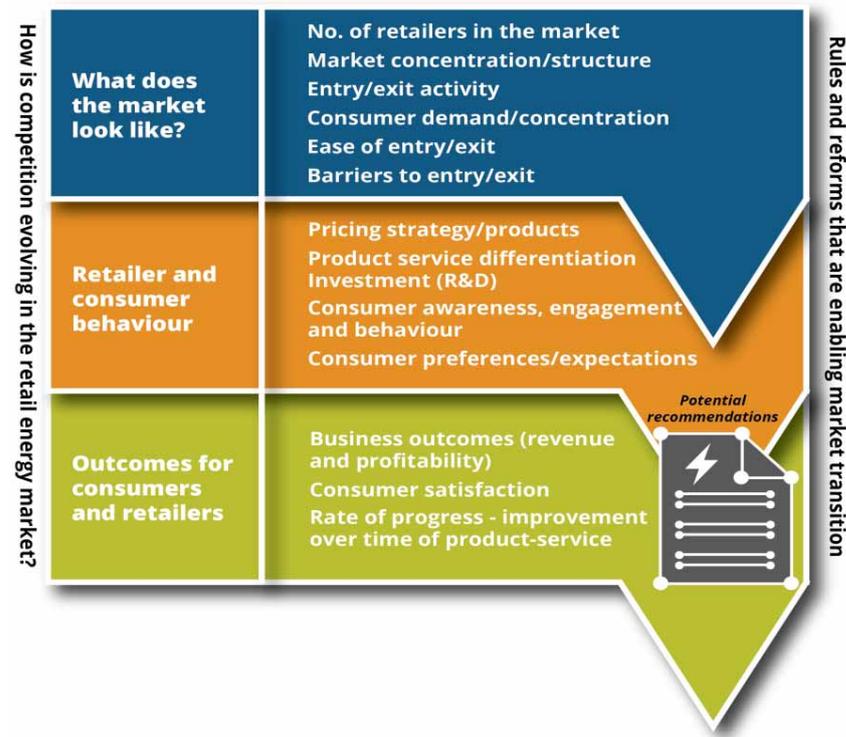
1. How retailers support customers in financial difficulty (as recommended in the 2018 Retail Energy Competition Review).
2. The National Energy Customer Framework and Australian Consumer Law.
3. How the retail market is responding to the uptake of battery technology.

Approach for the assessment of competition

No one set of indicators can be used to determine the effectiveness of competition in retail energy markets in the NEM.

The 2019 review will retain the structure-conduct-performance framework used in the 2017 and 2018 reviews (illustrated in Figure 1). This framework considers the interaction between how a market is structured, the degree of competition between providers, behaviour of consumers, and, in turn, the outcomes the market delivers for consumers (such as price, range of products, and consumer satisfaction levels).

Figure 1: Figure 1: Summary of scope and approach



Our final report will deliver the following advice:

- current state (and likely future development) of competition in the NEM
- trends in retail markets over time
- recommendations to improve retail competition 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 household consumer survey and other customer research
- a survey of small business customers
- a retailer survey and interviews
- international experience and information
- data provided by ombudsmen, retailers, jurisdictional regulators, the Australian Energy Regulator, the Clean Energy Regulator and the Australian Energy Market Operator.

We will be scoping and data gathering until March 2019. The final report will be published in mid 2019.

While we are not seeking stakeholder submissions, we welcome comments on our focus and approach for the 2019 review. Comments can be provided by contacting Ben Davis or Kate Wild by 15 February 2019 (contact details below).

For information contact:

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