

MAPPING PROGRESS IN ENERGY RETAILING

AEMC RETAIL ENERGY COMPETITION REVIEW 30 JUNE 2020

This review provides an overview of the state of the industry and proposes changes so families and businesses can benefit from the most affordable, sustainable, reliable and secure energy possible.

1. Customer experience

In 2019, three new players entered the market – including global companies Nectr and Ovo Energy – making it more competitive. There are currently 40 retail brands and 35 retail energy companies.

Market share of the three big retailers continued to fall, reducing market concentration and retailers' profits. These factors have placed downward pressure on prices and led to more innovative offers.

Consumer confidence continued to come back from low levels and is now at a four-year high (still lower than other utilities like water and telecommunications). Pre-COVID-19, more than half of electricity customers (57%) and two thirds of gas customers said their energy was value for money.

This tells us there were positive outcomes for consumers but still room for improvement. We know there are more than 150,000 people on hardship plans – we need to carefully monitor this.

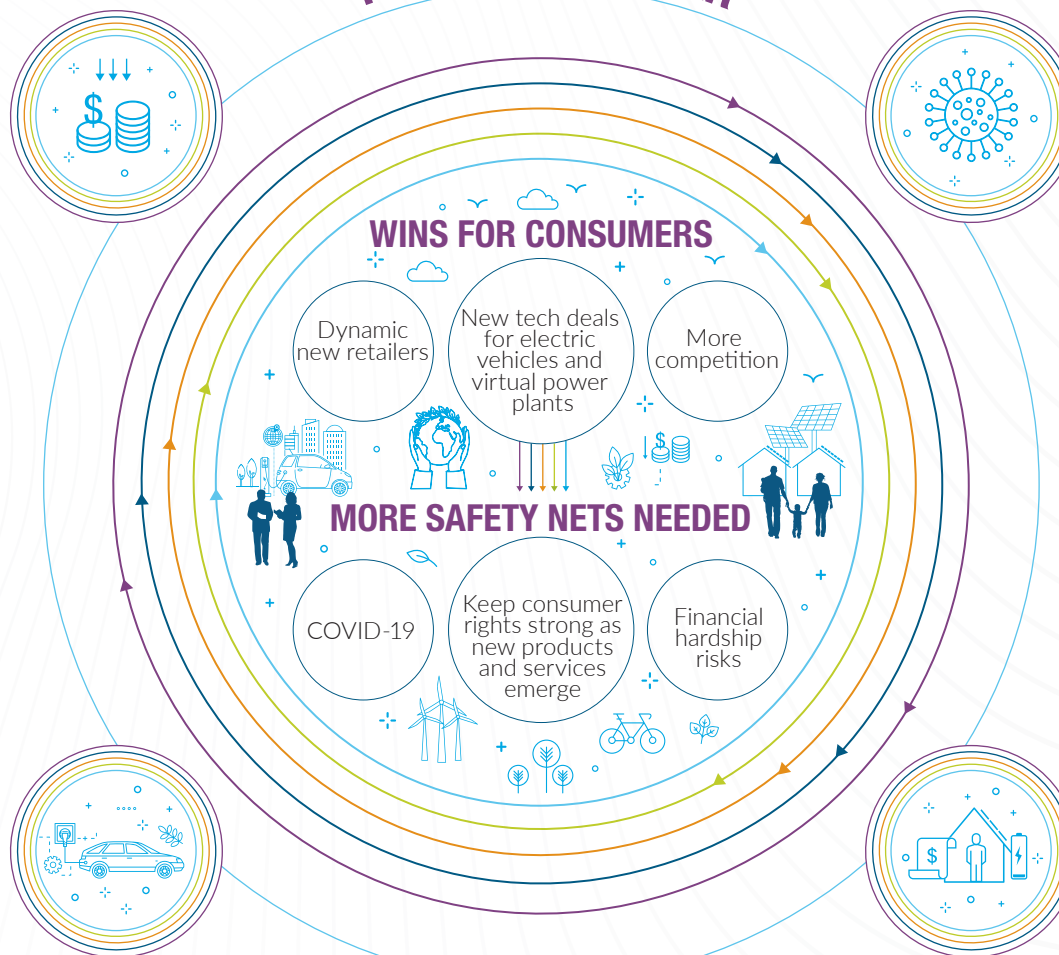
3. Electric vehicle innovations

Work is underway both within and outside the AEMC to get Australia ready for EVs. The market is young, but energy retailers are delivering early wins and five are already offering EV deals.

Electric vehicles (EVs) will be central to the power system of the future. They can cut transport emissions, double as a home battery, earn money for households who sell power back to the grid, help to lower home energy bills and allow governments and their agencies to manage supply and demand across the power system.

The AEMC believes that with the right market structures in place, electric vehicles can benefit all energy consumers – whether they drive one or not. But we need to make sure they're used as an energy tool – and do not place additional pressure on the power system because they'll be the main driver of increased energy consumption by the mid-2030s.

IT'S A MIXED YEAR



2. COVID-19

Small customers pay bills three months in arrears so the industry has yet to feel the full impact of COVID. Even so, some retailers expect levels of bad debt to double. Governments and Energy Networks Australia (ENA) have reduced cashflow burden through financial assistance and the ENA relief package. This provides direct support for affected small business customers and small retailers, and allows larger retailers to defer network charges incurred up until 1 July 2020 for pandemic-affected customers.

Our recommendations:

- Preventing energy bills from increasing if retailers go out of business. The existing Retailer of Last Resort rules automatically transfer customers if their existing provider becomes insolvent. But we can make that process even better by ensuring these customers benefit from competitive prices when they're 'adopted' by new retailers.
- Gathering advance warning data to help predict when retailers' businesses might fail. Giving governments key data early means more time to protect the community's access to power.
- Making it easier for retailers other than the big 3 to apply to be retailers of last resort, expanding the number of safety nets available.
- For hardship customers and customers on deferred payment arrangements due to COVID-19, we're considering the AER-requested rule change to extend deadlines for retailer payments of network charges.
- We will review the effectiveness of cash flow burden-sharing measures.

4. Protecting consumers as times change

Rapid changes in technology and the way people are using energy mean we need new and updated rules to protect consumers. New technologies – like battery storage, electric vehicles and solar – don't operate in the same way as traditional energy services so new protections might be needed.

Our recommendations include giving energy Ombudsman schemes wider powers to handle consumer complaints about new energy products and services.

We're also looking at:

- ways to overhaul energy bills so they make better sense
- allowing customers to authorise third parties like government energy switching services to act on their behalf
- making the rules more flexible so customers can choose how they receive energy information – like via SMS or apps.

We need to keep the level of protection the same but be more flexible about how that protection happens. Our analysis shows a mix of regulatory approaches is needed to develop a fit-for-purpose consumer protection framework.