

5 July 2013

The Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic submission: lodged online via www.aemc.gov.au

Dear Sir/Madam

RE: Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales Draft Report

Momentum Energy welcomes the opportunity to provide comments on the Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales Draft Report (the Draft Report).

Momentum Energy is a second tier retailer with current retail electricity licences in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory. Momentum Energy is fully owned by Hydro Tasmania, one of the largest clean energy producers in Australia.

Momentum supports the findings contained in the Draft Report. Momentum's position is as follows:

- We agree with the AEMC's assessment that competition in the NSW retail markets for electricity and gas is effective and is benefiting customers. However, the fact that for small customers the first tier retailers have a combined market share of 95% (electricity) and 98% (gas) constrains the extent to which the current level of competition can be enhanced, and this picture is unlikely to change significantly without price deregulation.
- The AEMC's draft recommendation to remove price caps for retail electricity and gas in NSW is underpinned by a strong case for deregulation, which should provide the NSW Government with confidence that deregulation is consistent with the National Electricity Objective of being in the long term interest of customers.
- Momentum is committed to the NSW market and would like to expand its NSW customer base, however the ongoing regulation of prices makes it less attractive market compared with those that have deregulated pricing. The NSW retail electricity and gas markets will become significantly more attractive to Momentum Energy if clear direction is set by the AEMC and NSW Government on phasing out retail price controls.
- Momentum would note that if price controls were revoked only in some parts of the state, it is possible that those regions where price regulation was retained would be perceived as being less attractive to new entrants resulting in less competitive outcomes. Therefore, it is appropriate that price caps are removed for all NSW customers at the same time and if necessary other mechanisms be introduced to support specific customer groups.
- Momentum believes that the most appropriate determinant for any reintroduction of price regulation should be a robust and comprehensive review process rather than a specific metric.

- The introduction of the National Energy Customer Framework in NSW from 1 July 2013 means that protections for small customers in NSW have been extended and improved since publication of the Draft Report.
- As part of a transition to price deregulation Momentum would be pleased to contribute to development of appropriate, tailored measures to increase customer engagement on the part of the different categories of customers that have not yet taken up a market energy offer.
- On 17 June 2013 Queensland announced that electricity price regulation will be removed in south-east Queensland by 1 July 2015. The timetable for the AEMC's final report on its Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales, which is due to be provided to the Standing Council on Energy and Resources by 30 September 2013, provides the NSW Government with the opportunity to deregulate its energy markets on 1 July 2014.

Momentum's position in relation to the state of competition in the NSW retail markets for electricity and gas was set out in detail in our submission to the Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales Issues Paper. Momentum also provided input to the Sapere research.

Momentum would again note that there are still significant barriers to entering NSW's retail gas market. Barriers to entry to retailing natural gas are also impeding new entrant activity in dual fuel, as dual fuel customers contribute to overcoming the difficulties of low margins by creating an additional margin for each customer who purchases gas as well as electricity, for an incremental increase in the cost of acquisition. The advantages to suppliers of both electricity and gas over single fuel energy retailers are also apparent in customer acquisition, where a discount on both gas and electricity in return for a contract period is a more compelling customer proposition than a single fuel offer. Momentum nevertheless believes this issue is more appropriately addressed through alternative processes and should not hold up the deregulation of NSW gas prices.

If you would like to discuss this submission or any other matter, please contact Momentum's Regulatory Manager Luke Brown on (03) 8612 6437 or luke.brown@momentum.com.au.

Yours sincerely

Alastair Phillips
General Manager Regulatory and Compliance