



NEM energy retail markets

AEMC review of competition in electricity and gas retail markets

The AEMC has found that competition is effective for small customers in electricity retail markets in South East Queensland, New South Wales, Victoria and South Australia. New retailers have entered these markets and are competing for customers through discounts and other incentives. Most customers are satisfied with their retailer experience and many are shopping around to save money.

Competition is yet to emerge in electricity markets for small customers in Tasmania and regional Queensland, where no retailers were offering market contracts in 2013. Competition is also yet to emerge in the Australian Capital Territory where only two retailers compete and the majority of customers are with the incumbent retailer. Competition in retail gas markets has been more tempered with differences in market outcomes between and within states.

Key findings

The state of competition varies across jurisdictions due to different structural and market characteristics, as well as different regulatory approaches. However, there are some common themes across the competitive markets with respect to customer perceptions and activity, as set out below. There are also at least ten electricity retailers operating in each of these jurisdictions, showing it is relatively easy for new retailers to enter these markets.

Many customers are shopping around for a better deal

With a range of energy plans available, it can pay to shop around. This is particularly the case for customers who remain on high priced standing offers. In states with effective competition, customers are switching their energy retailers more often than they are switching insurance companies, or phone and internet providers. Close to one third of customers across the NEM jurisdictions surveyed had actively investigated offers in the past twelve months, with the potential to save money the main impetus to shop around.

Customers find it difficult to compare “apples with apples”

The energy plans available differ in a number of ways. This includes differences in prices, discounts, fees and charges, sign up bonuses, fixed price and variable contracts, the level of GreenPower, and the payments offered to customers with solar panels.

Our research shows that customers want choices, but they find it difficult to compare their options. They are seeking more transparent and meaningful information from retailers and governments to help them shop around with confidence.

Government-run websites are available to simplify comparing energy plans

Many customers say they want an independent, trusted tool that makes it easier to compare offers and find possible savings. Very few customers surveyed were aware that such a tool is already available.

The Australian Energy Regulator offers *Energy Made Easy*, an independent price comparator website and phone number, for jurisdictions that have adopted the National Energy Customer Framework (New South Wales, South Australia, the Australian Capital Territory and Tasmania). Customers in Victoria can access the government’s *Your Choice* website and customers in South East Queensland can access the Queensland Competition Authority’s *Price Comparator* website.

Greater awareness of these government-run comparator tools could increase customer confidence in shopping around for a better energy deal. Some customers may require additional support as set out in the AEMC’s customer engagement blueprint in 2013.

Consumers are shopping around, but would do so more confidently with clearer information from retailers and the help of government price comparator tools.

The outlook for competition

Technology and regulatory changes are creating new opportunities for customers and retailers alike and may change the traditional way in which energy is supplied and consumed. Retail energy services now extend beyond simply the sale and supply of electricity: they are evolving to include the supply of information, energy and network management services.

These developments have the potential to increase competition, drive product innovation and increase choice. Given these developments, it is critical that customers are able to compare options and choose energy options that meet their needs.

Recommendations to all governments

The AEMC has recommended that governments consider options to increase awareness of the tools available for comparing offers to increase customer confidence.

We have also recommended ways to improve how retail markets work including ensuring concession schemes are working properly, harmonising regulations across jurisdictions to reduce costs, and removing energy price regulation where competition is effective.

About the review

This is the AEMC's first National Electricity Market-wide competition review under a revised annual approach agreed the COAG Energy Council (formerly the Standing Council on Energy and Resources) and the Council of Australian Governments.

The Review is an assessment of customer and retailer activity and outcomes as indicators of competition. The AEMC has assessed competition against five competitive market indicators. It is important to consider all five indicators together to provide a comprehensive assessment: each only provides one part of the picture.

We have interviewed customers and retailers, consulted with stakeholders, and analysed data from the Australian Energy Regulator, Ombudsmen, regulators, the Australian Energy Market Operator and retailers to understand what is happening in each market.

Additional details of our customer research and retailer interviews are available in consultant reports on our website.

Later this year we will be consulting publicly on the approach for future retail competition reviews.

About the AEMC

The Australian Energy Market Commission is the independent body responsible since 2005 for providing policy advice to Australian governments on the electricity and gas sector. It makes energy market rules which are applied and enforced by the Australian Energy Regulator.

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