

Australian Energy Market Commission  
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Sydney South NSW 1235



Submitted online at [www.aemc.gov.au](http://www.aemc.gov.au)

27<sup>th</sup> November 2014

**RE: 2015 Retail Competition Review Consultation Paper**

AEMC Ref: RPR0003

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Dear Commissioners,

Thank you for the opportunity to respond to the Consultation Paper for your 2015 Retail Competition Review program.

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like electricity impacts greatly and disproportionately on vulnerable and disadvantaged people. Our advocacy is informed by our members; organisations and individuals who witness these impacts in our community.

The South Australian Government removed price regulation and adopted the National Energy Customer Framework on February 1<sup>st</sup>, 2013. The government also negotiated a price freeze with AGL Energy for standing contract customers for two years from January 1<sup>st</sup> 2013. The expiration of this price freeze wraps up the remnants of retail price controls for South Australian households and small business. We believe this warrants a special focus in the 2015 Retail Competition Review.

Previous SACOSS submissions to the Commission have outlined our concerns with the level of concentration and vertical integration in the South Australian energy markets<sup>1</sup>. SACOSS has consistently outlined our view that AGL Energy has an inappropriate degree of market power in SA – in both retail and wholesale markets - and that we believe consumers are paying more than they would be if this was not the case.

SACOSS is concerned that the AEMC approach to retail competition reviews of the SA market defends previous positive assessments of the effectiveness of competition in SA. In our view, the consumer interest is better served by a more objective assessment.

SACOSS does not agree with the Commissions assessment in the 2014 Retail Competition Review Final Report that "... despite a high level of market concentration, there is strong rivalry in retail electricity and gas markets". As evidence of 'strong rivalry', the report stated that "...there has been entry over this period by retailers without generation interests and non-vertically integrated retailers continue to operate in the market". The examples cited

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<sup>1</sup> Such as submissions to the 2014 Retail Competition Review Approach Paper and various rule changes such as 'Generator Market Power', 'Generator Ramp Rates', 'Bidding in Good Faith'

however represent such a small proportion of the market it is difficult to consider them as serious competition.

- The examples of “retailers without generation interests” are Dodo Power and Gas and Sanctuary Energy. According to the ESCOSA 2014 Ministerial Pricing Report, these retailers had 297 and 644 small customers respectively at 30 June 2014 – around 0.1% of the market.
- The examples of “non-vertically integrated retailers” are Red Energy and Momentum Energy. However, Red Energy’s owners have acquired Infratil’s generation assets and retail business (Lumo). This gives them 128MW of peaking plant in SA. Momentum Energy is owned by Hydro Tasmania (Australia’s largest renewable energy generator) and is the largest retailer without generation assets in SA. Momentum’s customer numbers went from 2,573 at 31 December 2012 to over 9,000 by June 30 2013 and 12,000 by June 2014 (a market share of 1.5%). Momentum’s marketing in SA includes sponsorship of the Adelaide Crows AFL team since 2012 ([http://www.momentumenergy.com.au/about-us/sponsorship/adelaide\\_crows](http://www.momentumenergy.com.au/about-us/sponsorship/adelaide_crows)).

In summary, SACOSS is of the view that competition is not as effective as it should be or could be and we look forward to further engagement with the Commission on the conduct of these important reviews of the South Australian Energy markets.

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via [jo@sacoss.org.au](mailto:jo@sacoss.org.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ross Womersley', with a large, sweeping flourish at the end.

Ross Womersley  
Executive Director