

4 December 2015

Mr Paul Smith
Chief Executive Officer
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Ref: RPR0004

Dear Paul

Thank you for the opportunity to comment on the AEMC's *Approach Paper: 2016 Retail Competition Review*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON notes that the AEMC is continuing the approach it has previously taken in assessing the effectiveness of competition in the National Energy Market. This includes gathering information from consumers and key stakeholders around the following competitive market indicators:

- customer activity in the market
- customer satisfaction with market outcomes
- barriers to retailers entering, expanding or exiting the market
- the degree of independent rivalry
- whether retail energy prices are consistent with a competitive market.

EWON understands that the AEMC will be using complaints data from energy ombudsman offices to gauge customer satisfaction with the market. We would be pleased to further liaise with the AEMC and provide our data as part of this Review.

Vulnerable customers

EWON notes the AEMC's proposal to expand their approach and include consideration of:

- the switching behaviour of vulnerable customers, including the causes of engagement and disengagement from the competitive retail market
- the current and potential impact of emerging products and services on competition in retail energy markets.

We strongly support the inclusion of these two areas as part of the Review. Given that affordability remains a key issue for the energy industry and competition is expected to deliver lower prices to consumers, it would be useful to understand the behavioural and external

barriers that impact on the ability of vulnerable customers to access the benefits of a competitive market.

We note the AEMC intends to explore in greater detail the differences in competitive market experiences and outcomes between vulnerable customers and other customers. We suggest there may be value in also exploring these differences between different types of vulnerable customers. In EWON's experience, vulnerability is not a singular concept and the experiences of vulnerable customers lie along a spectrum. Some customers are in one-off or short-term hardship that is situational and crisis-driven, and may engage with the competitive market in ways that are different to those who remain in longer-term or chronic hardship. Customers in generational hardship may have a much more limited capacity to engage with the market, investigate and understand offers, and choose the most appropriate offer that suits their financial needs.

For example, a customer in chronic hardship who is unable to make payments on time may not necessarily benefit from an offer with pay-on-time discount, and signing up to this offer would result in a very different outcome to other customers who have the capacity to pay on time and receive savings from the discount. In our view, understanding the differences in the experiences of different types of vulnerable customers and how they may engage with or disengage from the competitive market would provide a more nuanced approach to encouraging effective participation and appropriate market outcomes.

There may also be value in further exploring the differences in competitive market experiences and outcomes between metropolitan, regional, rural and remote customers, with a view to identifying any significant variances in consumer outcomes. While customers in metropolitan areas can benefit from energy offers with a variety of discounts and other benefits, the same level of competition may not be available to customers in rural or remote NSW. Without overlooking the fact that the number and value of energy offerings differ geographically due to variations in the costs of service provision in different network areas, it would be worthwhile exploring if there is an equitable level of access to the benefits of competition between metropolitan, regional and rural customers in the energy markets of each state and territory.

New products and services

EWON welcomes the AEMC's intention to further investigate the current and potential impact of innovative technology on competition and consumers, including consumer behaviour in adopting new products and services and customers' expected levels of consumer protection. Although solar panel installations have become increasingly popular in recent years, other innovative offerings (such as battery storage, solar power purchase agreements, load control and flexible tariffs) are yet to penetrate the small retail market. We consider it would be valuable for the AEMC to proactively develop an understanding of the impact of innovative products and services on the market at a time when the Australian Energy Regulator and COAG Energy Council's Energy Working Group are reviewing the appropriateness of regulatory frameworks in this area. This would provide more evidence-based insight into the adequacy and relevance of regulatory frameworks and assist in ensuring that these frameworks deliver appropriate levels of consumer protection as products and services evolve.

Exempt sellers

In the context of new energy offerings, another area for further consideration is exempt sellers. Since the introduction of the NECF in July 2013, the number of exempt sellers in NSW has increased. In particular there has been an expansion of activity in retirement villages, residential strata title buildings and shopping centres. Some embedded network customers (particularly customers in retrofitted brown sites such as shopping centres and strata buildings) currently face a number of barriers in accessing the competitive retail market. These barriers include the lack of:

- requirement that meter reading, testing and inspection of child meters meet the standards required under the National Energy Market
- National Metering Identifiers (NMI) allocated to child connection points within an embedded network to facilitate on-market transfers between customers and their preferred retailer
- business to business rules, systems and procedures governing transfers between child connection points within an embedded network and the retail market.

EWON notes that the AEMC recently consulted on a rule change (*Draft National Electricity Amendment (Embedded Networks) Rule 2015*) to support the removal of these barriers and facilitate the structural changes needed to provide embedded network customers with access to retail competition. We provided a submission in support of this rule change.¹

In the context of increasing numbers of exempt sellers in NSW, EWON suggests that the AEMC could also explore the impact of exempt sellers on retail competition alongside the impact of innovative technology. This would be helpful in building an understanding of the potential consequences for market share and competitive retail prices as the exempt retail model grows over the near and medium-term.

If you would like to discuss this matter further, please contact me or Jane Leung, Policy Officer, on 02 8218 5250.

Yours sincerely



Janine Young
Ombudsman
Energy & Water Ombudsman NSW

¹ EWON's submission is available at

<http://www.ewon.com.au/ewon/assets/File/Submissions/2015/EWON%20submission%20-%20AEMC%20Embedded%20Networks%20Draft%20Rule%202015.pdf>