



Tasmania's energy retail markets

AEMC review of competition in electricity and gas retail markets

The Tasmanian retail electricity market is undergoing a period of change with the introduction of full retail competition for all small customers from 1 July 2014. Consequently competition is yet to emerge in the market for smaller electricity customers.

Changes to the market to promote competition and choice

Tasmanian residents have a choice of two gas retailers and one electricity retailer. Some small businesses have a choice of two electricity retailers, with ERM Business Energy entering this market in 2014.

Almost all small electricity customers are with the incumbent retailer, Aurora Energy. Fourteen per cent of residential customers are on prepaid meter offers, with the remainder on a standing offer with a regulated price.

Product differentiation remains low and, while Aurora has been permitted to provide market offers to all small customers since 1 January 2014, it does not appear to have done so at this stage with the exception of its prepaid metering offers.

Retailers are now permitted to compete for all electricity customers

Retail competition has been introduced at different times for the gas and electricity markets and in different stages for different types of electricity customers.

In the electricity market, full retail competition was introduced in July 2011 for small business customers with consumption of between 50 and 150 megawatt hours per annum. These are Tasmanian businesses that consume between approximately \$10,000 and \$30,000 per year. Competition was extended to residential customers and smaller businesses on 1 July 2014. From this date, retailers have been permitted to enter the Tasmanian market and offer electricity to all customers regardless of their electricity consumption levels.

The completion of this final tranche of full retail competition is a step towards promoting effective competition for residential and small business customers. The Tasmanian Government is also implementing a number of changes to the wholesale market arrangements in Tasmania to encourage retailers to enter the market as part of the broader implementation of full retail competition.

Competition in the gas market

The retail gas market has had full retail competition and no price regulation since the market's inception in 2007. Retailers interviewed for this review suggested that customer awareness and switching in the small customer gas market is low.

Very low penetration of gas distribution pipelines appears to be the key issue deterring retailers from entering the market and competing with the existing two retailers. The small size of the market and limited scope for growth may also be deterring market entry.

Once new retailers enter the market a targeted engagement strategy could help to provide customers with the information and tools to shop around for an energy plan.

The outlook for competition in Tasmania

Some retailers have been deterred from entering the electricity market due to perceived risks around wholesale supply arrangements, as well as the small size of the customer base. Retailers also consider that retail price regulation deters entry due to the perceived risk that the regulated price may be set below a retailer's costs plus a reasonable return.

None of the retailers interviewed for this review said they had firm plans to enter the small customer market, although one small retailer stated it was considering entering the small business segment and another was considering entering the residential segment.

If new retailers enter the market a targeted engagement strategy could help to provide customers with the information and tools to shop around for an energy plan. The AEMC's consumer engagement blueprint developed for the New South Wales retail competition review could be used as a starting point to inform and engage customers in Tasmania as the level of choice in the market increases.

About the review

This is the AEMC's first National Electricity Market-wide competition review under a revised annual approach agreed by 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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