



NEWS

National energy retail competition review released

Competition in retail electricity and gas markets is becoming more dynamic and delivering new types of retail deals and services to consumers as the market transforms to give consumers greater control over how they manage and use energy.

The Australian Energy Market Commission (AEMC) today released its third annual review of the state of competition in retail energy markets across the National Electricity Market which includes Queensland, New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory.

The review found the benefits of shopping around regularly are now more substantial as the range of prices and services available grows.

But 50% of consumers still have not switched their electricity retailer or plan in the last five years and are not taking advantage of better deals now available in jurisdictions where the market is competitive.

- Most consumers know competition means they have the option to switch and save but are still not aware of already available information on government-run comparison websites that would help them;
- Research focussed on vulnerable customers showed customers who had switched their provider or their plan found the process to be easier than expected.

The 2016 Retail Competition Review assessed retail energy competition in each state and territory in the National Electricity Market with reference to the structural, regulatory and market characteristics which impact on consumers' experience.

Overall, retail competition remains effective for electricity markets in South East Queensland, New South Wales, Victoria, and South Australia.

Electricity and gas retail competition is less effective in the Australian Capital Territory and effective competition is yet to emerge in Tasmania and regional Queensland.

There is effective competition in retail gas markets in New South Wales, Victoria and South Australia.

Competitive market indicators have remained steady or improved in jurisdictions with effective retail competition. They include:

Greater choice: New electricity retailers have entered and second tier retailers have gained market share, leading to declines in market concentration. For example, the number of electricity retailers in NSW has risen from 13 in 2014, to 22 in 2016, and from 17 to 22 in Victoria over the same period. Consumer satisfaction with the level of choice has risen 13 percentage points in three years.

Stable switching rates: Around 90 per cent of consumers surveyed are aware they can choose a different energy company. Around 30% are actively investigating their options and 19% switched electricity retailer in 2015.

Increased consumer satisfaction: The proportion of consumers reporting they are satisfied with their electricity retailer has increased to 73% (up from 69% in 2015 and 66% in 2014), while 7 % were dissatisfied in 2016. Being happy with their current retailer is the number one reason consumers give for not shopping around.

Mr Pierce said the review recommends that states and territories consider actions to improve consumer access to benefits being offered in electricity and gas markets so all types of consumers have the opportunity to take advantage of competition

AEMC Chairman John Pierce said a new era in energy competition is emerging as the traditional centralised energy supply model is being replaced by new products and services that allow consumers to have greater control over how they manage and use energy,” Mr Pierce said.

“Our research shows many consumers find new technologies appealing, but there are significant gaps in consumer access to information about what these technologies could deliver for them.”

Mr Pierce said the review recommends that states and territories consider actions to improve consumer access to benefits being offered in electricity and gas markets so all types of consumers have the opportunity to take advantage of competition.

“Detailed analysis of how the market can best respond to the needs of different groups of consumers shows that vulnerable consumers would benefit more than any other group from greater awareness about how to find the best energy deal for their circumstances and the support services available.”

The review’s recommendations include:

- Remove energy price regulation where competition is effective so consumers can benefit more from shopping around. This is recommended for electricity prices in South East Queensland; and gas in New South Wales
- Develop a market-wide awareness and engagement strategy to make energy-shopping easier and improve customer confidence
- Keep harmonising regulation to reduce red tape for energy businesses or retailers competing across jurisdictions
- Review concession policies and target them better; and harmonise the structure of concession policies across the market where substantive differences exist
- The AEMC and Energy Consumers Australia to work alongside the COAG Energy Council to determine how the energy protections framework needs to evolve
- Complete the Energy Council’s current review of the National Energy Customer Framework in light of growing numbers of energy service providers which don’t have the same consumer protection obligations as “traditional” energy retailers

Research undertaken for the AEMC by Newgate Research assessed retail competition in electricity and gas markets for all National Electricity Market jurisdictions, drawing on research and data collected in 2015 and early 2016.

The report and further information on each jurisdiction is available at www.aemc.gov.au.

Media contact:

*AEMC Communication Director, **Prudence Anderson** 0404 821 935 or (02) 8296 7800*

30 June 2016

16-14513