



## South Australia's energy retail markets

### AEMC review of competition in electricity and gas retail markets

**The AEMC has found that competition is effective in South Australia's electricity and gas markets, although less so for gas customers in regional areas. Retailers are competing for residential and small business customers by offering a wide range of energy deals and discounts, and many customers in South Australia are already taking advantage of these.**

#### A range of energy choices are available in South Australia

Around 83 per cent of electricity customers and 81 per cent of gas customers have chosen a market offer, which is the highest proportion of customers of all states and territories in the National Electricity Market (NEM).

Customers can choose between at least thirteen electricity retailers and at least 40 different electricity plans. This choice means that different types of customers can choose an electricity plan that suits their specific needs and wants.

A further three smaller retailers have said they are considering entering this market over the next five years, while four existing retailers were planning to expand. This is consistent with our finding that it is relatively easy for new retailers to enter this market and provide further options for customers.

#### Customers can save money by shopping around

With a range of energy plans available, it can pay to shop around. Last year, 20 per cent of residential and small business electricity customers and 15 per cent of gas customers changed their retailer in search of a better deal. Others found a better deal with their existing retailer.

Conservative estimates show that customers could save around \$160 a year or more if they had changed their electricity plan in 2012-13. This does not include the additional savings if a customer switched to the best advertised offer or negotiated a lower price than advertised. Possible savings may be even higher now, with new offers available.

#### Many 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.

#### A government-run website is available to simplify comparing energy plans

Many customers say they want a trusted tool that makes it easier to compare offers and find possible savings. Just one per cent of customers surveyed were aware that the Australian Energy Regulator offers such a tool. *Energy Made Easy* enables customers to compare electricity and gas prices across energy retailers in South Australia, online or over the phone.

Greater awareness of these tools could increase customer confidence in shopping around for a better energy deal. However, some customers may require additional support as set out in the AEMC's customer engagement blueprint published in 2013.

**Second tier retailers are becoming increasingly active in the South Australian electricity retail market, attracting customers away from the large three retailers.**

## The outlook for competition in South Australia

Competition is expected to further evolve as the South Australian energy markets mature, following the removal of price regulation in February 2013.

Some retailers have identified the ability to access competitively priced wholesale hedging instruments as an issue affecting their ability to compete, with expansion in the electricity market considered more difficult for retailers that do not have generation interests. Planned upgrades to the Heywood interconnector may improve hedging options and lower risks for retailers.

Retailers told us that competition in the natural gas retail market is less likely to develop over the next few years given technological limitations on innovation, less engaged consumers compared to the electricity market and prevailing conditions in the wholesale gas market.

## Recommendations to all governments

The AEMC has made a number of recommendations to all governments. Of relevance to South Australia, we recommended that the Government: consider options to increase awareness of the tools available for comparing offers to increase customer confidence; ensure concession schemes are working properly; and continue to harmonise regulations across jurisdictions to reduce costs.

## 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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