



2017 Retail Energy Competition review- TAS

The Australian Energy Market Commission (AEMC) retail energy competition reviews are undertaken at the request of the Council of Australian Governments Energy Council. This year's review assesses how competition is evolving and the outcomes it is delivering for residential consumers and small business gas and electricity consumers across the National Electricity Market (NEM).

Based on analysis of key measures and indicators used for the review, effective competition is yet to emerge in either electricity or gas retail markets in Tasmania.

Key findings

Retail electricity market

Market structure remains unchanged.

- Similar to previous years, Tasmania's electricity market remains highly concentrated. Aurora is still the only retailer active in the residential segment. While ERM Power competes with Aurora in the small business segment, this segment represents a very small share of the total retail market.
- Consistent with our findings in other years, retailers consider retail price regulation in the Tasmanian electricity market as a barrier to entry. Additionally, the limited size of the market continues to be barrier for new retailers to enter the market.

Consumers have indicated they want more choice.

- For this year's review the consumer research was undertaken in January-February 2017 by Newgate Research. Unless otherwise noted, all results are based on the research findings for this time period.
- Around 86 per cent of residential and 90 per cent of small business consumers said there was not enough choice in terms of electricity companies and plans.
- The proportion of consumers quite or very confident in finding the right information to choose a suitable energy plan or deal has improved overall, increasing to 58 per cent from 48 per cent in 2016.

Residential consumers' satisfaction has decreased, while small business satisfaction has increased.

- 18 per cent of residential consumers said they were satisfied with the level of market choice in 2017, a decrease from 23 per cent reported in the 2016 survey.
- Around 57 per cent of residential consumers said they were satisfied with their current retailer, a decrease from 65 per cent in 2016.
- Similarly, 42 per cent of residential consumers rated the value for money as good to excellent. This is a decrease from 51 per cent in 2016.
- Residential ratings of the quality of customer service provided by their retailer as good to excellent remained around 65 per cent.
- Small business consumer ratings all improved significantly in 2017. Around 70 per cent said they were satisfied with their current retailer, a substantial increase from 48 per cent from 2016.
- Similarly, 56 per cent of small business consumers rated the value for money as good to excellent, a substantial increase from 41 per cent in 2016. Ratings of quality of customer service as good to excellent remained around 86 per cent.

Retail gas market

Barriers to entry remain and market concentration has increased slightly

- Market concentration has increased.
- The limited coverage of gas networks in Tasmania was identified as a barrier to entry and expansion for the existing gas retailers as with the small market size.

Savings as a result of participation in the market are limited.

- There are only two gas offers available in Tasmania. Therefore, the degree of differences and savings available to consumers is limited.

Note: Gas customer activity and satisfaction results have not been reported to the small sample size for the 2017 consumer survey.

Recommendations

The report makes a number of recommendations that relate to enhancing competition in NEM retail energy markets and improving consumer outcomes. These are not specific to Tasmania and include:

Recommendation 1: A broad information program is developed by Energy Consumers Australia (ECA) in partnership with the jurisdictions that would support consumer awareness and confidence in the options that are available to manage energy bills. This information program would be developed as soon as practicable given recent and significant price increases. The work would apply the AEMC consumer blueprint that highlights and identifies the various channels needed to effectively communicate across and within consumer segments and also the broader community.

Recommendation 2: The AER is resourced to run an effective awareness campaign of their Energy Made Easy website and are resourced to maintain and develop the site.

Recommendation 3: The AER consider opportunities to improve the:

- Information provided by retailers to consumers related to the comparison of retail market offers.
- Transparency of information provided to consumers in relation to expiring fixed benefit periods in market offers.

The AER may need to consider whether amendments to its retail pricing guidelines are required or whether rule change requests need to be made to the AEMC.

Recommendation 4: As a priority, retailers and distributors make it easier and limit delays for consumers (and their agents) to access their consumption data. In particular, retailers and distribution network businesses develop streamlined arrangements for obtaining informed consent from consumers to the provision of metering data to their authorised representatives. The work by ECA and electricity distribution network businesses on streamlining information requirements from consumers and their agents should continue. In the absence of any industry progress, the ECA may consider if changes should be requested to the National Electricity Rules and National Energy Retail Rules.

Recommendation 5: Retailers, consumer advocates and jurisdictions assist in transitioning vulnerable consumers, particularly those on hardship plans or experiencing payment difficulties, away from higher priced standing offers or market offers with expired fixed benefit periods.

Recommendation 6: COAG Energy Council write to COAG and the relevant jurisdictions to review the application of their energy concession schemes with a strategy on improving awareness of energy concession schemes among different consumer segments.

Recommendation 7: Jurisdictions to harmonise their energy customer protection arrangements so that barriers and costs for traditional and new retailers who operate across the NEM are minimised. To facilitate this work, COAG Energy Council request the AEMC to provide advice on the existing suite of modifications that have been made by jurisdictions to the National Energy Customer Framework (NECF) and the differences

between NECF jurisdictions and Victoria. This program of work should be completed within two years.

Recommendation 8: Noting the progress made to date, COAG Energy Council should continue to consider how the NECF can be reformed given the diversity of new retailers, service providers and product and service offering available in the competitive retail energy market.

Recommendation 9: Industry develops a credible survey to address the lack of data for electricity trading hedging products. In the absence of industry action, the AEMC will consider, as part of its G20 over the counter derivatives review, whether electricity OTC products should continue to be exempt from derivative trade reporting requirements.

Background

The AEMC retail competition reviews are undertaken at the request of the Council of Australian Governments Energy Council. They were initially undertaken to support the commitment made by jurisdictions in 2004 to deregulate retail energy prices where effective competition could be demonstrated. Since our last annual review, most major NEM jurisdictions now have deregulated retail energy markets. Given the extent of deregulation, this year's review focuses on how competition is evolving and the outcomes it is delivering for residential customers and small business consumers, excluding large industrial and commercial users.

To consider the overall effectiveness of competition in retail energy markets, the review applies a range of market measures and indicators against a structure-conduct-performance framework. The market measures and indicators are not considered in isolation, as no single measure or indicator captures all the information about the effectiveness of competition in the retail energy services market. Instead, the review assesses evidence provided by a range of indicators and measures and their trends over time. The analysis of measures and indicators uses market and retailer data, quantitative consumer research, a retailer survey and stakeholder feedback.

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