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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

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REVIEW OF COMPETITION IN THE RETAIL ELECTRICITY AND NATURAL GAS MARKETS IN NEW SOUTH WALES DRAFT REPORT

Alinta Energy Retail Sales Pty Ltd (**Alinta Energy**) welcomes the opportunity to comment on the Australian Energy Market Commission's (the **Commission**) Draft Report on the Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales (**Draft Report**).

Alinta Energy is both a generator and retailer of electricity and gas in Western Australia and the Eastern States energy markets. It has over 2500MW of generation facilities and in excess of 700,000 retail customers, including around 108,000 customers in Victoria and South Australia. As an incumbent retailer in Western Australia and a new entrant retailer in the National Energy Market, Alinta Energy is well placed to comment on the Draft Report.

Alinta Energy commends the Commission on its comprehensive Draft Report and its proposed recommendations. Alinta Energy agrees with the Commission that effective competition is in place in the NSW market and believes that the removal of price regulation in NSW is desirable and will facilitate increased competition and provide further benefit to consumers. While an active participant in the NSW market at a commercial and industrial level, Alinta Energy is yet to enter NSW at the mass market (small consumer) level as the current regulated retail price for both gas and electricity is not, in our view, set at levels that recognise the level of forward risk faced by retailers when entering a new market. The removal of price regulation allows retailers greater control over managing this forward risk, allowing for greater certainty in the recovery of the efficient costs of operating in the market, thereby encouraging new market entry.

The Commission's review has demonstrated that consumers in NSW have a significant knowledge and understanding of the market and the options available to them when considering their energy supply, given the review found that 90% of electricity and 86% of gas consumers were aware they could switch retailers. The move to price deregulation is the next logical step to further enhancing the level of competition, product innovation and consumer benefit in NSW.

In addition the adoption of the National Energy Consumer Framework (**NECF**) in NSW (which commenced on 1 July 2013) will enhance the information available to consumers on pricing and market offers, further increasing the transparency and understanding consumers have in relation to available offers. NECF also offers consumers increased non-price protections.

Alinta Energy initial view provided support for a staggered approach to the removal of price regulation. We note the Commission's recommendation in the Draft report that price regulation should be removed for all consumers at the same time. For the reasons outlined in the Draft report Alinta Energy supports this recommendation.

We also note the Commission's view that competition could be further enhanced if the type and form of information available to consumers was improved, and that additional measures (programs) should be in place prior to the removal of price regulation. Alinta Energy would point out that it remains in the best interest of retailers to ensure that information available to consumers when considering options available for the supply of energy, are presented in a clear, transparent and easy to understand form. We believe the removal of price caps should occur within the shortest time period possible and would be concerned if this were delayed as a result of waiting on consumer engagement programs being established. This is not to say that further work should not be conducted to enhance the information available to consumers, rather it can be conducted in conjunction with the removal of price regulation and can continue post its removal. In developing any such programs we support the Commission's recommendation to work with stakeholders on this issue. Alinta Energy looks forward to working with the Commission on this initiative.

Should you wish to discuss any aspect of our submission I may be contacted on (02) 9372 2653, or via email: shaun.ruddy@alintaenergy.com.au

Yours sincerely



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