



ACT energy retail markets

AEMC review of competition in electricity and gas retail markets

The AEMC has found that competition is yet to emerge for small customers in the Australian Capital Territory electricity and gas retail markets. Many customers surveyed were very satisfied with their retailer, but many also want greater choice of retailer and plan.

Key findings

Many customers surveyed were 'very' satisfied with their retailer

Of the customers surveyed in the ACT, 73 per cent were satisfied with their retailer compared to 66 per cent across all jurisdictions surveyed. Complaints to retailers and the Tribunal are relatively low, which could partly relate to fewer customer transfer issues or marketing issues in the ACT given the low level of customer activity.

Many customers want greater choice of retailer and energy plan

Thirty-five per cent of customers surveyed were dissatisfied with the level of choice, which is more than double the average of all jurisdictions surveyed.

ACT residents have a choice between two retailers and fewer than ten market offers that are all very similar in terms of their features. Rivalry between the two retailers appears limited in the residential electricity and gas markets and ActewAGL has a market share of approximately 95 per cent in both markets.

Rivalry may be slightly higher in the small business segment where a third retailer competes. More small business customers reported being approached by an energy retailer than residential customers.

The more significant factors that retailers claimed are deterring them from entering the retail electricity market or expanding their marketing efforts include retail price regulation, ActewAGL's dominance in the market and the relatively small size of the market. The latter two issues were also cited by retailers as deterring entry and expansion in the ACT retail gas market.

Customers are less active than in other states

Some customers can save money by shopping around. Conservative estimates show that some customers could save at least \$230 a year if they had changed their electricity plan in 2012-13, depending on the plan they were on and the plan they switched to. However, many are unaware they have a choice of retailer or plan.

Fifty-seven per cent of residential electricity customers and 36 per cent of gas customers surveyed were aware they could choose their retailer or energy plan, compared to the NEM average of approximately 90 per cent. The ACT has the lowest proportion of customers on market offers of all jurisdictions where market offers are available, at 19 per cent. Our research shows customers want choices, but understanding of options is limited.

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, but few are 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 the ACT, online or over the phone.

A customer engagement campaign could help to promote greater awareness that customers can shop around once greater choice becomes available.

The outlook for competition in the ACT

Retailers do not expect any material change in the level of competition in the ACT electricity or retail gas markets over the next five years. One small retailer may consider entry into the small business segment and another may consider entry into the residential segment in the next five years, but neither have firm plans to do so. No retailers stated that they intend to enter the gas market.

In the event that new retailers enter the market or existing retailers expand their range of offers, a customer engagement campaign could help to promote greater awareness that customers can shop around and choose between energy plans and retailers.

The AEMC has previously provided advice on how the ACT could become more competitive and those recommendations continue to apply.

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 (former 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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