



Draft findings on competition in NSW energy markets

Draft report released for stakeholder comment

We have found that competition is delivering benefits to customers in NSW. Customers have a choice of retailer and a choice of product or service. In the next stage of this review we will be looking at new ways to make it easier for customers to engage in the market to further enhance competition.

How is competition delivering benefits to NSW customers?

Competition means that customers have a choice of retailer and a choice of product or service. This currently includes choice on the terms and conditions of energy contracts such as payment methods and how often customers may receive their bills.

A number of different factors indicate that competition is delivering customer benefits, including:

- **Customers have a choice of retailer and product.** A number of retailers offer a range of products and services. New retailers can enter the market and secure supplies. Surveys conducted by this review show that over 85% of customers are aware that they can choose their energy retailer. Advertising campaigns such as One Big Switch prompted 21% of electricity customers and 14% of gas customers to change retailers in the last year alone;
- **Retailers are offering discounts.** Retailers are competing with each other by offering average bill reductions of 4% to 6% on the prices set by the state regulator, IPART, as well as other benefits such as sports club membership and frequent flyer points. These benefits combined with increased advertising by retailers are prompting customers to shop around for a better deal. New retailers are gaining market share from more established retailers; and
- **Customers are satisfied with the service they receive.** Our surveys show that customers appear satisfied with the choices available to them and with their decisions, though they are asking for more information, especially in relation to prices. A minority of customers have had negative experiences with their energy retailer.

This activity means that competition is delivering benefits to customers such as choice and lower prices. It is clear however that more needs to be done to make it easier for customers to engage with the market.

How can we further enhance competition in NSW?

Promoting customer choice

In our draft report we recommend that price caps are removed. This will encourage greater innovation and lead to more tailored energy products and services being available for customers. Already over 60% of NSW energy customers have chosen market offers set by their retailer.

A number of measures should be put in place to support increased choice. The most important of these are measures to make it easier for customers to engage in the market.

Customers require tools and knowledge to better understand the market and better compare the offers that they receive. Targeted communication channels will need to evolve with the market. If customer participation in the market is increased it will enhance the competition that is already present.

Competition is delivering benefits to customers in NSW. Making it easier for customers to engage in the market will further strengthen this competition.

Maintaining customer protections

In our draft report we recommend that ongoing market monitoring should be implemented to assess the state of competition going forward. This should be accompanied by the power to reintroduce price caps if competition is no longer effective.

The National Energy Customer Framework (NECF), which the NSW government is aiming to adopt on 1 July 2013, provides additional protections for customers. These protections include regulations on terms and conditions of contracts, such as late fees and early termination fees.

What are our next steps for the review?

In the next stage of this review we will be looking at new ways to make it easier for customers to engage in the market. This work will build on our work in the Power of choice review.

Our final report is due on 30 September 2013 and will make recommendations to the NSW government on the effectiveness of competition and whether and how to remove price caps set by IPART.

In this next phase of the review we will:

- Consider submissions and other further evidence on the effectiveness of competition;
- Consider feedback on the ways to remove price caps; and
- Consult with stakeholders to develop recommendations on measures to make it easier for customers to engage with the market.

Submissions are welcome on all aspects of our draft report by **5 July 2013**.

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