



28 February 2014

**SUBMISSION ON AEMC APPROACH PAPER: 2014 RETAIL
COMPETITION REVIEW**

BACKGROUND

The Queensland Consumers' Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association's members work in a voluntary capacity and specialise in particular policy areas, including energy. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups and is represented on the Queensland Competition Authority's Consumer Consultative Committee and the Energy and Water Queensland Ombudsman's Advisory Council. The Association is also a member of the Queensland Council of Social Service's Energy Consumer Advocacy Project's Energy Reference Group and Origin Energy's National Customer Consultative Council.

The Association welcomes the opportunity to make this submission which, due to lack of resources, can only be very brief.

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GENERAL COMMENT

QCA supports the Queensland Council of Social Service's submission.

ADDITIONAL COMMENTS

1. QCA welcomes the AEMC's recognition that the numbers of people changing retailer (customer churn rates) are not necessarily a sign of how well a market is functioning and requests that the AEMC's report NOT use the term "switching" to describe such customers if the same term is also used for customers who change plans with a retailer.
2. Given its importance to future decisions by the Queensland government on several policy issues, including the future of the regulation of electricity prices in the Energex area, the review of Queensland must be thorough and comprehensive, and cover all parts of the state.
3. Reasons for the current extremely low level of competition in Ergon's area should be examined. These include: the payment of the CSO to Ergon's retail business not to its distribution business, the lack of sub zones reflecting different distribution (not transmission) costs within Ergon's East Pricing Zone, and Toowoomba City being in Ergon's not Energex's area even though it is located in south east Queensland.
4. The impact of sale of customers and retailer mergers and takeovers on competition should be examined. The sale of Energex's customers to only two large retailers has not helped the development of effective competition in SEQ and nor has recent mergers and take overs. Competition impacts need to be given high priority by the Queensland government when decisions are made on whether Ergon can offer market contracts to consumers in its area and whether any Ergon customers are sold to other retailers.

5. Wherever possible the review should examine the efficiency of existing arrangements and operations, for example the retailer-distributor interface, to ensure that inefficiencies are not hindering competition between retailers.
6. The review should examine the extent to which retail competition is delivering lower electricity prices to consumers in the Energex area by obtaining information on the prices actually paid by consumers on market contracts. There is anecdotal evidence to suggest that a significant proportion of customers on market contracts pay the same as or very close to the regulated prices paid by consumers on standard contracts.
7. Substantial improvements are needed to the on going monitoring and reporting by public agencies of the prices offered to, and paid by, electricity and gas consumers.
8. The QCA's 2008 report on the future of gas retail competition in Queensland concluded that competition was likely to improve. This conclusion needs to be re-examined given that there are now only two retailers in most of the state and consumer engagement is almost certainly still very low.
9. If possible, the review should include bulk hot water heated by reticulated gas which is used by a significant number of consumers in SEQ yet this is not reflected in the gas connection statistics. And, only two retailers appear to offer this product.
10. To increase competition and consumer engagement, the review should give further consideration to how transfers between retailers might be made more consumer friendly, especially how to reduce the time between the decision to change retailer and the actual transfer to another retailer.
11. Major improvements are needed in the quality and quantity of information collected by public agencies, and publicised, on the quality of service provided by electricity and gas retailers.
12. To facilitate increased consumer understanding of electricity prices and easier comparison of offers available, more use of consumer-friendly and meaningful units of measure to describe prices and less use of percentage discounts off base prices (which can vary greatly, especially if there are no regulated tariffs) should be encouraged or required. For example, although the fixed and variable components of most tariffs are expressed as cents per day and per kWh these are rarely used in the marketing of offers. Also, most consumers would not know what these are for the contract they are on¹. One of the reasons for this is that the cost per unit of measure (per day or per kWh) are small amounts of money that are difficult to remember. For example, the daily charge for Tariff 11 is 50.219c/day (ex GST) and the consumption charge is - 26.73c/kWh (ex GST). However, if the daily charges were quoted and widely referred to as an amount per 30 days (eg for Tariff 11 -\$15.07 per 30 days) and kWh charges were quoted and widely referred to as an amount per 100kWh (eg for Tariff 11 - \$26.73 per 100kWh) consumers would be more easily able to remember such amounts and compare different offers.

¹ This is in contrast to consumer awareness of the price of most other products bought regularly. For example, a very high proportion of consumers would know with a high degree of accuracy the cost per litre of the petrol they buy.