

AUSTRALIAN ENERGY MARKET COMMISSION

ANNUAL RETAIL COMPETITION REVIEW

STATE OF COMPETITION FINDINGS: 25 JULY 2017



New energy service providers are emerging with high-tech choices for consumers like:

- Reposit and Evergen services to monitor solar generation, battery use and energy costs in real time
- Telstra and Honeywell's smart home product allowing consumers to manage energy use on their mobile
- Greensync and Power Ledger services to collect local energy sources and sell them back into the grid

ENERGY SHOPPING IS CHANGING



Traditional energy retailers are rising to the challenge with new energy service partnerships like:

- Ergon and Habidapt's energy efficient products and services
- EnergyAustralia and Redback's service to optimise battery use

ENERGY SECTOR TRANSFORMATION IS ACCELERATING

Retail competition is stronger. New energy entrepreneurs are offering consumers more varied products and better priced deals. Gains for consumers are real but at risk because of rising wholesale costs.



BUT HIGHER WHOLESALE COSTS ARE DRIVING UP PRICES

The renewable energy target (RET) is providing more generation. The design of the RET is having unintended consequences that threaten to decrease retail competition leading to higher retail prices and less choice for consumers. This is because of how this generation is financed.

The number of generators providing hedging contracts is falling, as existing generators are retiring. This, along with rising gas prices, is increasing the costs of doing business for electricity retailers, especially smaller retailers with innovative offerings.

The risk of electricity retailers leaving the market is growing due to higher costs of doing business.

Incentives for vertical integration are growing as retailers buy their own generators to lock in their supply.

It is most important that future policy on emissions reduction should do two things: facilitate commercial investment in generation in the right place at the right time; and enable a liquid forward contracts market so retailers can effectively manage their risk and keep prices as low as possible for consumers.