



Queensland's energy retail markets

AEMC review of competition in electricity and gas retail markets

The AEMC's review has found that competition is effective for small customers in South East Queensland. Retailers are competing to attract residential and small business customers by offering a range of energy deals, and many customers in South East Queensland are already taking advantage of these. Conditions in the South East Queensland electricity market are right for the removal of electricity price regulation, with increased competition set to benefit customers after that occurs.

Competition is less effective in Queensland's gas retail markets as it is a small market with few customers using piped natural gas. Competition is yet to emerge in Regional Queensland's electricity retail market due to the way the uniform tariff policy is applied.

Removing electricity price regulation in South East Queensland

Our findings for this review, summarised below, suggest that customers in South East Queensland are likely to benefit from the removal of electricity retail price regulation. Once this occurs there is likely to be greater rivalry between retailers and more choice for customers, and our research found that customers in South East Queensland want more choice.

Victoria, South Australia and New South Wales have already removed electricity price regulation. The Queensland Government plans to do so in South East Queensland in July 2015, subject to a series of conditions being met.

Removal of price regulation does not mean the removal of all regulation. There are a series of measures that remain in place to protect customers and preserve their rights, particularly those customers that are facing hardship.

A range of energy choices are available in South East Queensland

Around 70 per cent of small electricity customers in South East Queensland have already chosen a market offer where the price is offered by the retailer and not set by the regulator. Customers can choose between at least 25 different electricity plans from 10 different retailers. This choice means that different types of customers can choose an electricity plan that suits their specific needs and wants.

A further six electricity retailers say they are considering entering the market or expanding their activities if price regulation is removed, providing further options for customers, suggesting low barriers to entering this market.

Customers can save money by shopping around

With a range of energy plans available, it can pay to shop around. Last year, 17 per cent of electricity customers and 11 per cent of gas customers changed their retailer in search of a better deal. Others found a better deal with their existing retailer.

Conservative estimates show that customers could save around \$60 a year or more if they had changed their electricity plan in 2012/13. This does not include the additional savings if a customer switched to the best advertised offer or negotiated a lower price than advertised. Possible savings may be even higher now, with new offers available.

Retailers are competing with each other by continually offering new plans with different benefits to attract and retain customers. Even greater savings may be possible in the future if rivalry between retailers increases even further, as expected.

Around 70 per cent of customers in SEQ have already chosen to move off the regulated price and take up a market offer where the price is offered by the retailer through the competitive market.

Many customers find it difficult to compare “apples with apples”

The energy plans available differ in a number of ways. This includes differences in prices, discounts, fees and charges, sign up bonuses, fixed price and variable contracts, the level of GreenPower, and the payments offered to customers with solar panels.

Our research shows that customers want choices, but they find it difficult to compare their options. They are seeking more transparent and meaningful information from retailers and governments to help them shop around with confidence.

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. Just one per cent of customers surveyed were aware that the Queensland Competition Authority (QCA) offers such a tool. The QCA's *Price Comparator* tool enables customers to compare electricity and gas prices across energy retailers in South East Queensland.

Greater awareness of this website could increase customer confidence in shopping around for a better energy deal. However, some customers that lack access to the internet or lack the confidence to use these tools may require additional support.

Recommendations to governments

The AEMC has made a number of recommendations to all governments. Of relevance to Queensland, the Commission recommends the Government: consider options to increase awareness of the tools available for comparing offers to increase customer confidence; ensure concession schemes are working properly; harmonise regulations across jurisdictions to reduce costs, including implementing the National Energy Customer Framework; and remove energy price regulation where competition is effective.

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 (formerly the 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 drawn from a range of information sources to assess the state of 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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