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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

RE: FIRST DRAFT REPORT: REVIEW OF THE EFFECTIVENESS OF COMPETITION IN THE RETAIL MARKET IN THE ACT – Stage 2 Draft Report

TRUenergy welcomes the opportunity to provide the following comments to the Australian Energy Market Commission's Stage 2 Draft Report – Review of Effectiveness of Competition in the Electricity Retail Market in the ACT.

In responding to the Stage 2 Draft Report TRUenergy is of the view that the biggest impediment to competition in the ACT market is the Actew Corporation. While TRUenergy recognises that the significant number of customers Actew/AGL currently has in the market is partly associated with its historic position in the market and the stickiness of its customer base, TRUenergy is also of the view that Actew Corporation's role as a regulated provider of distribution and water services, Transact services and retail energy service gives it a significant advantage within the ACT market which second tier retailers do not have and cannot replicate.

As contended in its earlier submission, TRUenergy would again highlight the significant advantage that Actew/AGL has in bundling electricity, gas, telephony and television products. TRUenergy would also draw the Commission's attention to the significant amount of sponsorship undertaken by Actew/AGL including assistance to over 150 charities, schools, community groups, sporting teams and businesses throughout the capital region, including:

- The ActewAGL Royal Canberra Show
- Floriade
- the Australian Science Festival
- the CA Brumbies
- Canberra Raiders
- Sydney Swans games at Manuka Oval.
- Christmas and New Year in the city
- The Salvation Army Red Shield Appeal
- ActewAGL host a BBQ for Camp Quality
- Koomarri

Such a program of community sponsorship in the geographic area of Canberra is far bigger than what large retailers operating in multiple markets achieve on a national scale and TRUenergy questions how

Actew/AGL retail is able to commercially fund all these activities.¹ Furthermore TRUenergy would question the requirement for regulated monopoly entities to spend money on the promotion of their brand, given their customers do not have a market choice about using their services. TRUenergy therefore questions how the ACTEW AGL retail brand can commercially justify such a comprehensive community support program especially involving elite sport teams. By comparison, given the marketing large retailers with more than 2 million customers undertake on a national basis make it is surprising that Actew/AGL can afford to market itself to the degree it does in press and television media. This leads us to conclude that there must be a significant level of cross subsidy occurring between the entities of Actew Corporation resulting in Actew/AGL obtaining a considerable advantage in terms of brand exposure for its retailing activities. The marketing and branding of Actew/AGL represents the most significant issue affecting competition in the retail market in the ACT and that the simplest and most effective way of addressing this would be to substantially improve the ring fencing between Actew Corporation's individual entities.

Although the AEMC has indicated that the economies of scale and scope are likely to provide it with the cost advantages over a single fuel supply efficient new entrant, TRUenergy believes the entrenched position of Actew/AGL with over 90 per cent of the ACT market is not in the long term interest of customers in ensuring they are able to choose their retailer. Moreover, the value of the competitive reforms proposed by Hilmer was specifically designed to deregulate the industry and remove the power of monopoly businesses. Where the existing market conditions are not beneficial for existing retailers or new entrant retailers there is a likelihood that competition may lessen even further in the future, leaving customers with fewer choices.

The Commission proposes to encourage customers to switch retailers through the introduction of a pricing comparator and consumer education campaign to improve customer awareness. Whilst these strategies have helped improve competition in other markets it is difficult to see how these will be effective in the ACT when there is such a limited number of retailers competing in the marketing the first place. Nevertheless, TRUenergy would support the implementation of these strategies as part of the necessary steps towards the removal of retail price regulation.

Should you have any questions in relation to this submission please feel free to give me a call on (03) 8628 1185.

Yours sincerely

Alastair Phillips
Regulatory Manager
TRUenergy

¹ TRUenergy would be happy to provide the costs of its community support program on a confidential basis