

5 July 2013

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via electronic submission

Dear Commissioners

Submission on Draft Report: Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales

Australian Power & Gas (**APG**) welcomes the opportunity to provide a submission to the Australian Energy Market Commission (**AEMC**) to support its *Draft Report: Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales (Draft Report)*. APG commends the AEMC for the entirety of the *Competition Review* process, including the active and continued consultation with the retail energy industry in the formulation of its draft report and associated work streams.

APG is a Tier 2 retailer supplying electricity and gas to customers in New South Wales, Queensland and Victoria. Commencing operations in 2007, APG has grown its customer base across three states to approximately 341,000 customers. APG currently serves household energy consumers and will focus its submission to the AEMC around its experience in serving residential customers. APG also supports the submission of the Energy Retailers Association of Australia (**ERAA**), of which APG is an active, full member.

Finding of effective competition and recommendation for price deregulation

APG is pleased to see the AEMC's findings that competition in the electricity and natural gas markets in NSW is delivering benefits to customers. APG fully supports this finding and the methodology by which the AEMC has assessed the current state of competition in the NSW market.

As a consequence of there being effective competition in the market, APG also fully supports the recommendation in the draft report to remove price caps for retail electricity and gas in NSW. APG is firmly of the view that a deregulated competitive market will drive the best outcomes for consumers and will ensure that the market to the extent possible is free from price distortions. As was noted by the Independent Pricing and Regulatory Tribunal (**IPART**) in its Draft Report for its Review of regulated electricity retail prices 2013-16, price regulation has not effectively prevented electricity price shocks for consumers. APG agrees that retail price regulation creates barriers to market entry and uncertainty for long term investment in the electricity and gas markets.

The removal of retail price regulation will further promote competition in the market by allowing retailers to innovate on price and product offerings to more adequately meet the needs of customers. Furthermore, the removal of price regulation will allow for more price reflective products to be made available to small customers which reflect the efficient costs of operating in the market. Current uncertainty created by price regulation does not allow for retailers to make adequate investment in the market to allow such product innovation to occur except for price discounting against regulated rates.

APG agrees with the finding of the AEMC that price caps should be removed in one stage rather than a staged removal approach. It is our view that customers will see benefit quicker if price caps are removed for all small customer types simultaneously. APG agrees that price monitoring in some form is an appropriate measure in the short term to allow for close monitoring of the effectiveness of price deregulation. This policy has been successfully implemented in Victoria and most recently in South Australia in order to protect consumers and increase confidence of government oversight of market activity. APG does not support a recommendation of including an automatic trigger for re-regulation, but that issues raised through price monitoring should be openly discussed with market participants prior to any step to re-regulate prices. APG supports the comments made in the ERAA's submission that any move to re-regulate the market should be made after following the fulsome methodology established as part of this current review.

Improving customer engagement

APG supports moves by the AEMC to further investigate and subsequently recommend measures to improve customer understanding of their ability to switch retailers and provide customers with the right information to help them to make informed choices. We agree that customers will see the most benefit from price deregulation when coupled with measures that will help customers be able to be confident about their ability to change retailers and to select an energy plan that suits their needs.

It is our view however that introducing measures to improve customer engagement should not affect the timing for the removal of price regulation. As the customer surveys undertaken by the AEMC indicate, customers are currently active in the market and a high percentage of customers are aware of their ability to switch retailers. On this basis, APG sees great value in the AEMC developing customer engagement blueprint to increase customer involvement, particularly with respect to vulnerable customers or customers with barriers to engaging, however we do not see the implementation of such a program as being a prerequisite to the removal of retail price regulation.

APG has participated in the AEMC's retailer forums to date in developing a customer engagement blueprint, and has noted as part of that forum that the National Energy Customer Framework (**NECF**) currently stipulates comprehensive information be provided to customers in relation to available offers. This being the case, we do not believe the issue relates to the availability of information in itself, but rather the presenting of information in such a way that it provides customers with adequate and relevant information that allows them to choose an energy plan that suits their needs. The relevant questions that need to be addressed are around providing customers with the ability to obtain information to give them confidence to

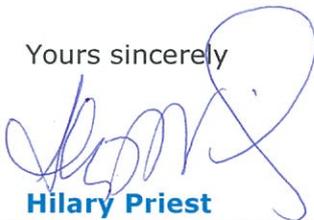
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engage in the market should they choose to, and to make a choice that is positive for them. Nevertheless, it is important to recognize that there are a percentage of customers who understand their ability to switch and engage in the market but who make a decision not to engage in the market.

As has also been raised at the retailer forums, consideration needs to be given to how and by whom this information is provided. Retailers alone will not have success in educating and building consumer confidence. Such an education effort needs to be coupled with work undertaken by consumer groups and government to ensure consistent messages and availability of information. Consumers are then able to decide from whom they want to receive information. It is only through the involvement of these relevant peak bodies and government that customers, in particular those may have barriers to engaging or are vulnerable customers will be able to be fully realise the benefits of any customer engagement programs.

APG welcomes the opportunity to discuss its submission with the AEMC and appreciates the consultation opportunities provided through this process. Please do not hesitate to contact me on 02 8908 2714 or via email at hpriest@auspg.com.au.

Yours sincerely



Hilary Priest

Manager, Government and Regulatory Affairs
