

Retail Competition and Customer Choice: Australian Experience

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Acknowledgement of Country

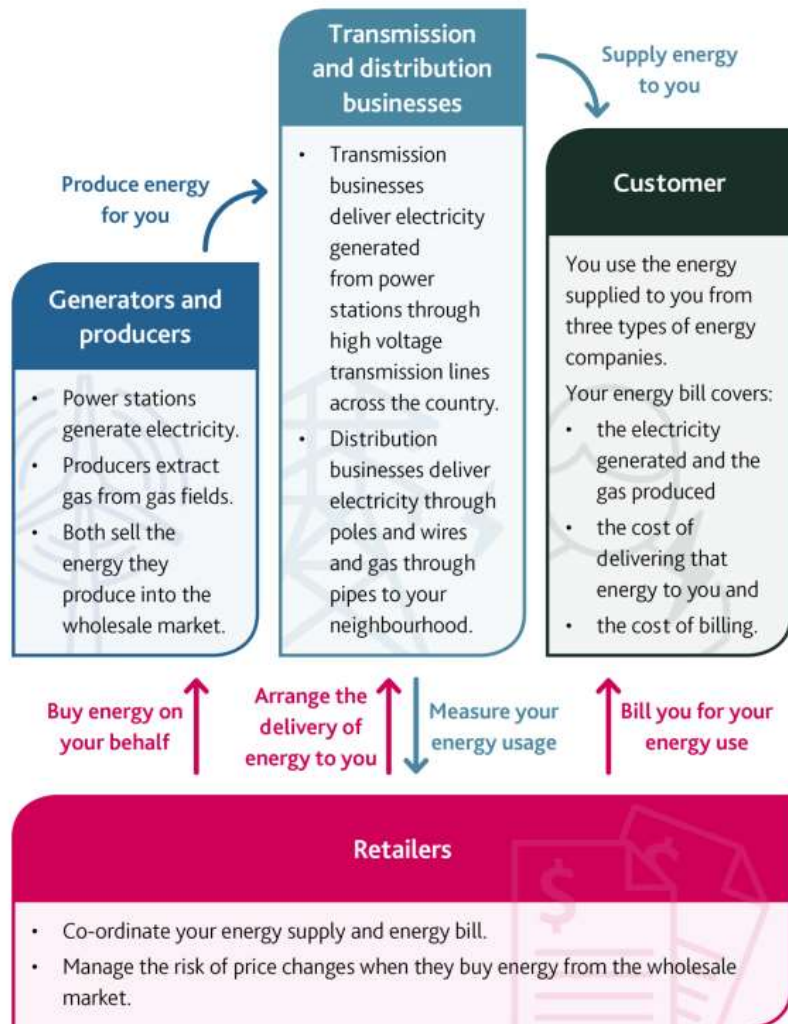


Barring Djinang artwork by Jade Kennedy.
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Agenda

1. Context – structure of the energy market
2. Licensing of retailers
3. Consumer protections and supporting consumers experiencing vulnerability
4. Effective competition
5. Role of the Victorian Default Offer

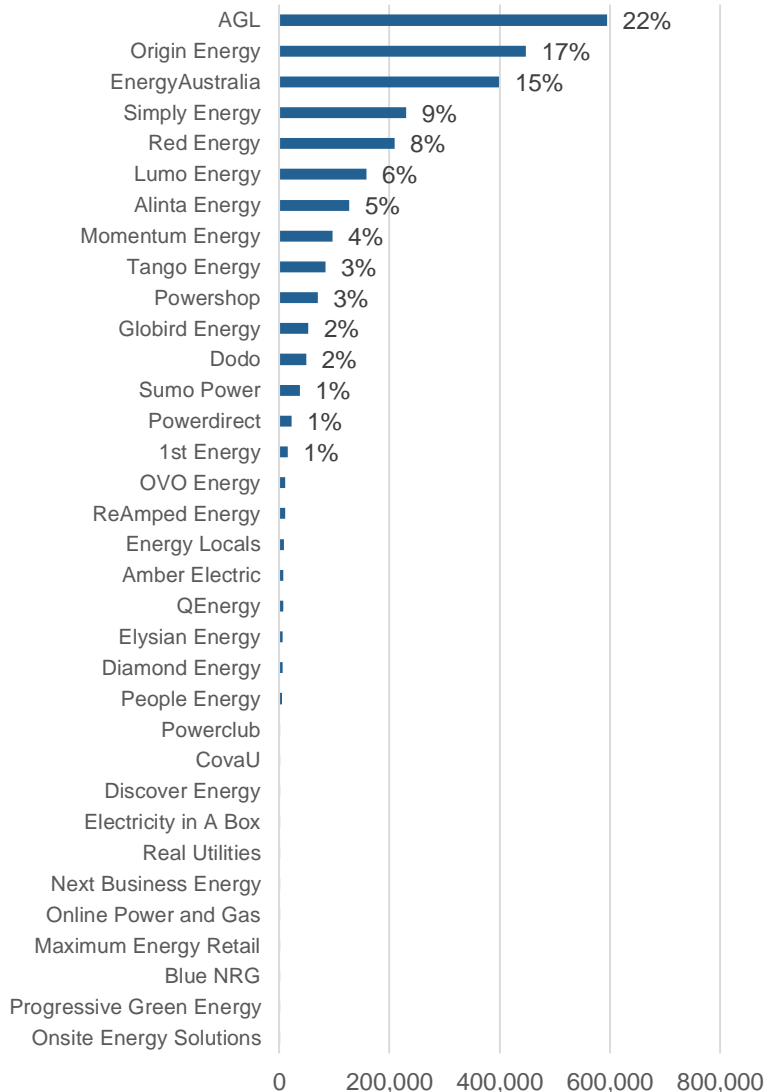
1. Context – structure of the energy market



- Vertical separation of distribution and retail (and generation)
- Energy retailers own and operate generation assets, or contract with the wholesale market
- Mix of privatized and government-owned energy retailers competing in the market – since 2002.

2. Licensing of retailers

Electricity residential customers (Victoria)



- Energy retailers must be licensed by the commission to sell energy to customers
 - application required
 - public consultation
 - commission decision
- 57 electricity retail licenses, 30 gas retail licenses (not all to residential customers)
- Processes for retailer failure – Retailer of Last Resort Framework
 - transfer of customers to a local retailer

3. Consumer protections and supporting consumers experiencing vulnerability

Consumer confidence and trust



• **Supporting consumers experiencing vulnerability** – payment support for customers in energy debt, family violence protections



• **Clear and fair contracts** – price increases limited to once a year, discounting practices regulated, a regulated price for electricity



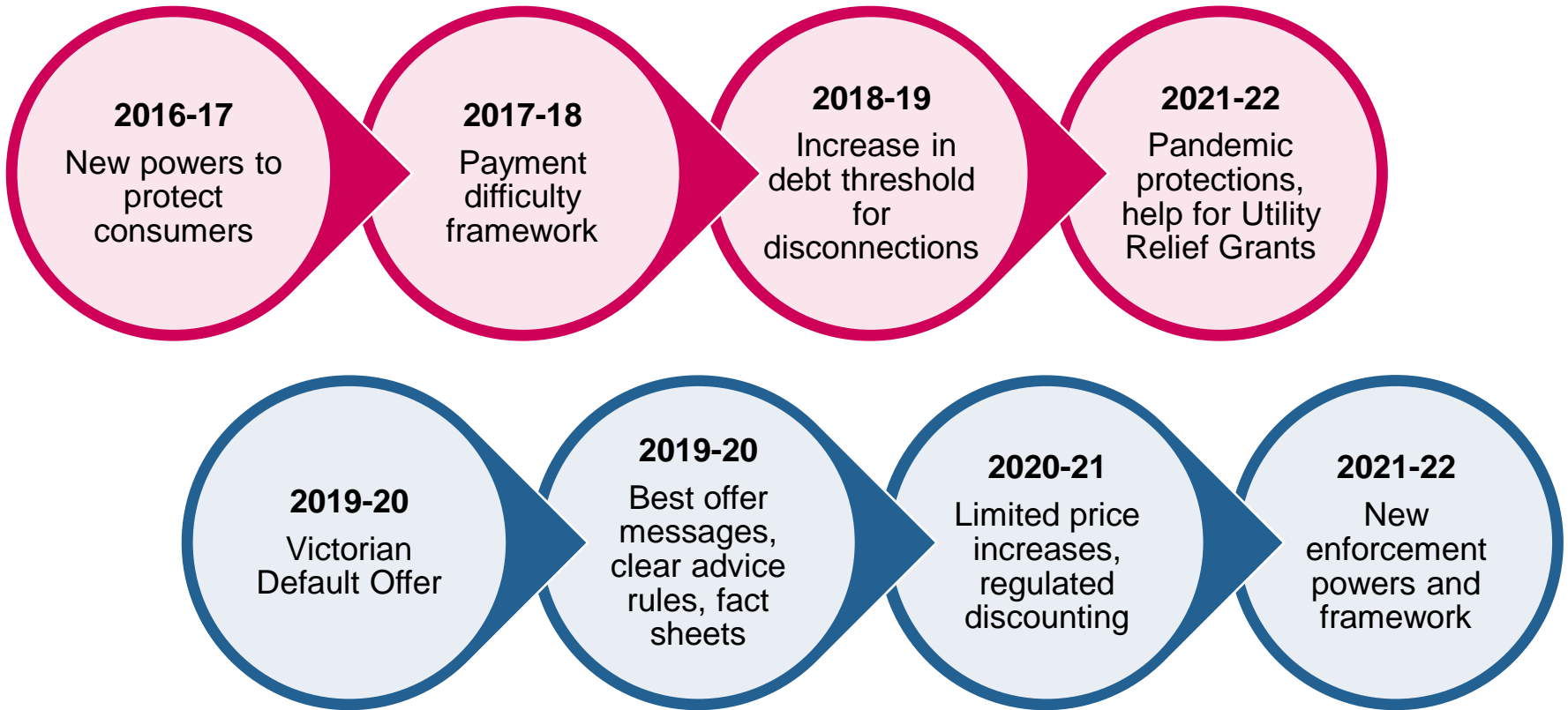
• **Transparency** – ‘best offer’ messages, government comparison website, rules on advertising practices and providing advice to customers

3. Effective competition in the retail market

- Competition in the market that delivers positive long-term outcomes for Victorian consumers
- Recognises that competition is a means to an end rather than an end in itself.
- Key concerns emerging since 2016-17:
 - Peak disconnection of energy customers by retailers to manage energy debt
 - High standing offer prices set by retailers (varying significantly across the market)
 - Unclear discounting practices, leading to high costs to customers if discount conditions are not met
 - ‘Bait and switch’ tactics to attract new customers

3. Effective competition in the retail market

Major market reforms required since 2016-17



5. Role of the Victorian Default Offer

Two types of energy offers available in the market:

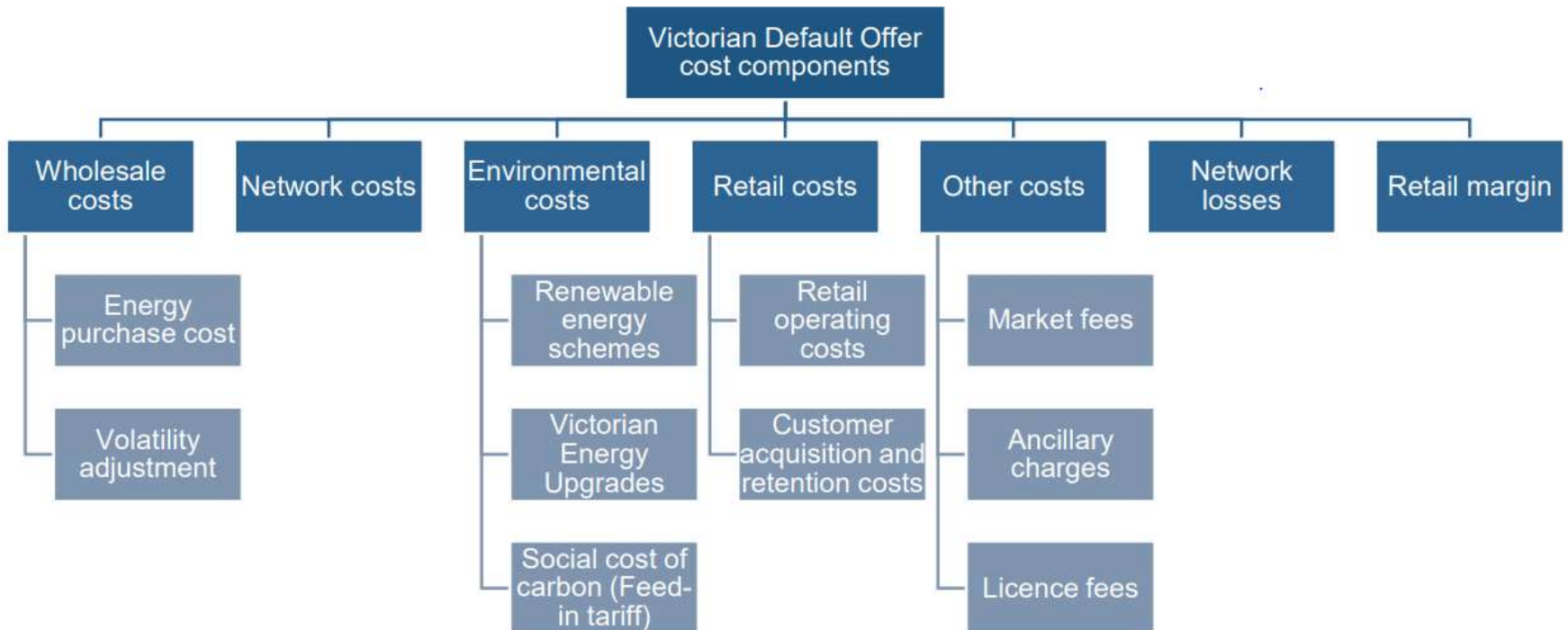
- Market offers:
 - Prices set by retailers
- Standing offers (regulated contract terms and conditions):
 - For gas – prices set by retailers, but must be gazetted and limits to price increases
 - For electricity – the Victorian Default Offer – a regulated price set by the commission

5. Role of the Victorian Default Offer

- A simple and trusted electricity price set by the regulator
- A price protection, particularly given a history of very high standing offer prices previously set by retailers
- Accessible to households and small business customers (<40MWh per year)
- Electricity retailers must make the offer available to customers who request it
- A default offer when moving house (but have not entered into a contract), or when a fixed-term contract ends
- Applicable as a maximum price for customers in embedded networks (such as some apartments)

5. Role of the Victorian Default offer

- Annual consultation process
- Commission applies a ‘cost stack’ approach:
 - estimates and analysis updated based on most recent information
 - data from retailers using information gathering powers



Questions and discussion