



# Implementing Retail Competition in the Electricity Sector: The Australian Experience

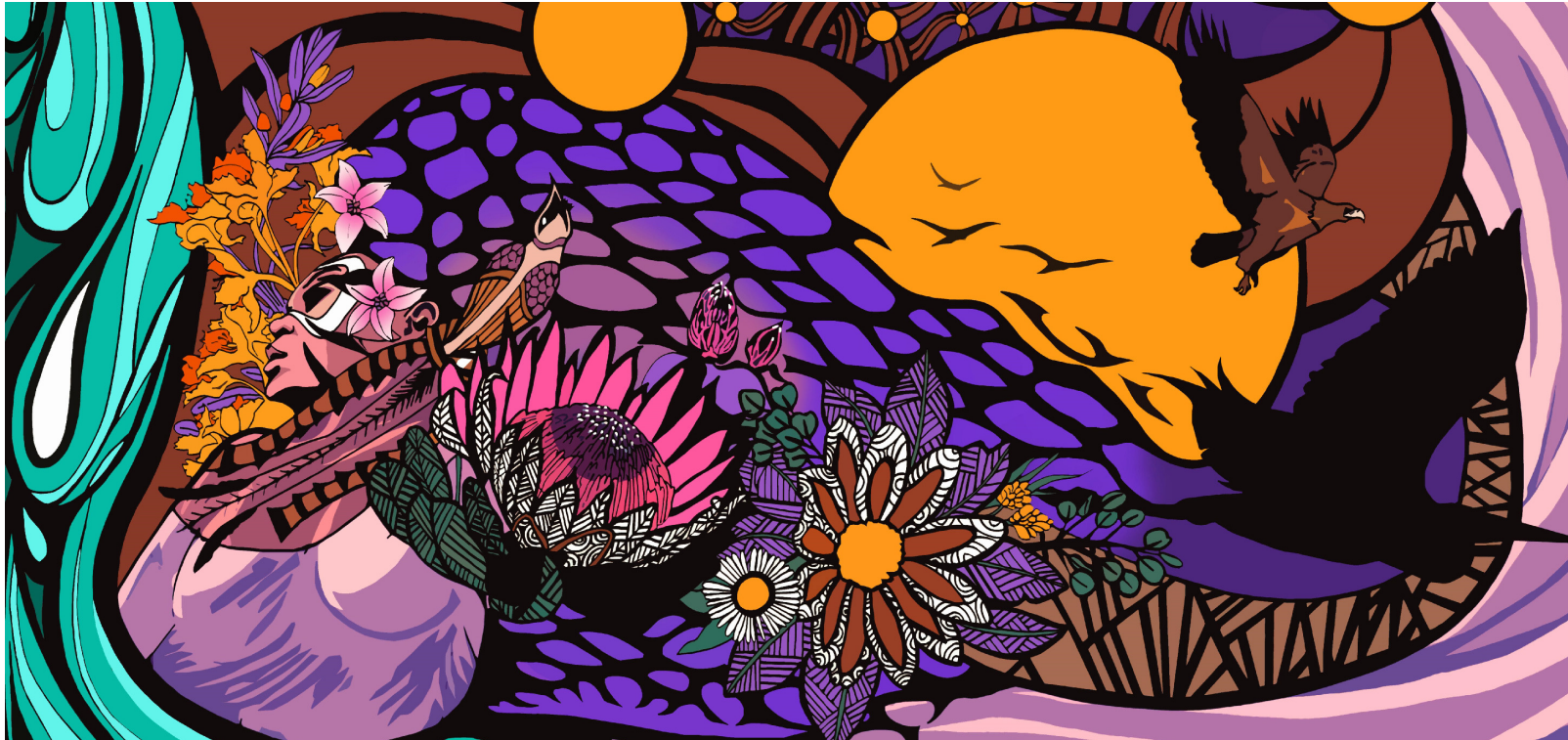
Sarah Sheppard, CEO

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# Acknowledgement of Country

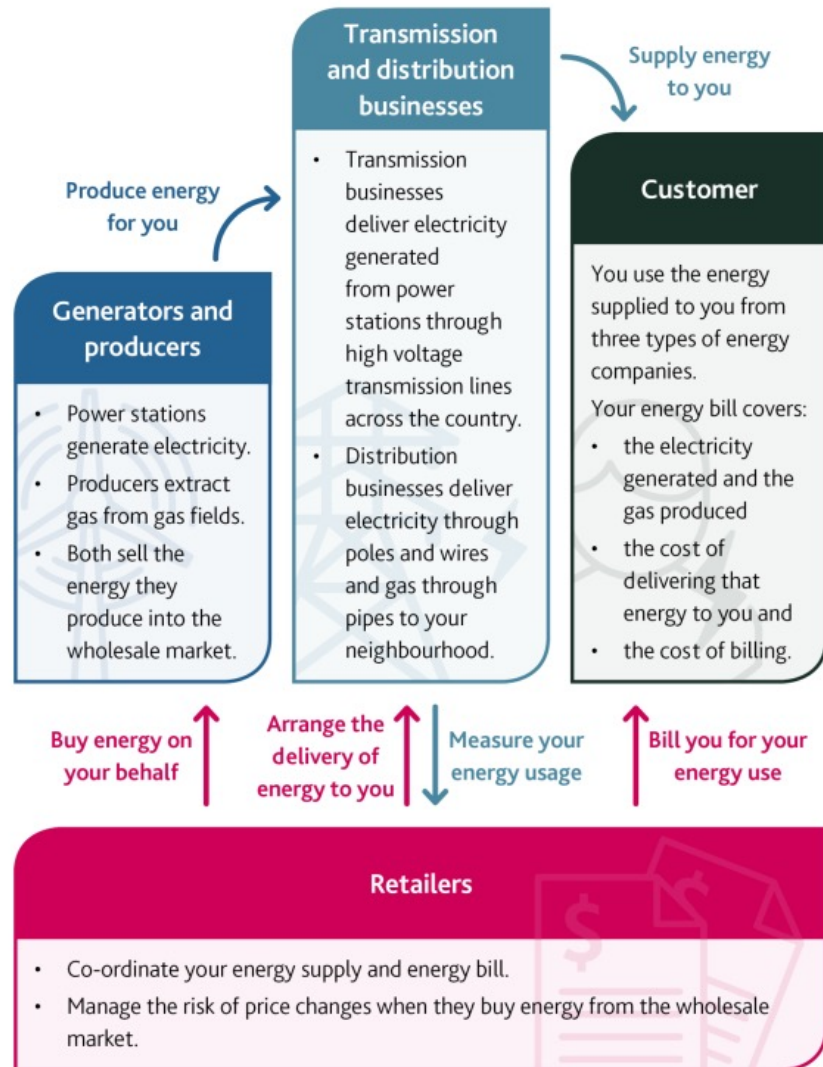


Barring Djinang artwork by Jade Kennedy.  
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# Agenda

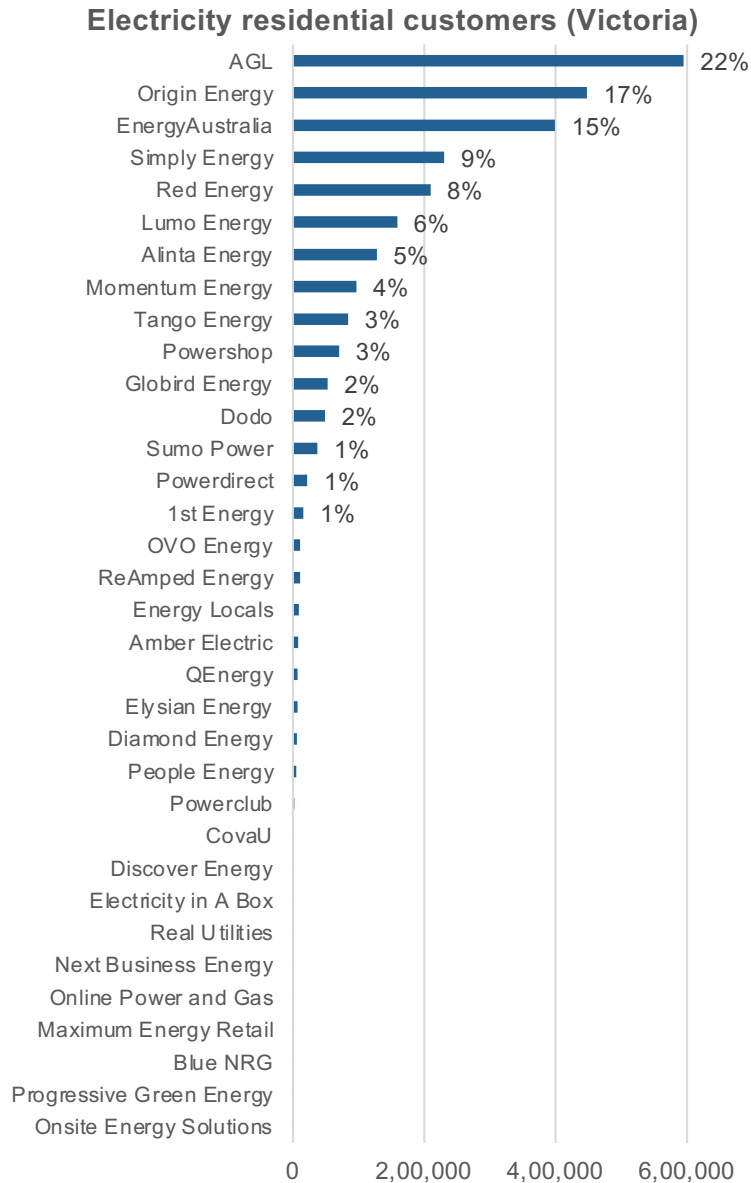
1. Context – structure of the energy market
2. Licensing of retailers
3. Consumer protections and supporting consumers experiencing vulnerability
4. Effective competition
5. Role of the Victorian Default Offer

# 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



- 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

Retailers are currently regulated via licence conditions and obligations set out in a mix of instruments:

- Victorian legislation (industry Acts)
- Codes of Practices (subordinate regulations administered by the commission)
- Licence conditions (via commission processes)
- Licence conditions (via Ministerial Orders)

The Essential Services Commission, as the regulator, can use its compliance and enforcement powers on retailers for breaches of many of these obligations.

### 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

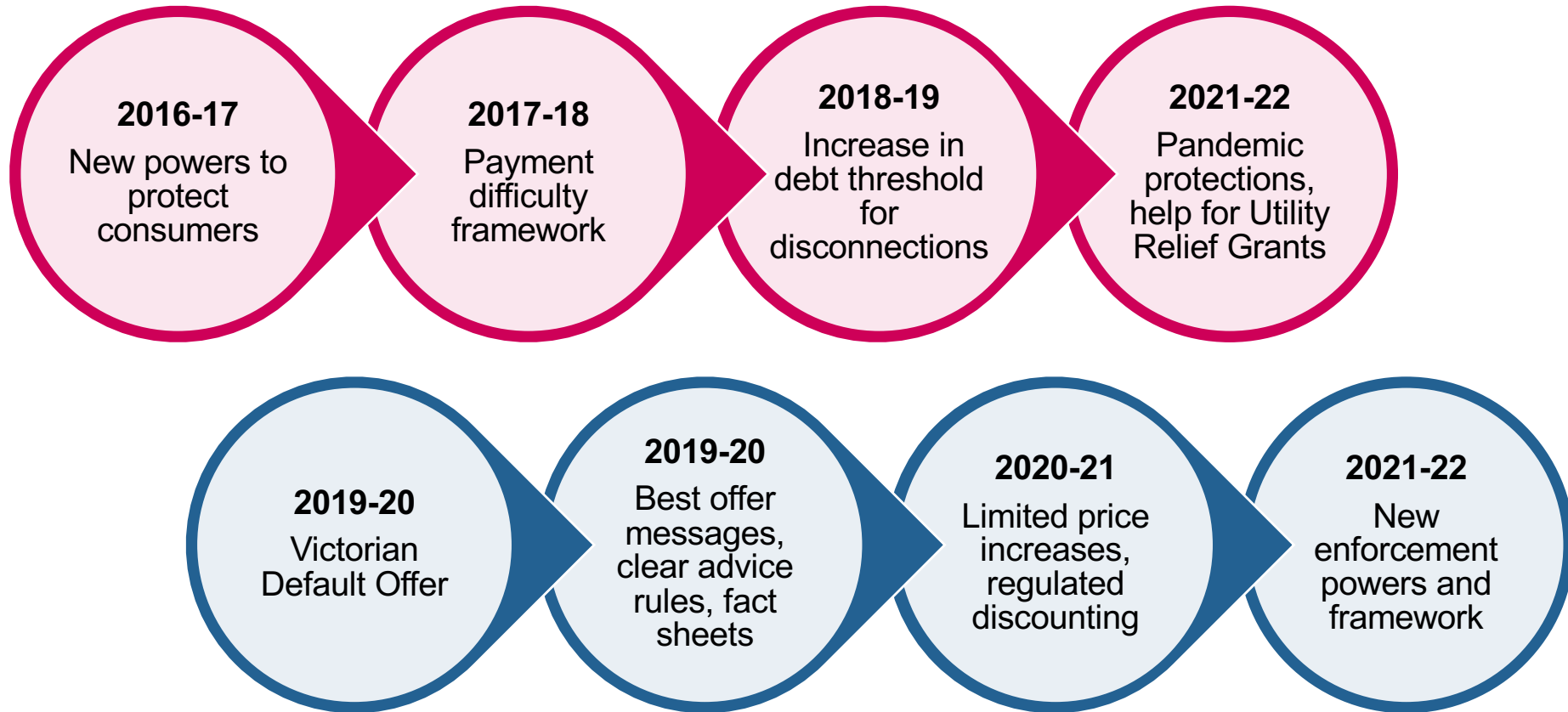
### 3. Effective competition in the retail market

- 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:

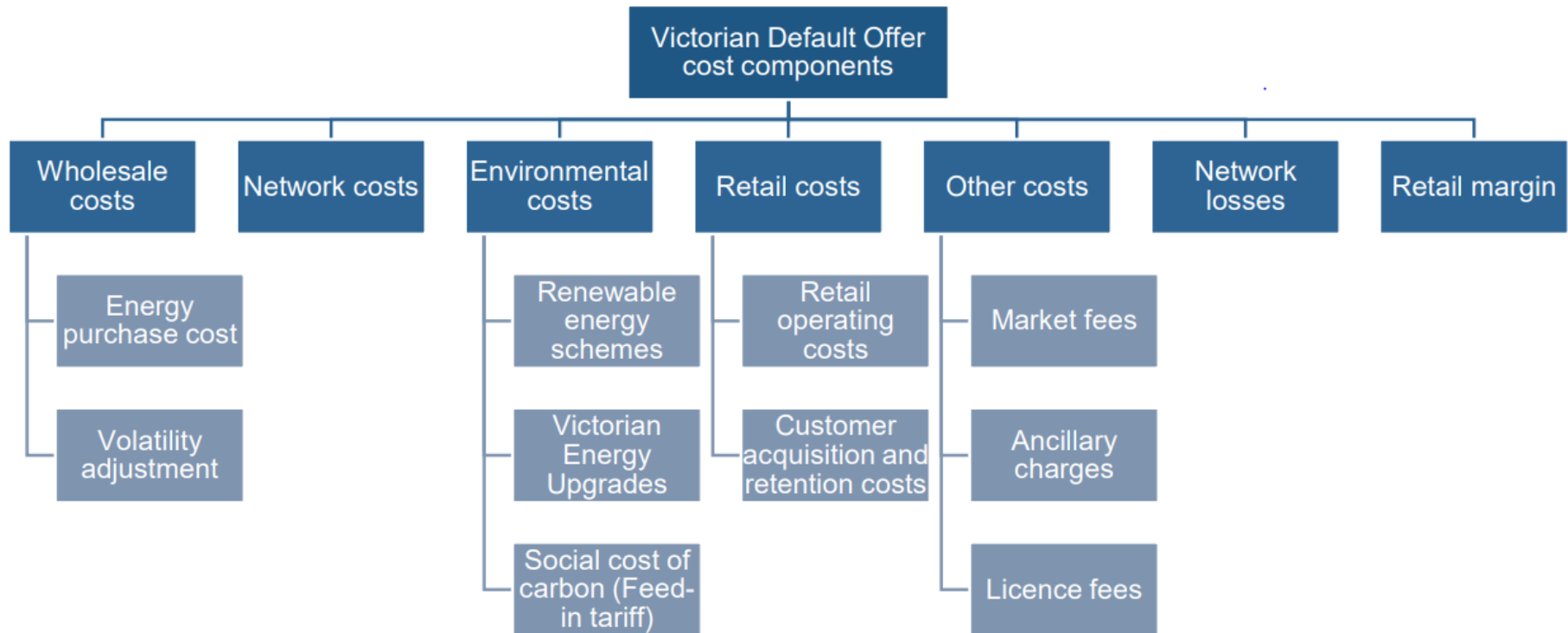
- Market offers:
  - Prices set by retailers
- Standing offers (regulated contract terms and conditions):
  - For gas – prices set by retailers, but must be gazetted and limits to price increases
  - For electricity – the Victorian Default Offer – a regulated price set by the commission

## 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