

30 August 2017

## WHAT

IPART is reviewing the performance and competitiveness of the retail electricity market in NSW during 2016-17. We released an [Information Paper](#) in May 2017.

Since the release of our Information Paper, the NSW Minister for Energy and Utilities also asked us to review:

- ▼ [electricity and gas price movements into 2017-18](#), to advise on the drivers of any price changes and whether any such changes reflect efficient costs in a competitive market, and
- ▼ [how retailers are putting downward pressure on bills for hardship customers, and how they are managing the roll-out of smart meters.](#)

## WHY

Prior to 2014, IPART set a regulated retail price for electricity customers. Retailers could offer different prices to customers, but customers who did not accept a “market offer” were charged the regulated rates set by IPART.

[IPART has not set regulated electricity prices since 2014](#), which means that all retailers set their own prices.

Customers should shop around for a better deal using the Australian Government’s website ([www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au)).

When competition is working well, retailers should not be able to increase prices above their costs – otherwise they

will be outcompeted by other retailers and lose customers.

This should drive better outcomes than regulated prices, because retailers have better information than a regulator about the costs of supplying electricity to their customers. Retailers will go out of business if the regulator sets prices too low, but customers will pay more than they should if the regulator sets prices too high.

Now that customers are relying on competition to keep prices as low as possible for customers, it is important to understand whether competition is effective. Therefore, the NSW Government has tasked IPART with monitoring the performance and competitiveness of the electricity retail market for small customers.

As the Market Monitor, we are required under [s234A of the NSW National Energy Law](#) to report annually to the Minister. Our 2017 report will be our third annual monitoring report on the retail electricity market.

We must also carry out a review of any other matter related to the gas or electricity market if requested in writing by the Minister by under [s234B of the NSW National Energy Law](#).

## WHO

Our role as market monitor is focused on the retail **electricity** market for **residential** and **small business** customers. While our review of 2016-17 will be for the electricity market only, when we look at the reasons for the most recent price changes over 2017-18, we will consider these for both gas and electricity markets.



## HOW

In assessing competition in the NSW electricity retail market in 2016-17, we will consider:

- ▼ barriers to entry, exit or expansion
- ▼ customer participation and outcomes
- ▼ rivalry and price and product diversity, and
- ▼ price movements.

In doing so, we are to have **regard only to** publicly available information and information obtained from the NSW electricity retailers.

For the additional requests from the Minister, we are **consulting** with the retailers about their strategies with respect to hardship customers and the roll-out of digital meters.



## PREVIOUS FINDINGS

NSW has had deregulated electricity prices since 1 July 2014. Our reports for previous years found that competition is working and is delivering better outcomes for customers than if prices remained regulated. For example:

- ▼ While AGL, Origin and EnergyAustralia remain the dominant providers, smaller retailers continue to increase their market share.
- ▼ Customers can find significant savings by shopping around for better electricity offers.
- ▼ Customers are generally aware of their ability to switch retailer or electricity plans.

- ▼ Most customers are satisfied with their electricity provider, and satisfaction has been stable or improving.
- ▼ The majority of customers consider electricity offers to be fair value or better.
- ▼ Product innovation is increasing, with smaller retailers leading the way.

We also found that for some, the cost of their time to search for and switch to a cheaper deal outweighs their potential benefit from a lower bill. For these customers, not participating in the market is a rational choice. Others find it difficult to compare energy offers. There is an opportunity for retailers and third-party service providers to encourage and assist customers in seeking out better electricity offers.



## WHAT NEXT

We will release our preliminary findings on the state of competition in the NSW retail electricity market in our Draft Report in October 2017. Stakeholders will have an opportunity to comment on our draft findings. We will submit our Final Report to the Minister by 30 November 2017.