IPART
Independent Pricing and Regulatory Tribunal
New South Wales

MONITORING THE ELECTRICITY RETAIL MARKET 2019–2020

Draft Report

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The Independent Pricing and Regulatory Tribunal (IPART)

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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Tuesday, 27 October 2020

We would prefer to receive them electronically via our online submission form <www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission>.

You can also send comments by mail to:

Energy Market Monitoring Review
Independent Pricing and Regulatory Tribunal
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Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website <www.ipart.nsw.gov.au> as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may choose not to publish a submission - for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

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1 Executive Summary

The Independent Pricing & Regulatory Tribunal (IPART) is responsible for reporting annually on the performance and competitiveness of the retail electricity and gas markets in NSW. This report outlines our draft findings and recommendations on the NSW retail electricity market during 2019-20. Our draft findings and recommendations on the retail gas market are in an accompanying report.

We welcome submissions to this report, and we will submit our final report to the Minister in November 2020. Details on how to make a submission are available on page ii.

Our review this year has been undertaken in the context of the unprecedented health and economic crisis caused by the COVID-19 pandemic. The pandemic has shifted the focus of energy regulators to protecting consumers and ensuring the financial stability of retail markets. The Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC) have moved swiftly to put in place protections for both consumers and retailers.

While the focus of this report is last financial year, most of the impact of COVID-19 is likely to be felt over the current financial year. The focus of our 2020-21 report next year will therefore extend beyond the standard indicators of performance and competition, to leading indicators of retailer and consumer distress.

We observed improvement in most of the traditional indicators of retail electricity market performance and competition over 2019-20. Customers can obtain savings in their energy bills by shopping around to get a better deal using the government energy price comparison websites. Technological change and increasing digitisation of energy services has the potential to deliver better outcomes for all energy consumers, including lower prices and better reliability. However the regulatory framework and consumer protections need to evolve and take account of different preferences and behaviours of consumers to ensure these outcomes are achieved.

1.1 The retail electricity market under COVID-19

1.1.1 Many electricity consumers are experiencing financial stress

COVID-19 has caused many electricity consumers to experience financial stress due to a combination of loss of income, increased energy use at home, and business closures. As a result, many consumers are having difficulty paying for their energy bills. The AER is collecting weekly data from energy retailers on the effect of COVID-19. While it is too early to draw conclusions from this data, data reported to the AER shows some increase in levels of residential electricity debt and customers on hardship programs.[1]

1.1.2 Retailers have been asked to provide additional support to customers

To support energy consumers the AER released a Statement of Expectations of energy businesses in April 2020 (updated in July). This places an expectation on retailers not to disconnect residential and small business customers who may be in financial stress, and to offer these customers a payment plan or hardship arrangement.[2]

COVID-19 has created risks for the ongoing financial viability of energy retailers. Energy retailing is a relatively low-margin industry and retailers bear the credit risk for the entire supply chain. The pandemic has resulted in energy retailers facing rising operating and debt expenses while revenues are falling. The AEMC's recent rule change, initiated by the AER, will support certain retailers by allowing them to defer payment of network charges.[3] IPART also provided concessional treatment to some retailers regarding their ESS obligations for 2020.

1.1.3 Changes are needed to support retail market financial stability

The AEMC's June 2020 retail energy competition review noted risks that COVID-19 poses to retail market financial market stability, and in particular risks intensified by the current retailer of last resort arrangements (ROLR) in the National Energy Retail Law. We consider that the AEMC's proposals to strengthen ROLR arrangements will support retail market financial stability. In this report we have made recommendations for how some of these changes could be implemented, including in relation to:

- Removing the requirement for small customers to be placed on the default offer (and instead to allow for a lower-priced market offer for transitioned customers) and

1 AER, *COVID-19 retail market dashboard*, 31 August 2020. The AER states that datasets are incomplete, debt levels have a lag time of over 90 days, and payment plan and hardship data does not pick up alternative deferred payment options being offered by some retailers. The AER's reporting is available at: https://www.aer.gov.au/retail-markets/performance-reporting/weekly-retail-market-dashboards-COVID-19.

2 AER, *Statement of Expectations of energy businesses: Protecting customers and the market during COVID-19*, July 2020, available at: https://www.aer.gov.au/publications/corporate-documents/aer-statement-of-expectations-of-energy-businesses-protecting-customers-and-the-energy-market-during-COVID-19 (accessed 23 September 2020).

3 AEMC, *Rule Determination National Electricity Amendment (deferral of network charges) Rule 2020*, 6 August 2020, available at https://www.aemc.gov.au/rule-changes/deferral-network-charges (accessed 23 September 2020).

- Amending the ROLR regime to reduce the impact of increased cash flow and/or credit support requirements (including greater ability for the AER to appoint multiple ROLRs if appropriate).

We are recommending that the NSW Government lead action through the COAG Energy Council to progress some of these reforms.

1.2 Competition continued to develop over 2019-20

Prior to the impacts of COVID-19, we saw improvement in several retail electricity market indicators over 2019-20.

1.2.1 The introduction of the DMO has reduced standing offers, and most market offers have fallen

The default market offer (DMO) is a form of price regulation introduced to protect vulnerable customers from unreasonably high standing offers. The introduction of the DMO in 2019-20 has led to standing offers falling by around 9% across NSW. As expected, the general spread of offers available in the market has also reduced. The DMO will likely have the effect of increasing the lowest market offers from what they otherwise would have been. The reduced spread in price means there is less to gain from switching and therefore being active in the market and retailers may increase their focus on non-price competition (see section 1.2.5 below). It is possible the DMO will lead to reduced competition and higher prices in the long term.

Relative to June 2019, market offers available in June 2020 fell for customers in the Ausgrid and Endeavour Energy distribution areas (by 3.2% and 2.0% respectively), but increased slightly for those in the Essential Energy distribution area (0.8%).

1.2.2 New retailers entered, and smaller retailers gained market share

Over 2019-20 eight new retailers entered the retail electricity market increasing the total to 33 (with 38 brands). Smaller retailers have increased their total market share to 20% and the market share of the largest three retailers (AGL, Origin Energy and EnergyAustralia) fell from 83.4% in 2018-19 to 81.7%.

1.2.3 More consumers have moved to market offers, and report increased satisfaction

Over 2019-20 more electricity consumers moved from standing offers to more competitively priced market offers. Around 88% of residential, and 78% of small business electricity consumers are now on market offers. Consumers also reported increased levels of satisfaction with their electricity service and supporting this, in 2019-20 the Energy and Water Ombudsman (NSW) received 29% fewer complaints related to electricity retailers compared to 2018-19.

1.2.4 Price changes are broadly in line with changes in costs

Our assessment is that retailer's cost changes over 2019-20 are broadly in line with price changes. Network costs and wholesale costs are the two biggest contributors to customer bills – network costs fell during 2019-20 for Ausgrid and Endeavour Energy, and increased slightly for Essential Energy, whilst wholesale costs fell over the course of 2019-20.[4]

We expect some downward pressure on prices in 2020-21 as wholesale energy costs are forecast to reduce. We note that retailers may have increased some administrative costs in response to COVID-19 which we will be able to further assess in next year's review.

1.2.5 There is a range of non-price competition in the market

Retailers continue to use non-price measures to attract and retain customers. Over 2019-20 we have seen a focus on clean energy, with many retailers offering carbon neutral or renewable energy packages. This includes bundling solar PV installation and batteries, allowing customers to save on electricity costs and contribute directly to carbon reduction. One retailer offered two hours of free electricity on Saturdays and Sundays to electric vehicle owners. As more consumers take up digital smart meters, we expect more of these sorts of market offers.

Bill certainty is another feature in some market offers. For example, there are offers that lock in a rate for up to two years, or offer monthly billing or pay-in-advance options. There is a range of market offers that include bonuses or financial incentive 'add-ons', such as membership to football clubs, the NRMA or Taronga Zoo annual pass, bonuses for signing-up a friend, and loyalty discounts/credits. With the DMO reducing price dispersion in the market, we expect non-price competition to increase.

1.3 Technological change and increasing digitisation of energy services can deliver better outcomes for all energy consumers

While we observed improvement in most indicators of retail electricity market performance and competition over 2019-20, the future retail market can continue to develop to deliver better outcomes for consumers. Retailers and other market participants will compete to provide a range of energy services tailored to individual consumer requirements.

1.3.1 The regulatory framework needs to evolve

The design and rules for the electricity market were established when electricity flowed in one direction, from a small number of large thermal generators to consumers. The traditional model of electricity supply is changing. There has been rapid growth in distributed energy resources (DER), including behind the meter solar PV and batteries which mean many consumers now both import and export their electricity. There is also a trend towards digitisation and use of smart appliances and meters.

4 There can be a delay in the change in wholesale costs impacts prices due to hedging activities.

The changes underway are presenting challenges for the design and rules for the electricity market. For example, the regulatory framework has not yet effectively integrated DER, nor ensured that consumers with and without this technology are receiving equitable outcomes.

The benefits of the competitive market will be fully realised when consumers' needs and preferences are driving market outcomes. For example, DER consumers who engage in the market need to be able to take advantage of innovative tariffs, services and new business models that help them to maximise the benefits of their DER. The increased flexibility and responsiveness of demand and supply brought about by this technology will also benefit consumers who do not engage in the market, through lowering overall system costs and improving reliability.

Market design and regulatory rules need to evolve to ensure that energy services providers deliver affordable, reliable energy and a lower emissions electricity system. The Energy Security Board (ESB) is currently developing a market design that accommodates the changes in the market. Further discussion on the ESB's market design initiatives is contained in Chapter 2.

1.3.2 Consumer protections need to keep pace with the changing market

The future market design needs to capture different consumer needs and preferences. While some consumers will choose to engage in the market, others will not and for these consumers affordability and reliability will be key priorities. It is important that the customer protections framework continues to protect all consumers, particularly those who are less able to engage in the market.

We note that consumer protections for customers in embedded networks has improved in the last few years. The Department of Planning, Industry and Environment (DPIE) is working to ensure customers have access to its Social Program for Energy Code, and EWON expanded its charter to include embedded networks and their customers.

Further discussion on these matters are provided in the body of this report.

1.4 Our draft recommendations

We are making two draft recommendations:

1 To support retail market stability, the NSW Government, through the COAG Energy Council, should amend the National Electricity Retail Rules to: 8

   a. allow the ROLR to prepare a lower price market retail offer for small customers and 8

   b. reduce the impact of increased cash flow and/or credit support requirements including greater ability for the AER to appoint multiple ROLRs if appropriate. 9

   This can be achieved though an amending Act to amend the National Electricity Retail Law along with a set of Minister initiated Rules. 9

2 The NSW Government should continue to work to ensure all customers receive adequate protections in line with the Social Programs for Energy Code, with a particular

focus on current customers that are excluded, such as customers in apartment buildings that are not registered as strata title. It should ensure adequate protections apply to stand-alone power systems as they develop. 15

1.5 Structure of this report

The report is structured as follows:

- Chapter 2 provides context for our review, including the impacts of COVID-19 on the electricity market, developments in the market and recent and upcoming regulatory changes.
- Chapter 3 discusses market structure, including number of retailers and concentration.
- Chapter 4 looks at retailer behaviour and outcomes, including prices and retail margins.
- Chapter 5 looks at consumer behaviour and outcomes, including engagement and satisfaction with the market.

The appendices provide supporting information.

2 Context for our review

As context for our review, this chapter sets out recent developments in the electricity market. We outline the impact of the COVID-19 pandemic on the electricity market and how this will impact on our focus for monitoring the market in next year's review for the 2020-21 financial year. We also outline some recent developments in the market and regulatory changes or reviews underway.

2.1 The impact of COVID-19 on the electricity market

2.1.1 Impact on energy consumers

The COVID-19 pandemic was a major focus in the second half of 2019-20. The resulting restrictions on economic activity have had a major impact on businesses and consumers.

In August, the AER provided some observations from across the NEM indicating increases in the proportion of customers in electricity debt and the average electricity debt level. Increased debt is the result of two factors – increased residential demand (with more people spending more time at home) and a lower ability to pay (many have lost employment and are relying on government support). Reported debt levels may increase further during 2020-21, firstly because of the lag in billing data and secondly because government income subsidies will be reduced (and eligibility tightened) toward the end of 2020 which may further impact on ability to pay.[5]

2.1.2 Retailers have been asked to take on additional responsibility

The AER moved quickly to support energy consumers who were vulnerable to the impacts of COVID-19. The AER's Statement of Expectations asks retailers not to disconnect residential and small business customers who may be in financial stress and to offer these customers a payment plan or hardship arrangement.[6] The expectations currently apply until 31 October 2020, after having been updated and extended from an initial period until 31 July 2020.

5 Australian Government, *Fact Sheet: Extension of the JobKeeper Payment*, updated 10 August 2020, pp 1-4.

6 AER, *Statement of Expectations of energy businesses: Protecting customers and the market during COVID-19*, July 2020, available at: https://www.aer.gov.au/publications/corporate-documents/aer-statement-of-expectations-of-energy-businesses-protecting-customers-and-the-energy-market-during-COVID-19 (accessed 23 September 2020).

Electricity retailers are facing increased costs and falling revenues arising from COVID-19. Additional costs may include 'onshoring' workers, closing call centres and transitioning workforces to a working from home arrangement.[7] There are also substantial customer-related costs including an increased focus on hardship programs and bad and doubtful debt expenses. These combined pressures may affect the ongoing financial viability of some retailers.

In April 2020, energy networks developed a 'network relief package'. Under this package they rebated network charges for small businesses if their consumption was significantly reduced (by 75%), and for small retailers, deferred or rebated network charges for small business or residential customers that were in hardship. On 6 August, the AEMC formalised and extended this package with a rule change that allows some (small) retailers to defer paying some network costs incurred between 6 August 2020 and 6 February 2021 for up to six months.

This rule change provides a framework to manage a potential increase in customer non-payment in the coming months, reducing the risk of retailer failures by sharing the cashflow burden more broadly across the industry. We note however, that it is a temporary solution as retailers will have to pay the network charges (with interest) in time and still bear the risk of increased bad debt. The AEMC notes that this is a short-term mechanism, and considers that if the retail market needs further financial support beyond this period, including help to manage increased bad debt risk, this may be more appropriately dealt with by alternative policy measures.[8]

2.1.3 Supporting the financial stability of the retail market

The ROLR arrangements provide for the immediate transfer of customers of a failing retailer to one or more other retailers that act as a ROLR. While these arrangements have been applied for small retailer failures in the past, COVID-19 poses a broader financial stability risk for the market from the potential failure of a large retailer or a number of smaller retailers in a short period of time.

To address these risks, the AEMC recommended changes to the ROLR scheme (outlined in Box 2.1). We support the AEMC's recommendations and agree these would support financial stability and improve outcomes in the market. We are recommending that the NSW Government lead action to progress some of these reforms.

Draft Recommendation

1 To support retail market stability, the NSW Government, through the COAG Energy Council, should amend the National Electricity Retail Rules to:

   a. allow the ROLR to prepare a lower price market retail offer for small customers and

7 For example, see the submission from Simply Energy to the AER's review of the Default Market Offer, April 2020, available at: https://www.aer.gov.au/system/files/Simply%20Energy%20-%20DMO%202020-21%20COVID-19%20submission%20-%209%20April%202020.pdf, (accessed 23 September 2020).

8 AEMC, *Rule determination, National electricity amendment (Deferral of Network Charges) Rule 2020*, 6 August 2020, p iii.

b. reduce the impact of increased cash flow and/or credit support requirements including greater ability for the AER to appoint multiple ROLRs if appropriate.

This can be achieved though an amending Act to amend the National Electricity Retail Law along with a set of Minister initiated Rules.

Box 2.1 Summary of the AEMC's recommendations 1-5

The AEMC made five recommendations to reduce the risk of COVID-19 impacts destabilising the electricity retail market.

- To remove the current ROLR requirement that small customers be placed on the default offer, instead allowing for a lower-priced market offer. The current arrangement could lead to more customers in financial distress.
- To amend the ROLR regime to reduce the impact of increased cash flow and/or credit support requirements. This includes increasing clarity for cost recovery methods, delayed designation of ROLR, including greater ability for the AER to appoint multiple ROLRs, and delayed requirement for ROLRs to provide credit support to AEMO.
- To move the ROLR regime from the NERL to the National Electricity Retail Rules to better facilitate the changes to the ROLR included above and over time.
- That the COAG Energy Council consider whether additional short term market stability measures are required, noting that ex-ante information may not be sufficiently effective in reducing financial contagion.
- That the AER consider whether a rule change could provide it with greater ability to collect information to identify risks to retailer financial stability.

Source: AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, pp vi – vii.

2.2 Recent regulatory changes that affect the retail market

2.2.1 The default market offer commenced on 1 July 2019

The default market offer (DMO) is the maximum price that a retailer can charge customers where there is no retail price regulation. The AER set it for the first time for 2019-20, and recently re-set it for 2020-21.[9] The intent of the DMO is to:

- Bring down standing offer prices which are unjustifiably high, and
- Make it easier for customers to compare electricity plans by requiring all retailers to show discounts with reference to the DMO (i.e., discounts off the same 'reference price').

For 2019-20, the DMO worked as intended and effectively reduced the prices paid by some customers by lowering standing offers. Around 15% of customers were on standing offers in June 2019, and most if not all of these would have benefitted from the DMO's introduction in July 2019, some significantly. We note that some customers in embedded networks do not receive the consumer protections element of the scheme.

9 The AER consulted with stakeholders on whether the DMO should be adjusted in relation to COVID-19, but decided not to given the uncertainty, and that any impact was anticipated to be limited.

We also note that, as expected, the introduction of the DMO has also reduced the spread of prices available in the market. This may be an indication that the DMO has both lowered the highest standing offers in the market, and increased the lowest market offers from what they otherwise would have been. We consider it is too early to draw conclusions with one year of data available. Reduced scope for price competition may lead retailers to place a greater focus on non-price competition, such as offering different services or benefits to their customers. (Chapter 4 of this report includes more information about price and non-price competition.)

The introduction of the DMO creates risks for the retail market particularly if the DMO is set too low and negatively affects competition. We note that the Australian Energy Council considers the DMO for 2020-21 was set too low partly because it does not account for the impacts of COVID-19 and is concerned about the impact on retailer margins.[10] (We have not sought to assess the adequacy of the DMO, and do not endorse this view.)

We also maintain our view from last year's report that re-regulating the retail market may increase prices in the long term by reducing competition.

2.2.2 The Consumer Data Right is being rolled out in the energy sector

The Consumer Data Right (CDR) is currently being expanded to the energy sector. The CDR will allow consumers to access their energy usage, billing and other data collected by their energy retailer and require the retailer to share this with an accredited service provider at the customer's request.

The introduction of the CDR may support consumers to find a tailored offer for their circumstances. Accredited service providers can use data to, for example, manage and change offers on behalf of consumers with their consent. This would take the complexity out of finding a better offer for customers and where the data is available, help to optimise demand management and pricing.

2.2.3 Amendments to switching processes to incentivise competitive pricing

Under the current process, the switching of customers without a smart meter (86% of electricity consumers in NSW) usually takes place at the end of a meter read period, which could be a significant delay from when the customer decided to switch (meter read periods are typically 90-95 days). The existing retailer is notified of the impending switch, and can contact and attempt to retain the customer. We have previously found that aggressive save activities from some retailers could hamper the growth of competition.[11] Where there is a smart meter, the process can be completed in two days.

10 The Australian Energy Council is an industry body representing energy businesses. Australian Energy Council, *Default Market Offer: Missing the mark in 2020-21*, 18 June 2020, viewed online at: https://www.energycouncil.com.au/analysis/default-market-offer-missing-the-mark-in-2020-21/ (accessed 10 August 2020)

11 IPART, *Performance and competitiveness of the NSW retail electricity market*, November 2019, p 43; ACCC, *Restoring electricity affordability and Australia's competitive advantage*, Retail Electricity Pricing Inquiry – Final Report, June 2018, p 141.

The AEMC and AEMO have decided to accelerate the process for customers to switch retailers. Under the changes, a retailer will not be notified of a customer switching retailer. This removes the ability to 'save' customers, and should incentivise retailers to maintain competitive pricing for existing customers. The AEMC (in response to a rule change request from AEMO) found the current process to be outdated and the option to conduct save activities undermines incentives for retailers to offer competitive price to existing customers.[12]

2.2.4 The 'Big stick' regulation came into force in June 2020

New laws prohibiting market misconduct came into effect on 10 June 2020 (ie, 'Big stick' legislation). These target three specific areas with the intent to improve competitiveness in the market and improve outcomes for consumers. The new laws:

1. Prohibit generators from refusing to enter wholesale contracts for anti-competitive purposes.
2. Prohibit generators from acting in a way that is fraudulent, dishonest or in bad faith to distort or manipulate wholesale electricity prices.
3. Require retailers to make reasonable adjustments to their offer prices to reflect 'sustained and substantial reduction in underlying costs of procuring electricity'. This applies to market offers to all residential customers, and small businesses that purchase or propose to purchase <100MWh in a financial year (can be assessed across multiple premises). It does not apply to standing offers.

The ACCC will monitor behaviour, costs and prices and has investigative and punitive powers. It has released guidance on how it intends to interpret the legislation and approach compliance activities.[13]

2.3 Improving the future electricity market

As detailed in the following chapters of this report, most of the traditional indicators of performance and competition have shown improvement over 2019-20. Advances in technology and increasing digitisation of energy services have the potential to deliver better outcomes for all energy consumers. Competition amongst energy service providers will continue to develop so that:

- Consumers' needs and preferences shape the services available and outcomes in the market.
- Retailers and other service providers offer new business models and innovative services that provide consumers with greater choice and value-adding opportunities.
- Technology automates much of the decision-making for consumers, and market design ensures they receive fair value for DER.

12 AEMC, *Rule Determination - National electricity Amendment (Reducing customers' switching times) Rule 2019, National energy Retail Amendment (Reducing customers' switching times) Rule 2019*, December 2019, p i. At the time of drafting, the start date of this reform has not yet been decided on.

13 ACCC, *Guidelines on Part XICA – Prohibited conduct in the energy market*, May 2020, available at: https://www.accc.gov.au/publications/guidelines-on-part-xica-prohibited-conduct-in-the-energy-market, (accessed 23 September 2020).

- Consumers who don't, or have limited ability to, engage with the market or access technology still benefit from lower system costs and better reliability.
- There are adequate protections in place for all energy consumers.

Market design and regulatory rules need to evolve to ensure that energy services providers deliver affordable, reliable energy and a lower emissions electricity system. These issues are currently being considered by the Energy Security Board (ESB).

2.3.1 Energy Security Board's review of post 2025 market design

The context for the ESB's review of post 2025 market design is the rapid technological change and diverging consumer preferences taking place in the electricity market. These changes pose significant challenges for the design and rules for the electricity market. The ESB has been tasked to develop a market design for the NEM that delivers secure and reliable power at least cost to consumers, and accommodates the changes underway and expected in the future. The ESB released a consultation paper in September 2020.[14]

The ESB's consultation paper rightly notes that market design needs to recognise that not all consumers are the same. The market needs to recognise consumers will seek different services and products, have different needs and risk tolerances, and have competing demands outside the electricity market. The paper also notes that complexity can be a significant barrier to consumers being able to take up the benefits of new service offerings and can lead to poorer outcomes, particularly for consumers in vulnerable circumstances.

To deliver future market designs, the ESB has established seven work streams to consider the issues and develop potential solutions. Included within these work streams are two of particular relevance to our market monitoring reviews:

- **Two-sided markets** – this initiative is intended, among other things, to allow consumers to choose if and how they participate in the wholesale market, better reward the value provided to the system by flexible demand and supply, facilitate new types of participation in the market, remove barriers and provide incentives for traders to participate in dispatch, enabling greater innovation and choice to consumers.
- **Valuing demand flexibility and integrating distributed energy resources (DER)** – this initiative is designed to take a holistic approach to ensure effective system and market integration of DER, and to unlock benefits to all energy system users.

We will monitor and report on this work as part of our ongoing market monitoring reviews.

2.3.2 Better enabling customers to manage their electricity

Energy Consumers Australia (ECA) developed a multi-dimensional framework to help industry, community groups and government deliver highly targeted programs to enable consumers to better manage their energy usage.

14 COAG Energy Council, *Energy Security Board Post 2025 Market Design Consultation Paper*, September 2020, available at: https://esb-post2025-market-design.aemc.gov.au/32572/1599383248-p2025-market-design-consultation-paper-final.pdf (accessed 23 September 2020).

As part of its 3-year review, the ECA identified that there are immense benefits to moving to consumer-centered decision making in the energy market, and found that benefits of increased efficiency may have previously been underestimated. As well as increasing affordability and leading to a lower emissions future, the ECA identified societal costs of poor energy affordability including poor health and social exclusion.[15]

There is now the technology to provide consumers with greater control over their usage and their bill. The ECA's view is that as power shifts to consumers, this makes the roll-out of new technologies more compelling.[16] However, a report commissioned by the ECA found that the foremost barrier to the roll-out of new technologies was an unfavourable culture and 'can't do' attitude. It also identified the regulatory burden through too many rule makers and rules as a barrier.[17]

The report makes a number of recommendations to the COAG Energy Council, including that it take a more active role in capturing the wider benefits of energy efficiency, to address poor energy efficiency in households, and to provide targeted support for low income households to manage their energy bills.[18]

2.3.3 Consumer protections need to be strengthened

The scope of the ESB's review includes establishing an evolved consumer protections framework that makes sure all consumers have fit-for-purpose protections. While this review will look at how consumer protections need to change in response to the rapidly evolving technologies, we note there are some improvements to protections for customers of embedded networks taking place now.

Protection for consumers in embedded networks

Embedded networks are where multiple properties are connected to the network through one meter. The property owner typically interacts with the retailer, and on-sells electricity to the individual premises. Example of embedded networks are apartment buildings, retirement villages, caravan parks, shopping centres and other commercial premises.

In 2017, the AEMC completed a comprehensive review of regulatory frameworks for embedded networks following substantial growth in the number of embedded networks registering to be exempt sellers with the AER. It recommended a suite of significant changes, including to elevate embedded networks to the national energy framework to ensure that customers receive the same level of consumer protections as customers that interact directly with their retailer. This remains a work in progress.

15 Energy Consumers Australia, *Power Shift Final Report*, February 2020, pp 27, 36, 58.
16 Energy Consumers Australia, *Power Shift Final Report*, February 2020, p 45.
17 Energy Consumers Australia, *Power Shift Final Report*, February 2020, pp 43-44.
18 Energy Consumers Australia, *Power Shift Final Report*, February 2020, pp 55-57.

Access to the NSW Social Program for Energy Code

The NSW Social Programs for Energy Code (Code) sets out how retailers must assist in delivering the Government's energy assistance measures (eg, rebates available for eligible participants such as concession card holders and receivers of the family tax benefit) and how they claim reimbursement from the Government.[19]

The NSW Government is taking steps to ensure that all embedded networks are covered by the Code and therefore all customers have access to energy bill rebate schemes. It has identified some gaps in the legislation such that not all embedded networks are covered by the Code and is working to rectify this. One example is apartment blocks that are not under strata title.[20]

We note that implementation of the AEMC's framework could facilitate greater access to the Code and rebate schemes for all embedded networks customers, but in lieu of this, we encourage the Department to continue to work to ensure embedded network customers receive adequate coverage.

Expanding the role of EWON to support all energy consumers

Until recently the customers of embedded networks and stand-alone power systems did not have access to the independent dispute resolution services offered by the Energy and Water Ombudsman NSW (EWON) to resolve disputes with their energy provider (ie, the embedded network provider). In 2018, the AER updated its guidelines to require 'exempt sellers' in NSW to become EWON members, and EWON expanded its charter to include embedded networks.

However, EWON has indicated there is uncertainty with the AER's register of exempt sellers, and therefore the extent to which embedded networks have become members of EWON, and has had difficulty in identifying and reaching out to the relevant networks to ensure they are informed of their obligations. EWON does not have enforcement powers in this area.[21] This means that some customers may not be receiving adequate dispute resolution services which could undermine their customer experience.

We understand that more generally, there is a lack of information as to the number of embedded networks in NSW and the number of customers affected is not clear. This issue has been raised previously as a limitation to providing consumer protections to embedded network customers.[22] There may be an opportunity for a multi-agency approach to work toward documenting the embedded networks that exist in NSW and ensuring that all new embedded networks are easily traceable and meet AER requirements to register with EWON. We invite comment from EWON and the NSW Government on the most appropriate approach to ensure embedded networks are registered with EWON.

19 NSW Government, Social Programs for Energy Code, https://energy.nsw.gov.au/government-and-regulation/legislative-and-regulatory-requirements/social-programs-energy-code (accessed 23 September 2020).
20 Correspondence with IPART, email, 15 September 2020; and meeting, 17 September 2020.
21 Correspondence with IPART (meeting), 15 September 2020.
22 AEMC, *Review of regulatory arrangements for embedded networks*, 2017, pp 14-15.

Draft recommendation

2 The NSW Government should continue to work to ensure all customers receive adequate protections in line with the Social Programs for Energy Code, with a particular focus on current customers that are excluded, such as customers in apartment buildings that are not registered as strata title. It should ensure adequate protections apply to stand-alone power systems as they develop.

3 Structure of the market – barriers to entry, expansion and exit

Barriers to entry, exit and expansion impede competition and provide existing businesses with greater capacity to exercise market power.[23] To examine potential barriers, we focussed our review on trends in the number of active retailers and the market concentration and noted some potential barriers to expansion. We also considered retailers' responses to an AEMC survey.

We found that barriers to entry and exit remain relatively low, evidenced by the increasing number of retailers entering the market in NSW and reducing concentration.[24] Smaller retailers are gradually gaining market share at the expense of the 'big 3' retailers.

3.1 Barriers to entry and expansion are relatively low

3.1.1 The number of active retailers increased in 2019-20

There was a significant increase in retailers offering contracts on EnergyMadeEasy in June 2020 compared to June 2019. There were 33 retailers (38 brands) servicing small customers, up from 25 retailers (30 brands) last year, continuing the year-on-year increase in number of retailers that we have observed since 2014. Of these:[25]

- Five were new retailers (OVO Energy, Nectr, Elysian, Bright Spark Power, Amber Electric).
- Two retailers had expanded from Queensland and South Australia respectively (Discover Energy and Tango Energy).
- One retailer and one brand may have been operating previously but did not have offers advertised in June 2018 (Locality Planning Energy and Kogan).

Most of these retailers serve both residential and business customers and operate in all network areas of NSW. There were:

- 32 retailers with offers for residential customers in the Ausgrid and Endeavour Energy network areas.
- 28 retailers with offers for residential customers in the Essential Energy network area.
- 28 retailers with offers for business customers.

23 This could be not passing through cost savings and/or increasing prices more than underlying costs.

24 In functioning competitive markets, there will be firms that are successful and firms that fail. Barriers to exit are market features that make it difficult or costly to fail or leave a market. Barriers to exit chill competition in two ways - they act as barriers to entry, where potential entrants seeing a high cost of failure are less likely to enter and compete; and they reduce risk taking, where incumbent firms decide not to compete aggressively as the costs of failure are too large.

25 Based on a comparison to AER data on reported customer numbers, AER, *Schedule 2 – Q3 2019-20 Retail Performance Data (xlsx)*, July 2020.

The continuous growth in market participants across NSW and for different customer types indicates that barriers to entry and exit are relatively low and not a substantial concern to retailers.

Appendix C contains a full list of retailers, the areas and customer types they service, and the types of offers available. Both the AER and AEMC observed an increase in retailers. We note that our method of reporting 'active' retailers differs between us, the AER and AEMC so they report different numbers.[26]

3.1.2 The market became less concentrated in 2019-20

The market became less concentrated in 2019-20, continuing a trend observed since 2011. A steady fall in market concentration is consistent with a developing and maturing competitive market. The most common measure of market concentration, the Herfindahl-Hirschman Index (HHI, see Box 3.1 for more information) has continued to fall to be 2,316 in 2019-20. The continual fall in the index reflects:

- The higher number of retailers, and
- A reduction in market share held by the 'big 3' retailers.

The AEMC noted that medium-sized retailers are increasing their market share, and the four biggest gains in customer numbers were made by medium or smaller retailers (Red Energy (owned by Snowy Hydro), Alinta, Momentum Energy and Energy Locals).[27] In the Essential Energy distribution area, it considers that Red Energy and Lumo Energy are essentially part of the 'big 3', after Origin and AGL. It found that the NSW market is the second least concentrated, after Victoria, and noted that the rate of change in the HHI has been relatively stable in NSW, whereas in other states the rate of change slowed in 2019-20.[28]

Figure 3.1 shows the relative market shares of the four major retailers and the remaining retailers over time, as well as our calculation of the HHI, for residential and small business customers combined (based on data from March 2020). We observe that:

- The 'big 3' retailers – AGL, Origin, and EnergyAustralia – have lost market share to other retailers– going from 83.4% in June 2019 to 81.7% by March 2020.
- Snowy Hydro is the fourth biggest retailer, with 7.3% of the market, up from 6.6% in June 2019.
- Other retailers' total market share has increased from 10.6% to 11.1% since June 2019.

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26 We, the AEMC and the AER report a different number of retailers, due to the different ways of defining and measuring active retailers, and because the number of retailers differs at different times depending on their activity levels and customer numbers. We report the number of retailers with offers available on EnergyMadeEasy in June 2020. The AEMC considers active retailers as those with more than 50 customers, and reported 31 retailers at March 2020. The AER considers retailers with generally available offers or existing customers and reported 37 active electricity retailers (40 brands) at March 2020. One example of the difference is that we and the AER included OVOEnergy, but the AEMC did not as it did not have 50 customers in March 2020. AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, p 25; AER, *State of the Energy Market Report 2020*, June 2020, pp 237-238.

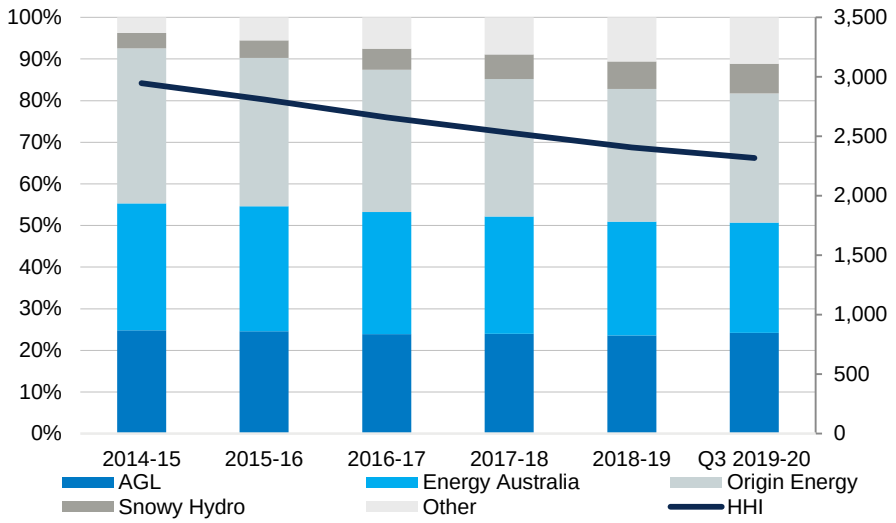
27 AEMC, *Retail Energy Competition Review Microsite – New South Wales*, viewed online at https://2020.aemc.gov.au/competition-review/jurisdiction/new-south-wales#retail-market-structure (accessed 31 July 2020).

28 AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, pp 28-29.

On 31 August 2020, AGL announced it had entered into an agreement for the acquisition of 100% of the shares of Click Energy Group, a wholly owned subsidiary of ASX-listed amaysim Australia Limited. Completion of the acquisition is expected to occur on or by 30 September 2020 and thus is not yet reflected in the market share data below.[29]

Box 3.1 provides some more information about the HHI.

Figure 3.1 Market share and HHI over time



Data source: AER, *Retail energy market performance update for Quarter 3, 2019-20*, 30 July 2020, Schedule 2; IPART analysis

Box 3.1 The Herfindahl-Hirschman Index (HHI)

The HHI is a common measure of market concentration. The results can range from close to zero for a highly competitive market, to 10,000 which represents a monopoly market.

The information below assists interpretation of the result:

- The ACCC considers a post-merger industry with a HHI of 2,000 or less is less likely to raise competition concerns (used when considering the impact of mergers).
- An ACCC review of the mobile telecommunications market found a HHI of around:
  - 3,100 for mobile services
  - 3,500 for fixed broadband services
  - 4,500 for fixed voice services.
- The United States Department of Justice and Federal Trade Commission considers market concentrations below 1,500 are competitive and above 2,500 are highly concentrated.

Source: ACCC, *Merger Guidelines 2008, updated 2017*, p 35; ACCC, *Communications Sector Market Study Final Report,* April 2018, p 23; U.S. Department of Justice and the Federal Trade Commission, *Horizontal Merger Guidelines,* 19 August 2010, p 19.

29 AGL, Media Release, *AGL enters binding agreement to acquire Click Energy Group*, 31 August 2020.

3.1.3 There are similar levels of competition in the small business and residential markets

Our assessment above includes the combined markets for residential and small business customers. We also considered the two markets for residential and small business customers separately. We found the HHI for the small business market (2,394) was slightly lower than for the residential market (2,483). We consider that this difference is marginal and not of concern, particularly because:

- A similar number of retailers (brands) serviced the residential and small business markets (AER data suggests it is the same number of brands), and
- Similar to the overall trend, the HHI for residential customers and small business customers has been falling.

3.2 There are some barriers to expansion

Once in the market, retailers can grow their customer numbers, or expand into NSW from other jurisdictions.

3.2.1 Diverging regulation may impede expansion

In past reports we found that inconsistent regulations across the NEM drive additional costs and make it difficult for retailers to expand across jurisdictions. We maintain this view and consider that jurisdictions should work to harmonise electricity retail market regulation.

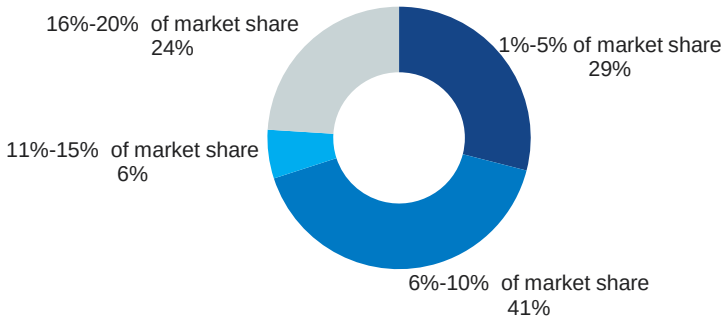
The AEMC made similar findings. For its 2020 report, it surveyed and interviewed retailers to get their views on the barriers to entry to the national retail market. Amongst the responses, they noted that diverging regulation amongst the states is a barrier to expansion, in particular the convergence of regulation in Victoria from NSW. Victoria is exempt from the NECF and instead has its own regulations in place. They cited the increasing regulatory burden across the jurisdictions as having an impact on expansion.[30]

3.2.2 Some observations on economies of scale

The AEMC also asked retailers about achieving economies of scale. Retailers had mixed views about the market share needed to achieve economies of scale in NSW. The biggest group of respondents (41%) thought 6%-10% would achieve economies of scale, and none thought more than 20% was needed.[31] Figure 3.2 summarises the results.

30 AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, pp 36-38.
31 The AEMC did not endorse these results, but noted them. AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, pp 41-42.

Figure 3.2 Survey results showing retailers' views on the proportion of market share to provide economies of scale (% of retailer's responses)



Data source: AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, p 41.

We note that there are currently four retailers with customer shares greater than 6% - AGL, EnergyAustralia, Origin and Snowy Hydro – whilst the remaining retailers share 11% of the market. This indicates that in the retailers' view, it could be some time until most retailers achieve economies of scale.

3.2.3 Some have raised concerns that vertical integration provides a competitive advantage

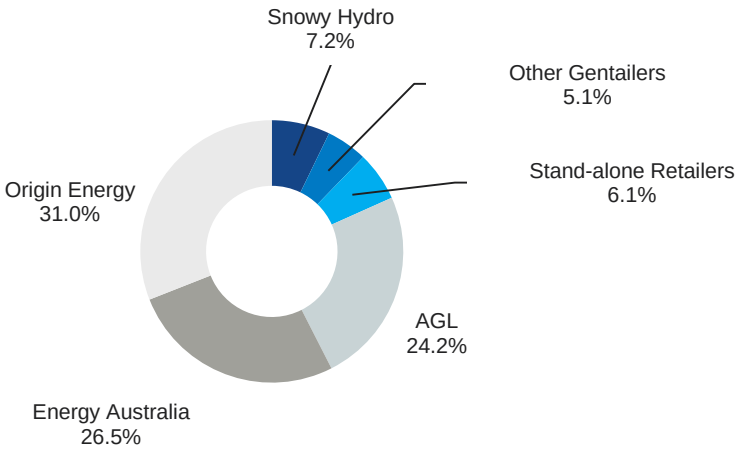
In its 2018 inquiry, the ACCC found that there were significant barriers to expansion and that while vertical integration offers both pros and cons, this remained an area of concern. The AEMC has made similar findings. Retailers (notably those retailers that are not vertically integrated), also identified wholesale market liquidity as a barrier to expansion in response to an AEMC survey.[32]

During 2019-20, we observe that stand-alone retailers were able to increase their market share, reaching 6.1% in March 2020 compared to 5.6% in June 2019, at a cost to the big three retailers who lost market share (from 83.4% to 81.7%). Other small gentailers (excluding Snowy Hydro) also gained market share, reaching 5.1% from 4.3% in June 2019.

Figure 3.3 shows the relative market shares at March 2019.

32 AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, pp 40-41.

Figure 3.3 The proportion of retail market held by gentailers and stand-alone retailers



Data source: AER, *Retail energy market performance update for Quarter 3, 2019-20*, 30 July 2020, Schedule 2; IPART analysis.

4 Retailer behaviour and outcomes

One of the characteristics of a competitive market is strong rivalry between retailers. Effective retailer competition gives consumers lower prices, a wider range of products, faster and better incorporation of new technologies and more responsiveness to consumer preferences. The outcome of rivalry depends on a number of factors, including:

- The knowledge and understanding of customers.
- The ability of retailers to target certain products and services at customers (and, conversely, the ability to restrict customers from certain products and services).
- The ability of retailers to differentiate products.

The combination of these factors may result in lower margins, differentiated products that reflect customer preferences and willingness to pay or a mixture of both.

We examined the range of market offers, products and services available to small customers in NSW. For the first time, we have also considered actual billing data published by the Department of Planning, Infrastructure and the Environment (DPIE). We found that the DMO has reduced the spread of prices available in the market, whilst non-price competition (eg, product differentiation) appears to be expanding and will likely continue to expand.

The sections below outline our draft findings, and then discuss them in more detail.

4.1 Prices have mostly fallen over 2019-20

Overall, prices have generally fallen from 2018-19 to 2019-20 which most likely reflects falls in wholesale and network costs.

4.1.1 Approach to assessing price changes

We have assessed annual price changes (converted into annual bills) over 2019-20 using two approaches:

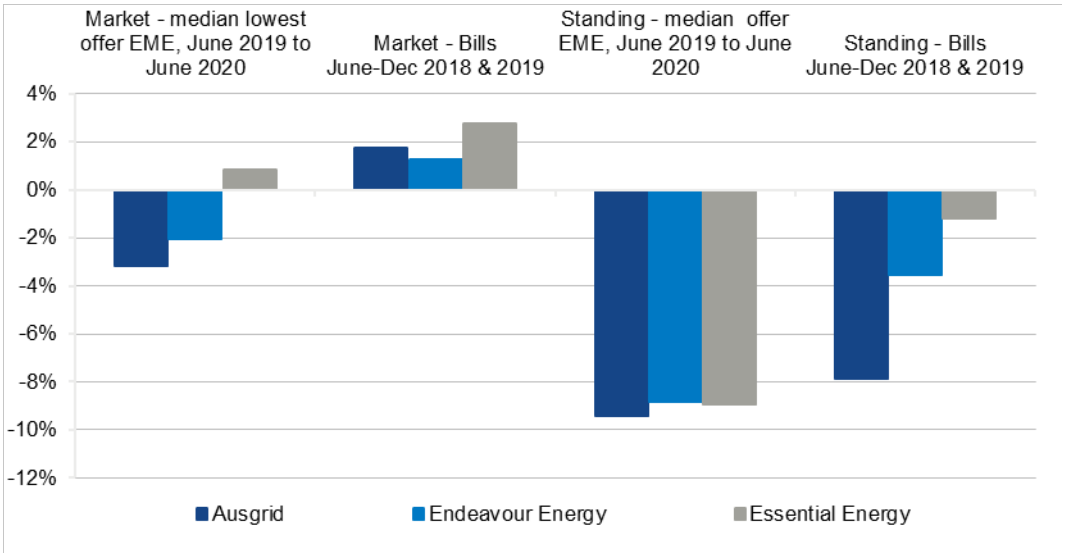
- Actual billing data provided by retailers to the NSW Government for the NSW Energy Rebate Program (first half of 2018-19 and first half of 2019-20) - this provides an indication of the changes in actual bills for these rebate customers.[33]
- Median standing offers and median lowest market offers available on the Australian Government's EnergyMadeEasy website (June 2019 and June 2020) – this provides an indication of changes in prices generally available in the market.

The price changes over 2019-20 using these two approaches differ. One reason is because at this stage we only have rebate data for the first half of 2019-20. Another is that the level of consumption that the prices changes are based on is different between the two approaches. Lastly, the rebate data shows actual prices/bills paid by a sample of consumers, whereas the EnergyMadeEasy data shows generally available prices for all consumers. We do not have information about how many consumers, if any, have actually taken up the EnergyMadeEasy offers.

Figure 4.1 shows the percentage changes in median bills for customers (on market and standing offers), and the change in median market and standing offers compared to 2018-19, by network area using the two datasets.

[33] Electricity customers in NSW who hold a health care card, pensioner Concession card or a DVA Gold Card can receive a rebate on their electricity bill as part of the NSW Energy rebate program. Approximately 26% of total residential customers across all regions in NSW currently receive a rebate. Actual billing data for this group of customers has been published by the Department of Planning, Industry and Environment (DPIE). There is currently only data for the first six months of 2019-20, but we expect to have the full year of data for our final report.

Figure 4.1 Annual change in offers and bills, 2018-19 to 2019-20



Data source: EnergyMadeEasy, June 2019 and June 2020; Data from DPIE, *NSW Energy Rebates July 2018 - Dec 2019 Trend Analysis* Table 7B, available online: https://energy.nsw.gov.au/government-and-regulation/legislative-and-regulatory-requirements/social-programs-energy-code (accessed 23 September 2020); IPART analysis.

Note: There are some limitations in comparing the two datasets. The AER's assessment of bills showed a similar trend to the EnergyMadeEasy data. AER, *State of the Energy Market Report 2020*, June 2020, p 22. We expect to have data for the full 2019-20 year from DPIE prior to releasing the final report, which will enable a better full year comparison of the datasets.

The billing data from rebate customers provides an indication of what has happened to actual bills for these customers. The EnergyMadeEasy data shows the change in prices that are generally available in the market, however we do not have information about how many consumers have actually taken up the EnergyMadeEasy offers. In summary:

- For market offers:
  - The actual billing information shows customers paid around 1.9% more for electricity in the first half of 2019-20 compared to the corresponding period a year prior (after accounting for changes in usage).
  - The median offers on EnergyMadeEasy were lower in June 2020 for Ausgrid and Endeavour Energy customers, by 3.2% and 2.0% respectively, and 0.8% higher for Essential Energy customers, compared to 12 months earlier.
- For standing offers, prices were significantly lower consistent with the introduction of the DMO:
  - Customers paid around 4% less than the year prior based on actual billing data.
  - Median standing offers on EnergyMadeEasy were around 9% lower in June 2020 than the year prior for all areas.

As noted above, the difference in these two data sources likely relates to the different periods they cover, and the different consumption levels that underpin the percentage changes. We will assess this issue further in our final report when we have a full year of rebate customer billing data.

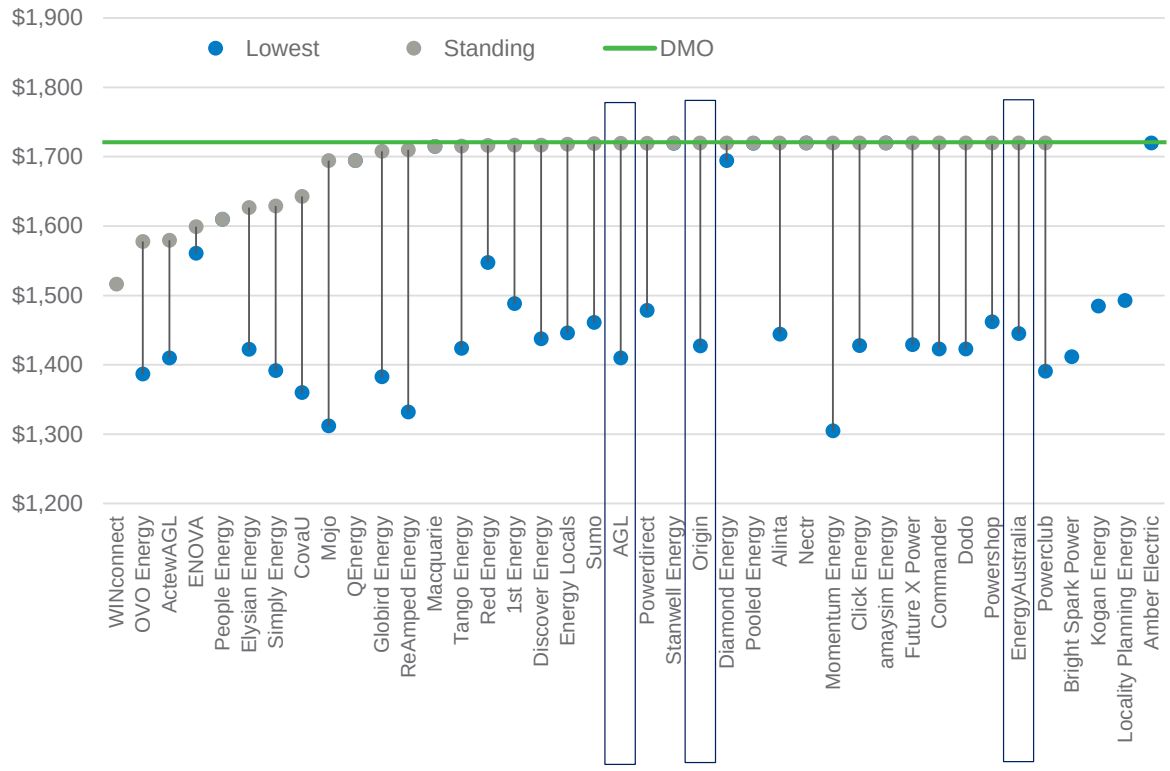
4.1.2 There was a reduced range of offers available in the market

The DMO has contributed to a narrower spread of offers available in the market. Figure 4.2 shows typical bills for customers in the Endeavour Energy network area using each retailer's standing offer (grey dot) and lowest market offer (blue dot) that were available on EnergyMadeEasy in June 2020. We found that:

- Most retailers including the big 3 (identified with a box) have a standing offer equal to the DMO. A few retailers have opted for a lower standing offer, on average 3% lower than the DMO. Comparatively, for 2018-19 many retailers' standing offers were significantly higher than the big three retailers' standing offers.
- Comparing the lowest offers available, the difference between typical bills was $415. In 2018-19, this difference was $1,099 (or $652 after excluding two outliers).

We see a similar trend in the other two network areas in NSW.

Figure 4.2 Spread of offers in the Endeavour Energy network area



Note: In general, a retailer's standing offer will be its highest offer, although some retailers had only one offer.

Data source: IPART analysis of data in EnergyMadeEasy, www.energymadeeasy.gov.au, accessed June 2020.

A comparison of billing data for rebate customers suggests that the spread of bills paid remained similar from the first half of 2018-19 to the first half of 2019-20 (a different period to our assessment of offers on EnergyMadeEasy). We compared the 25th and 75th percentiles to the median, for the total bills and cost per kWh, and observed little change between periods.[34]

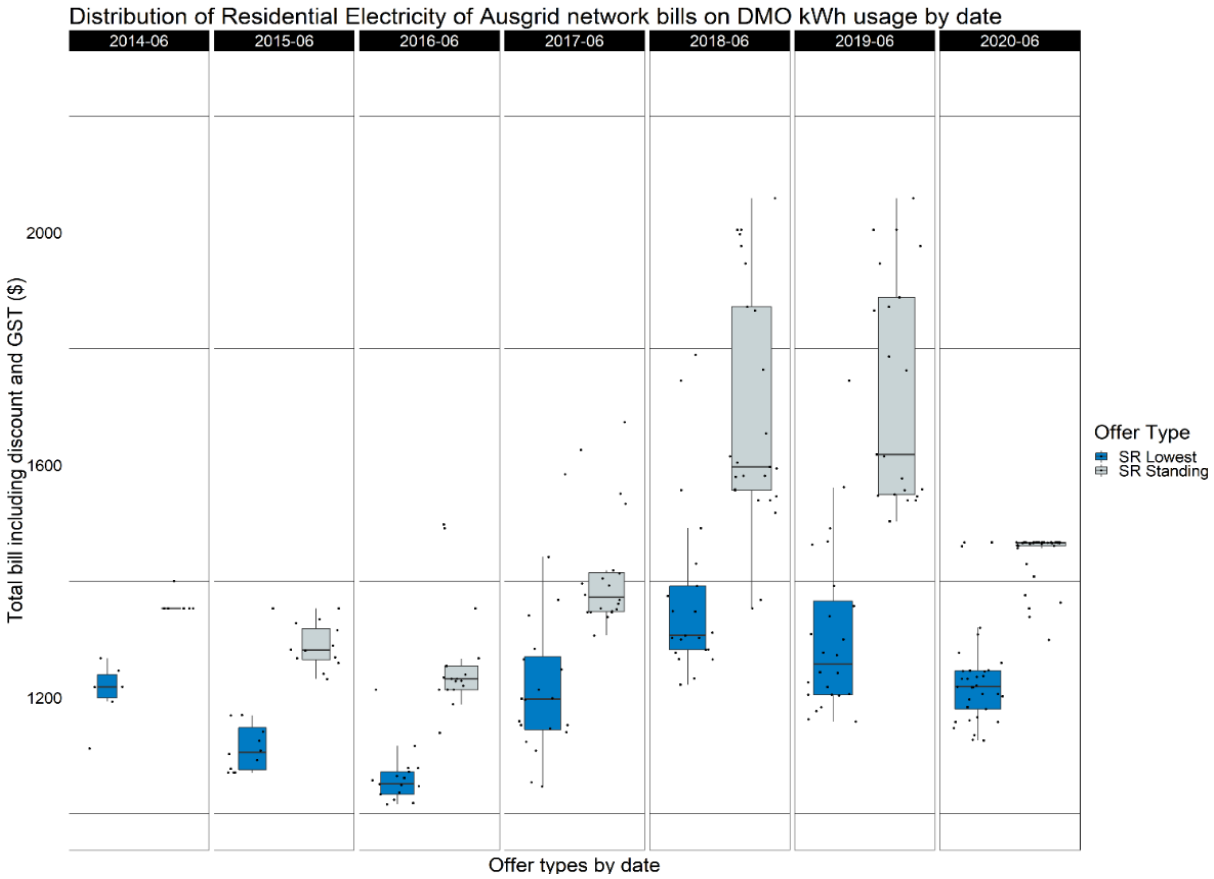
We also reviewed the spread between each retailer's lowest offer and standing offer and found these have fallen significantly. When there is less difference between the price levels, there may be less reward to some customers to engage actively in the market. This was an expected outcome in response to the DMO and removal of some of the highest offers in the market.

At June 2020, the average spread between each retailers' offers was 14%, significantly lower than the 2018-19 average spread of 26%. Figure 4.3 shows the spread between lowest offers and standing offers each year going back to 2014.

- For standing offers (grey boxes), there was a significant spread in the two years before the DMO was introduced, which have now condensed.
- For the lowest offers (blue boxes) the spread is about half that of the previous year and is more comparable to the early years of price competition than recent years.

34 IPART analysis of data from DPIE, *NSW Energy Rebates July 2018 - Dec 2019 Trend Analysis* Table 7B, available online: https://energy.nsw.gov.au/government-and-regulation/legislative-and-regulatory-requirements/social-programs-energy-code (accessed 23 September 2020).

Figure 4.3 Spread of anytime (single rate or SR) tariff offers for residential customers in Ausgrid network area (3,900kWh pa, nominal, GST-inclusive)



Data source: IPART analysis of data in EnergyMadeEasy, www.energymadeeasy.gov.au, accessed June 2020.

4.2 Non-price competition continues to expand

Last year we reported that retailers offer other alternatives to traditional tariff structures and products to appeal to different market segments. Similar offers remain available, and the options have expanded.

4.2.1 Bundling and product differentiation

There is a relatively large range of product and service options available to target and attract different consumers. The increased breadth of non-price incentives is consistent with an increasingly competitive market. It is likely that the introduction of the DMO has led retailers to focus more on non-price competition. In interviews with the AEMC, retailers considered that it would be important and relatively easy to attract customers through non-price means and would expect these trends to increase over time.[35]

35 AEMC, *2020 Retail Energy Competition Review*, 30 June 2020, p 75.

Ways in which retailers are differentiating their service include:

- Providing carbon neutral energy (ie, all offset) or carbon neutral and renewable electricity packages.[36]
- Offering locked-in tariffs for up to two years.[37]
- Offering loyalty discounts or credits (eg, sign up for one year and get a lower price).[38]
- Installing solar systems and battery systems for individual customers, and trialling solar farming and micro-grid systems (with a shared battery).[39]
- Operating as member-owned, and offering wholesale prices for usage.[40]
- Operating as a not-for-profit, and donating to customer–nominated charities or community programs.[41]
- Managing bill shock through monthly billing. This is based on forecast usage, with a credit or true-up at the end of 3 months or one year.[42] One company offers a 3% rate of return for unused pre-paid funds.[43]
- Bundling with gas, mobile and/or internet. About one third (12) of the retailers also provide gas, and three offer internet services.[44]
- Offering benefits such as membership to football clubs and the NRMA, and Taronga Zoo annual pass, and a chance for a quarterly $500 giveaway.[45]

36 Some examples are Diamond Energy, EnergyAustralia, Energy Locals, ENOVA, and OVO Energy. Powershop trialled a free energy day when there was a lot of wind. (https://www.powershop.com.au/freepowerdays/#:~:text=Does%20a%20Free%20Power%20Day%20cover%20the%20whole%20day%20of,on%20the%20Free%20Power%20Day. accessed 11 September 2020)

37 Examples include SumoEnergy under its SumoLite Plan (https://www.sumo.com.au/ accessed 11 September 2020) Nectr Energy under its Nectr Friends Clean and Nectr Green Power plans (https://nectr.com.au/plans-and-fees/nsw/ausgrid/ accessed 11 September 2020) and Tango Energy under its Home Select Plan, subject to changes in network charges (https://www.tangoenergy.com/energyplans?marketsegment=Home&postcode=2000&suburb=6178 viewed 11 September 2020.)

38 For instance, ReAmped offers a lower price with a one-year commitment, under its ReAmped Handshake Plan (https://www.reampedenergy.com.au/our-price-plans/ accessed 11 September 2020), and Nectr Energy offers a $100 bonus on a customer's second bill, under its Nectr Friends Clean and Nectr Green Power plans (https://nectr.com.au/plans-and-fees/nsw/ausgrid/ accessed 11 September 2020)

39 Retailers include DC Power, Discover Energy, and Macquarie Energy.

40 For instance Energy Locals and Powerclub are member–owned. Powerclub offer access to wholesale prices, along with fixed charges.

41 ENOVA supports community projects. Powershop has the option to add a 6.6c/kWh with funds used to support environmental initiatives, such as the Reef Restoration Foundation.

42 Multiple companies offer monthly billing, including Bright Spark Power, Covau, Elysian Energy, OVO Energy, and QEnergy.

43 OVO Energy pays 3% interest monthly on funds that are in credit. Note that there may also be debt fees. https://www.ovoenergy.com.au/plan#interest-reward (accessed 11 September 2020).

44 Gas companies are shown in AER, *State of the Energy Market Report 2020*, June 2020, p 238; internet providers are M2Energy (trading as Dodo and Commander); Sumo Energy and WINConnect.

45 RedEnergy has multiple offers, Simply Energy;

- Offering 'Energy Health Checks' to small business customers.[46]
- Offering to convert swimming pools to 'smart pools' and bundling with swimming pool management services such as chemicals (this retailer only services swimming pool owners).[47]
- 'Sign-up' or 'refer-a friend' credits.[48]

The AEMC also noted an increase (across the NEM) in offers relating to virtual power plants and electric vehicles. Whilst these are more advanced in South Australia, we can reasonably expect them to increase in NSW too.

4.2.2 Solar feed-in tariffs

Retailers also continue to differentiate themselves through solar feed-in tariff offerings, although there is a slightly smaller range in offers compared to 2018-19. At March 2020, 12.7% of all customers (including small and large businesses) were receiving a retailer funded feed-in tariff.[49]

Each year IPART sets a solar feed-in tariff benchmark range to reflect the likely value of solar energy to the retailer (based on the value of avoided costs of purchasing the equivalent energy from the wholesale market at the times that solar is being exported to the grid). However, over the most recent years, retailers have been competing to offer higher solar feed-in tariffs to attract solar customers. Figure 4.4 shows that there is now a wide range of feed-in tariffs being offered to customers. A significant proportion – 39%, or 19 of 49 offers exceeded IPART's benchmark for the feed-in tariff.

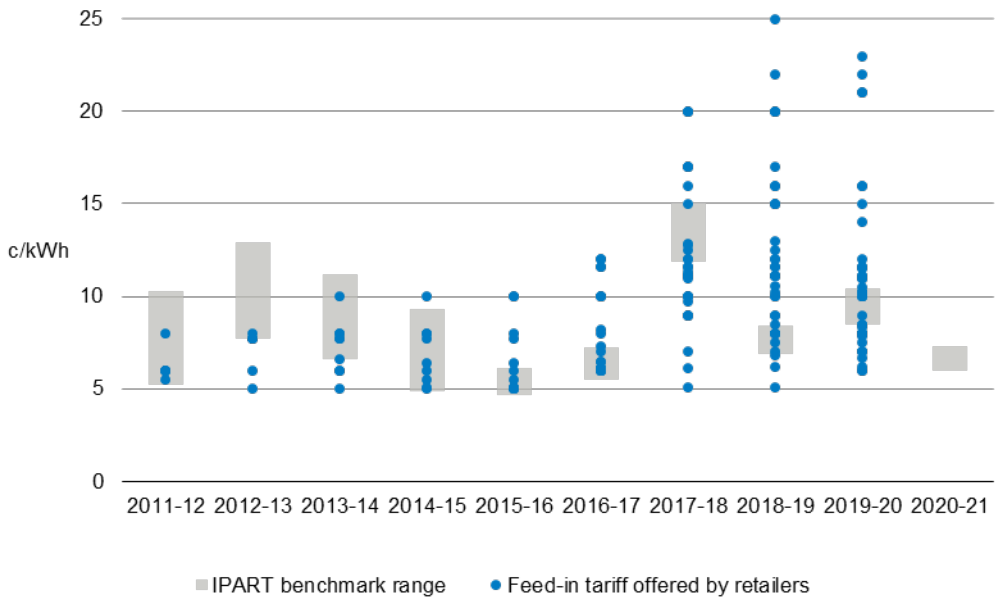
46 Offered by Blue NRG for businesses using over 20KwH annually https://www.bluenrg.com.au/why-blue-nrg accessed 11 September 2020)

47 Pooled Energy

48 For instance, Red Energy offers $50 (voucher or QANTAS points) for each referral (https://www.redenergy.com.au/referafriend, accessed on 14 September 2020); Powershop offers $75 credit (https://www.powershop.com.au/switch-your-mates/, accessed on 14 September 2020) and Nectr Energy offers $50 to both the existing and new customers (https://help.nectr.com.au/en/collections/1950738-nectr-basics accessed on 14 September 2020).

49 This includes residential, small business and large business customers. The AER began collecting this data in 2018-19, and the figure has increased steadily of 0.4% each quarter. AER, *Retail energy market performance update for Quarter 3, 2019-20*, 30 July 2020, Schedule 2.

Figure 4.4 Solar feed-in tariffs offered and IPART's benchmark tariffs



Data source: IPART, *Solar feed-in tariff benchmark*, Final Report, April 2020, p 10.

The average offer peaked in 2017-18, and fell slightly (by 1.6%) in 2018-19 and fell again by 11.4% in 2019-20. This is consistent with average wholesale electricity prices in NSW which were relatively high in 2017-18 and 2018-19.

4.3 A review of retail margins is not needed

We are asked to consider whether there is cause for a special review of retailer margins. We do not consider there is cause for a separate review into retail margins at this time given that:

- Our assessment is that changes in underlying costs have been broadly consistent with changes in prices over 2019-20, and
- The ACCC is scheduled to continue its inquiry into the national electricity market until 2025.[50]

In a workably competitive market, we would expect that changes in price tend towards underlying costs. The AEMC estimates that approximately 90% of a residential bill is for network costs (44%), wholesale costs (39%) and environmental costs (7%). The remainder are residual costs including retail costs and margins.[51]

We have undertaken a high-level assessment of cost changes below.

50 The ACCC undertakes regular inquiries into the prices, profits, and margins in the supply of electricity in the NEM. Its next report is due out on 29 September 2020, and we will incorporate its findings into our final report. ACCC, 'Electricity Market Monitoring 2018-2025, https://www.accc.gov.au/regulated-infrastructure/energy/electricity-market-monitoring-2018-2025, accessed on 14 September 2020.

51 AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, p 46.

Network costs

For all three distribution networks, 2019-20 was the first year of a 5-year price Determination. These Determinations allowed less revenue over the next five years than the previous Determinations.[52]

The AER estimated the impact on customer bills, using its assessment of network costs contributions to average customer bills. It calculated a bill reduction for Ausgrid and Endeavour Energy customers and a slight bill increase for Essential Energy customers, all else being equal.

Table 4.1 presents the change in revenue from 2018-19 to 2019-20 (2nd column); the AER's estimate of the impact to customers' bills in 2019-20, all else equal (3rd column); and the change in offers that we have observed from June 2019 to June 2020. This shows that the offers available generally have fallen by a greater degree than the change in network costs.

Table 4.1 Estimated impact on AER 2019 Determinations on retail bills

Network	Change in expected revenue (2018-19 to 2019-20)	AER's Estimated bill change in 2019-20	Change in offers available June 2019 to June 2020 (Figure 4.1)
Ausgrid	-4.0%	-1.4%	-9% to -3%
Endeavour Energy	-1.9%	-0.5%	-9% to -2%
Essential Energy	+0.7%	+0.2%	-9% to +0.8%

a This is the AER estimate of the change in the average annual customer bill compared with the customer bill in the final year of the previous period, adjusted for inflation and assuming retailers pass through outcomes of the decision. The AER consider the network costs contribute around 30% - 40% to a customer's bill.

Source: AER, *Final decision – Ausgrid Distribution Determination 2019 to 2024 Attachment 1 Annual revenue requirement*, April 2019, p 18; AER, *Final decision – Endeavour Energy Distribution Determination 2019 to 2024 Attachment 1 Annual revenue requirement*, April 2019, pp 13-15; AER, *Final decision – Essential Energy Distribution Determination 2019 to 2024 Attachment 1 Annual revenue requirement*, April 2019, p 13; IPART calculations.

Wholesale prices

The impact of wholesale costs on retail prices is difficult to measure due to the lag of up to two years in retailers' purchasing (hedging activities) and sales. That is, changes in wholesale costs don't immediately impact retailers' margins or consumer prices as the wholesale electricity price is most likely set in a contract that is made in advance.

We note that wholesale prices fell late in 2019-20 and are expected to continue to fall over 2020-21. This should put some downward pressure on retail prices.

Based on the AER's report and spot prices, we make the following observations about the NSW wholesale prices during 2019-20:

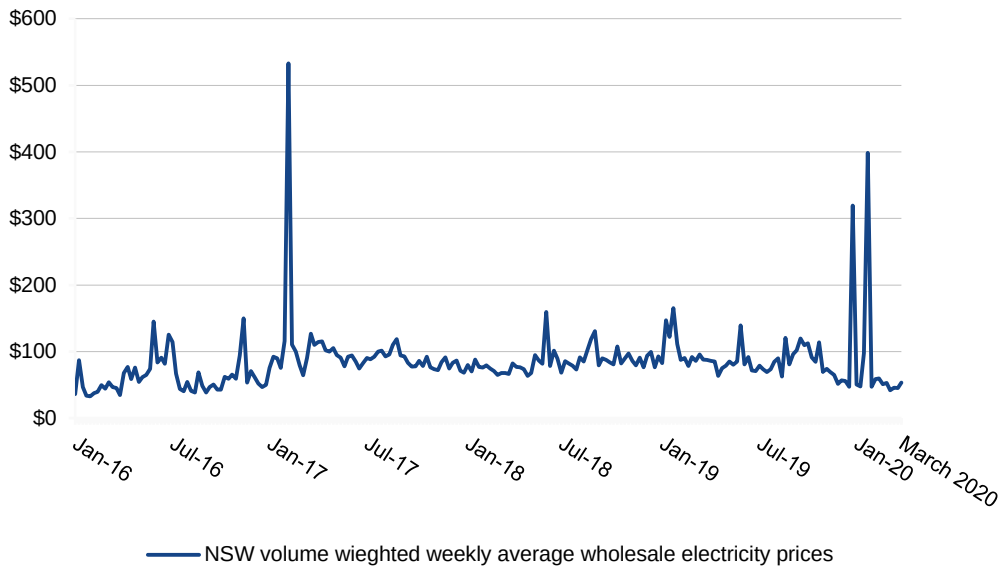
- Base futures prices for 2020 ASX contracts began rising in the second half of 2018 before easing over the summer of 2018-19. Prices moved up again in early 2019 for most of the calendar year before falling significantly across all NEM regions from November 2019. These falls were in line with falls in wholesale prices resulting from lower generator fuel costs and rising renewable generation.[53]

52 AER, *State of the Energy Market Report 2020*, June 2020, p 126, Table 3.3.
53 AER, *State of the Energy Market Report 2020*, June 2020, p 105.

- Wholesale prices fell over the course of 2019-20. By March 2020, spot prices were relatively low at $53/MWh. This is 39% lower than in March 2019 when prices were around $87/kWh (using the volume weighted weekly average).
- There were two significant spikes in wholesale prices early in 2020 due to high demand and network outages caused by bushfires.

Futures prices indicate wholesale costs will fall during 2020-21 (Figure 4.6). The AEMC also noted the falling wholesale prices and expected this to continue in the next year as new generation enters the market (based on analysis undertaken pre-COVID-19).[54]

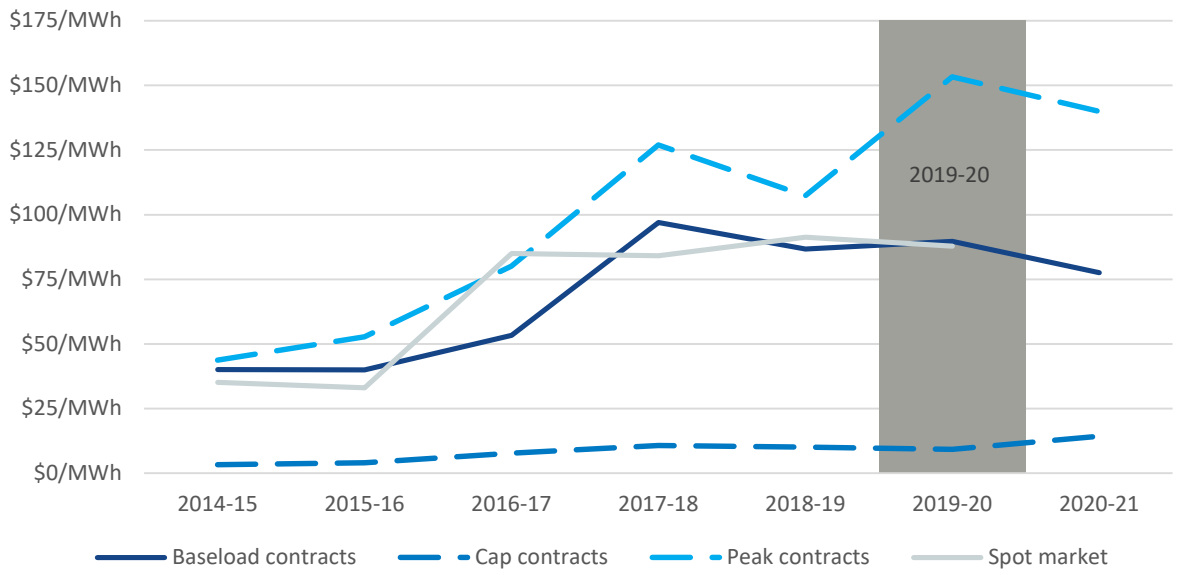
Figure 4.5 Historical wholesale prices in NSW (volume weighted weekly average wholesale electricity prices)



Data source: AER, *Data - State of the energy market 2020 – Chapter 2 National Electricity market*, Figure 2.23.

54 AEMC, *2020 Retail Energy Competition Review*, 30 June 2020, p 47.

Figure 4.6 Average annual wholesale prices from 2014-15



Data source: Bloomberg data on contracts prices; AER, *Data - State of the energy market 2020 – Chapter 2 National Electricity market*, Figure 2.23; and IPART analysis.

5 Consumer behaviour and outcomes

In workably competitive markets we would expect most customers to be engaged and active in the market and shape the products and services that are available. The more well-informed and engaged customers are, the more pressure there is on retailers to offer competitive prices and services.

To assess customer engagement and activity in the retail electricity market in 2019-20, we looked at switching rates and customers' contract types. We also examined the reasons why some customers do not participate in the market.

We generally found that consumer engagement and satisfaction remained relatively high, but the rate of increase in engagement slowed during 2019-20. A greater proportion of customers are on market offers than previously, although the proportion of business customers lags that of residential customers. Switching rates have declined slightly, a trend consistent with most other states.

Consumers still have difficulty understanding advertised offers and the AER and ACCC have progressed work to improve accessibility. Customers considering a time of use (TOU) agreement need to consider their actual usage data to ensure they find a better deal and if possible, use a full 12 months of data.

5.1 Most customers are on market offers

Overall, a high proportion of customers (87.2%) were on market offers in March 2020. This is a slightly higher proportion than June 2019, and continues the historical trend of an increase in market contracts (Figure 5.1). However, the rate of increase has slowed, which could be due to the introduction of the DMO where some customers on high standing offers had their prices automatically reduced, higher satisfaction with their provider, or difficulty understanding the offers and engaging with the market (further information below).

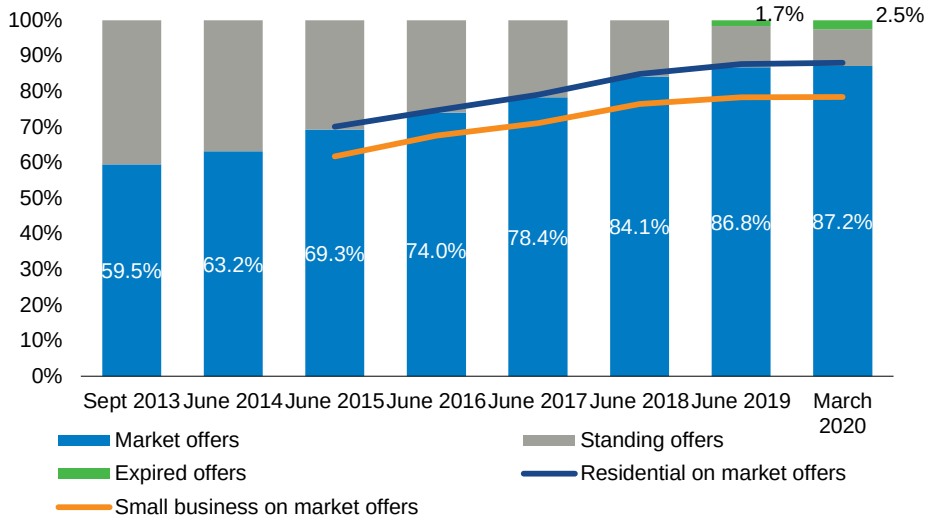
The number of customers on market offers is a measure of engagement in the market.[55] The alternative standing offers, which are usually a higher price, are the default offers for customers who have not engaged in the market at their current supply address, or for some, because the benefits of their market offer has expired.[56]

The proportion of small business customers on market offers continues to lag behind that of residential customers – 78.4% of business customers are on market contracts, compared with 88.0% of residential customers. Historically, the proportion of small business customers on market offers has been less than residential customers but increased at a similar rate indicating that the area continues to develop.

55 AEMC, *2020 Retail Energy Competition Review*, 30 June 2020, p 44.

56 Most market offers do not expire but many have a 'fixed benefit period' when discounts apply. Customers then face undiscounted prices (usually standing offer prices) after this period. This is the second year that the AER has presented figures on the number of customers on market offers with expired benefit periods. In previous years, customers on expired market offers were counted as on market offers.

Figure 5.1 Proportion of standing and market contracts in NSW



Data source: AER, *Retail energy market performance update for Quarter 3, 2019-20*, 30 July 2020, Schedule 2; IPART analysis.

5.2 Switching has declined slightly

The rate at which consumers switch retailers has slowed recently. In the 2019 calendar year, 18.1% switched retailers, compared to 20.7% and 18.8% in the previous two years. We observe the same trend in other states except the ACT.[57]

Comparatively, the ECA survey considered rates of switching retailer **and/or plan**. This result was stable at 26% - the same as in the June 2018 and June 2019 surveys. Further, 84% said that they don't intend to switch in the next year, a similar result to the year prior (82%).[58]

Reduced switching may relate to a number of factors – price stabilisation following recent increases, a reduced spread in prices arising from the DMO, an increase in customer satisfaction, difficulty comparing offers or a combination of these factors.

57 AEMC, *2020 Retail Energy Competition Review*, 30 June 2020, p 84; Data for 'Consumer switching within and between retailer tiers, yearly average between 2013 to 2019' downloaded from AEMC microsite https://2020.aemc.gov.au/competition-review/jurisdiction/new-south-wales#consumer-behaviour-and-sentiment-- (accessed 23 September 2020).

58 Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, p 76-77.

5.2.1 Less reward for switching

The ECA survey has repeatedly found the main reason for switching is due to dissatisfaction with value for money of retailer.[59] We note that the potential bill savings from switching would not be as great as in previous years because of less price dispersion.

In 2017, customers said that to seriously consider switching retailer or plan, they would need to make a significant saving - residential customers wanted to save an average of $388 per year on their electricity bill, and small business customers wanted to save about $796 per year.[60] As noted in Chapter 3, spread in prices has reduced significantly, so many customers may not find substantial gains are available to compel them to switch.

5.2.2 Customers could be better off on time-of-use offers

Time-of-use offers are available to customers with advanced (or 'smart') meters and typically offer different usage prices for different timeslots during day. For some, the pricing structure also varies seasonally. The AER found that around 21% of NSW customers have advanced meters, and about 35% of these are on cost-reflective tariffs.[61]

Last year we found that the majority of customers would be better off on a TOU tariff compared to a single fixed rate, if the right TOU offer is chosen. The different tariff structure presents a trade-off between cost reflectivity and simplicity and we have found that the TOU offers vary significantly and pricing offers can be complex. Some offers have different prices for different seasons, and the timing of peak, off-peak and shoulder periods during the day changes across offers. It is important that customers select a suitable plan for their usage patterns to avoid paying too much. Customers should aim to consider a full 12 months of their historical usage data if it is available (bills can be uploaded directly onto the EnergyMadeEasy website to assist).

Table 5.1 shows the lowest, highest and average supply, peak, shoulder and off-peak charges from around 70 TOU offers that were advertised in June 2020.

Table 5.1 TOU pricing offers in June 2020 (residential and business)

	Lowest	Highest	Average
Supply charge ($/day)	0.54	5.66	0.94
Peak (c/kWh)	18.8	60.0	40.2
Shoulder (c/kWh)	14.3	35.0	20.5
Off peak (c/kWh)	10.6	32.0	15.8

Source: EnergyMadeEasy, June 2020.

59 Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, p 77.

60 Newgate Research, *Consumer research for the Australian Energy Market Commission's 2017 Retail Competition Review*, April 2017, pp 46-47.

61 The installation of smart meters increased steadily during 2018 and 2019, but slowed in the first quarter of 2020 with a fall in the number of new developments installing a smart meter, based on data from the AER. AER, *State of the Energy Market*, July 2020, p 243.

5.2.3 Difficulty comparing offers may be constraining engagement, but work is in progress to address this

Last year we reported that customer engagement was constrained by difficulty to compare offers, with only 50% of residential and 43% of small business customers reporting they were confident they could find the right information. We also noted the recent introduction of the DMO would help to improve outcomes for customers, and there were a number of good tools available online and at ServiceNSW counters.[62]

In the past 12 months, there has been some improvement in customers' confidence:[63]

- 56% consider that there is enough easily understood information available (up 6%) and
- 67% are confident in their personal ability to make choices about products (up 6%).

The AER and ACCC recently commissioned the Behavioural Insight Team to study consumers' comprehension of the reference price. The study focussed on three elements of the Electricity Retail Code – the reference price, and the concepts of the 'unconditional percentage' and the 'lowest possible price'.

The results were published in June 2020. In broad terms, it found that consumers had limited understanding of the concepts and found advertising confusing. It tested three alternative designs and recommended improvements to the format and wording of energy advertisements to make them more accessible to consumers.[64]

These recommendations will inform the AER's revision of its Retail Pricing Information Guidelines and the ACCC's work enforcing the Electricity Retail Code.[65] We therefore expect these results to improve in the coming 1-2 years, depending on the timing and extent of updates to the AER's guidelines.

62 IPART, *Review of the performance and competitiveness of the NSW Retail Electricity Market 2018-19,* November 2019, p 32.
63 Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, p 69.
64 The Behavioural Insights Team, *Testing comprehension of the reference price Final Report*, 2020, pp 2, 11-19.
65 AER, 'New research shines new light on how consumers understand electricity offers', 26 June 2020 available at https://www.aer.gov.au/communication/new-research-shines-new-light-on-how-consumers-understand-electricity-offers (accessed 14 September 2020).

5.3 Consumers report higher satisfaction with the electricity market, including the level of competition

Our analysis of consumer sentiment is based on a survey conducted in March 2020 by Energy Consumers Australia (ECA).[66] Generally, this showed electricity customers are largely satisfied with the service they receive, with 79% of those surveyed satisfied overall. This is a similar result to other states.[67]

Compared to the survey taken 12 months prior, there was higher satisfaction for services provided by electricity retailers:[68]

- Value for money (61% satisfied, up from 45%).
- Customer service (69% satisfied, up from 59%).
- Billing and account options (73% satisfied, up from 67%).

We also note that the Energy and Water Ombudsman NSW (EWON) received significantly fewer complaints during 2019-20, down by 29% from 2018-19.[69]

Whilst satisfaction with the value for money of electricity is higher than in previous surveys, this result remains considerably lower than for other services. Satisfaction levels ranged from 67% to 79% for water, gas, internet, mobile phone, insurance and banking services. Also, relatively few (38%) consider that the market is working in their long-term interests (although this has increased from 31%).[70]

66 In previous years, the AMEC has commissioned its own surveys of residential and/or business customer sentiment. For 2019-20, the AMEC worked the ECA to refine its annual survey and the AEMC also relied on these results. AEMC, *Final Report 2020 Retail Energy Competition Review*, 30 June 2020, p 83.

67 The ECA observes that the 6-monthly surveys undertaken in autumn/winter generally show a lower level of satisfaction than those undertaken in spring/summer. Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, pp 3, 14.

68 Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, p 66.

69 Energy & Water Ombudsman NSW, *EWON Insights Complaints Analysis 1 April 2019 - 30 June 2019*, p 6; Energy & Water Ombudsman NSW, *EWON Insights Complaints Analysis 1 April 2020 - 30 June 2020*, p 6; and IPART analysis.

70 Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2020, pp 68 - 69.

Appendix

A Referral from the Minister

The Honourable Matt Kean MP
Minister for Energy and Environment

IRF20/1776

Ms Liz Livingstone
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Ms Livingstone Liz

The NSW Government recognises the valuable contribution made by the Independent Pricing and Regulatory Tribunal's (IPART) annual reviews of retail energy market performance and competition. These reviews provide an important benchmark to monitor competition and pricing in the NSW retail energy sector.

I note IPART's recommendation in its 2018-19 report that IPART no longer undertake an annual review and report on the performance and competitiveness of the retail energy market. The NSW Government considers that there is value in retaining the annual energy retail market monitor review to identify NSW-specific outcomes and trends following price deregulation, including changes in average customer bills over time.

The market monitor role is particularly valuable at present given the impact of the COVID-19 pandemic on the NSW energy retail market, as well as the impact of the first year of the Commonwealth Government's Default Market Offer. I request that IPART include specific analysis of how these two issues have affected the performance and competitiveness of the NSW retail energy market in the 2019-20 review.

At this stage, I do not request a special review by IPART as part of its market monitoring process for 2019-20.

If you have any questions about this matter, please do not hesitate to contact Ms Sophia Vincent, Acting Director, Energy Consumers and Competition Policy, Department of Planning, Industry and Environment on 8229 2927 or at sophia.vincent@planning.nsw.gov.au.

Yours sincerely

Matt Kean MP
Minister for Energy and Environment
2.6.20

B IPART's statutory role

We provide this report under our obligations as a Market Monitor under part 9A of the National Energy Retail Law (NSW), set out below.

Section 234A – Market Monitor

1. In this Part, the Market Monitor is the person prescribed by the NSW regulations as the Market Monitor for the purposes of this Part.

2. The Market Monitor is to monitor the performance and competitiveness of the retail electricity market and the retail gas market in New South Wales for small customers.

3. The Market Monitor is to report annually to the Minister on the performance and competitiveness of each of the retail electricity market and the retail gas market in New South Wales for small customers, including on the following matters—

a) the participation of small customers in each market and, if the Market Monitor thinks it appropriate, particular groups of small customers;

b) prices of electricity or gas for small customers in regional areas;

c) any barriers to entry to or exit from, or expansion, in each market;

d) the extent to which retailers are competing to attract and retain small customers;

e) whether price movements and price and product diversity in each market are consistent with a competitive market;

f) if the Market Monitor is of the opinion that it is required, steps necessary to improve the competitiveness of each market;

g) whether there is a need for a detailed review of retail prices and profit margins in each market;

h) any other matters the Market Monitor thinks appropriate.

4. An annual report is to prepared for each year commencing on 1 July.

4A. The first annual report for the retail gas market is to be for the year commencing 1 July 2017.

5. The annual report is to be provided to the Minister not later than 30 November following the end of the year to which the report relates.

6. The Minister is to lay the annual report or cause it to be laid before both Houses of Parliament of this jurisdiction not later than 30 days after receiving the report.

7. In preparing an annual report, the Market Monitor is to have regard only to the following—

a) information provided by the AEMC and the AER;

b) any publicly available information;

c) information provided by a retailer under subsection (8).

8. The Market Monitor may, by notice in writing served on a retailer, require the retailer to provide particulars to the Market Monitor of the number of market offer customers of the retailer, the market offer prices of those customers, the number of customers on each standing offer price offered by the retailer that has been publicly advertised and those standing offer prices.

Our assessment

Our assessment of the electricity market follows a traditional structure-behaviour-outcomes approach, looking at market structure, then retailer behaviour and outcomes followed by consumer behaviour and outcomes.

Table B.1 maps the legislative requirements to the relevant section in the briefing. We intend to replicate this structure for the draft report.

Table B.1 Legislative requirements and the structure of our assessment

	Factor in National Energy Retail Law (NSW) (s 234A (3))	Chapter in this report
a)	The participation of small customers in the market and, if the Market Monitor thinks it appropriate, particular groups of small customers	Chapter 5
b)	Prices of electricity or gas for small customers in regional areas;	Chapter 4
c)	Any barriers to entry or exit from, or expansion in the market	Chapter 3
d)	The extent to which retailers are competing to attract and retain small customers	Chapter 4
e)	Whether price movements and price and product diversity in the market are consistent with a competitive market	Chapter 4
f)	If the Market monitor is of the opinion that it is required, steps necessary to improve the competitiveness of each market	Chapter 2
g)	Whether there is a need to for a detailed review of retail prices and profit margins in each market.	Chapter 4

C Summary of offers available on Energy Made Easy in June 2020

Table C.1 below shows the retailers that had electricity offers available on Energy Made Easy in June 2020. Some retailers have multiple brands. It also shows the types of offers that were available.

A tick indicates that the offer was available across NSW, that is, in all three network areas (Ausgrid, Endeavour Energy and Essential Energy). Where the offer/s were restricted to certain customer sub-groups, either by location or customer type, this information is provided in text.

Table C.1 Summary of types of offers on Energy Made Easy in June 2020

	Retailer	Types of offer			
		Any Time (Single Rate)	Time of Use (TOU)	Demand Tariffs	Quota
1	Origin Energy	✓	✓	Only business Only Ausgrid	
2	EnergyAustralia	✓	✓	Only business Only Ausgrid	
3	(i) AGL	✓	✓	Only business Only Ausgrid	
	(ii) Powerdirect	✓	✓	Only business Only Ausgrid	
	(iii) ActewAGL	Endeavour & Essential	Endeavour & Essential	-	
4	1st Energy	✓	✓	Only business Only Ausgrid	
5	Alinta Energy	✓	✓	Only Ausgrid	
6	(i) amaysim Energy	✓	✓	-	✓
	(ii)Click Energy	✓	✓	-	
7	Amber Electric **(new)**	✓ Residential only	-	-	
8	Blue NRG	✓ Business only	✓ Business only	✓ Business only	
9	Bright Spark Power **(new)**	✓ Residential only	-	-	
10	(i) Commander Power & Gas	✓	✓	-	
	(ii) Dodo Power & Gas	✓ Residential only	✓ Residential only	-	

	Retailer	Types of offer			
		Any Time (Single Rate)	Time of Use (TOU)	Demand Tariffs	Quota
11	CovaU	✓	✓	✓	
12	Diamond Energy	✓	✓	✓ Residential only	
13	Discover Energy **(new)**	✓	✓	✓	
14	Elysian Energy **(new)**	✓	✓	✓	
15	Energy Locals	✓	✓	Only Ausgrid	
16	Enova Energy	✓	✓	-	
17	Future X Power	✓	✓	-	
18	Globird Energy **(new)**	✓	✓	✓	
19	Locality Planning Energy **(new)**	✓	Ausgrid & Essential Business only	Ausgrid Business only	
20	Mojo Power	✓	Ausgrid Residential only	-	
21	Momentum Energy	✓	✓	Ausgrid & Endeavour	
22	Nectr **(new)**	Ausgrid & Endeavour Residential only	Ausgrid & Endeavour Residential only	-	
23	Next Business Energy	✓ Business only	✓ Business only	✓ Business only	
24	OVO Energy **(new)**	✓ Residential only	Residential only for Ausgrid & Essential	-	
25	Pooled Energy	Ausgrid & Endeavour	Ausgrid & Endeavour	Ausgrid Business only	
26	Powerclub	✓	Endeavour & Essential	-	
27	(i) Powershop	✓	✓	Ausgrid Business only	
	(ii) Kogan Energy **(new)**	✓ Residential only	✓ Residential only	-	
28	QEnergy	✓	✓	Ausgrid Business only	
29	ReAmped Energy	✓	✓	-	
30	Red Energy	✓	✓	✓	
31	Simply Energy	✓	✓	Ausgrid Business only	

	Retailer	Types of offer			
		Any Time (Single Rate)	Time of Use (TOU)	Demand Tariffs	Quota
32	Sumo	✓	✓	Residential - Ausgrid & Endeavour; Business– Ausgrid only	
33	Tango Energy **(new)**	Ausgrid & Endeavour	Ausgrid & Endeavour	Ausgrid & Endeavour	

D Typical consumers and data tables

To analyse prices, we have calculated the annual bill that 'typical' residential and business customers would receive under every offer available on EnergyMadeEasy in June of each year.

D.1 Typical customers

We considered a typical residential and small business customer in each in the three distribution network areas of NSW. We use the three distribution network areas because:

- The network costs are a major contributor to final bills, and each distribution business has different costs. Therefore, the bills in each area should be impacted differently.
- This method helps to distinguish between urban and regional customers. The Essential Energy distribution network covers most of regional NSW.

For our analysis, we adopt a typical usage that we use to calculate bills. The bill changes we report may differ from any individual's bill. For residential customers, we used the volumes that the AER uses to calculate the DMO to allow suitable comparisons. These are:

- 3,900 kWh in the Ausgrid area
- 4,900 kWh in the Endeavour Energy area
- 4,600 kWh in the Essential Energy area

This is a change from our previous approach where we assumed 5,100 kWH for residential customers across all regions, which most closely reflected a two-person household in metropolitan NSW.

For small business customers, we have adopted a usage of 20,000 kWh, also in line with the DMO. In previous reports, we used 10,000kWh for our assessment.

D.2 Data tables

The following tables set out electricity bills calculated using the median lowest market offer and the median standing offer, using all offers available in June of each year. We provide this for residential and small business customers, in each network area.

Table D.1 Median residential electricity bill by network area (DMO specified kWh pa, GST-inclusive, nominal)

Network Area	Offer type	2013-14[a]	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Cum. change
Ausgrid (3,900 kWh)	Lowest	1,218	1,106	1,051	1,197	1,307	1,258	1,218	0.0%
	Standing	1,353	1,282	1,232	1,372	1,597	1,618	1,466	8.3%
	DMO							1,467	
Endeavour (4,900 kWh)	Lowest	1,422	1,291	1,245	1,374	1,536	1,457	1,427	0.4%
	Standing	1,610	1,512	1,468	1,632	1,900	1,885	1,718	6.8%
	DMO							1,720	
Essential (4,600 kWh)	Lowest	1,886	1,729	1,447	1,617	1,693	1,638	1,652	-12.4%
	Standing	2,075	1,975	1,648	1,854	2,075	2,148	1,956	-5.8%
	DMO							1,957	

Source: Energy Made Easy; IPART calculations.

Table D.2 Median small business electricity bill by network area (DMO specified 20,000kWh pa, GST-inclusive, nominal)

Network Area	Offer type	2013-14[a]	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Cum. change
Ausgrid	Lowest		5,758	4,989	5,589	6,334	5,974	5,881	2.1%
	Standing	7,257	6,773	5,941	6,410	8,351	8,277	7,370	8.8%
	DMO							7,371	
Endeavour	Lowest		4,454	4,206	4,949	5,449	5,289	5,232	17.5%
	Standing	6,008	5,252	5,106	5,543	6,794	6,783	6,202	18.1%
	DMO							6,204	
Essential	Lowest		6,856	5,615	6,415	6,961	6,668	6,701	-2.3%
	Standing	8,527	7,957	6,744	7,511	8,859	8,684	8,043	1.1%
	DMO							8,045	

a Prices were still regulated by the NSW Government in this year.

Source: Energy Made Easy; IPART calculations.

Glossary

ACCC	Australian Competition and Consumer Commission.
AER	Australian Energy Regulator.
AEMC	Australian Energy Market Commission.
Big three retailers	The largest three electricity retailers in NSW (Origin Energy, EnergyAustralia and AGL Energy).
DPIE	NSW Department of Planning, industry and Environment.
ECA	Energy Consumers Australia.
ESB	Energy Security Board.
EWON	Energy and Water Ombudsman (NSW).
kWh	Kilowatt hour.
ROLR	Retailer of last resort.
Spot market	One-off transactions, as distinct from transactions occurring under supply contracts.