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**Dr Paul Paterson**  
**Chair**  
**Independent Pricing and Regulatory Tribunal**  
**PO Box K35**  
**Haymarket Post Shop**  
**Sydney NSW 1240**

Online submission

**1 November 2019**

Dear Dr Paterson,

### **Review of the performance of energy retail markets in NSW in 2018-19**

AGL welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s draft reports on the performance and competitiveness of the NSW retail electricity and gas markets in 2018-19, published in October 2019.

During 2018-19, IPART has found that competition is continuing to improve in the retail electricity and gas retail markets. This is evidenced by:

- the increased market shares of smaller electricity and gas retailers,
- the reduction in the median of lowest market offers for residential electricity and gas customers,
- fewer electricity and gas customers are on standing offers, and
- the entry of new electricity retailers.

With the introduction of the Default Market Offer (DMO), IPART has found that while the spread between the standing offer price and the lowest market offer grew during 2018-19, it shrank in July 2019. This is as expected, and is consistent with advice provided by the AEMC to COAG Energy Council in December 2018 on the impact of a regulated price cap. Another outcome is the large reduction in advertised discounts as all offers are referenced to the DMO which has been set by the AER at the mid-point of the median standing offer and median market offer in October 2018.

However, competition is not only about low prices. As noted by IPART, competition can benefit customers by encouraging product and service innovations such as solar PV and battery storage installations. For example, AGL recently introduced a battery orchestration product across the NEM jurisdictions (<https://www.agl.com.au/solar-renewables/solar-battery-storage>). AGL is also currently undertaking a demand response trial in NSW that is co-funded by ARENA and the NSW Government to explore new ways to manage behind-the-meter distributed energy resources and to motivate customers to engage with their energy use (<https://arena.gov.au/projects/agl-demand-response/>).

AGL also offers competitive market offers with fixed rates for up to 2 years and a range of services and value-adds such as AGL Energy App (to track bills and usage), AGL Rewards (for deals and discounts on a range of suppliers in retail, travel and hospitality) and flybuys program. AGL also allows online sign-up and move, moving guarantee with just one business day's notice and self-meter reads. AGL has recently completed a Customer Experience Transformation program to deliver innovative products and services.

At 30 June 2019, AGL had 843,000 electricity customers in NSW. It is important to note that AGL is not an incumbent electricity retailer in NSW. AGL's electricity customer base in NSW was mainly build up through sales and acquisition activities over a period of time since the commencement of full retail contestability in 2002, and to a lesser extent, through the acquisition of Australian Power and Gas in 2013.



In the NSW retail gas market, AGL is the incumbent retailer in the Jemena Gas Network region. At June 2019, AGL had 630,000 gas customers compared with 700,000 at June 2015. The decline in AGL's gas customer base and the build-up of AGL's electricity customer base over time demonstrate that the competition has worked to reduce the market shares of incumbent retailers.

In recent years, there has been many regulatory changes and interventions in the wholesale and retail energy markets. Major changes such as five minute settlement and consumer data rights, are being implemented while other significant reviews such as the Coordination of Generation and Transmission Investment and Post 2025 Market Design, and rule changes are in progress. In this context, AGL strongly supports IPART's recommendations that:

1. The NEM should have consistent regulations.

In relation to the need for harmonised regulations in the NEM, we note that over the past two years, there have been derogations in NSW, including:

- The use of the NSW Social Code (which is intended to manage the administration of NSW energy concession payments) to make regulatory intent changes such as requiring retailers to provide annual best offer communications to concession card holders.
- A moratorium on remote re-energisation and de-energisations services for digital meters, which limits the ability of consumers and market participants to obtain the benefits of competitive metering under Power of Choice.
- The ban on retailers collecting manual re-energisation and de-energisation NSW distributor fees for vulnerable customers.
- The ban on paper-based fees.

2. Recently implemented regulatory measures should be given 12 months to become fully embedded before future market intervention is contemplated.

3. As there are now several regulators monitoring the retail electricity and gas markets (i.e. ACCC, AEMC and AER), the NSW Government should consider removing the IPART's requirement to monitor the retail energy market.

If you have any questions in relation to this submission, please contact Meng Goh, Senior Manager Regulatory Strategy, on [REDACTED] or [REDACTED].

Yours sincerely,

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Elizabeth Molyneux  
General Manager Energy Market Regulation