

7 February 2018

Mr Michael Bradley  
Director  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235



Dear Mr Bradley,

### **AEMC's 2018 Retail energy competition review**

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon disadvantaged and marginalised people. PIAC welcomes the opportunity to comment on the AEMC's 2018 Retail energy competition review.

We understand that as part of the review The AEMC will be examining:

1. The current structure of the retail energy markets
2. Retailer behaviour and consumer engagement
3. Overall performance of retail energy markets

We are pleased that the AEMC will be using the findings from Energy Consumer Australia's Energy Consumer Sentiment Survey to help inform the review.

To further assist you with your review, we enclose the three submissions by PIAC that have explored issues related to the scope of your review, which we hope will be of value. They are:

1. *Overpriced and underwhelming: a retail market that has failed consumers*, PIAC submission to the ACCC's Retail Electricity Pricing Inquiry, 5 July 2017

In this submission, we raise concerns about the impacts on consumers, and inefficiency, in the huge difference between standing offer prices and discounted market offers. We discuss the lack of transparency in the components of a bill, and concerns about the rise in fixed costs as a way to recover increases in wholesale energy costs. Further, we explain the importance of retailers offering cost reflective tariffs as an opportunity for retail innovation.

The submission explores feed-in tariffs for rooftop PV and questions whether retailers are efficiently passing on the value of rooftop PV generation through feed-in tariffs.

We also raise the issue of consumers in embedded networks and their lack of ability to access competition.

2. *Affordable and efficient, or overpriced and underwhelming 2.0?: Options for the future energy market*. PIAC submission to ACCC Preliminary Report into Retail Electricity Pricing Inquiry, 17 November 2017

In the section *Retail electricity markets* of this submission, we first make the point that competition should always be about better consumer outcomes; competition should not be a goal in itself. We then outline our concerns with how

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competition currently works and suggest policy changes that could address these issues. These include:

- Improving the AER's investigative powers
- Providing additional resourcing for government price comparison tools
- Jurisdictional concession reviews
- Information for consumers
- Pay on time discounts, and
- Access to electricity consumption data

We also draw your attention to our analysis of consumer cohorts (*Understanding consumer impacts*), which explains that a large section of the community is disengaged with the energy market and when this combines with economic and social disadvantage, the outcomes are disproportionately negative.

3. *Submission to the Select Committee Inquiry into Electricity Supply, Demand and Prices in NSW, 16 October 2017*

In this submission, we raise our concerns with competition and what changes could be made to improve outcomes for consumers in NSW. Our concerns include:

- Lack of transparency of price changes
- Penalising consumers' lack of engagement
- Impact of 'win-back' marketing on effective competition
- Retail profits are inefficient
- Potential for cross-subsidisation between generation and retail
- Potential for cross-subsidisation between geographic regions
- Potential outcomes from bundling of offers

We then examine the effectiveness of the current regulatory standards and options for future government oversight. In particular, we draw your attention to the consideration of types of regulation of electricity prices.

Finally, we focus on how to support the most vulnerable consumers in a competitive market, including our concerns that pay-on-time discounts act as an excessive late fee, disproportionately affecting low income and vulnerable households.

PIAC would welcome the opportunity to discuss these issues in more depth with the AEMC.

Yours sincerely,

**Craig Memery**

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