SACOSS
South Australian Council of Social Service

State of the South Australian Retail Energy Market 2013

A review of the first year of retail price deregulation in SA from the perspective of household consumers

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First published in May 2014 by the
South Australian Council of Social Service

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Executive Summary

The South Australian Government removed price regulation and adopted the National Energy Customer Framework (NECF) on February 1st, 2013. South Australian households and small businesses have now experienced the first year of these significant market reforms.

The Australian Bureau of Statistics Consumer Price Index for Adelaide Electricity Prices has shown that average electricity prices reduced almost 2% in the 2013 calendar year[1]. However, the first quarter of 2014 has seen prices rebound to be 4% above those at the same time in 2013 (1% in real terms). Recent reports by the Australian Energy Market Commission (AEMC)[2] and the Victorian Essential Services Commission (ESCV)[3] highlight that South Australia continues to have both the nation's highest electricity prices and highest rates of electricity disconnections for failing to pay bills on time.

This SACOSS report focusses on the first year of price deregulation and the NECF in order to identify emerging or continuing trends from the perspective of household consumers. The report canvasses four main themes:

- Customer switching and retailer market shares
- The distinction between contracts with no exit fees and those with fixed terms
- The almost universal practice of percentage based "discounting"
- The levels of arrears being accrued by households and the response by their energy retailers

Key observations are:

In summary, SACOSS is of the view that the first year of deregulation and the NECF has resulted in some concerning trends in the South Australian residential energy market. While there are some signs of better practices appearing (such as AGL's markedly lower disconnection rate, Origin's removal of exit fees and a steady rise in the number of households participating in retailer hardship schemes) there are some very poor practices prevailing and alarming trends (including ambiguous discounting claims by almost all retailers, poor disconnection indicator performance for the majority of retailers, Alinta's disconnection rate and the retail dominance of AGL retaining over 50% of the market). These issues are briefly considered below:

- Starting with 100% of small customers in 2003, AGL continues to dominate the market 11 years later, retaining over 50% of customers. AGL has even been able to slow the loss of customers to its competitors during the first year of deregulation. Combined with significant ownership of electricity generation assets, this dominant market share by one entity is a challenge to effective competition in the market.

- The retail market is effectively segmented into two – one for contracts with "no exit fees" and one for "fixed term" contracts. On average, the "no exit fee offers" tend to be priced around 8% higher than the others.

- Retailers continue to promote their offers in terms of percentage discounts. However, since price deregulation it is clear that some of these discounts are potentially quite misleading – leading to the phenomenon identified by the ACCC as *"Discounts off what?"*

[1] Source: ABS 6401.0 Consumer Price Index, Australia, Dec 2013 Table 11 comparing Dec 2013 index numbers with Dec 2012. This can largely be attributed to the application of a 9.1% reduction in the electricity standing offer rates from January 1st 2013 that applied to around 20% of households at the time.

[2] AEMC 2013 Residential Electricity Price Trends www.aemc.gov.au/market-reviews/completed/retail-electricity-price-trends-2013.html

[3] ESCV Energy retailers comparative performance report – Customer service 2012-13 Table 3.2, p31 available from www.esc.vic.gov.au/Energy/Energy-retail-performance-reports

- These discounts are often ‘conditional’ and tied to payment arrangements. It is critical when comparing retailer offers that a household’s capacity to meet payment conditions is considered. Late payment can mean both the loss of ‘discount’ and the imposition of a penalty fee.

- Analysis of retailer performance on key disconnection indicators in NECF jurisdictions reveals that the overwhelming majority of retailers are performing well below the average (39% for actual disconnections, 61%for payment plans, 72% for hardship plans).

Contents

Background and Introduction

As the peak body for the community services sector in South Australia, SACOSS has a long–standing interest in the delivery of essential services. Our research demonstrates that the cost of basic necessities like electricity impacts greatly and disproportionately on vulnerable and disadvantaged people. Our advocacy is informed by our members, organisations and individuals who witness theses impacts in our community.

South Australian households and small businesses have been able to choose their electricity supplier since January 1st 2003 and their gas supplier since July 28th 2004. In both cases, the market started with a single supplier (AGL Energy for electricity and Origin Energy for gas) whose 'standing contract' price was set by independent regulator the Essential Services Commission of South Australia (ESCOSA).

These regulated prices included some 'headroom' in order for competing suppliers to attract market share and build a competitive market. Ten years later, in December 2012, the South Australian Government decided that competition had developed to a point where the regulation of prices was no longer necessary[1]. From February 1st, 2013 AGL and Origin agreed to cut their standing contract prices for two years and prices were, in effect, de-regulated.

South Australia's decision to remove price regulation for electricity made it only the second jurisdiction nationally to do so; the Victorian government 'deregulated' retail electricity prices on January 1st, 2009. SACOSS cautiously welcomed the reforms on the basis that the price setting process was failing to deliver efficient prices for households[2]. The NSW government recently announced that price controls will be removed from July 2014[3].

The SA government's decision to 'deregulate' prices came during action by AGL Energy in the Supreme Court of South Australia against ESCOSA for a price determination that would have applied from January 1st, 2013. AGL Energy's agreement to cease the court proceedings and reduce its prices was contingent on the Government implementing the deregulation reforms[4].

SA adopted the National Energy Customer Framework (NECF) at the same time; harmonising the consumer protection framework for energy markets with other jurisdictions. Local provisions also mean that each retailer is required to offer at least one "no exit-fee" product in SA.

This SACOSS report has been prepared in order to review this first year of price deregulation and the NECF in order to identify emerging or continuing trends from the perspective of household consumers.

This report also builds on recent SACOSS reports on Energy Tariffs and on Electricity Disconnections available from www.sacoss.org.au/reports/energy-water.

Readers interested in a discussion of the trends in the different components of electricity prices are encouraged to read the Australian Energy Market Commission (AEMC) Annual Residential Electricity Price Trends Report[5]. Readers interested in comparing energy costs between retailers

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[1] A copy of the media release is attached as Annex A.

[2] Refer to the SACOSS submission to ESCOSA's 2012 Review of standing contract Wholesale Electricity Costs (WEC) discussion paper at: www.escosa.sa.gov.au/library/120720-ElectricityStandingContractWEC-DiscussionPaperSubmission-SACOSS.pdf. For example: *" … it is the view of SACOSS that the use of a WEC with implicit headroom is now an inappropriate and demonstrably ineffective mechanism for driving a transition toward a competitive market."*

[3] Barry O'Farrell MP Premier of NSW Media Release Monday 7th April 2014 attached as Annex D.

[4] Refer to AGL Energy release to the ASX and Media of 18 December 2012, attached as Annex B.

[5] http://www.aemc.gov.au/Market-Reviews/Completed/retail-electricity-price-trends-2013.html.

are encouraged to visit the St Vincent de Paul Society's South Australian Tariff-Tracking Project[6] and the Australian Energy Regulator's Energy Made Easy website[7].

Energy Made Easy (EME) has been used as the source of pricing information for this report. Where possible, pricing has been cross checked against retailer websites.

[6] www.vinnies.org.au/energy

[7] www.energymadeeasy.gov.au

Customer Switching and Retailer Market Shares

Households are billed for their electricity and gas by an *Energy Retailer*. It is not uncommon to source electricity and gas from separate retailers. These businesses are formally known in the market as the 'Financially Responsible Market Participant' for each customer. As the name implies, retailers are held responsible for the energy consumed at a dwelling by the other elements of the electricity and gas supply chain (i.e. the generators, network owners, meter readers etc). Customers pay their retailer and the retailer pays everyone else.

Besides this billing service, the retailer is also characterised as providing 'risk management' on consumer's behalf[8]. This is particularly the case in terms of wholesale electricity prices charged by generators which can be extremely volatile.

In South Australia, as at March 2014, there were 13 businesses selling electricity to households and 5 of these were also selling gas. All of these businesses also sell electricity and gas in other states.

A key aspect of the retail market that SACOSS monitors is the electricity market share held by incumbent retailer AGL Energy (including wholly owned subsidiary Powerdirect). Prior to deregulation, AGL Energy held a 55% market share (of small customers) as well as owning the state's largest electricity generator (Torrens Island)[9]. SACOSS is concerned that, combined with ownership of significant generation assets, such market dominance carries a risk of market power that is not in the long term interests of consumers. The following considers how AGL's small customer market share has been impacted by deregulation.

The Australian Energy Market Operator (AEMO) publishes monthly customer switching data that distinguish transfers based on the two Tiers of retailers. The first Tier (or incumbent retailer) in South Australia is AGL Energy and the second Tier retailers are all of the other retailers that supply to small customers (12 others as at March 2014). The three relevant switching statistics therefore are:

- From AGL Energy to one of the other retailers (including to Powerdirect even though it is wholly owned by AGL Energy)
- To AGL Energy from one of the other retailers
- Between the second tier retailers ('2TO2')

Trends in these numbers and the total number of transfers are shown in Figure 1 (overleaf).

[8] AEMC 2014, Retail Rule Change RRC0001: Retailer price variations in market retail contracts, Consultation Paper, p. 36***:" The principal role of the retailer in energy markets is to manage risks on behalf of it's customers"***, http://www.aemc.gov.au/Rule-Changes/Retailer-Price-Variations-in-Market-Retail-Contrac.

[9] ESCOSA Annual Performance Reports to December 2012, www.escosa.sa.gov.au.

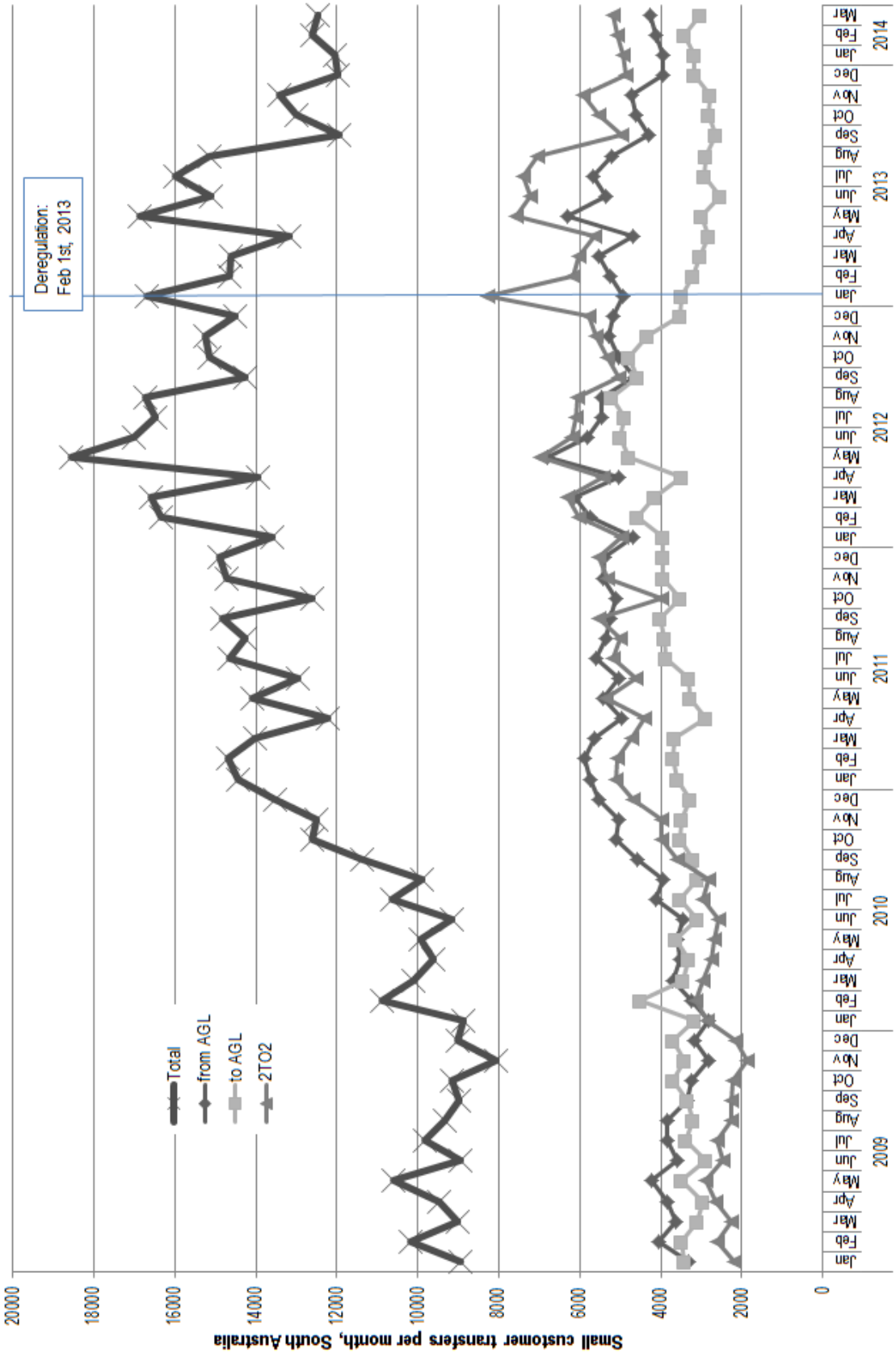

Figure 1: South Australian small customer transfers per month from January 2009 Source: AEMO

Figure 2, below, focusses on the period of time since deregulation was announced in December 2012 and illustrates a general slowing of customer movements between retailers but also that AGL Energy has been able to turn around a trend in customer acquisitions.

While the numbers of customers leaving AGL ("from AGL" in the chart) tended to decline at a rate roughly in line with the decline in total activity, the number of movements "to AGL" stabilised and started to grow in the second half of 2013. The number leaving still exceeds the number joining AGL but the trend in the net loss of customers from AGL ("AGL net loss" in the chart) is one of a clear decline. The movement in the first year of deregulation (1st February 2013 to 31st January 2014) was a total net loss for AGL Energy of around 25,000 customers (leaving around 400,000). Some of these may have gone to wholly owned subsidiary Powerdirect.

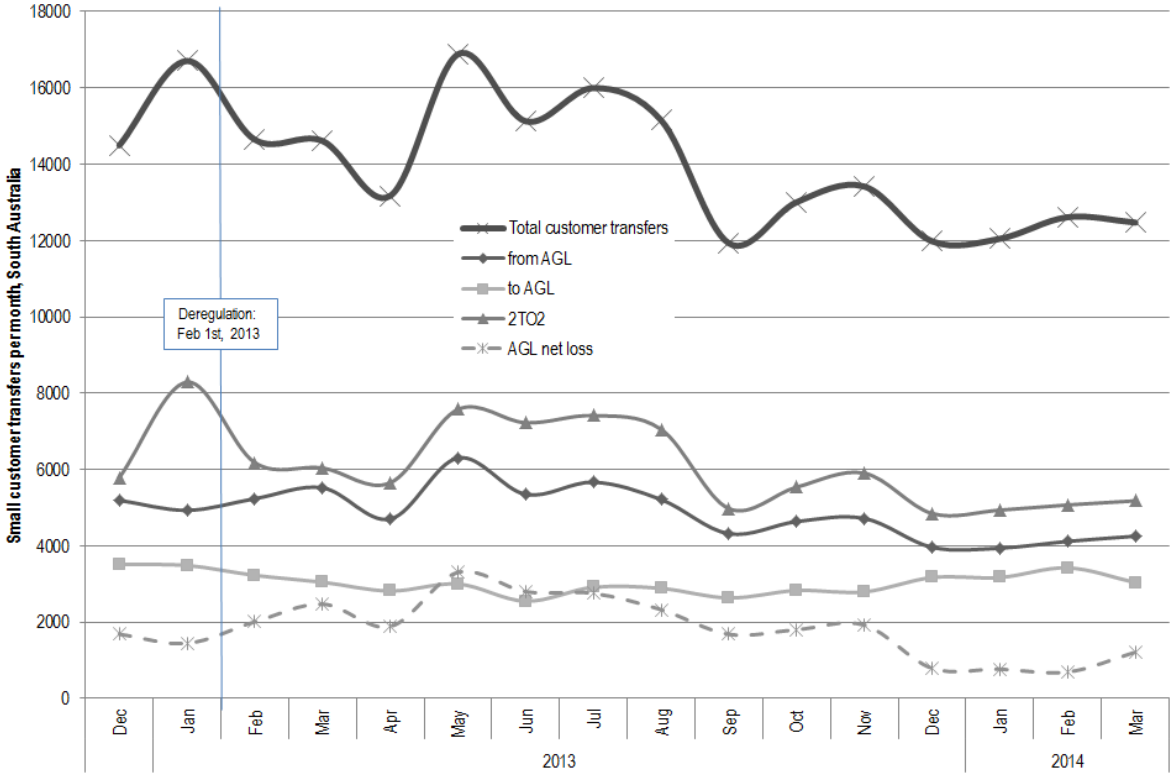

Figure 2: Small customer transfers since *deregulation* announced in December 2012, South Australia Source: AEMO

As will be shown in Figure 3, AGL is making competitive offers that rank reasonably highly on Energy Made Easy and this is likely to see them continue to slow the loss of customers – possibly even become a net acquirer of customers for the first time since February 2010.

However, it will also be important to see how the market reacts to the expiry of the agreement between the SA Government and AGL (for electricity) and Origin (for gas) to fix the standing contract price for 2 years (to 1st Feb, 2015). Either way, AGL Energy is looking like holding on to a dominating market share of around 50% for a while yet.

No exit fees *vs.* fixed term offers

All retailers are obliged to offer a "Standard Contract" with regulated terms and conditions (but not prices). They also offer "Market Contracts" that include some minimum requirements but are otherwise customised by the retailer. Most Market Contracts offered are based on a fixed term or with "benefits" (such as a nominated discount) that expire after a fixed period and come with "exit fees" (or *early termination fees*, ETFs).

These contracts are generally referred to as "fixed term" or "fixed benefit period" but often include terms and conditions that allow the retailer to vary the price for the duration of the contract. The potential for this to be an unfair arrangement has prompted a proposal to change the National Energy Retail Rules[10].

In South Australia, there is also a requirement for each retailer to offer a market contract with no exit fees (the Standard Contract is also of no fixed term and therefore cannot incorporate exit fees). The requirement applies to both electricity and gas[11]. This local requirement has also lead to ESCOSA Energy Industry Guideline No. 5 – Information Disclosure for No Early Termination Fee Market Contracts[12].

SACOSS has observed that, while all retailers offer a number of options, for the majority a key distinction is made between the prices of "no exit fee" offers and fixed term offers. Relative newcomers to the South Australian retail market *Alinta* and *dodo* were, until very recently, the only retailers whose lowest cost offers have no exit fees[13]. Their ability to sustain competitiveness and gain significant market share is yet to be demonstrated. Origin Energy appeared to have remove exit fees from all products listed on Energy Made Easy in April 2014. For all of the others, their lowest cost offers are usually based on a 1, 2 or 3 year term (with a sliding scale of exit fees) and are priced from 5-15% below their lowest cost "no exit fee" offer.

The effect of this is to create two 'sub markets' – one for those households who prefer a 'no lock-in contract' arrangement and one for those who are prepared to enter into a multi-year agreement. This is illustrated below for an all-electric home using a typical 6000 kWh of electricity plus another 2,000kWh for hot water. Figure 3 displays the Energy Made Easy (EME) search results for the lowest cost product with no early termination fee (no ETF) from each of the 13 retailers as well as their overall best offer (all discounts included in both cases).

[10] Refer to Retail Rule Change Proposal RRC0001, AEMC 2014, http://www.aemc.gov.au/Rule-Changes/Retailer-Price-Variations-in-Market-Retail-Contrac.

[11] For electricity, refer to Electricity (General) Regulations 2012[11] Part 9A – Regulation of NERL retailers, www.legislation.sa.gov.au/LZ/C/R/ELECTRICITY%20%28GENERAL%29%20REGULATIONS%202012/CURRENT/2012.199.UN.PDF. This requirement follows earlier moves by the SA government to raise the standards of retailers.

[12] ESCOSA Projects, http://www.escosa.sa.gov.au/Projects/ProjectDetails.aspx?id=193.

[13] The hardship performance of these retailers is discussed later in the report.

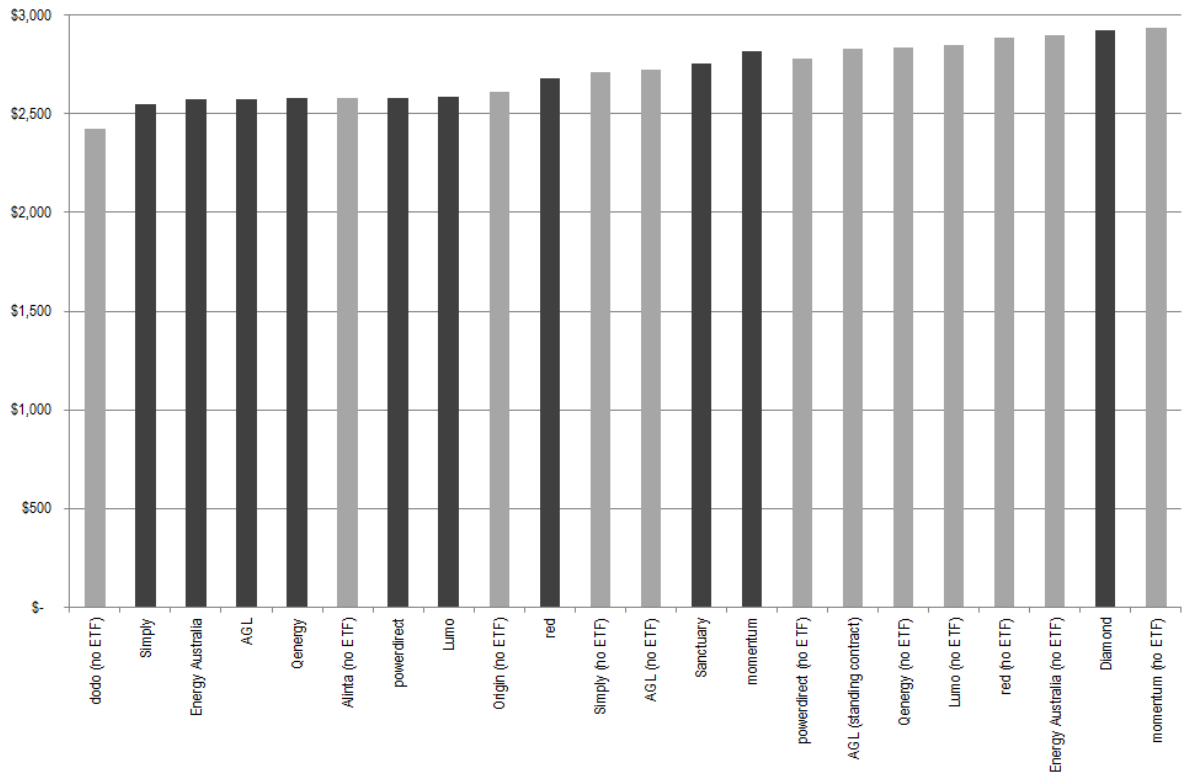

Figure 3: Lowest price no exit fee and overall lowest offers South Australia, by retailer. Source: Energy Made Easy[14]

The darker columns in Figure 3 are the fixed term offers while the pale ones are the 'no exit fee' offers from these same retailers.

As can be seen, the *Alinta Energy* and *dodo* 'no exit fee' offers are quite competitive. However, as at April 2014, the overall median 'fixed term' contract for the other retailers is 8% cheaper than the median 'no exit fee' contract.

Under the market rules, "exit fees" cannot be more than a reasonable estimate of the costs to the retailer resulting from the early termination[15]. This results in early termination fees that are similar between retailers and are highest in the first year of the contract – reflecting the fixed costs of acquiring a new customer. First year exit fees range from $22 (Diamond Energy) to $104.50 (Simply Energy) with an average around $75.

Our analysis has shown that, for any given retailer, the savings available from a 'fixed term' offer can be much greater than the exit fees charged for those with medium to high consumption (quarterly bills around $500 or more). However, those with relatively low consumption may find that this is not the case.

[14] Accessed 22nd April 2014: Annual consumption 6000kWh peak, 2000kWh off-peak hot water, postcode 5000, including all discounts.

[15] National Energy Retail Rules s49A "Early termination charges" at 49A (1).

Discounting

Discounts off what?

A key challenge for consumers seeking to exercise their choice in the market, and one identified by the Australian Competition and Consumer Commission (ACCC), is the almost universal marketing approach by retailers of pricing by percentage discounts.

The ACCC referred to this in 2013 as *Discounts off what?*[16] and the issue continues to be a priority for the watchdog as outlined by ACCC Chairman Mr Rod Sims, 21 February 2014 (Speech to CEDA Conference)[17]:

> The energy sector consumer protection priorities set out in the Competition and Enforcement Policy:
>
> *In the energy sector our focus in 2013 was on addressing unlawful door-to-door sales conduct by energy retailers. AGL and APG were ordered to pay penalties greater than $1 million, and our proceedings against Energy Australia and Origin Energy are still before the Federal Court.*
>
> *Our next area of focus in the energy sector is misleading discount claims. The ACCC is increasingly concerned about possible misleading conduct by energy retailers in their promotion of energy plans. These concerns relate to the promotion of discounts and savings off energy use and/or supply charges under those plans. We refer to this new focus of our energy work as "discounts off what?"*
>
> *This new focus will not come as a surprise to the sector. In August 2013 the ACCC wrote to energy retailers about our concerns. In December 2013 the ACCC commenced legal action against AGL South Australia for allegedly misleading residential consumers in South Australia about electricity discounts.*
>
> *There will soon be further court action.*

Retail offers tend to be promoted in terms of a certain discount from that retailers' standing offer. Prior to deregulation, these discounts were based on the benchmark AGL Standing offer – the price regulated by ESCOSA. However, since deregulation, each retailer has its own standing offer price that is not the same as AGL's. In fact, AGL's is the lowest and the others are priced up to 15% above. This is illustrated below in Figure 4.

[16] http://www.accc.gov.au/media-release/discount-off-what-energy-plan-promotions-a-concern attached as Annex C.

[17] http://www.accc.gov.au/speech/ceda-conference-looking-forward-to-2014.

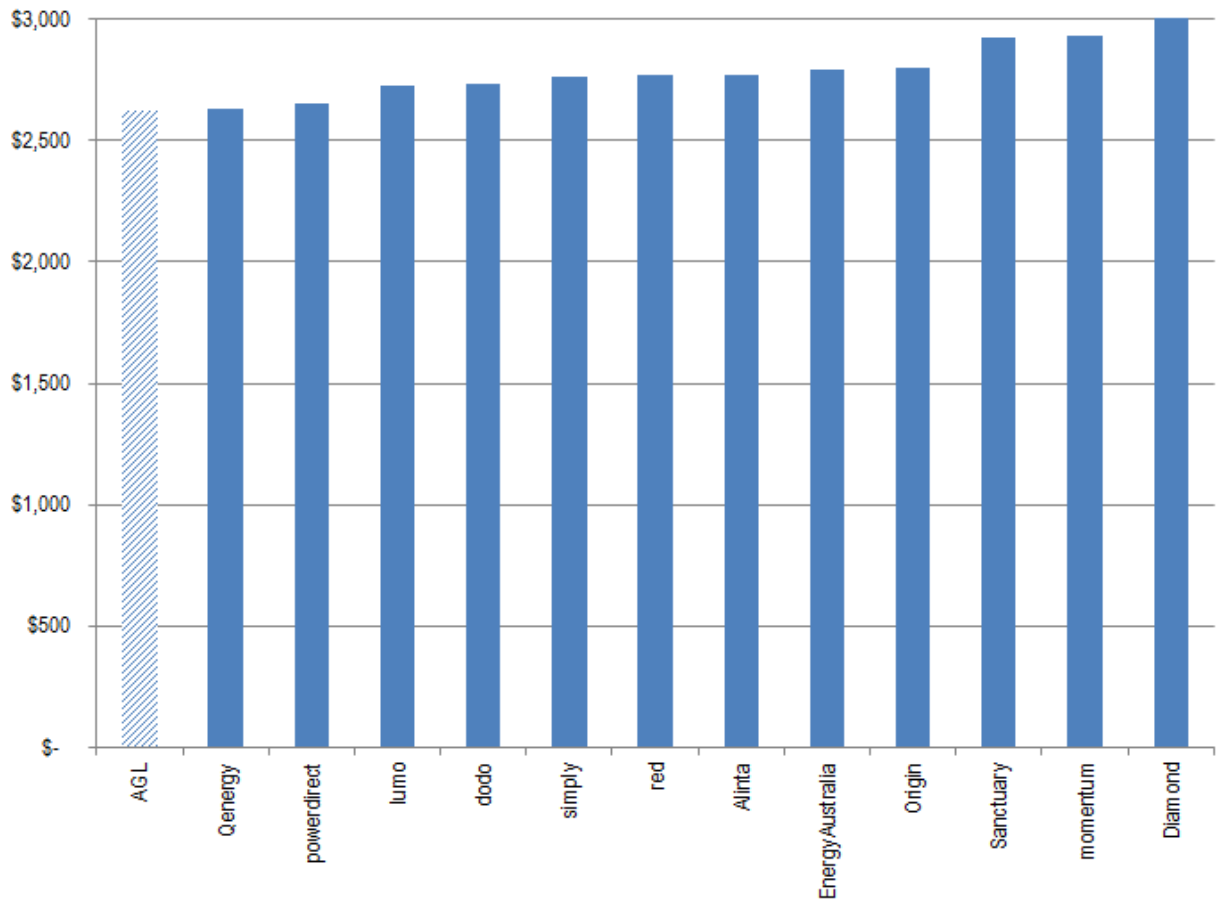

Figure 4: Standing contract offers South Australia March 2014 Source: Energy Made Easy[18]

This is illustrated further by comparing offers between the two biggest retailers: AGL Energy and Origin Energy. In this example, an Energy Made Easy search return's AGL's best offer as its "*Select 8% South Australia residential electricity market offer*"[19] and Origin's as its "*eSaver up to 16% electricity usage discount*"[20]. It would not be an unreasonable interpretation from these titles to assume that the Origin offer is for a discount twice that offered by AGL.

However, EME returned the following estimated cost (including all non-conditional and conditional discounts) for a single person on a two rate tariff (i.e. with off-peak hot water)[21]:

- AGL: $1,271 per annum
- Origin: $1,297 per annum

So, to be clear, Origin's product marketed as "*up to 16%*" is <u>MORE</u> expensive than AGL's product marketed as "*8%*".

We note that AGL's equivalent standing contract offer in this case was $1,383. The "8%" offer is therefore a genuine 8% reduction on the <u>total</u> cost of its standing offer. Origin's equivalent standing offer was $1,478 (7% above AGL's). Origin's "up to 16%" was in fact a 12% discount on the total cost of the equivalent standing offer, reflecting the application of the discount only to the "usage" component of the bill.

[18] Accessed 5th March 2014: Annual consumption 6000kWh peak, 2000kWh off-peak hot water, postcode 5000, including <u>all</u> discounts.

[19] Offer ID: AGL7334MR

[20] Offer ID: OR29155MR

[21] Energy Made Easy (EME) allows for comparison based on estimated consumption using benchmarks based on household size.

Repeating the above for a larger household (6 persons instead of 1):

- AGL: $2,580 per annum (against a standing contract offer of $2837, a 9% reduction)
- Origin: $2,613 per annum (against a standing contract offer of $3,029, a 14% reduction)

So, as was the case for smaller consumption, Origin's "*up to 16%*" is MORE expensive than AGL's "*8%*".

Despite being on the ACCC's radar for some time, it is unclear why this practice continues to be permitted. It is clearly not in the interests of consumers.

Conditional discounts

Beyond the "off what?" question discussed above, the discounts on offer are often 'conditional' and tied to payment arrangements – either pay on time (PoT) or direct debit. For example, the aforementioned "*eSaver up to 16% electricity usage discount*"[22] from Origin comprises a 1% discount for direct debit and 15% for paying "in full and on time".

In general, direct debit discounts are in the 1-3% range while the pay on time discounts are much larger. Also, as illustrated in the above example of Origin and AGL, some discounts are presented as being off the 'usage' component but not off the fixed supply charge. Whilst others (such as by AGL, Red and Lumo) offer discounts off the whole bill.

Some offers also incorporate a late payment fee (e.g. AGL at $14.00 and Origin at $12.00) so households unable to pay by the due date run the risk of not only missing out on a discount but being further penalised.

In terms of the role of the community sector in providing advice to households, it is therefore critical to consider the likelihood that a household will be able to meet these payment conditions when comparing offers.

[22] Offer ID: OR29155MR

Not just the lowest price?

SACOSS is very conscious of the fact that the best interests of consumers are not just about lowest prices. The households of most interest to SACOSS are those who are at risk of accruing debt with an energy retailer and facing the prospect of being disconnected for their inability to pay their energy bills.

The National Energy Retail Law (NERL) incorporates a principle that electricity disconnections for an inability to pay must be a last resort:

> **47 — General principle regarding de-energisation (or disconnection) of premises of hardship customers**
>
> A retailer must give effect to the general principle that de-energisation (or disconnection) of premises of a hardship customer due to inability to pay energy bills should be a last resort option[23].

The Ministerial Council on Energy (now the Standing Council on Energy and Resources, SCER) provided clarification in its NECF Explanatory Material (MCE SCO, 2009):

> *"The NERL requires retailers to have customer hardship policies to assist hardship customers to better manage their payments and reduce the risk of disconnection. Retailers' customer hardship policies will now be subject to approval by the AER. While the NERL specifies minimum requirements for customer hardship policies, AER approval is considered necessary to ensure that customer hardship policies adequately cover the minimum requirements and achieve the purpose of assisting customers to better manage their energy bills on an ongoing basis.*
>
> *Further, the obligation on a retailer to offer a payment plan to a hardship customer prior to taking action to disconnect a hardship customer has been extended to all residential customers who advise their retailer they are experiencing financial difficulty"*[24].

The notion of hardship is defined in the legislation as:

> *hardship customer* means a residential customer of a retailer who is identified as a customer experiencing financial payment difficulties due to hardship in accordance with the retailer's customer hardship policy;

Data collected by the AER during the first year of the NECF and de-regulated prices in South Australia revealed that, on average for the year:

- 5.7% of residential electricity customers had a debt with their energy retailer (owing for more than 90 days) – the combined debt averaged $26m across the year at an average of around $600 per customer
- Of these residential electricity customers:
  - 51% were on a payment plan (of at least three instalments to repay arrears) – around 3% of all customers.
  - 16% were participating in a retailer's hardship program - around 1% of all customers.

[23] http://legislation.sa.gov.au/LZ/C/A/NATIONAL%20ENERGY%20RETAIL%20LAW%20%28SOUTH%20AUSTRALIA%29%20ACT%202011.aspx.

[24] Ministerial Council on Energy Standing Committee of Officials National Energy Customer Framework Second Exposure Draft Explanatory Material, originally published by the Department of Resources, Energy and Tourism, November 2009.

- 4.9% of residential gas customers had a debt with their energy retailer (owing for more than 90 days) – the combined debt averaged $5m across the year at an average of around $240 per customer
- Of these residential gas customers:
    - 37% were on a payment plan (of at least three instalments to repay arrears) – around 2% of all gas customers.
    - 16% were participating in a retailer's hardship program - around 0.5% of all gas customers.

Figure 5 and Figure 6 below illustrate how this progressed over the 2013 calendar year. The encouraging trend was the steady rise in hardship program participation over the four quarters for both electricity and gas.

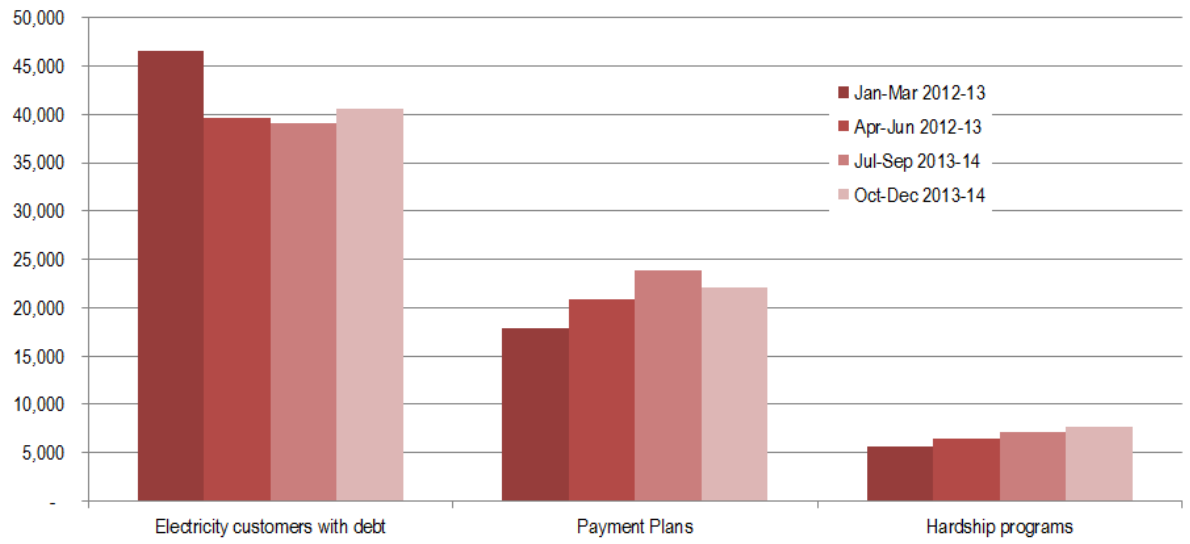

Figure 5: Residential electricity debt and repayment South Australia 2013 Source: AER

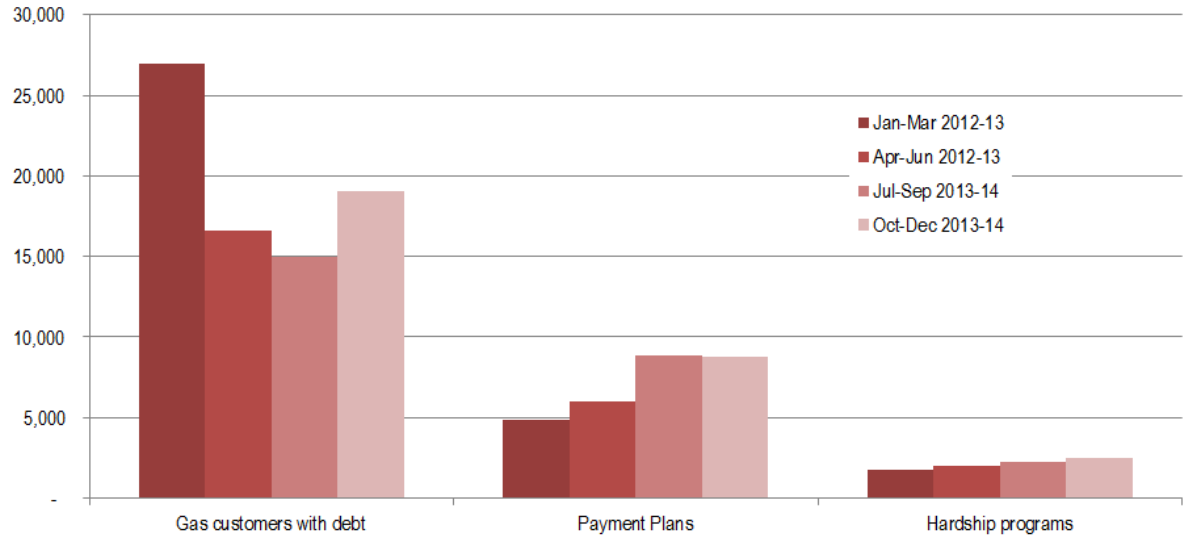

Figure 6: Residential gas debt and repayment South Australia 2013 Source: AER

The NECF reporting framework allows the Australian Energy Regulator (AER) to collect and publish data about the performance of individual retailers. SACOSS has reported previously on the diversity of debt and disconnection performance of the retailers and how this seems to apply

consistently across jurisdictions[25] - the implication being that the performance of individual retailers in SA can usually be judged by their performance across the National Electricity Market. This is important as the AER data reporting does not allow for detailed analysis by state but does allow for the comparison of all retailers in the NECF (i.e. SA, NSW, ACT and Tasmania).

The AER publishes these statistics at www.aer.gov.au/Industry-information/industry-statistics/retail from where it can be seen that the two stand-out no-exit fee offers from earlier in this report (*Alinta* and *dodo*) are also stand-outs in less favourable ways. *Alinta* has the highest disconnection rate of any retailer (tracking at around 6% annualised compared to the industry average of around 1.5%) while *dodo* has the highest rate of complaints (10 complaints per 100 customers compared to the industry average of 2 to 3 per 100).

Table 1 presents data on three key steps of the path to disconnection for the final quarter of 2013 – the final quarter of the first year of the NECF in South Australia:

- The number and percent of customers on payment plans to repay arrears;
- The additional number of customers on retailer hardship programs and;
- The number of customers actually disconnected.

The table also contains the weighted average results across the NECF jurisdictions for these same three indicators. The colour coding in the table highlights in red those retailers whose performance falls short of the average: below the average for the number of customers on payment plans and on hardship plans[26] or above the average for disconnections.

	Payment Plan		Hardship Plan		Disconnected		Electricity (Number of customers)	
	Electricity (Number of customers)	Percent	Electricity (Number of customers)	Percent	Electricity (Number of customers)	Percent	NECF Total (nearest '000)	Market Share
AGL Energy Limited	7,774	0.78	9,071	0.91	3,788	0.38	997,000	25%
ActewAGL	548	0.31	997	0.57	93	0.05	186,000	5%
Alinta Holdings (Alinta Energy)	976	4.52	21	0.10	304	1.41	22,000	1%
Aurora Energy	3,445	1.5	846	0.37	440	0.19	232,000	6%
Australian Power and Gas Pty Ltd	2,569	3.73	285	0.41	586	0.85	69,000	2%
Click Energy Pty Ltd	18	0.27	1	0.02	10	0.15	7,000	0%
Diamond Energy Pty Ltd	8	0.77	-	0.00	-	0	1,000	0%
Dodo Power and Gas Pty Ltd	13	0.08	155	0.91	-	0	16,000	0%
EnergyAustralia	25,209	2.56	3,685	0.38	2,159	0.22	985,000	24%
Go Energy Pty Ltd	-	0	-	0.00	-	0	-	0%
Lumo Energy	2,588	3.24	269	0.34	249	0.31	80,000	2%
Momentum Energy Pty Ltd	96	1.18	49	0.60	1	0.01	10,000	0%
Origin Energy	32,517	2.48	9,497	0.72	2,892	0.22	1,315,000	32%
Powerdirect	537	1.96	117	0.43	33	0.12	28,000	1%
Qenergy Pty Ltd	6	0.68	2	0.23	8	0.91	1,000	0%
Red Energy	2,387	5.68	372	0.89	129	0.31	42,000	1%
Sanctuary Energy Pty Ltd	15	0.26	1	0.02	3	0.05	6,000	0%
Simply Energy	2,362	3.44	702	1.02	275	0.4	69,000	2%
TOTAL	81,068		26,070		10,970		4,066,000	100%
Weighted average		1.99%		0.64%		0.27%		

Table 1: Comparative performance of Electricity Retailers in NECF Jurisdictions, Sep-Dec 2013. Source: AER

[25] Refer to "*Keeping the power on – SACOSS response to electricity disconnections*", www.sacoss.org.au/reports/energy-water

[26] On the assumption that all retailers have a customer base with a similar probability of getting into arrears, higher numbers of customers on payment and hardship plans is encouraged. Under the disconnections as a last resort philosophy of the NECF, a lower number of disconnections is encouraged.

As can be seen, the only retailer with better than average performance on all three indicators (i.e. no red marks) is Origin Energy. Combined with recent moves to remove exit fees from new offers, this is a positive contrast to the earlier critique of Origin's performance in the "Discounts off what?" discussion.

Based on these results the following comments can be made:

- While this is a snapshot of one quarter's results, analysis of the full 2013 calendar year characterises the overall pattern as a "mixed bag" of results - with the majority of retailers doing relatively well on some indicators but relatively badly on others.
- Customers have experienced a diverse range of outcomes between retailers. Customers at risk of having payment difficulties may be taking a risk by pursuing the lowest prices on offer.

SACOSS is working with energy retailers and the community services sector to develop best practice hardship approaches – there is clearly more work to do.

ANNEX A

News Release

Premier Jay Weatherill
Minister for State Development

Minister Tom Koutsantonis
Minister for Manufacturing, Innovation and Trade
Minister for Mineral Resources and Energy
Minister for Small Business

Government of South Australia

Tuesday, 18 December 2012

Lower power prices for South Australia

South Australian households on the standing contract for electricity will receive a 9.1 per cent reduction in their power bills from the first of January next year.

Premier Jay Weatherill said an initial two-year arrangement with AGL and Origin Energy will make major electricity and gas retailers subject to greater competition.

“This is a very good result for South Australian families,” Mr Weatherill said.

“We won’t allow the Supreme Court challenge by AGL to the Essential Services Commission of South Australia’s proposed 8.1 per cent cut to the standing contract to put at risk lower power prices for South Australians.

“Rather than put this much-needed relief from power bills at risk, we have negotiated a commitment from AGL to cut the existing standing contract price for residential customers by 9.1 per cent, and small business by 4.5 per cent with the retail component fixed for two years.

“The agreement to cut residential prices by an average $180 a year is a full one percentage point lower than the new standing contract proposed by the ESCOSA and challenged by AGL.

”Origin Energy will also cut the gas standing contract by 1 per cent from February 1, 2013.”

Minister for Mineral Resources and Energy Tom Koutsantonis said the decision to deregulate the energy market means ESCOSA’s independent role will change from price setter to a price monitor to guard against any anticompetitive behaviour by retailers.

“From 1 February, a market-based system for determining electricity and gas prices will be introduced, underpinned by stronger consumer protection and improved hardship provisions as set out in the National Energy Customer Framework,” he said.

“Standing contracts offered by the new system will be based on nationally established minimum conditions with all retailers required to offer at least one “no exit-fee” product.

“ESCOSA will remain in place as a price watchdog with the Government able to immediately reintroduce regulation at the first sign of collusion or any other anticompetitive behaviour.”

AGL has the State’s largest share of the residential electricity market with 51 per cent of customers while Origin has the largest share of the residential gas market with 48 per cent.

Deregulation will allow the more than 30 nationally authorised electricity retailers and 15 gas retailers to compete with AGL and Origin for local customers through competitive offers.

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ANNEX B

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AGL

ASX & Media Release

Lower electricity prices for South Australian families and small businesses

18 December 2012

AGL Energy Limited (AGL) has announced that it will deliver electricity price decreases to its South Australian residential and small business customers from 1 January 2013. This follows the South Australian Government's announcement today that it will implement retail price deregulation with effect from 1 February 2013.

As soon as deregulation takes effect, AGL will provide a price decrease to the following customers:

- To all South Australian families and small businesses who are on standing contract price arrangements as at 31 January 2013, AGL will:
  - guarantee those residential customers a 9.1% reduction on their current standing offer rates, backdated to 1 January 2013*, which will be fixed for two years from that date, other than for changes to network charges, carbon, renewable and energy efficiency scheme costs; and
  - guarantee those small business customers a 4.5% reduction on their current standing offer rates, backdated to 1 January 2013*, which will be fixed for two years from that date, other than for changes to network charges, renewable and energy efficiency scheme costs.
- To all South Australian families and small businesses who transfer to a standing contract price arrangement from 1 February 2013, apply a 4.5% reduction to the current standing contract price.

"The South Australian Government has announced that it intends to deregulate the retail electricity market effective from 1 February 2013. This will facilitate increased levels of competition, investment and innovation in the South Australian electricity market.

"AGL supports the Government's decision to deregulate retail electricity prices. We look forward to assisting the Government to deliver the benefits of deregulation to South Australian families and businesses," said Managing Director & CEO, Michael Fraser.

* Or applicable start date of contract if post 1 January 2013.

The reduced tariffs announced by AGL today are subject to the South Australian Government implementing its deregulation reforms. AGL will advise the South Australian Supreme Court today that it intends to withdraw its current legal proceedings against the Essential Services Commission of South Australia, upon implementation of the Government's reforms.

Further details about the new deregulated tariffs will be on www.agl.com.au in the near future.

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About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

ANNEX C

Discount off what? Energy plan promotions a concern[27]

27 June 2013

The Australian Competition and Consumer Commission will be writing to energy retailers to put them on notice about possible misleading promotions.

In a speech to the Consumer Action Law Centre's energy workshop in Melbourne, ACCC Deputy Chair Delia Rickard said the ACCC is increasingly concerned about possible misleading conduct by energy retailers in their promotion of energy plans.

"These concerns relate to the promotion of discounts and savings off energy use and/or supply charges under those plans."

Ms Rickard said no one should be surprised that the ACCC will take a firm approach where it forms the view that misleading representations are being made to consumers about savings.

The Deputy Chair also spoke about other energy consumer issues which form part of the ACCC's compliance and enforcement priorities.

"The ACCC has taken court action and we've obtained significant penalties against energy retailers and their marketing companies for poor conduct in door-to-door sales.

"This includes misleading statements about the purpose of salesperson's visit, such as representing they were not there to sell anything, and making misleading statements about the price of products, and claims that consumers were being overcharged by their current supplier."

In opening the workshop, Ms Rickard said comparability is a dilemma facing Australian energy consumers.

"While retail competition and choice have delivered many benefits, unfortunately it is a difficult and complex process for the average consumer to compare and decide on which energy plan suits them best."

Ms Rickard discussed the Australian Energy Regulator's price comparator website, Energy Made Easy, which allows households to compare gas and electricity offers as well as consider their energy usage.

Ms Rickard also provided an update on some of the key developments which will provide consumers with a voice at the energy regulation table.

Release number:
144/13

[27] http://www.accc.gov.au/media-release/discount-off-what-energy-plan-promotions-a-concern

ANNEX D

Barry O'Farrell MP
Premier of NSW
Minister for Western Sydney

MEDIA RELEASE

Monday 7 April 2014

DELIVERING LOWER ELECTRICITY PRICES FOR NSW HOUSEHOLDS

NSW Premier Barry O'Farrell and Minister for Resources and Energy Anthony Roberts today announced the removal of retail price regulation from the electricity market, which will deliver greater competition and deliver lower electricity prices for many NSW households and businesses from 1 July 2014.

Mr O'Farrell said more than a million customers currently on a regulated price would see a reduction in the face value of their electricity charges – the first fall in 15 years.

"The NSW Government is committed to doing everything it can to reduce the cost of living pressures on families across NSW," Mr O'Farrell said.

"Today's announcement will ensure there is full and robust competition in the retail electricity market, leading to lower power bills for families.

"We are removing one of the main barriers to lower prices - from now on retailers will need to work harder and offer better deals to win customers.

"I'm delighted the NSW Government has not only brought an end to Labor's double-digit electricity price rises, but we're now able to deliver real reductions in bills for families.

"This comes on top of our $247 million assistance package to help customers to pay their bills, through the increased Low Income Household Rebate and the Family Energy Rebate," Mr O'Farrell said.

In late 2013 the Independent Pricing and Regulatory Tribunal (IPART) and the Australian Energy Market Commission (AEMC) found that the NSW electricity market is competitive and that regulation is unnecessary. The AEMC found that regulation may be inhibiting price competition.

Mr Roberts said by removing price regulation the NSW Government is empowering NSW customers with the ability to make the best choice for their individual circumstances.

"Removing regulation will further increase competition as electricity retailers lower prices and offer new deals to attract new customers," Mr Roberts said.

"In its report the AEMC highlighted that customers could save $300 to $400 per year from an average household bill of $2,500, simply by taking advantage of the deals offered by electricity retailers to customers on competitive market contracts.

"Around 60 per cent of NSW households and small businesses, almost 2 million customers, have already made the switch from a regulated electricity price to a competitive market contract.

"Now the remaining 1.3 million customers are encouraged to have a look at the deals available on the market and take control of their electricity bills."

Mr Roberts said the decision to remove retail price regulation follows the NSW Government's announcement in February that families and businesses can look forward to a further easing in power costs from 1 July 2014 as a result of the NSW Government's reforms to the energy sector.

"The network businesses - Ausgrid, Endeavour Energy and Essential Energy - have submitted investment proposals to the Australian Energy Regulator that will ensure the reliable supply of electricity while keeping bill rises below CPI," Mr Roberts said.

"Already some $4.3 billion in unnecessary future infrastructure spending and operating costs by the network have been identified and avoided. These are costs that will no longer be passed onto customers as network costs account for about half of household electricity bills.

"For the first time in 15 years NSW electricity customers with regulated prices will see a reduction on their bill.

"Finally NSW Labor's legacy of soaring electricity prices of up to 22.4% per year is behind us and we can get on with the job of delivering increased competition in the market which will lead to better deals for NSW families and businesses.

"From 1 July 2014 those customers who have not switched to a competitive market deal will automatically be transferred to a 'transitional tariff'.

"For most households on a transitional tariff, their bill will be 1.5% lower in the first year compared with the former regulated price, however many market offers may be even cheaper.

"Importantly, the removal of retail electricity price regulation will not change access to energy rebates, protection laws or the quality of electricity supply.

"IPART will continue to play a role monitoring the NSW electricity market and analysing competition indicators and will report back to the NSW Government each year for a three year period."

Households and small businesses are encouraged to shop around for the best deal by making a free comparison between retailers on the Australian Energy Regulator's website www.energymadeeasy.gov.au.

For more information visit the NSW Resources and Energy website www.resourcesandenergy.nsw.gov.au or call Service NSW on 13 77 88.