



**Full Day Hansard Transcript (Legislative Council, 17 June 2014,  
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Extract from NSW Legislative Council Hansard and Papers Tuesday, 17 June 2014 (Proof).

**ENERGY LEGISLATION AMENDMENT (RETAIL PRICE DEREGULATION) BILL 2014**

**Second Reading**

**The Hon. JOHN AJAKA** (Minister for Ageing, Minister for Disability Services, and Minister for the Illawarra)  
[5.04 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

**Leave granted.**

This bill makes good on the Government's commitment to place downward pressure on the cost of living by increasing competition in the electricity market and reducing prices for New South Wales customers.

The bill amends both national and state based energy laws and regulations as they apply in New South Wales, to increase competition and choice in the State's electricity market.

The Energy Legislation Amendment (Retail Price Deregulation) Bill 2014 provides for: the removal of retail electricity price regulation; the establishment of a Market Monitor in New South Wales to monitor and report annually on the performance and competitiveness of the electricity retail market; the appointment of the Independent Pricing and Regulatory Tribunal (IPART) as the Market Monitor; the transition of electricity customers currently on regulated offer contracts to standard retail contracts; and the continuation and maintenance of retail gas price regulation.

The move to a more competitive energy market without price controls has been in train for nearly a decade. In 2004 the Commonwealth of Australia, along with all State and Territory Governments, entered into the Australian Energy Market Agreement. The agreement set the agenda for phasing out retail electricity and gas price regulation in markets where competition is found to be effective.

A competitive market provides the best form of customer protection and the lowest prices for customers. Competitive markets give customers the power to change retailers if they are unhappy with the prices or level of service offered by their existing retailer. This means that over time retailers will compete to retain their customers by offering more competitive prices, better products and better protection for customers.

I turn first to the electricity price amendments. Competition has been steadily evolving in the New South Wales electricity market over the past decade. Already, more than 60 per cent of New South Wales customers have switched from the regulated price to a competitive market contract, and more are switching each and every day. Currently, approximately 16 electricity retailers are actively offering products and services in New South Wales, a far cry from the days of the government-owned monopoly retailers where customers were given one choice and one price. A further 33 companies are licensed to operate in New South Wales, and are expected to enter the market as a result of this reform.

Over the past few years the New South Wales Government has encouraged the development of competition in the retail electricity market through the terms of reference it has provided to IPART. Among other things, the Government's instructions to IPART were to set average regulated prices which reflected the efficient costs of supplying electricity to customers. In addition, the regulated retail prices were to support the long term interests of consumers and the stability of the electricity market. The practical outcome of this is that over the years electricity prices have been set at cost reflective levels, allowing smaller, newer retailers to enter the market. This has helped to create a competitive retail electricity market.

In 2013, the Australian Energy Market Commission [AEMC] undertook a comprehensive review of the effectiveness of competition in the New South Wales retail energy market. As part of this review, the AEMC consulted extensively with households, small business holders, consumer groups and industry. The AEMC found that competition is sufficiently developed in the New South Wales electricity market to justify removing retail price regulation. Based on the AEMC's recommendations, the New South Wales Government has decided to proceed with deregulation of the electricity market.

The bill before the House will remove the requirement for IPART to regulate retail electricity prices and will make consequential amendments to the State's energy legislation to remove references to retail electricity price regulation. As a result, retailers will no longer be required to offer customers regulated retail electricity prices. Electricity deregulation will not degrade customer protections. The regulation of retail prices only provides an effective form of protection for customers in markets where competition is not effective, and where individual retailers can exert their

market power and influence prices. As the AEMC has made clear, this is not the case here in New South Wales.

Importantly, retail price regulation does not prevent price increases, and this has been seen through the double-digit electricity price rises over the past few years. Quite simply, retail price regulation does not provide effective protection for customers in a competitive market.

An effective and competitive market provides the strongest protections and lowest prices for customers, and this is what this historic reform delivers. Importantly, electricity deregulation will reduce red tape and the administrative burden this imposes on retailers. This means that the cost of this red tape will no longer be passed onto consumers, placing further downward pressure on electricity bills.

Electricity deregulation will also further encourage competition in our State. Retailers have advised that they will be able to offer customers new, innovative and more competitive electricity offers.

In addition, as I mentioned earlier, electricity deregulation will encourage new retailers to enter the New South Wales market, further enhancing competition and providing customers with increased choice.

The Government is proceeding with electricity deregulation because evidence has shown there is strong competition in the New South Wales electricity market. To keep an eye on the level of competition in the New South Wales market, the bill provides for the appointment of a Market Monitor. This Market Monitor will scrutinise and report annually on the competitiveness and effectiveness of the retail electricity market. This will ensure that any problems arising in the market can be addressed early so that customers will not be subject to unfair pricing.

The Government has nominated IPART as the Market Monitor. IPART has the experience in the New South Wales electricity market and as such is considered an appropriate body to monitor the market in its transition away from retail price regulation. To ensure that the competitiveness of the market is reviewed in a comprehensive manner, IPART will assess the extent to which customers are engaged with the market and the measures retailers are taking to attract and retain customers. The Market Monitor will also look at whether there are any barriers preventing retailers from entering or exiting from the market. The Market Monitor will consider the movements of electricity prices and product diversity in the market to determine whether these movements are typical of competitive markets.

The bill also provides the New South Wales Government with the power to request IPART to conduct a "special review" if necessary. The special review will include a detailed review of retail prices and profit margins in NSW, and whether these reflect a competitive market. The Minister for Resources and Energy is charged with the responsibility of requesting a "special review" if required, and may request the Market Monitor to consider other matters should there be additional concerns. This provides an additional layer of customer protection as the Market Monitor acts as a "watchdog" over the market. If these special reviews highlight any concerns with the competitiveness of the market, the Government will take swift action.

In making the transition to a market free of retail electricity price controls, customers will not face any disruption or be required to do anything extra to maintain access to the supply of electricity. Customers on regulated contracts will automatically transition to standard retail contracts. The terms and conditions of these contracts will be exactly the same as those under the regulated contracts. If customers were on a payment plan, or subject to a hardship policy, then these protections will automatically continue to apply to their new contracts. In fact, the only changes most customers will notice in the move to a market free of retail price regulation will be a reduction in their electricity charges.

Under this reform, the Government has ensured that most customers moving to the transitional tariff will receive a 1.5 per cent decrease compared to the regulated price. This is the first time in more than a decade that customers on the regulated price will experience a decrease, an achievement for which this Government is rightly proud.

Importantly, customers are not required to remain on the transitional tariff and have the option of shopping around for a better deal at any time. In many cases, regulated offer customers may be able to save hundreds of dollars a year by switching to a competitive market offer. Indeed, in its 2013 report on the competitiveness of the New South Wales market, the AEMC highlighted that most families could save \$300-\$400 off an average annual household electricity bill. The bill will also make consequential amendments to the New South Wales Electricity Supply Act 1995 to remove references to "regulated offer customers" and related terms.

The bill will also preserve the eligibility of Solar Bonus Scheme customers to ensure that these customers continue to receive scheme payments until the closure of the Scheme in 2016.

An additional safeguard in the national framework is the "standing offer" price. This is a default price, set individually by each retailer, which they are required to offer to customers. Standing offer prices have intrinsic protections built into them, such as minimum terms and conditions and restrictions on how often the prices can be changed. The bill ensures that customers can choose standing offers with these baseline protections, and is consistent with the national legislation.

I turn now to the second area of amendments. These relate to retail gas price regulation. In its report on competitiveness in New South Wales energy markets, the AEMC also reviewed the effectiveness of competition in the New South Wales retail gas market. The AEMC found that while competition was effective in some sections of the retail gas market, some regional areas did not show effective levels of competition. Overall, competition in the retail gas market has not evolved to the extent that it has in the retail electricity market. The Government is committed to ensuring strong and effective protections are available for New South Wales customers. For this reason, the Government will not remove retail gas price regulation.

Consultation with industry, consumers, regulators and Government bodies was a key part of the AEMC's review of competition in New South Wales. Submissions were received from industry groups, consumer groups and the New South Wales Energy and Water Ombudsman. This feedback and ongoing consultation informed the bill before the house today. In addition, public forums were held throughout the State and stakeholder working groups were convened to canvass different issues. The information gathered from this consultation played a key role in the development of the policy positions underpinning this bill.

As I mentioned earlier, the shift to a deregulated electricity market has been in train since the former government first entered the Australian Energy Market Agreement in 2004. We are finalising this process, and delivering on the commitment to reform this market and empower New South Wales customers. Households and businesses in New South Wales will benefit from more retailers and more innovative energy offers in the market.

The bill before the House delivers on the New South Wales Government's commitment to place downward pressure on energy prices. It delivers on the Government's commitment to maintain best practice consumer protection in the energy market. And it delivers on the Government's commitment to deliver a more competitive and innovative electricity market, for the benefit of the people of this State.