

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

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Bill introduced on motion by Mr Anthony Roberts, read a first time and printed.

Second Reading

Mr ANTHONY ROBERTS (Lane Cove—Minister for Resources and Energy, and Special Minister of State) [7.55 p.m.]: I move:

That this bill be now read a second time.

The Energy Legislation Amendment (Retail Price Deregulation) Bill 2014 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 bill 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 when customers were given one choice and one price. A further 33 companies are licenced to operate in New South Wales and are expected to enter the market as a result of this magnificent 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 the Independent Pricing and Regulatory Tribunal were to set average regulated prices that 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 marketplace. 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 Australian Energy Market Commission consulted extensively with households, small business holders, consumer groups and industry. The Australian Energy Market Commission found that competition is sufficiently developed in the New South Wales electricity market to justify removing retail price regulation. Based on the Australian Energy Market Commission's recommendations, the New South Wales Government has decided to proceed with deregulation of the electricity market. This bill will remove the requirement for the Independent Pricing and Regulatory Tribunal 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 provides an effective form of protection for customers only in markets where competition is not effective and where individual retailers can exert their market power and influence prices. As the Australian Energy Market Commission [AEMC] has made clear, that is not the case in this great State. 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 caused by Labor. To put it simply, retail price regulation does not provide effective protection for customers in a competitive marketplace.

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

I am pleased to announce that the Government has nominated the Independent Pricing and Regulatory Tribunal [IPART] as the Market Monitor. The Independent Pricing and Regulatory Tribunal 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, the Independent Pricing and Regulatory Tribunal 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 the marketplace. 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 the Independent Pricing and Regulatory Tribunal to conduct a special review if necessary. The special review will include a detailed review of retail prices and profit margins in New South Wales, 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. Members opposite have written me a note asking me to ask where the Leader of the Opposition is. He was responsible for 20 per cent increases in price on his watch. 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 Australian Energy Market Commission highlighted that most families could save between \$300 and \$400 on 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 they 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 Australian Energy Market Commission also reviewed the effectiveness of competition in the New South Wales retail gas market. The commission 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 that strong and effective protections are available for all New South Wales customers. For that reason the Government will not remove retail gas price regulation. Consultation with industry, consumers, regulators and government bodies was a key part of the commission'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 said 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 the process, and we are 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 marketplace. The bill 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. Importantly, it delivers on the Government's commitment to deliver a more competitive and innovative electricity market for the benefit of

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the people of this great State. I commend the bill to the House.

Debated adjourned on motion by Mr Ron Hoenig and set down as an order of the day for a future day.