

**Submission
No 233**

INQUIRY INTO ELECTRICITY SUPPLY, DEMAND AND PRICES IN NEW SOUTH WALES

Organisation: Meridian Energy Australia Pty Ltd

Date received: 5 December 2017



meridian

Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

5 December 2017

Legislative Council Select Committee
Electricity Supply, Demand and Prices in New South Wales
Parliament of New South Wales
6 Macquarie Street
Sydney NSW 2000

By email: electricitysupply@parliament.nsw.gov.au

Dear Committee Members

Inquiry into Electricity Supply, Demand and Prices in NSW

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group) thank the New South Wales (NSW) Legislative Council's Select Committee on Electricity Supply, Demand and Prices in NSW (Committee) for the opportunity to provide comments in relation to its inquiry into electricity supply, demand and prices in NSW.

MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as Powershop Australia, an innovative retailer committed to providing lower prices for customers which recognizes the benefits for customers of a transition to a more renewable-based and distributed energy system.

Due to our commitment to achieving positive long-term customer outcomes we welcome this inquiry with its focus on energy affordability and the impact of industry and government actions on such affordability.

As a relatively new entrant who has invested over a billion dollars in the Australian energy market, we have a clear understanding of some of the challenges that are currently delivering such disappointing outcomes for customers.

In our view, there are three key contributors to the current state of the market which are adversely impacting customers and in particular, vulnerable customers.

1. Regulatory uncertainty leading to lack of investment

Australia's changing energy requirements requires a continued level of significant investment in new generation, enhanced customer experiences and network redevelopment. Unfortunately, over the past 10 years, there has been a lack of policy certainty in relation to emissions reductions, fuel supply and the applicable regulatory frameworks. This has led to a significant lack of investment in new generation whether renewable or otherwise as well as a lack of maintenance of existing generation.

As a consequence, as older generators have retired there has been insufficient replacement generation to ensure that there is adequate competition amongst generators to drive lower prices. It is this changing supply-demand balance which has led to the significant increases in wholesale prices in NSW (exacerbated by the increase in underlying fuel costs of both gas and coal).

While this has been the predominant narrative in the energy market over the past decade there are promising signs of a commitment to greater policy certainty. In particular, the COAG Energy Council's adoption of almost all of the recommendations of the Finkel Review and its agreement to investigate further the Energy Security Board's recommendation for a national energy guarantee.

The Committee should support these initiatives which have the genuine potential to drive significant new investment in the market and deliver the certainty that will lead to lower prices for customers.

However, while partial retail price regulation has been considered by Victoria, in our view, such a step would stifle investment in generation by both vertically integrated and new players, and so would simply exacerbate the supply problem. Rather, we would recommend focusing on supply, transparency and efforts to improve simplicity.

2. Inadequate disclosure of contractual rights leading to customer confusion

Confusing and inappropriate retailer behaviour is endemic in the Australian energy retail market. Such behaviour is not seen in any other competitive markets to the same extent. Examples of this behaviour include charging loyal customers significantly more than new customers, providing confusing information which makes it difficult for customers to confirm they are on the best available deal for them and fixed benefit periods which leave customers worse off after signing up to an “attractive” offer.

Powershop is proud to make the same offer available to all customers within a distribution region at all times.

We believe that customers would benefit from clearer disclosure of what their current offer provides and the consequences of the expiry of any fixed benefit period. We note the recent rule change initiated by the Hon Josh Frydenberg MP is a definite step in the right direction which has the potential to significantly improve customer outcomes.

We encourage the Committee to support these initiatives and to recommend that any positive consumer outcomes be monitored with a view to adjusting the regulatory framework if required.

We also believe that reducing the regulatory burden on retailers while increasing expected regulatory outcomes (particularly in relation to customer disclosures) could significantly assist in reducing confusion in the market. Avoiding unnecessary repetition of regulatory obligations should be considered and wherever possible the use of the national scheme to impose obligations should be preferred.

3. Complex concession support arrangements

The concession support arrangements in NSW are complex, difficult to administer and confusing for customers to navigate. We believe NSW should consider adopting a model similar to that utilised in Victoria for concessions. In particular, the use of a fixed percentage calculation would assist concession and rebate customers to meet high energy bills.

While there is always more that can be done in managing hardship customers, Powershop is pleased to see a significant investment of time and focus in this area from the Australian Energy Regulator and we believe that the new principle-based approach is likely to deliver much better customer outcomes.

In conclusion, it is Powershop’s strong recommendation that the best thing that the Committee can do to benefit customers long term is to support greater investment certainty, improved clarity for customers, and less complex and more effective concession arrangements.

If you have any further questions please feel free to contact me.

Yours sincerely

Ed McManus
Chief Executive Officer
Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd