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words.

**The Research Director
State Development, Infrastructure and Industry Committee
Parliament House
George Street
Brisbane QLD 4000**

30 June 2014

By email: sdiic@parliament.qld.gov.au



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Dear Sir/Madam,

Submission No. 009 11.1.20

AGL welcomes the opportunity to make a submission to the State Development, Infrastructure and Industry Committee regarding the Electricity Competition and Protection Legislation Amendment Bill 2014 (**Market Monitoring Bill**) and the National Energy Retail Law (Queensland) Bill 2014 (**NECF Bill**). AGL is a significant retailer of energy with around 3.8 million electricity and gas customers located in Queensland, New South Wales, South Australia and Victoria.

Submission No. 007 11.1.21

Market Monitoring Bill

AGL supports the Queensland Government's move to deregulate retail electricity prices in Queensland, and transition instead to a regime of market monitoring as occurs in Victoria, South Australia and, shortly, in New South Wales. Deregulating retail electricity prices will provide the market with greater scope and flexibility to develop innovative product and service offerings that meet customer demands at cost-reflective prices. Further, without sub-economic and distortionary regulatory price settings and risks, a greater number of retailers can be expected to enter the Queensland market, thereby applying additional pressure on existing retailers to enhance operational efficiencies and so the competitiveness of their offerings.

AGL notes that, pursuant to the Market Monitoring Bill, market monitoring and reporting and potentially further competition reviews will be conducted by an 'appropriate entity' such as the Queensland Competition Authority (**QCA**). AGL recommends that the details of both processes (e.g. what is measured, and how it is measured) be consulted upon with industry to ensure that:

- 1) 'market success', and the evidence and metrics to be focussed on in assessing this, are carefully considered and clearly articulated;
- 2) market monitoring provides a realistic and informative view of the status of the southeast Queensland retail market; and
- 3) the scope of any further competition review is clearly understood so that the 're-regulation triggers' are transparent and policy and regulatory uncertainty is minimised.

AGL understands the rationale for initially conferring responsibility for market monitoring and reporting on the QCA which, as the current Queensland energy regulator, has extensive experience with and a strong understanding of the local market. However, we note that the Australian Energy Market Commission (**AEMC**) is also tasked with conducting and publishing an annual NEM-wide assessment of the state of retail energy market competition. Further, upon the adoption of the National Energy Customer Framework (**NECF**), the Queensland retail market will be captured by the Australian Energy Regulator's (**AER**) performance and compliance monitoring regime. Given the breadth of the AEMC's and AER's monitoring responsibilities, it may be appropriate and more efficient to eventually phase-out the QCA's own monitoring role.

AGL also endorses the Queensland Government's decision to retain the existing scheme of concessions and rebates via the continuance of energy retailers' community service obligations. This, together with the adoption of NECF, will ensure that Queensland consumers remain well protected during and after the transition to a deregulated electricity pricing environment.



NECF Bill

AGL supports the move by the Queensland Government to adopt the NECF. The NECF represents a clear and comprehensive framework that, upon its adoption, will enhance the customer protections enjoyed by Queensland energy consumers. Some retailers, including AGL, implemented many of the consumer protections afforded by the NECF at the time the package was first introduced in 2012. However, the formal adoption of NECF will ensure that all customers will be able to access these protections, whichever retailer they purchase their energy from.

Further, as each additional State joins the national regime, the transaction costs associated with cross-jurisdictional compliance for existing national retailers and barriers to new market entrants are reduced. This, together with the proposed removal of electricity price regulations in South East Queensland, should increase retail competition in the State and ultimately lead to better outcomes for consumers with regard to choice, price, product offerings and customer service. The existing experience of some retailers operating within the NECF should promote a smooth transition in Queensland to the new regime.

The fewer the jurisdictional modifications when adopted, the greater the benefits of pursuing a nationally consistent regime are expected to be. In this regard, we are pleased that the Queensland-specific modifications aimed at easing the transition of standard retail contract customers in South East Queensland to a deregulated pricing environment are proposed to apply on a transitional basis only.

We note that a number of additional modifications to the application of the NECF in Queensland are intended to be applied via subordinate legislation following the passage of the NECF Bill. We have previously expressed a view that prevailing market forces and the existing incentives of market participants are likely to achieve many of the outcomes being sought by these proposed modifications (for example, ensuring customer access to flexible payment arrangements and awareness of available concessions). As such, we consider it appropriate that the proposed legislated review of the operation of the NECF in Queensland, to occur before January 2018, will assess the impact and efficiency of these modifications and whether the same outcomes could be achieved without this additional regulation.

The Queensland Government has also signalled its intention to apply provisions that will give Queensland consumers access to 'Energy Made Easy', the comparator website operated by the AER. This can be seen as an important companion piece to the introduction of NECF and the proposed deregulation of electricity prices in South East Queensland as it will assist consumers to more easily compare available offers and thereby take full advantage of the benefits of increased competition in retail energy. Given its importance in this process, AGL suggest that the Queensland Government engage with the AER to ensure that the 'Energy Made Easy' website meets its expectations with regard to content and timeliness.

Finally, we commend the Queensland Government in acting early to legislate the reforms set out in the Market Monitoring Bill and the NECF Bill so that industry has sufficient time for readiness activities and, together with the Queensland Government, to communicate the upcoming changes to consumers.

Should you have any questions in relation to this submission please contact Eleanor McCracken-Hewson, Senior Regulatory Advisor, on (03) 8633 7252 or at EHewson@agl.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul', with a large, sweeping flourish above it.

Professor Paul Simshauser
Chief Economist