WHAT CHOICE CONSUMERS?

National Energy Efficiency Conference 2017

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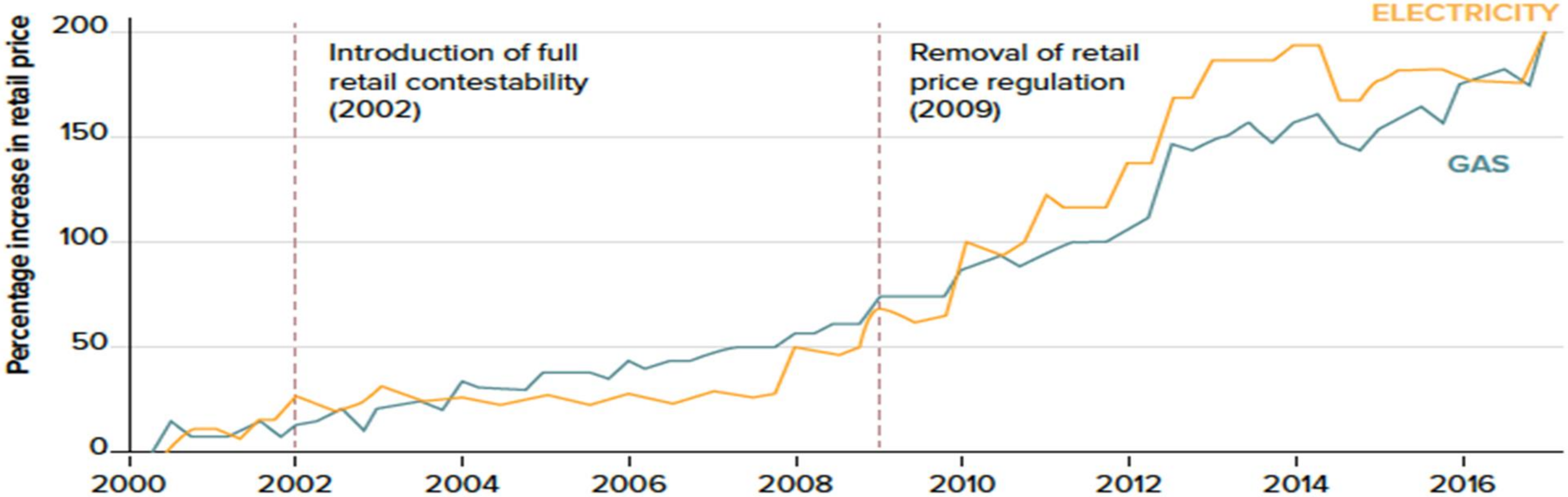
INDEPENDENT REVIEW OF THE ELECTRICITY
AND GAS RETAIL MARKETS IN VICTORIA

21 November 2017

Victorian electricity and gas price rises since 2002

Figure 4 Victorian electricity and gas price index 2000–2017, %

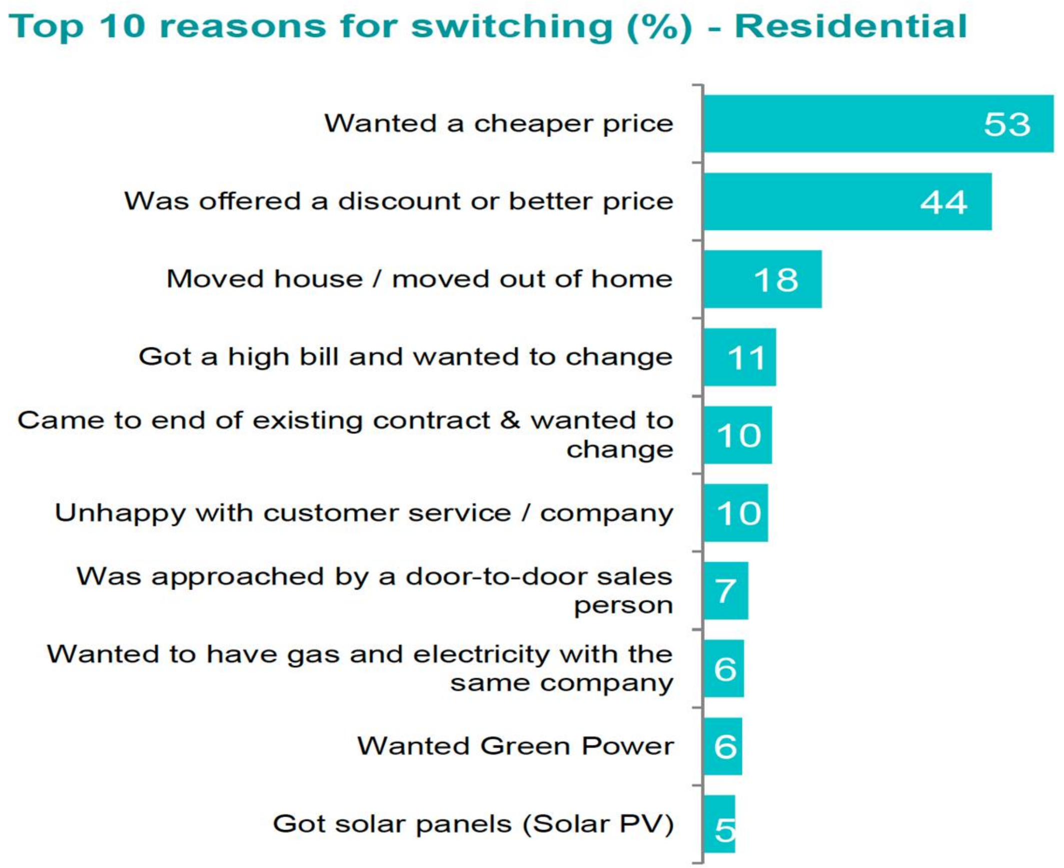


Source: Review analysis of data sourced from the Australian Bureau of Statistics (ABS). The retail price index is calculated from ABS Consumer Price Index (CPI) figures. The CPI calculates the prices using retailers' standing offers.

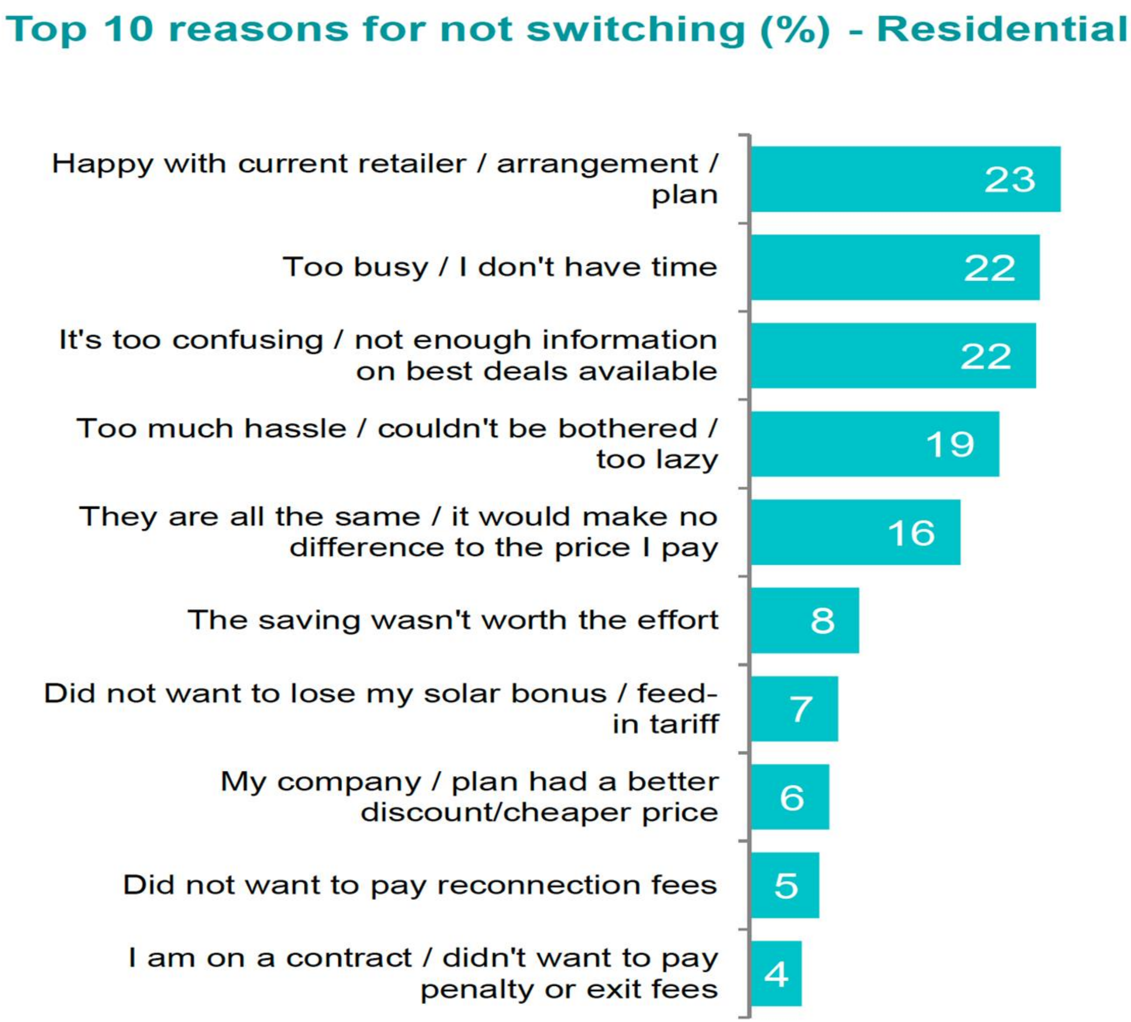
Many ‘choices’

What consumers want

Why consumers switch – cheaper prices/discounts



Why consumers don't switch



Consumers are confused

ROUGHLY HALF OF VICTORIAN CONSUMERS SURVEYED THOUGHT THEY WERE ON A CONTRACT OR PLAN

Study participants were asked whether they were currently on any kind of contract or plan for their electricity or gas service. It is important to note that this is a perception-based measure and this terminology is used instead of "market offer" and "standing offer" because we know from numerous other studies that consumers are not familiar with the latter terms. The results are in no way intended to provide a measure of the proportion of consumers that are actually on a market or standing plan / contract.

The fact that only around half of those surveyed thought they were on any kind of contract or plan illustrates some of the confusion and lack of understanding about the energy market that exists among consumers.

Base: All participants (Residential n=2,180, Business n=651) Has mains gas (Residential n=1,821, Business n=347)
Q3/5. Are you currently on any kind of contract or plan for your electricity/gas service?

What consumers are getting

Consumers are not getting the best offers
(or even close)

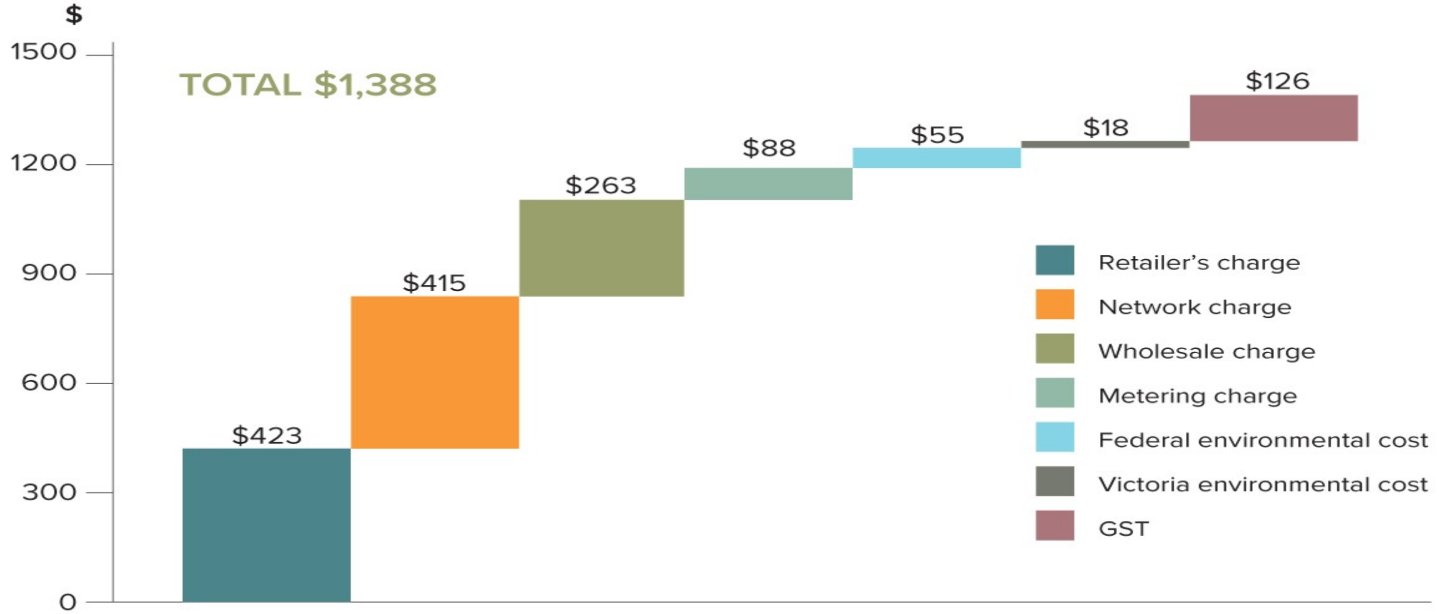
Figure 24 Savings that could be achieved if consumers switched electricity offers

Source: Based on CME electricity analysis, Figure 42, p. 77

What consumers are paying

Cost components of average bill

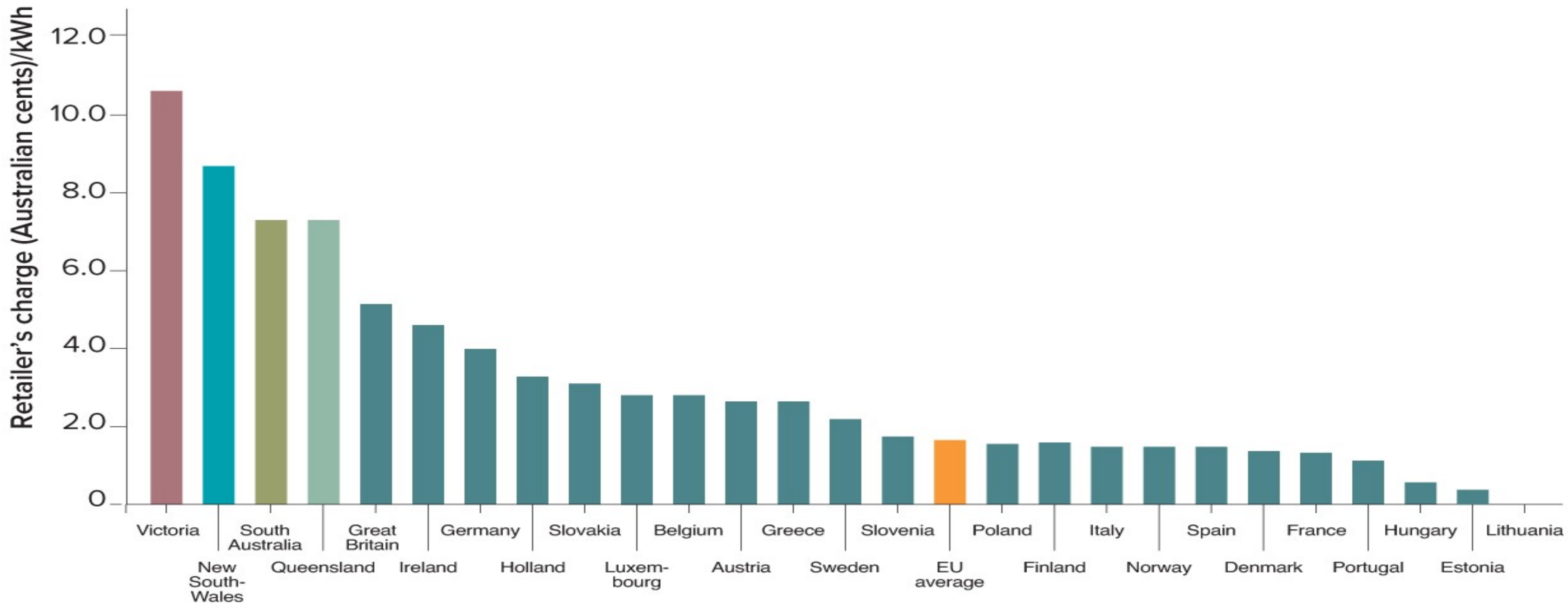
Figure 19 Residential bill disaggregation based on average bill from sample (4 MWh)



Source: Based on CME electricity analysis, Figure 30, p. 63

Comparison of retail charge

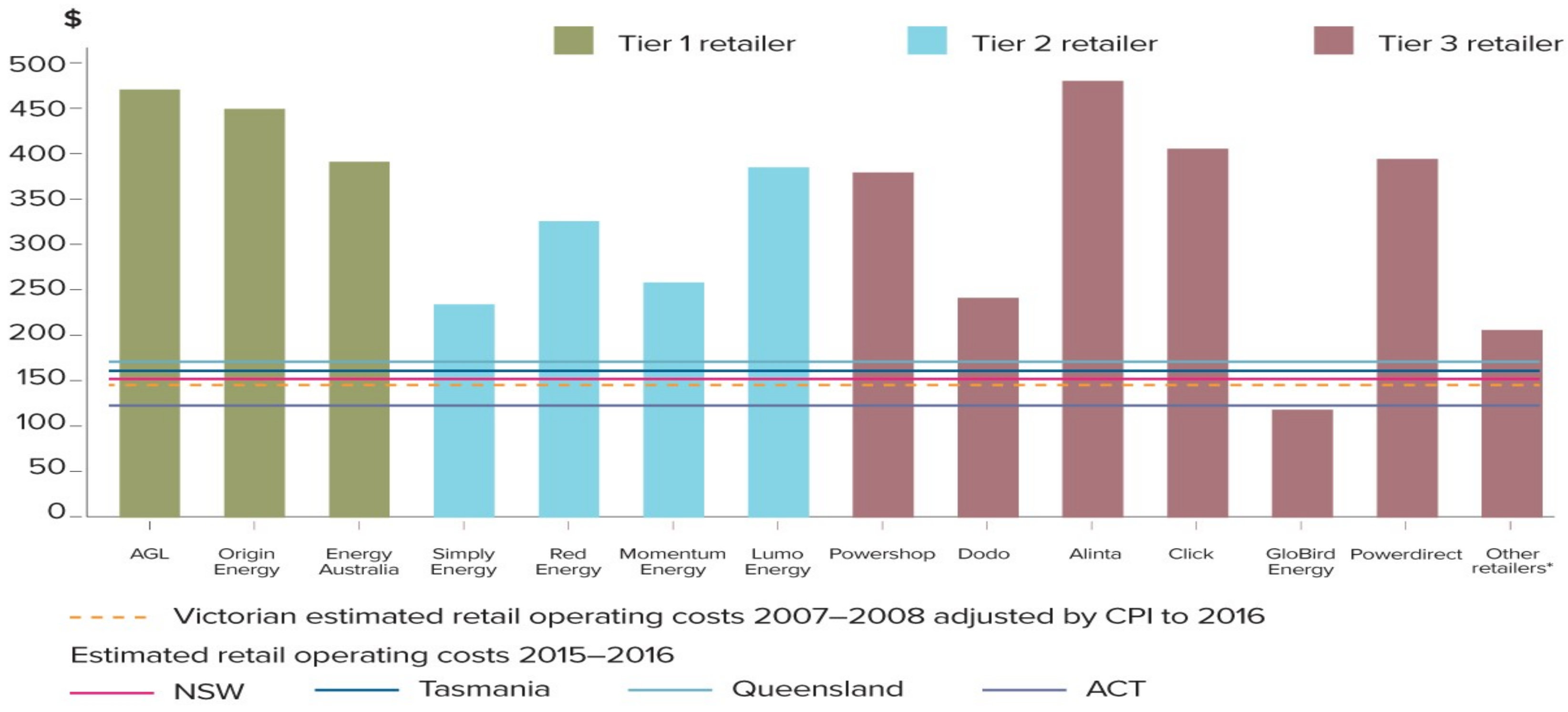
Figure 20 Interstate cross country comparison of retailer charges for their retail services, to residential customers (cents per kWh



Source: Based on CME electricity analysis, Figure 35, p. 68

Retail charge of different retailers

Figure 21 Victorian average retail charges by retailer, compared with estimated retail costs in Qld, Tas, ACT and NSW ($ 2016)

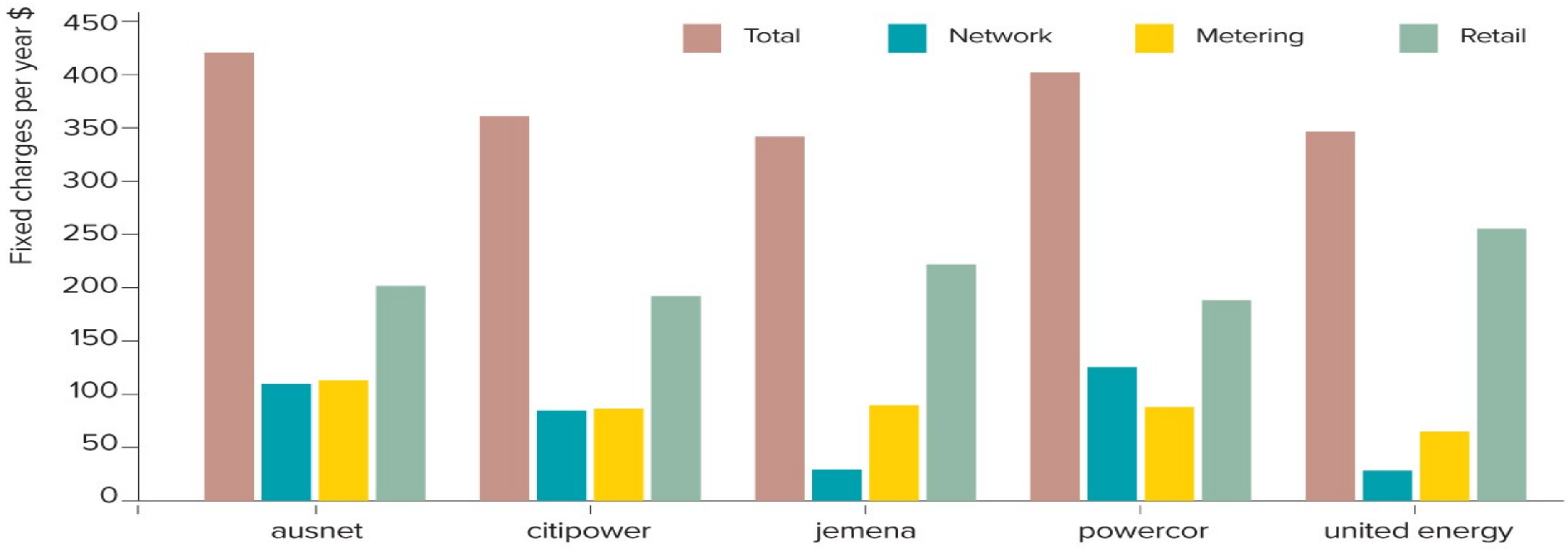


Source: Based on CME electricity analysis, Table 16, p. 66; and Jacobs analysis, Table 3, p. 30

How the energy market constrains consumer choice

High retail fixed charges

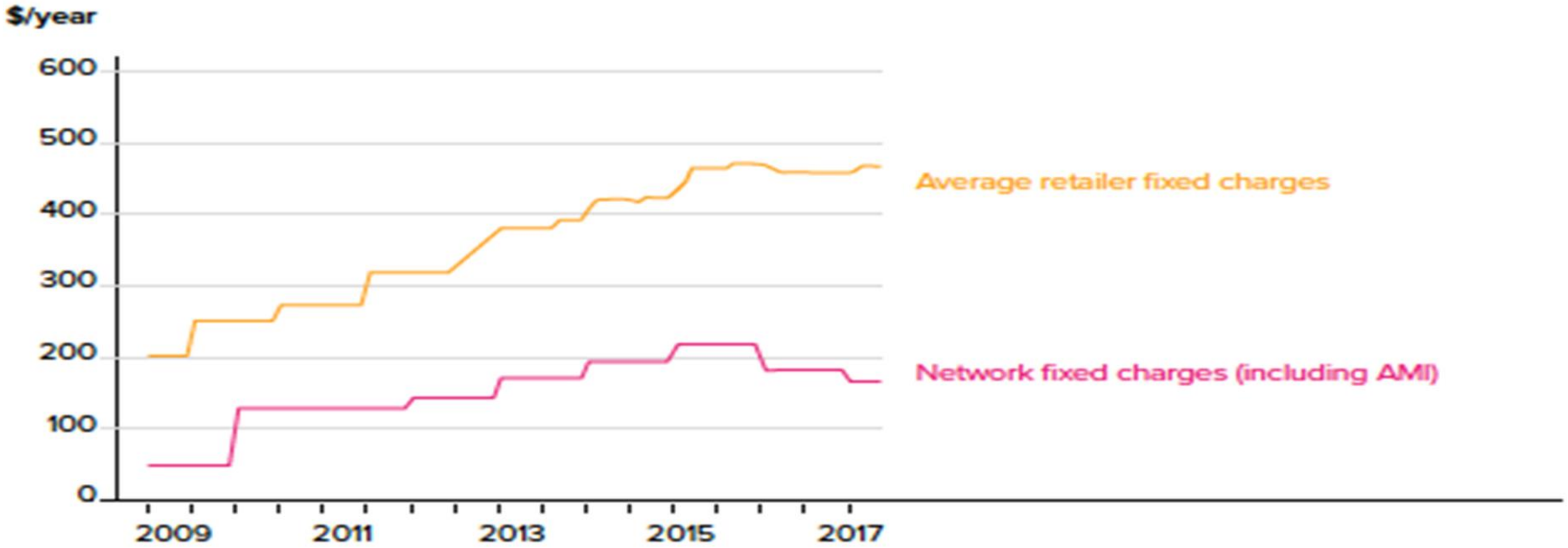
Figure 22 Annual fixed retail, fixed network and metering charges, bill data



Source: Based on CME electricity analysis, Figure 23, p. 50

Retail fixed charges increasing faster than Network

Figure 13 Fixed retail charges vs fixed network charges, average Victorian residential customer, 2009-2017



Source: Based on Jacobs analysis, Figure 11, p. 24

Industry practices constrain real choice

Discounting practices

Benefit and contract periods

Tariff structures

Customer acquisition and retention strategies

Why the market is failing

Customers cannot exit the market

The costs of competition

Structure of the market

Energy hard to track and visualise

RECOMMENDATION
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1 BASIC SERVICE OFFER

3 MARKETING INFORMATION ON PRICE TO BE COMPARABLE

4 CONTRACT PERIODS CLEAR AND FAIR

5 PROMOTE ACCESS TO SMART METER DATA

7 BROKERAGE ON BEHALF OF LOW INCOME CUSTOMERS

8 MONITORING THE MARKET