



Consumer confidence in energy retailers drops to new lows

Electricity bill-shock and lack of trust in energy retailers are driving Australians to take control of their energy bills by generating their own electricity with rooftop solar.

The Australian Energy Market Commission's (AEMC) 2018 National retail energy competition review finds higher prices combined with complex and confusing energy offers have driven consumer confidence to new lows.

Only one in four consumers now say energy retailers are working in their long-term interests, down 10 per cent from last year.

Satisfaction with value for money in energy is lower than banking, water, broadband and mobile sectors. Energy is the only sector to have had decreased satisfaction over the past year.

Trust in the energy sector has dropped from 50 per cent in 2017 to 39 per cent in 2018.

AEMC Chairman, Mr John Pierce AO, said while competition in the retail energy sector continues to evolve, it is currently not delivering the expected benefits to consumers.

Retailers on the whole have been slow to help their customers better.

"There are more energy entrepreneurs operating in the market, and greater savings on offer with increasing numbers of consumers switching plans and accessing new technology," Mr Pierce said.

"But in the 12 months since our last report we have seen retail electricity prices rise following the closure of Northern and Hazelwood generators and higher gas commodity costs.

"While prices are now flatter or falling we are disappointed to see retailers are still not doing enough to help their customers.

"Complex pricing plans, conditional offers, discounts from bases that vary by retailer, and an increasing trend towards discretionary win-back marketing have created consumer confusion and dissatisfaction.

"Retailer inertia and a lack of transparency have emerged as significant barriers preventing consumers gaining the maximum benefits possible in terms of prices and services," Mr Pierce said.

"Reforms are on foot to enable and support innovation in both technology and pricing. There is nothing preventing retailers from being more innovative and cost competitive, but they have been slow to act with only marginal price and tariff changes happening. "

Mr Pierce said consumers who can, are opting for "do-it-yourself" rooftop solar

People are adopting new technologies to source their own energy as solar PV becomes more financially beneficial for households and small businesses.

There were 154,877 residential solar PV installations in 2017, an increase of 25 per cent from 2016, with 1.8 million Australian households now using solar panels.

This is expected to continue, with solar costs forecast to decline further.

This is good news for those who are able to engage with market transformation and take matters into their own hands. At the same time it risks increasing costs for those who are unable to make those changes and have to stay on the traditional energy supply model.

Consumers are saying loud and clear they need retailers to do more

It's imperative that appropriate consumer protections are in place, and that retailers do more to actively promote them, so vulnerable consumers and small businesses are not left behind.

Consumers are saying loud and clear they need retailers to do more.

Mr Pierce said concern about retailer behaviour was driving an increase in the number of rule requests to the Commission to protect consumers.

We have already made new rules which:

- Prohibits retailers from offering confusing retailer discounts that leave consumers worse off. The new rule starts on 1 July 2018.
- Requires retailers to notify their electricity and gas customers when contract benefits like a discount, are about to end or change. This rule started in February 2018.

The Commission is currently considering a number of new rule requests which would: enable consumers to read their own meters to improve accuracy and reduce bill shock; set minimum time frames for new smart meters to be installed; provide advance notice of price changes and improve hardship provisions to protect the community's most vulnerable consumers

In response to the report's findings and consumer research, further recommendations are released today to improve trust and transparency and overcome retailer inertia including:

- reviews of consumer protection measures
- increased transparency of important market data on small businesses and wholesale contract market liquidity
- increased transparency requirements for commercial comparison sites.

KEY FINDINGS

Competition continues to develop

- The market share of the big 3 retailers has continued to decline, but still remains around 75 per cent in most jurisdictions, except for Victoria where it is around 60 per cent.

Both satisfaction and confidence in the energy market are down following wholesale energy price rises from 1 July 2017

- Consumer confidence that the market is working in their long-term interests fell by 10 points to 25 per cent.
- Confidence in the information available to them fell seven points to 50 per cent.
- Consumers own ability to make choices about the energy market fell 11 points to 58 per cent.
- Satisfaction with the level of competition fell six points to 43 per cent, and value for money fell by four points for both electricity and gas to 44 per cent and 60 per cent respectively.
- Satisfaction with the level of customer service was up 3 points for electricity to 61 per cent and down by 1 point for gas to 66 per cent.

Discounting remains the predominant way of competing

- The high level of discounts is an issue because they are not from a standard base across retailers, and penalties can be a significant if conditions are not met.
- Across the 5,940 electricity and gas market offers in March 2018 in the national electricity market, 57 per cent have at least one conditional discount and 25 per cent have at least one unconditional discount. It's difficult for customers to understand the significance of one retailer's discounting level compared to others.

Consumers are taking matters into their own hands and adopting new technology

- Across all markets, a strong majority say they would be willing to reduce their energy usage if they received an incentive to do so. Retailers are able to provide such incentives schemes, but most do not.

More people are investing in or considering solar PV, batteries and other options to reduce usage and improve efficiency

- More consumers are switching retailers and are using comparator websites to help navigate the complexity of the market. Commercial comparator sites can help people navigate the market but could be more transparent about the number of offers they compare.
- Switching rates are highest in Victoria (27 per cent) and South East Queensland (25 per cent). The switching rate in New South Wales is 19 per cent, South Australia is 16 per cent, and the Australian Capital Territory is six per cent.
- In all jurisdictions, the savings to be made from switching from the median standing offer to the cheapest market offer increased for the representative consumer:
 - In electricity the savings were: South Australia \$832, Victoria \$574-\$652, South East Queensland \$504, New South Wales \$365-\$411, Australian Capital Territory \$273.
 - In gas the savings were: Victoria \$690-\$751, Australian Capital Territory \$192, New South Wales \$177-\$185, South Australia \$108-\$161, South East Queensland \$31-\$45.
- More people are investing in or considering solar PV, batteries and other options to reduce usage and improve efficiency.
- Between 41 per cent and 62 per cent of consumers across the National Electricity Market either have already installed, or are considering investment in solar panels.
- Between 24 per cent and 46 per cent are considering installing batteries in the next 12 months.

Background to the annual review of retail energy competition

The 2018 AEMC Review of National Retail Energy Competition looks at the state of retail competition for small electricity and gas customers. It shines a light on what is working, what isn't, and what needs to change. It covers jurisdictions in the National Electricity Market: Queensland, New South Wales, Australian Capital Territory, Victoria, South Australia and Tasmania. We use a number of measures to determine whether consumer needs are being met, looking at the choices they have, the level of service they receive, whether they are getting value for money and what is happening when things go wrong.

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