

NOTICE

Australian Energy Markets Commission Draft Statement of Approach Paper on Effectiveness of Retail Competition

The Economic Regulation Authority wishes to advise interested parties that the Australian Energy Markets Commission (AEMC) released a Draft Statement of Approach in relation to the approaching reviews of the effectiveness of competition in the gas and electricity retail markets.

The AEMC is currently preparing advice to the Ministerial Council on Energy (MCE) regarding the proposed public consultation process and the factors to be considered in assessing the effectiveness of competition.

The Draft Statement of Approach is aimed at seeking feedback from interested parties on the AEMC's proposed approach to the reviews. The comments received on the Draft Statement of Approach will assist the AEMC in the preparation of its advice to the MCE.

Submissions on the Draft Statement of Approach should be addressed to the AEMC before 10 April 2007.

Background

Under the Australian Energy Market Agreement (AEMA) dated 2 June 2006 the MCE Ministers agreed that the AEMC will be requested to review the effectiveness of retail competition in electricity and gas retail markets in each jurisdiction (except Western Australia). The Economic Regulation Authority of Western Australia is responsible for undertaking a similar review in Western Australia.

Scope and purpose of retail competition reviews

The purpose of the retail competition reviews by the AEMC is to provide advice to each jurisdiction on the appropriateness of retaining, removing or reintroducing retail energy price controls in the electricity and gas retail markets in that jurisdiction.

The scope of the advice to be provided by the AEMC to the jurisdictions is to include:

- an assessment of the effectiveness of competition in the electricity and gas retail markets; and
- recommendations on ways to phase out price controls if competition is found to be effective; or
- recommendations on ways to promote competition where competition is found to be less than effective.

Criteria for the assessment of competition

At its meeting on the 27 October 2006, the MCE Ministers finalised criteria that will form the basis for the impending AEMC assessments of the effectiveness of competition in jurisdictional retail energy markets. In undertaking the assessments the MCE has agreed that the AEMC should apply the following criteria determined under Clause 14.11(a)(i) of the AEMA:

- independent rivalry within the market;
- ability of suppliers to enter the market;
- the exercise of market choice by customers;
- differentiated products and services;
- prices and profit margins; and
- customer switching behaviour.

The Authority has been asked to coordinate with the AEMC in developing a methodology.

The timetable for the reviews is currently under consideration by the MCE.

Further information can be found at the AEMC [web site](#).

For further information contact:

General Enquiries

Mr Robert Pullella
Executive Director Competition, Markets
and Electricity
Ph: 61 8 9213 1900
Fax: 61 8 9213 1999

Media Enquiries

Mr Paul Byrne
Byrne & Byrne Corporate Communications
Ph: 61 8 9385 9941
Mb: 0417 922 452

LYNDON ROWE
CHAIRMAN

27 March 2007