



Mr Ian Primrose
Chief Executive Officer
Independent Competition and Regulatory Commission
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Dear Mr Primrose

RE: Retail Prices for Non-Contestable Electricity Customers

Thankyou for the invitation to provide comments on the issues paper 'Retail Prices for Non-Contestable Electricity Customers'.

The Energy Retailers Association of Australia (ERAA) supports the removal of retail price controls in the energy sector. We have established a position paper that outlines the basis under which retailers believe that retail price controls can be removed, while ensuring that vulnerable customers are not excluded from participating in the market. We have attached this paper titled 'Retail Price Regulation and the Protection of Vulnerable Customers', for your reference.

The ERAA believes that the role of the ICRC in undertaking this review is to assess whether effective retail competition exists in the ACT. If the ICRC finds that effective competition exists its recommendation to the Minister should be that no further retail price regulation is warranted.

We note that since the introduction of FRC in the ACT a number of new retailers have entered the market. Importantly, we also note that competitive market based offers are now the norm rather than the exception.

The ACT, as with other jurisdictions, is now in the position where customers are provided with choice of retailer and flexible product offerings, which all point to a well managed and competitive energy market.

The ERAA believes that the key role of the ICRC and the ACT regulatory environment should be to:

- Promote competition in the energy market to ensure efficiency in the supply of energy;
- Achieve an environment that encourages long-term investment for all industry participants;
- Encourage retailer participation in retail supply; and

- Provide regulatory certainty with respect to the treatment of the jurisdictions and national regulatory reform objectives.

We note that in the current MCE process dealing with national regulatory reforms the federal government has requested a commitment from jurisdictions that, over time, retail price caps will be removed. We look forward to understanding the ICRC's views as to how this can be achieved.

Assessing effectiveness of competition

The ERAA believes that it is difficult to get definitive evidence on the level of competition and the assessment of "effective competition", especially since no measures have been designed to date.

In any assessment that the ICRC may undertake we believe that like any other market the focus should be on;

- identifying market failure; and
- removing existing barriers to competition.

We also believe that any attempt to measure the effectiveness of competition can be imprecise and somewhat arbitrary. The presence of customer choice with respect to energy supply arrangements, and ensuring that customers are aware (or can easily become aware) that they have choice are characteristics of a market that protects customers over the longer-term.

The ICRC may also be aware that the Productivity Commission in their report, 'Final Report on the Review of National Competition Policy', also examined the issue of retail price caps and supported the removal of retail price regulation at Recommendation 10.5, where they state;

"In retail infrastructure markets, once effective competition has been established, regulatory constraints on prices should be removed. Ensuring that disadvantaged groups continue to have adequate access to services at affordable prices should be pursued through adequate, well targeted and transparent community service obligations (or other appropriate mechanisms), that are monitored regularly for effectiveness."

Should you have any questions relating to this submission, please feel free to give me a call.

Yours sincerely

[Transmitted electronically]

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