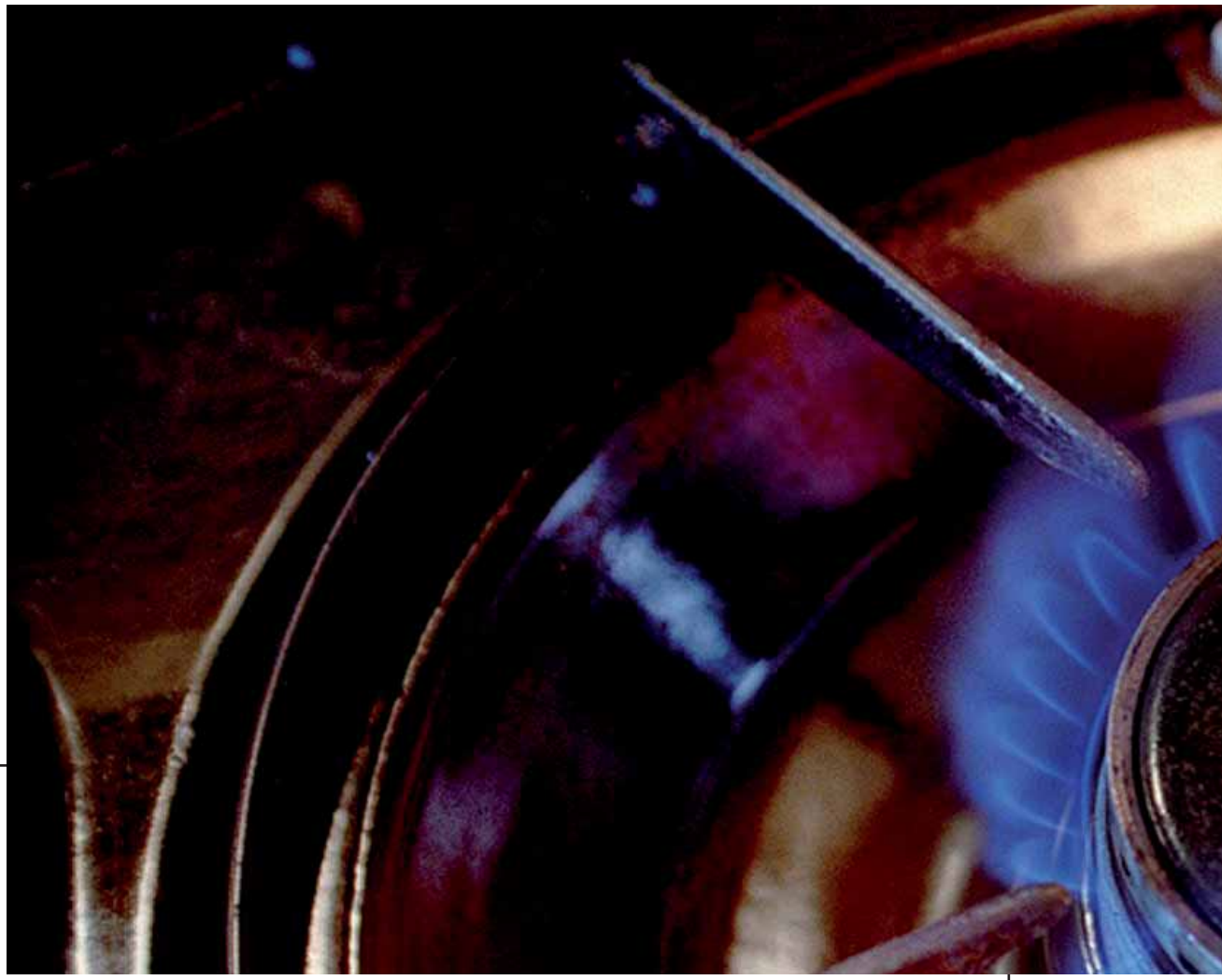
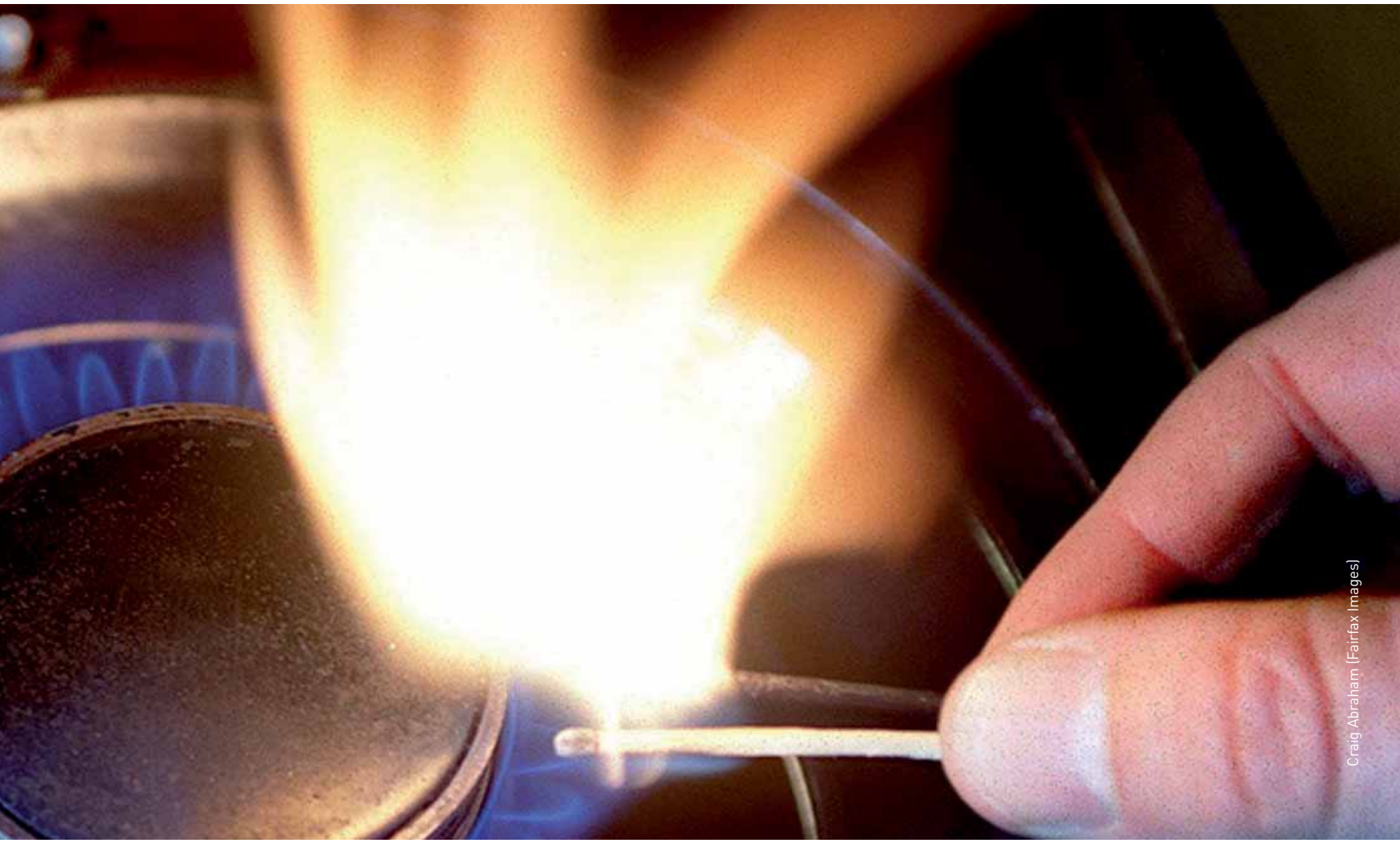


11 GAS RETAIL MARKETS



Retailers contract for gas with producers and pipeline operators to provide a bundled package for on-sale to customers.

11 GAS RETAIL MARKETS

The retail market provides the main interface between the gas industry and customers such as households and businesses. This chapter considers:

- the role of the gas retail sector
- the structure of the retail market, including
- industry participants
- ownership changes over time
- convergence between electricity and gas retail markets
- the development of retail competition
- retail market outcomes, including price, affordability and service quality
- the regulation of the retail market.

11.1 Role of the retail sector

While retailers bundle gas with transport, they are usually not providers of pipeline services. Rather, they provide a convenient aggregation service for gas consumers, who pay a single price for a 'bundled' product made up of the constituent gas, transmission and distribution services.

Retail customers are residential, business and industrial gas users. This chapter focuses on the regulated segment of the market. Regulation applies to the supply of services to 'small customers', those using less than 1 terajoule of gas a year. This includes all residential and small business gas users.

Gas and electricity were traditionally marketed as separate products by separate retailers. In the last few years, regulatory reform and the economics of energy retailing have caused a change in this approach, with a number of energy retailers being active in both gas and electricity markets and offering 'dual fuel' products. A number of factors are driving convergence. By combining billing systems, call centre, marketing and administrative functions, retailers can achieve cost savings. Convergence also enables retailers to bundle gas and electricity offers, which can help attract and retain consumers. Convergence can, however, create hurdles for new entrants, which may also need to offer a broader range of services to win customer share.

Given this trend, this chapter should be read in conjunction with chapter 6, 'Electricity retail markets'. To avoid repetition, some matters canvassed in chapter 6 are discussed only briefly here.

11.2 Gas retailers

Historically, gas retailers in Australia were integrated with gas distributors and operated essentially as monopoly providers in their state or region. Retail service providers represented a mix of both public and private ownership. In Victoria, for example, retail services were fully government-owned and vertically integrated with transmission and distribution services. In South Australia the government owned a 51 per cent shareholding in the distributor/retailer SAGASCO. In New South Wales the privately owned company AGL provided the bulk of distribution and retail services, with the Wagga Wagga City Council providing natural gas services for the Wagga Wagga region.

In the 1990s governments began to implement changes to improve the efficiency of the energy sector through restructuring, privatising and introducing competition. The South Australian Government sold its share in SAGASCO in 1993. Since 1996 New South Wales has applied ring-fencing obligations to integrated gas utilities to operationally separate gas transportation and retailing services and provide a level playing field for all competing retailers. Similar arrangements operate in other states and territories where there are vertically integrated gas businesses.

Victoria restructured, corporatised and privatised its gas retailers between 1997 and 1999. Western Australia followed suit, privatising its state-owned gas retailer in 2000. In 2006–07 Queensland restructured its energy businesses and privatised the gas retail and distribution functions. The combined distributor/retailers in Dalby and Roma remain owned and operated by local government. Tasmania, the Australian Capital Territory and the Northern Territory have opened gas retailing to full competition. The governments of Tasmania and the Australian Capital Territory also maintain some public ownership of gas retail businesses.[1]

There have been significant ownership changes in the gas retail sector. Table 11.1 lists licensed retailers that are currently active in the market for residential and small business customers. Not all licensed retailers are active in the small customer market. Some retailers target only large customers; others may not be active currently but may have been active in the past or may have acquired a licence with a view to future marketing.

The retail players in most jurisdictions include:

- one or more 'local' or 'host' retailers—these retailers are often subject to a range of consumer protection measures that oblige them to offer to supply customers in a designated geographical area according to standard terms and conditions, often at capped prices
- new entrants, including established interstate players, electricity retailers branching into gas retailing and new players in the energy retail sector.

1 The Northern Territory Government has a small ownership interest in gas retailing. The government-owned Power and Water Corporation, through its subsidiary Darnor, has a 2.5 per cent interest in NT Gas.

Table 11.1 **Natural gas retailers active in the small customer market**[1]

RETAILER[2]	NSW	ACT	VIC	SA	TAS	QLD	WA	NT	OWNERSHIP
ActewAGL Retail									ACT Government and AGL Energy
AGL Energy Retail									AGL Energy
Sun Gas Retail									AGL Energy
Alinta									Alinta (67%); AGL Energy (33%)
Aurora Energy									Tasmanian Government
Australian Power & Gas[3]									Australian Power & Gas
Country Energy									NSW Government
EnergyAustralia									NSW Government
EnergyAustralia[4]									NSW Government and International Power
NT Gas Distribution									NT Gas[5]
Centre Gas Systems									Envestra
Option One									Babcock & Brown
Origin Energy									Origin Energy
TRUenergy									China Light and Power
Victoria Electricity									Infratil
Active retailers	8	4	6	4	2	3	1	2	30
Approx. market size ('000 customers)	953.6	94.0	1587.2	368.0	na	137.8	515.4	0.1	3656.1

Host (local or incumbent) retailer New entrant

1. As at 1 April 2007. The list excludes licensed retailers (mainly gas producers and distributors) that are not actively selling to small gas consumers such as BHP Billiton Petroleum, Esso Australia, Santos, CitiPower, Integral Energy, Synergy, Jackgreen, Red Energy and South Australia Electricity. It also excludes licensed LPG retailers and three small retailers (BRW Power Generation (Esperance), Dalby Town Council, Roma Town Council). 2. Some retailers, such as AGL Energy and Infratil, operate under a variety of different trading names. 3. Able to actively trade in Queensland from 1 July 2007. 4. The EnergyAustralia-IPower Pty Ltd Retail Partnership trades under the name of EnergyAustralia. 5. The major shareholder of NT Gas is the Amadeus Pipeline Trust, in which APA Group has a 96 per cent interest.

As at 1 April 2007 there were about 14 gas retailers (operating a total of 30 licences) active in small customer markets in Australia. In the electricity sector there are around 21 retailers (operating a total of 46 licences) active (see also table 6.1). Differences in the level of activity may reflect a range of factors, including market size, profitability, government policy, experience and risk factors. The small customer electricity market is much larger than gas creating more opportunity to compete in this segment of the energy market. Electricity retailers do, however, face risks, such as liquidity problems, that can arise from exposure to a volatile spot market, which can act as a barrier to entry. Similarly, difficulties in contracting for gas and pipeline capacity can affect opportunities to compete in the retail gas and gas-fired electricity generation sectors. In South Australia, for example, pipeline capacity has been an issue with both the Moomba to Adelaide and SEA Gas pipelines being fully contracted. In the Northern Territory all available gas is fully contracted until 2009. This largely precludes entry into the gas and wholesale electricity market until new supplies of gas become available. The Blacktip field is expected to commence supplying gas for the domestic market from early 2009, which may free up supplies and allow new players to enter the Northern Territory retail market.

11.2.1 New entry in retail

Information published by state and territory regulators indicates that there has been some development of the active retailer base in a number of states.

New South Wales and the Australian Capital Territory

New South Wales opened the residential market to competition in 2002. It now has 15 licensed retailers, of which about eight are active in the residential and small business market. Between 2002 and 2006, the total number of licensed retailers has ranged between 13 and 16.

AGL is the main local gas retailer for much of New South Wales. Other retailers with additional regulatory obligations include Country Energy, Sun Gas Retail (now owned by AGL) and ActewAGL, which provide energy retail services in some regional areas. New players include New South Wales electricity retailer EnergyAustralia and an established interstate retailer TRUenergy. Australian Power & Gas entered the New South Wales retail energy market on 1 April 2007.

Four retailers are active in the Australian Capital Territory small customer market—the local retailer ActewAGL Retail (owned by the Australian Capital Territory Government and AGL) plus EnergyAustralia, Country Energy and TRUenergy.

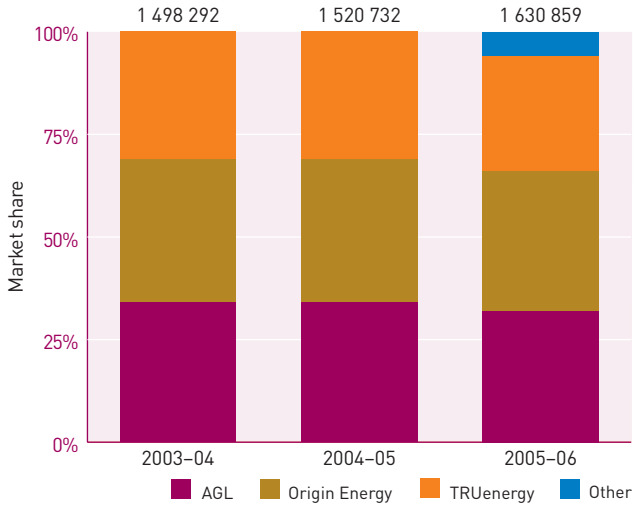
Victoria

In the late 1990s Victoria split the Gas and Fuel Corporation into three separate retail businesses, each linked to a distribution network area, and sold each to different interests—Utilicorp and AMP Society (operating as United Energy and Pulse Energy), TXU and Origin Energy. Two of the businesses have since changed hands:

- AGL acquired the former United Energy business in 2002
- TXU sold its retail interests to Singapore Power in 2004, which in turn sold the business to China Light and Power in 2005. The new owners rebadged TXU as TRUenergy.

Victoria opened the residential market to competition in 2002. The state now has 10 licensed retailers, of which about six are active in the residential and small business market. The local retailers—TRUenergy, AGL and Origin Energy—each account for around a third of the market, and each retails beyond its 'local' area (figure 11.1). Other retailers active in the Victorian market include interstate retailers EnergyAustralia and relative newcomers Victoria Electricity (owned by Infratil) and Australian Power & Gas. At present, the market share of new entrants is small (table 11.2). The Victorian market continues to attract new entry. In November 2006, for example, Red Energy obtained a licence to retail gas in Victoria, but at 1 April 2007 it was not actively retailing gas.

Figure 11.1
Gas retail market shares—Victoria



Source: ESC, *Energy retail businesses comparative performance report for the 2005-06 financial year*, 2006, p. 2.

Table 11.2 Gas retailer customer numbers and market share in Victoria 2005–06

	RESIDENTIAL		BUSINESS		TOTAL	
GAS RETAILER	CUSTOMERS	MARKET SHARE	CUSTOMERS	MARKET SHARE	CUSTOMERS	MARKET SHARE
AGL	505 435	32%	11 361	26%	516 796	32%
Origin Energy	547 988	35%	13 656	31%	561 644	34%
TRUenergy	431 364	27%	17 264	40%	448 628	28%
Other	102 386	6%	1 405	3%	103 791	6%
Total	1 587 173	100%	43 686	100%	1 630 859	100%

Source: ESC, *Energy retail businesses comparative performance report for the 2005–06 financial year*, 2006, p. 2.

South Australia

In 1993, Origin Energy (formerly Boral) acquired the South Australian Government's share of SAGASCO to become the gas retailer for South Australia. There has been some new entry into the gas retail market since the introduction of full retail contestability (FRC) in the state in 2004. As at April 2007 four retailers were active in the residential and small business market.

In addition to Origin Energy, the players are AGL, TRUenergy and EA–IPR Retail Partnership (trading as EnergyAustralia). In the case of the EA–IPR Retail Partnership, International Power announced on 25 May 2007 that it has exercised its option to acquire the remaining 50 per cent of the partnership. The transaction is expected to be completed in August 2007.

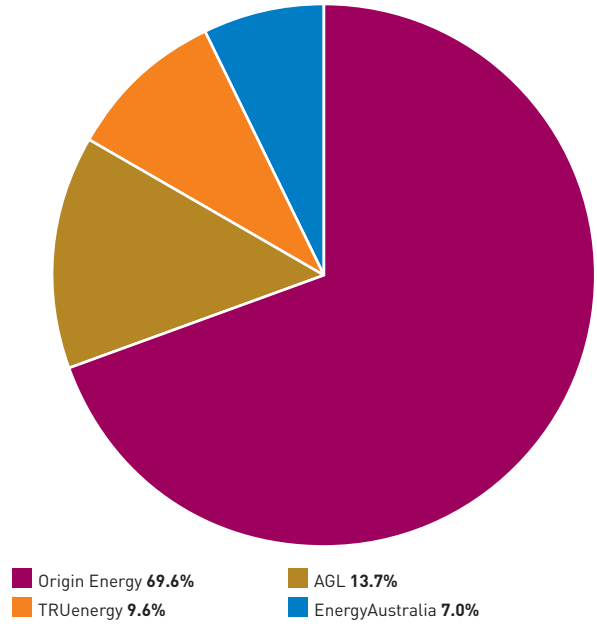
New entrants account for around 30 per cent of the South Australian retail gas market (figure 11.2). South Australia Electricity and Jackgreen also obtained gas retail licences in September 2006, but were not actively retailing gas by April 2007. In April 2007 Momentum Energy lodged an application for a gas retail licence. Momentum Energy holds an electricity retail licence in South Australia.

Tasmania

In Tasmania Powerco (owned by Babcock & Brown) is constructing distribution networks in parts of the state. Tasmania has two gas retailers—the state-owned Aurora and Option One (also owned by Babcock & Brown).

Tasmania does not consider the supply of natural gas to be an essential service and does not regulate the retail price of natural gas or impose an obligation to supply. Tasmania has a gas retail code in place, which establishes minimum terms and conditions for the supply of gas services to small retail customers.

Figure 11.2
Gas retailers' market shares 2005–06 in South Australia



Source: ESCOSA, *SA energy retail market 05/06*, November 2006.

Queensland

The small customer market in gas in Queensland is relatively small. The bulk of the small customer market is divided between Sun Gas Retail and Origin Energy. Each company operates within an exclusive designated geographical area. In Dalby and Roma the local councils provide gas distribution and retail services.

In 2006 the Queensland Government commenced a process to restructure and privatise the retail energy sector in preparation for the introduction of FRC in July 2007. In February 2007 the Queensland Government completed the sale of Sun Gas Retail Pty Ltd (a new company created from the energy retailing arm of ENERGEX) to AGL.

Relative newcomer Australian Power & Gas Company Limited (formerly Microview Limited) obtained gas and electricity retailing licences for Queensland in January 2007.

Western Australia

Western Australia has had systems in place since the end of May 2004 to allow new entry in the small customer market; however, as at April 2007, Alinta remained the only supplier. Under a recent agreement between AGL and Alinta, AGL has entered the Western Australian retail market through acquisition of a 33 per cent interest in Alinta's retail business. AGL has an option to increase its interest in the business to 100 per cent over five years. In May 2007 Babcock & Brown, in a consortium with Singapore Power and three of its managed infrastructure funds—Babcock & Brown Infrastructure, Babcock & Brown Power and Babcock & Brown Wind Partners—agreed to acquire Alinta's two-third share of the Western Australian gas retail business.

In 2007 Synergy (Western Australia's largest energy retailer) applied for a gas trading licence to allow it to sell gas to some small-use customers. Government-imposed restrictions have prevented Synergy and Verve supplying gas to customers who consume less than 1 terajoule a year. On 1 July 2007 the government lowered the threshold to 0.18 terajoules a year. This change provides the opportunity for Synergy and Verve to compete for gas sales to about 2000 additional energy consumers, mostly small businesses including some restaurants, bakeries and metal fabrication plants with annual gas bills of more than $4000.[2]

The Northern Territory

In the Northern Territory gas is predominately used for electricity generation. Envestra retails gas in Alice Springs and NT Gas supplies a small quantity of gas for commercial and industrial customers in Darwin's industrial area. The Northern Territory has never regulated retail gas services.

11.2.2 Energy retail market convergence and integration

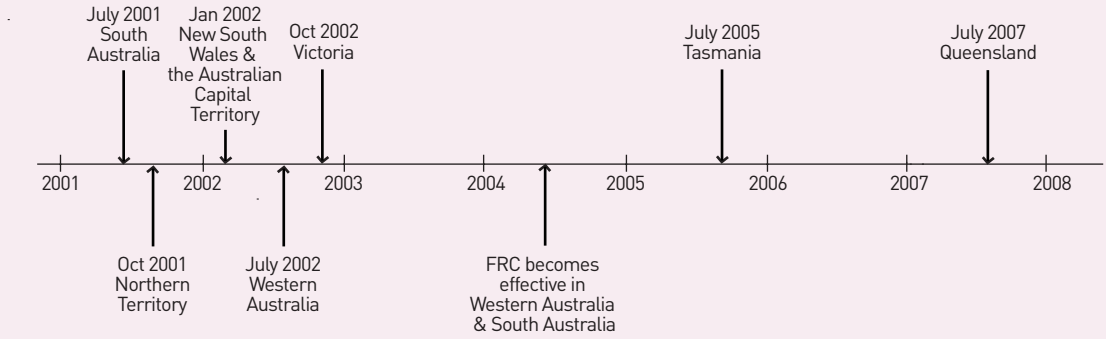
Efficiencies in the joint provision of electricity and gas services have led to retailers being active in both electricity and gas markets, and offering dual fuel retail products (sections 6.1.1 and 11.1). In Victoria, for example, AGL, Origin Energy and TRUenergy jointly account for about 90 per cent of retail customers in both electricity and gas.

Several new players in the gas retail market reflect the convergence of gas and electricity retailing. TRUenergy, EnergyAustralia, Integral Energy, ENERGEX, Momentum Energy and Aurora Energy are among new entrants in gas retailing that have an established profile in electricity. Similarly, Jackgreen—a recent entrant in the New South Wales and Victorian electricity markets—has obtained licences to retail gas in New South Wales (October 2005) and South Australia (September 2006). Option One, a new entrant trading in Tasmania, was formed by Powerco, one of New Zealand's largest gas and electricity distributors.

Traditional gas retailers, such as AGL and Origin Energy, are also diversifying into electricity retailing and generation (section 6.2). AGL, for instance, has acquired electricity retail interests in the Australian Capital Territory, Victoria and South Australia.

2 Minister for Energy (WA) (Hon. Francis Logan), *Gas market changes to improve consumer choices*, media statement, 23 August 2006.

Figure 11.3
Introduction of full retail contestability



AGL, Origin Energy and TRUenergy have vertical linkages within the gas industry. Origin Energy has an interest in gas resources in Western Australia, South Australia, Queensland and Victoria. AGL has expanded into production of coal seam methane in Queensland and New South Wales. Investment in gas production provides gas retailers with a natural hedge against gas price rises and provides security of supply.

In 2006 AGL distributed gas in New South Wales and the Australian Capital Territory, but has divested its gas infrastructure assets via a swap with Alinta. TRUenergy has gas storage facilities in Victoria.

For a wider discussion of energy market convergence and integration, see section 6.2 of this report.

11.3 Retail competition

Historically, gas customers in each state were tied to a single retailer and paid prices set by the government. From 1999 governments began to implement retail contestability (consumer choice) by issuing licences to new retailers to enter the gas market (figure 11.3).

Most governments chose to introduce retail contestability gradually by introducing competition for large industrial customers, followed by small industrial customers and, finally, small business and household customers. With the introduction of FRC in Queensland on 1 July 2007, all states and territories now permit all customers (large and small) to enter a supply contract with a retailer of their choice.

Retail contestability requires management of customer transfers between retailers. In Tasmania, Powerco, the local distributor, undertakes this role. In the other states and territories where there are competing retailers, an independent market operator is responsible for managing customer transfers between retailers and for ensuring compliance with the rules governing the operation of the retail gas market. The independent market operator for New South Wales and the Australian Capital Territory is the Gas Market Company (GMC). In South Australia and Western Australia it is the Retail Energy Market Company (REMCo). VENCorp is responsible for Victoria and, since 1 July 2007, Queensland.

The introduction of FRC allows consumers to enter into a contract with any licensed retailer of their choice. As a transitional measure, some jurisdictions require local retailers to supply small customers in nominated geographical areas on a contract that is subject to regulated terms and conditions, often at capped tariffs. As in electricity, this provides a 'default' option for customers who do not have a market contract (section 6.3). However, the goal of FRC is to use competition to deliver lower prices and better service performance. While the flexibility to do this may be constrained by the use of fixed-term contracts, exit notification terms and conditions, exit fees and other costs associated with changing contractors, competition provides an opportunity for consumers to shop around for the best offer. This provides ongoing incentives for retailers to look for cost savings and ways to improve their service offerings.

11.3.1 Price and non-price diversity

A competitive retail market is likely to exhibit some diversity in price and product offerings as sellers try to win market share. There is some evidence of price and product diversity in retail gas markets in Australia.

Under market contracts, retailers generally offer a rebate and/or discount from the 'standard' price. Often discounts are tied to the term of the contract with contracts running for a year or more typically attracting larger discounts than more flexible arrangements. Further discounts may be available for prompt payment of bills and direct debit bill payments and so forth. Some retailers offer plans allowing payment options, such as bill smoothing. Such options may attract higher gas tariffs, but may be convenient for some consumers and can help to reduce the likelihood of payment defaults.

Some price diversity is associated with product differentiation. Environmentally friendly services are generally priced at a premium. On the other hand, consumers can obtain a discount for contracting with a single retailer for dual fuel—both gas and electricity—services. The Essential Services Commission (ESC) of Victoria has linked the state's high switching rates (see sections 6.3.2 and 11.3.2) with an expansion in dual fuel offers.

Some product offerings reflect gas services bundled with other inducements such as loyalty bonuses, competitions, membership discounts, shopper cards, discounts and free products. Origin Energy, for example, offers free magazine subscriptions with some of its services. In some states AGL has a rewards program that provides a $50 voucher redeemable at AGL shops, priority installation on appliances and a two-year labour warranty on appliances that AGL installs.

In assessing non-price product innovation in 2004, the ESC reported:

> Retailers appear to have different strategies depending on their 'place' in the market—local or non-local retailer—and whether developing a customer base or maintaining a customer base. A number of non-price offerings are geared towards building brand awareness through alliances with recognisable non-energy products such as credit card companies and the AFL (termed 'referral agents'… These campaigns may also provide a more cost effective channel for retailers to acquire customers as well as building a longer-term relationship with them.[3]

The ESC noted that retailers are actively seeking customer input in developing improved offers that cater to customer requirements. Features of market offers resulting from customer input included evergreen contracts for renters, extended contracts with fixed prices and energy audits and efficiency advice. The ESC added that the margins available for some customer segments may limit the extent of price discounts and retailers may therefore seek other ways to win customers, such as non-price offers that appeal to 'emotional' customer drivers.

3 ESC, *Special investigation: Review of effectiveness of retail competition and consumer safety net in gas and electricity*, final report to minister, June 2004, p. 93.

South Australia conducted surveys in 2004 and 2006 on customer perceptions of variety and innovation in retailer product offerings in energy markets (see figure 6.4). The results suggest that South Australian customers have a reasonably strong perception that product variety and innovation in the retail market is increasing.

The variety of discounts and non-price inducements makes direct price comparisons difficult. There is also variation in the transparency of price offerings. Some retailers publish details of their products and prices, while others require a customer to fill out online forms or arrange a consultation. The ESC and the Essential Services Commission of South Australia (ESCOSA) provide estimator services that allow price comparisons within those states. An example using the estimator provided by ESCOSA appears in box 11.1.

Box 11.1 Gas contract offers for metropolitan areas in South Australia

Table 11.3 sets out the estimated price offerings in March 2007 for a customer using 24 gigajoules of gas a year in metropolitan South Australia. The estimator provides an indicative guide only, but takes account of discounts and other rebates. It does not account for elements of retail offers that are not price-related and for variations relevant to the circumstances of particular customers. Table 11.3 indicates some price diversity in South Australia's gas retail market, although there appears to be less depth than in electricity (see table 6.6). There is a price spread of around $92 across all retail offers with consumers on a market contract able to save up to $40 compared to a standing offer.

Section 11.4 of this report provides further information on gas retail prices, including trends in average prices over time.

Table 11.3 Estimated cost of gas contract offers in South Australia[1]

RETAIL OFFER	COST BEFORE INCENTIVES	AVAILABLE REBATES	ESTIMATED ANNUAL COST	ESTIMATED ANNUAL SAVINGS	AVERAGE PRICE ($/GJ)
ORIGIN ENERGY					
Standing Contract	$586	$0	$586	–	$24.38
GreenEarth	$638	$0	$638	–$52	$26.55
HomeChoice	$574	$0	$574	$12	$23.88
TRUENERGY					
Go Easy	$568	$0	$568	$18	$23.63
Go For More	$546	$0	$546	$40	$22.72
At Home	$563	$12	$551	$35	$22.93

1. Based on roughly average levels of household gas consumption of 24 gigajoules of gas a year (with more consumption in winter than summer) for residents in a metropolitan area.

Source: ESCOSA estimator, viewed 20 March 2007, <www.escosa.sa.gov.au>.

11.3.2 Customer switching

The rate at which customers switch their supply arrangements, or 'churn', is often used as an indicator of competitive activity, market power and customer participation in the market. High churn rates can reflect such things as:

- the availability of cheaper and/or better offers from competing retailers
- successful marketing by retailers
- customer dissatisfaction with their service provider.

However, low levels of churn do not necessarily reflect a lack of competition. Retailers can seek to minimise churn by:

- creating barriers to discourage customers from changing their suppliers, such as binding fixed term contracts and exit or early termination fees
- bundling goods and services together (for example, dual fuel offers)
- using retention activities such as loyalty programs
- providing a good quality service.

Churn is also likely to be affected by other factors, such as the number of competitors in the market, customer experience with competition, demographics, demand and the cost of the service. For example, consumers are more likely to be responsive to energy offers and/or actively seek out cheaper services where the cost of gas services represents a relatively high proportion of their budget.

New South Wales and the Australian Capital Territory, Victoria and South Australia publish data on retail churn rates of gas customers. This section compares the available data, but does not attempt to draw any conclusions because, as noted above, churn can be influenced by so many variables.

Gas churn data for New South Wales and the Australian Capital Territory, Victoria and South Australia are published by the independent market operators GMC (NSW and the ACT), Vencorp (Vic) and REMCo (SA). For each, churn is measured as the number of switches by gas customers from one retailer to another.
The churn indicator does not include customers who have switched from type of contract to another with their existing retailer. The New South Wales and the Australian Capital Territory and Victorian data are based on transfers of delivery points. As most residential customers receive gas from only one delivery point, the data approximate the number of customers transferring to another retailer. The REMCo series for South Australia starts only in August 2005, but allows some consistent comparison between jurisdictions.

ESCOSA has published churn data for South Australia since retail competition commenced in 2004. However, ESCOSA uses a different measure of churn than the independent market operators. It measures the number of switches by customers to market contracts. As in New South Wales and Victoria, if a customer makes several switches in succession, each counts as a separate switch. But, unlike New South Wales and Victoria, the ESCOSA measure includes customer switches from a standing contract to a market contract with their existing retailer. The ESCOSA estimates may therefore capture a wider range of customer decisions than other estimates of churn.

Table 11.4 sets out annual customer transfer numbers in New South Wales and the Australian Capital Territory, Victoria and South Australia. Comparisons need to take account of the differences in approach noted above.

While New South Wales and the Australian Capital Territory introduced customer choice ahead of Victoria, switching has been low—averaging around 4 per cent a year. Victorians reacted strongly to the introduction of choice, with average annual switching rates around 14 per cent a year. By the end of 2006, cumulative switching in Victoria was around triple the rate for New South Wales and Australian Capital Territory (figure 11.4). The ESC considers that the opening of the Victorian gas market to FRC and the incidence of dual fuel offers has increased energy switching and driven gas transfers to higher levels than for electricity.[4] Active marketing by energy retailers may also have encouraged increased switching activity.[5]

4 ESC, *Energy retail businesses comparative performance report for the 2004 calendar year*, 2005, p. 22.
5 Peace Vaasa EMG, *World retail energy market rankings 2005*, utility customer switching research project, 2005.

Table 11.4 Annual small customer transfers[1, 2]

	NEW SOUTH WALES AND THE ACT		VICTORIA		SOUTH AUSTRALIA	
	RETAILER TRANSFERS NO.	TRANSFER RATE %	RETAILER TRANSFERS NO.	TRANSFER RATE %	CONTRACT TRANSFERS NO.	TRANSFER RATE %
Jan–Jun 03	6 583	1	...	...	...	...
2002–03	32 333	3	91 062[3]	6[3]	...	...
2003–04	39 225	4	202 776	13	...	...
2004–05	54 214	5	269 208	16	102 041	28[4]
2005–06	40 830	4	305 410	18	102 715 *(51 638)*[5]	28 *(14)*
Jul–Dec 06	29 575	3	184 184	11	49 138[6] *(34 252)*[5]	13[6] *(9)*
Total	207 792	18	1 052 640	62	229 325 *(85 890)*[5]	69 *(23)*
Delivery points	1 154 109		1 685 913		369 842	
Customers	na		1 587 173[7]		370 000	

1. NSW and the Australian Capital Territory, and Victoria measures customer switches to retailers, while South Australia measures customer switches to market contracts. 2. NSW/ACT and Victorian churn rates are based on delivery points while South Australian rates are based on customer numbers. 3. Value from market start (October 2002) to June 2003. 4. Transfer rates based on customer numbers being 365 000 from July 2004 to October 2005 and 370 000 thereafter. 5. Excludes transfers to a market contract with the local retailer. 6. Estimate based on transfers for the period July to September. 7. Domestic customers at July 2006.

Source: ESC, *Energy retail businesses comparative performance report for the 2005–06 financial year*, 2006; ESCOSA, *Completed small customer electricity & gas transfers to market contracts, schedule*, October 2006; GMC, *Gas market activity data*, <www.gasmarketco.com.au>, 2006; REMCo, *Market activity report—South Australia*, March 2007; data supplied by Vencorp.

Figure 11.4
Cumulative monthly churn of small retail gas customers

Sources: ESC, *Energy retail businesses comparative performance report for the 2005–06 financial year*, 2006; ESCOSA, *Completed small customer electricity & gas transfers to market contracts, schedule*, 2006; GMC, *Gas market activity data*, <www.gasmarketco.com.au>, 2006; REMCo, *Market activity report—South Australia*, March 2007; data supplied by Vencorp.

South Australia also appears to have responded rapidly to the introduction of choice. In the year to June 2006, for example, around 28 per cent of South Australian customers switched to a market contract, around half of which constituted customer switches to a market contract with their existing retailer. Since August 2005 switches from one retailer to another have averaged around 12 per cent a year.

South Australia implemented FRC in gas about 18 months later than in electricity. ESCOSA considers switching activity in gas to be higher than in the early stages of retail competition in electricity.[6] ESCOSA considers that this may partly reflect greater customer awareness of switching by the time gas FRC commenced, but also notes energy retailer promotions for 'dual fuel' products.[7] ESCOSA survey results indicate that customer awareness of retail choice is relatively high in South Australia and that retailers are actively marketing their services (section 6.3). International observers consider South Australia and Victoria to have two of the most active retail energy markets in the world (box 6.2).

6 ESCOSA, *SA energy retail market 04/05*, 2005, p. 64

7 ESCOSA, *Monitoring the development of energy retail competition in South Australia: Statistical report*, 2006.

11.3.3 Retail margins

The profit or retail margins retailers can earn provides a measure of market performance. The margins are calculated as net earnings (before interest and tax). Expressed as a percentage of total sales or revenue, retail margins represent the return on capital employed in a business including compensation for risk.

Retail margins should be interpreted with care. Depending on the circumstances, either high or low retail margins could indicate a problem with market structure or conduct. In a dynamic competitive market the presence of high margins should attract new entry and drive margins down to normal levels. Sustained high margins might indicate a lack of competitive pressure. Alternatively low margins, resulting from regulated revenue caps, could deter entry and impede competition.

In practice, estimating retail margins is difficult. Without detailed information on each retailer's activities and costs, estimation relies on assumptions about the breakdown of costs and exposure to risk, including risks associated with wholesale gas purchasing, customer default and bad debt.

Table 11.5 lists the gas retail margin allowances set in determining retail price caps and price paths in New South Wales, Victoria, South Australia and the Australian Capital Territory. The table indicates a reasonable consistency in setting retail margins with a spread from 2 to 4 per cent.

Since 1997 the Independent Pricing and Regulatory Tribunal (IPART) has set retail gas margins between 2 and 3 per cent. The low margin reflects an assessment that retail supply is a relatively low-risk, high-turnover activity. Costs, such as meter reading, billing and customer service activities are relatively static and predictable. The main risk relates to the purchase of gas, but this risk can be reduced through hedging activity.

The ESC has also set Victorian gas retail margins at 2 to 3 per cent, but allows a margin of up to 5 per cent for electricity. The ESC considers that the 'trading risks faced by Victorian gas retailers are less than those faced by electricity retailers by virtue of the long-term contracts that relate to gas purchasing'.[8]

South Australia set Origin Energy's retail margin at 10 per cent of controllable costs, which equates to around 4 per cent of Origin Energy's sales revenue. This appears to be a higher level than in New South Wales and Victoria. The South Australian regulator considers this appropriate to take account of additional risks faced by South Australian retailers, such as the peaky nature of demand.

Table 11.5 Regulatory decisions on retail margins

GAS RETAILER	RETAIL PROFIT MARGIN (% OF SALES)	JURISDICTION	DATE OF REGULATORY DECISION
Origin Energy	4[1]	SA	ESCOSA 2005
Vic retailers	2–3	Vic	ESC 2003
NSW retailers	2–3	NSW	IPART 2001; 2004
ActewAGL	3	ACT	ICRC 2001

1. The determination provides a margin of 10 per cent of controllable costs, which approximately equals 4 per cent of Origin Energy's sales revenue.

Sources: ESCOSA, *Gas standing contract price path inquiry*, discussion paper, 2005; ESCOSA, *Gas standing contract price path*, final inquiry report and final determination, 2005; ESC, *Special investigation—gas retail cost benchmarks*, consultation paper, November 2003; IPART, *Review of the delivery price of natural gas to tariff customers served from the AGL gas network in NSW*, final report, 2001; IPART, *IPART review of the delivered price of natural gas to low-usage customers served by country energy*, final report, 2001; ICRC, *Review of natural gas prices*, final report, 2001.

In its 2001 determination, the Independent Competition and Regulatory Commission (ICRC) set retail margins for ActewAGL in the Australian Capital Territory at 3 per cent. The ICRC took into account the relatively small customer base and aimed to provide sufficient 'head-room' to encourage potential competitors to enter the gas market.[9] Victoria also allows some headroom. Headroom allows retailers to earn excess returns on standard contracts, but encourages competing providers to offer market contracts at a lower price than existing standard offers. Thus margins should be driven to normal levels through competition for market contracts. New South Wales does not add headroom to retail margin

8 ESC, *Special investigation-gas retail cost benchmarks*, consultation paper, 2003, p. 17.
9 ICRC, *Review of natural gas prices*, final report, 2001.

allowances because it does not consider it desirable from an economic efficiency or equity perspective. In setting retail margins South Australia seeks:

> … to strike a balance between the need to attract investment into … the retail market, while ensuring that gas standing contract customers are not funding an excessive return to the retail business.[10]

The ESC has undertaken a detailed study of retail competition, including a more detailed margin analysis (box 11.2). The ESC found competition in the Victorian energy market to be generally effective in constraining prices and delivering non-price benefits in those sub-markets where sufficient margins exist to make market contracts attractive to customers and profitable to serve for retailers. This is the class of customers using more than 50 gigajoules of gas a year.

Box 11.2 Victorian retail margin analysis for gas

In 2004 the ESC estimated the retail margins available for customer classes in metropolitan Melbourne and Victorian regional areas. From this analysis it aimed to assess the potential 'headroom' in the identified submarkets.

The ESC noted that the results should be interpreted with care giving regard to the assumptions made and to the limitations of the data and the analysis. The estimates are based on broad benchmarks of efficient costs and assumptions, including with respect to the allocation of joint and common costs (eg wholesale energy purchases and hedging contracts) to customer classes and tariff categories.

Table 11.6 Estimated residential average net retail margins by tariff zone[1,2]

CONSUMPTION	METROPOLITAN MELBOURNE	REGIONAL VICTORIA
55–65 GJ a year (average consumption)	$20–$40	$20–$40
30–50 GJ a year	$0–$20	$10–$30
100–150 GJ a year	$100–$200	$100–$200

1. Broad estimates of net margins based on assuming that the retail cost of each customer is $85. In practice each retailer will allocate fixed costs differently.
2. Based on residential Tariff–03.

The results presented in table 11.6 suggest that:

- all gas market segments are likely to be profitable at average consumption levels
- retail margins are low for average low-use gas consumers.

The ESC noted that some retail tariffs are being gradually rebalanced under the 2004–2007 price path so that tariffs may progressively approach efficient levels. However, some regional areas that appear to have low margins have long-term gas retail price agreements in place, which may prevent price rebalancing to the extent allowed by the government's price path.

The ESC further reported that the cost to acquire customers varies depending on the sales channel used—door-to-door, telephone, mail advertising, internet and referral agents. Door-to-door sales are most successful, but are also the most expensive means of acquiring customers. Using this channel, the ESC estimated that a customer would need to provide a margin of $40 to $50 a year over three years for a retailer to have an incentive to offer a market contract. Its analysis suggested that a household consuming 60–70 gigajoules of gas a year would provide sufficient 'headroom' for competition. Use of other sales channels results in more headroom for retailers to compete, reducing the consumption levels at which retailers can offer market contracts. Similarly, dual fuel contracting permits a retailer to amortise acquisition costs over both electricity and gas reducing the threshold consumption required to provide a return to the retailer. At the time of the report all local retailers and one non-local retailer offered dual fuel options.

Source: ESC, *Special investigation: Review of effectiveness of retail competition and consumer safety net in gas and electricity*, final report to minister, 2004, Appendix E and attachments 4–5.

10 ESCOSA, *Gas standing contract price path*, final inquiry report and final determination, 2005, p. A-85.

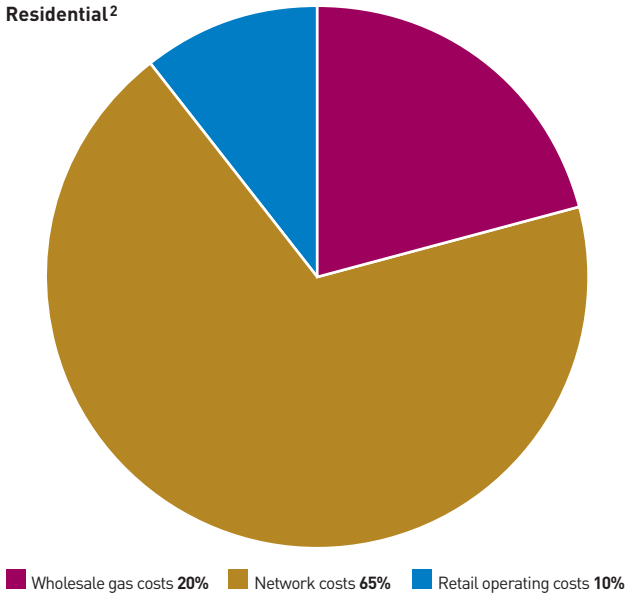
11.4 Retail price outcomes

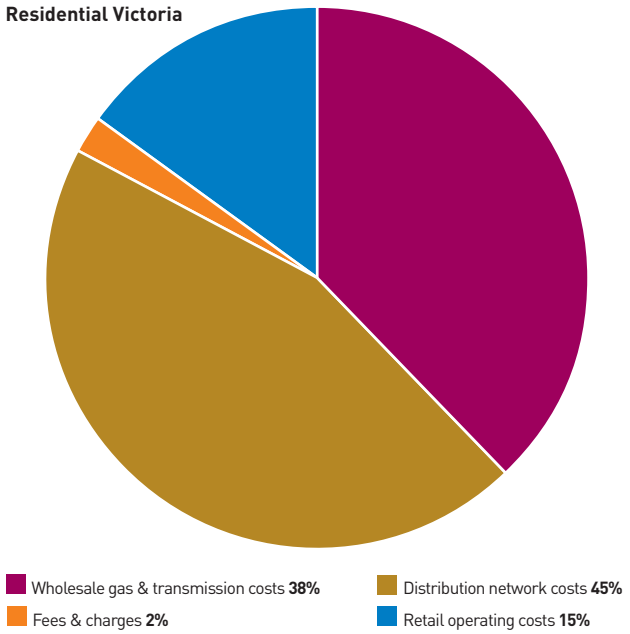
Gas retail prices paid by customers cover the costs of a bundled product made up of gas, transmission and distribution services, and retail services. Data on the underlying composition of retail prices are not widely available. Figure 11.5 provides an indication of the typical make-up of a residential gas bill in 2003. It shows that wholesale gas costs and network charges account for the bulk of retail prices. Retail operating costs account for around 10–15 per cent of retail prices.

Trends in retail prices may reflect movements in the cost of any one or a combination of the bundled components in a retail product—for example, movements in wholesale gas prices, transmission and distribution charges or retail margins. Cost changes may occur in these components for a variety of reasons. Similarly, differences in retail prices between the states reflect in part differences in underlying cost structures (for example, differences in fuel costs and in the proximity of gas fields to retail markets) that may not be associated with competition.

In addition to costs, retail price movements are affected by regulatory arrangements. In Tasmania, the Australian Capital Territory and the Northern Territory retail gas prices are not regulated. In New South Wales, Victoria, Queensland, South Australia and Western Australia prices under standard contracts are capped by regulation or through voluntary arrangements.[11] Price caps are in place largely to smooth the structural adjustment process, to avoid 'price shocks' and to prevent misuse of market power in the transition towards a more competitive retail market environment, but they may also reflect other social and political objectives. Where price caps are in place jurisdictions are moving to align retail prices more closely with underlying supply costs so that prices provide efficient signals for investment and consumption.

Figure 11.5
Indicative composition of a residential gas bill[1]





1. Data relates to 2003. 2. Based on Envestra data supplied to the Productivity Commission.

Sources: Charles River and Associates, *Electricity and gas standing offers and deemed contracts 2004–2007*, 2003; Australian Gas Association, as published in Productivity Commission, *Review of the gas access regime*, inquiry report no. 31, 2004, pp. 37, 46.

11 In Western Australia retail tariff caps apply to Alinta systems including Albany (LPG) and Kalgoorlie, but do not apply for LPG supplied to the Leinster, Margaret River and Esperance regions.

There is little systematic publication of average gas retail prices in Australia. It is possible to track price movements for households via the consumer price index and for business via the producer price index. The Australian Gas Association previously published data on retail gas prices but discontinued the series after 1998. At the state level jurisdictions that regulate prices publish schedules of regulated prices. The schedules are a useful guide to retail prices, but their relevance as a price barometer is reduced as more customers transfer to negotiated contracts. Retailers are not required to publish the prices struck through negotiated contracts with customers. ESCOSA publishes some annual price data covering regulated and negotiated prices. The South Australian and Victorian regulator websites provide an estimator service that can be used to compare the price offerings of different retailers.

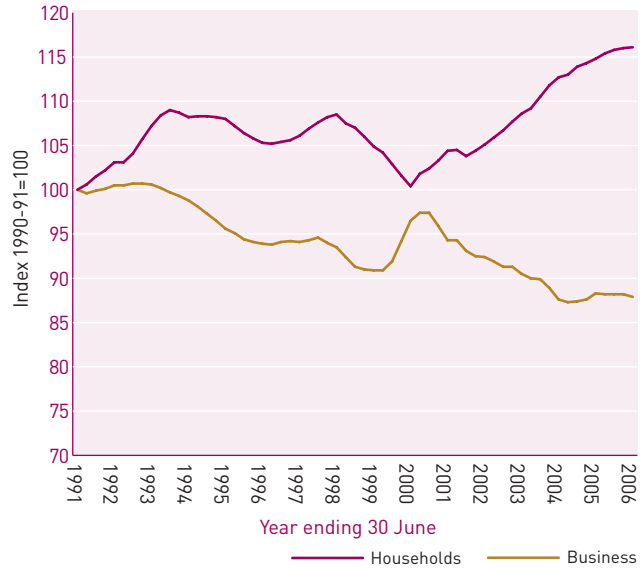
Care should be taken interpreting retail price trends in deregulated markets. While competition tends to deliver efficient outcomes, there may be instances where efficient outcomes involve the counterintuitive outcome of *higher* prices. In particular, efficient outcomes might require the unwinding of historical cross-subsidies, which may lead to price adjustments for some customer groups for a period of time.

11.4.1 Price movements

The Australian Bureau of Statistics (ABS) consumer price index and producer price index track movements in household and business gas prices. The indexes are based on surveys of the prices paid by households and businesses and therefore consider both negotiated and regulated prices.

The introduction of reforms in the gas supply industry has been accompanied by a fall in the real price of gas of about 5 per cent from 1990 to 2006. There has, however, been a significant realignment of gas prices for household and business customers. Figure 11.6 tracks real gas price movements for households and business customers since 1990. While real prices rose for household consumers by 16 per cent, the real price for business users fell by 12 per cent. The disparity reflects in part the rebalancing of retail gas prices to remove cross-subsidies from business to household consumers. Differences in business and household responsiveness to changes in price may play a part. In addition, the disparity also likely reflects higher levels of competition in the business sector because of the earlier introduction of retail competition for this class of gas users in most states. While real household gas prices have risen in all major capital cities, the pattern and rate of adjustment has varied, with Sydney and Adelaide registering the sharpest price impacts (figure 11.7).

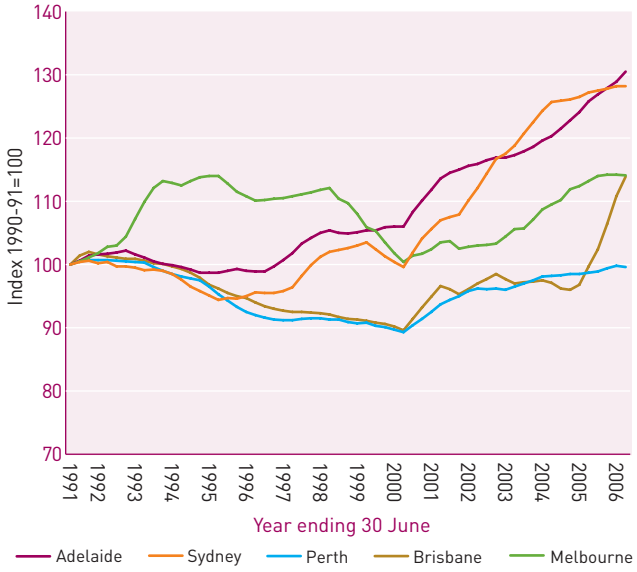
Figure 11.6
Movement in real retail household and business gas prices[1, 2]



1. The households index is based on consumer price index for household gas (unpublished). The business index is based on the producer price index for gas supply in 'Materials used in Manufacturing Industries'. Both series are deflated by the consumer price index series for all groups. 2. Introduction of the GST on 1 July 2000, which increased prices paid by households for gas services, affects the households index.

Source: ABS, *Consumer price index, Australia*, September quarter 2006, Cat no. 6401.0; ABS, *Producer price indexes, Australia*, September Quarter 2006, category no. 6427.0, Canberra.

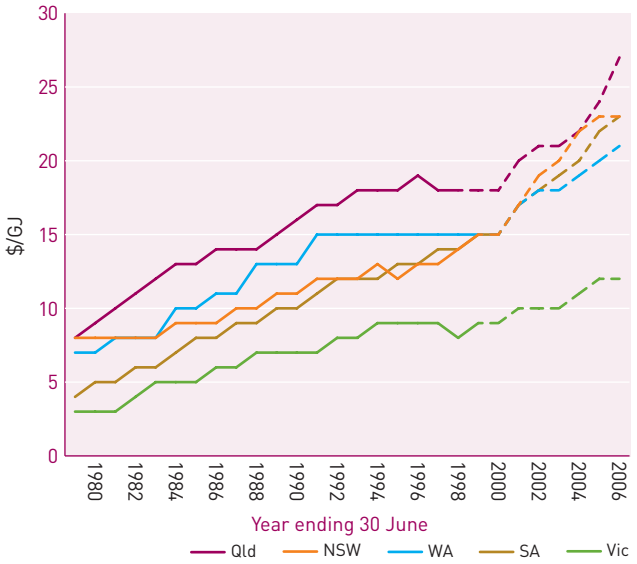
Figure 11.7
Movement in real household gas prices in selected capital cities[1]



1. The households index is based on capital city consumer price indexes for 'gas and other household fuels' deflated by the capital city CPI series.

Source: ABS, *Consumer price index, Australia*, September quarter 2006, Canberra, cat. no. 6401.0.

Figure 11.8
Average retail gas prices, by state and territory[1]



1. The dashed lines are estimates based on inflating AGA data by the CPI series for gas and other household fuels for the capital city in that State.

Sources: AGA, Gas statistics Australia, Canberra, 2000; ABS, *Consumer price index, Australia*, September quarter 2006, Canberra, cat. no. 6401.0.

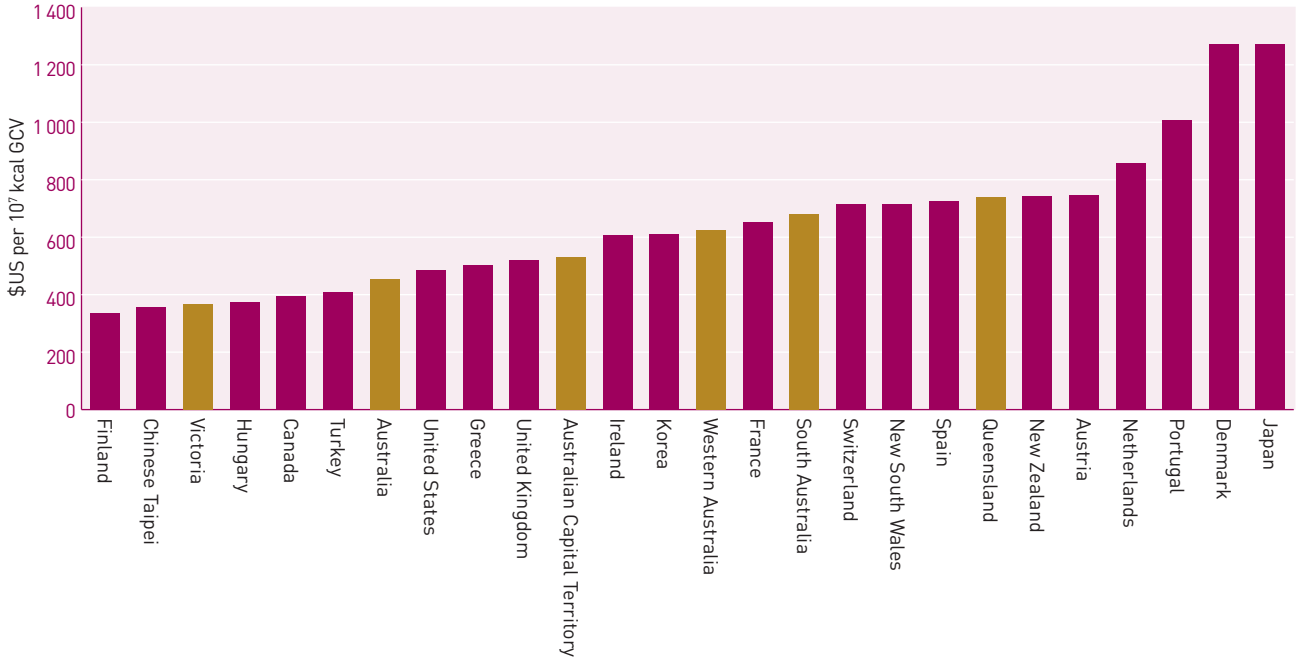
11.4.2 Price outcomes

It is possible to estimate residential gas price outcomes by extrapolating from Australian Gas Association data (which concluded in 1998), using consumer price index data for 'gas and other household fuels'. The extrapolated series is set out in figure 11.8. This data series is not available for business users.

The chart shows considerable variation in retail gas prices between the states. The differences reflect many factors, including variations in the wholesale price of gas and the distances over which gas must be hauled. The contribution of transport charges to Australian retail prices ranges from 10 to 80 per cent. Consumption patterns and industry scale also play a role. For example:

- Victoria has a relatively large residential consumer base with consumers located close to the gas fields.
- Western Australia had relatively low wholesale gas prices, but high transport costs as most residential consumers are located a long distance from gas basins.
- Queensland prices reflect a small residential customer base and low rates of consumption because of the state's warm climate.

Figure 11.9
International comparison of residential gas prices for 2006[1, 2]



1. Prices for the first quarter of 2006 or latest available data. 2. Price data for Australia is based on Australian Energy Regulator estimates benchmarked against the US average. The data for each jurisdiction relates to 2005 and is estimated by inflating AGA data by the capital city consumer price index series for gas and other household fuels.

Sources: AGA, *Gas statistics Australia 2000*, 2000; ABS, *Consumer price index, Australia*, September quarter 2006, Canberra, cat. no. 6401.0; Energy Information Administration, <http://tonto.eia.doe.gov>, viewed: 10 August 2006; Australian Tax Office, *Foreign exchange rates*, <www.ato.gov.au>, viewed: 10 August 2006, International Energy Agency, *Key world energy statistics 2006*, 2006.

11.4.3 International price comparisons

Figure 11.9 compares residential gas prices in Australia with prices in selected Oganisation for Economic Cooperation and Development (OECD) countries. The data indicate that average Australian prices are relatively low by international standards at about seven per cent below the average price in the United States. The Australian Capital Territory has residential gas prices that are about 10 per cent higher than the US average. Gas prices in Queensland, Western Australia, South Australia and New South Wales are around 30 per cent and 50 per cent higher than the US average. These states have similar prices to Korea, France, Switzerland, Spain and New Zealand. In contrast, Victorian residential gas prices are among the lowest in the world.

11.5 Quality of service

Competition provides incentives for retailers to improve performance and quality of service as a means of maintaining or increasing market share and profits. In addition, governments have established regulations and codes on minimum terms and conditions, information disclosure and complaints handling requirements that retailers must meet in supplying gas to small retail customers. Most jurisdictions also have an ombudsman where complaints can be referred in the event that a customer is unable to resolve issues directly with the retailer. There is, however, no consistent reporting across jurisdictions. Box 11.3 provides details on aspects of service performance in New South Wales and Victoria.

11.6 Regulatory arrangements

While jurisdictions have introduced FRC in gas, each continues to regulate various aspects of the market. Regulatory measures include:

- transitional price caps for small customers using less than 1 terajoule of gas a year
- the setting of minimum terms and conditions in 'default' service offers
- information disclosure and complaints-handling requirements
- payments for delivery of community service obligations.

11.6.1 Price caps

Most state governments appoint local retailers that must offer to supply small gas customers in nominated geographical areas at regulated tariffs. This provides a 'default' option for customers who have not entered a market contract. The default tariff takes account of wholesale gas costs, network charges, retailer costs and retailer margins. As noted in section 6.6 of this report, price caps are intended as a transitional measure to:

- allow consumers time to understand and adjust to the competitive market structure
- protect consumers from the possible exercise of market power
- prevent price shocks.

The approach to regulating default tariffs varies among jurisdictions, and in some cases is more light handed than in electricity. This may reflect that gas is sometimes regarded as a fuel of choice rather than necessity. Table 11.7 outlines the current regulatory arrangements in each jurisdiction. These are:

- In Victoria and New South Wales, governments control average default tariffs through agreements with local retailers. New South Wales has agreements with AGL Retail Energy, Country Energy, Origin Energy and ActewAGL, capping prices until June 2007. The retailers have agreed to tie average price increases to the consumer price index and apply a $15 ceiling on annual bill increases. Similar agreements apply for 2007–08 to 2009–10, but without the ceiling on annual bill increases.[12] Victoria has entered into agreements with TRUenergy, AGL and Origin Energy that allow for an annual real increase in retail household and small business tariffs of 2.1–3.6 per cent between 2004 to 2007.
- In Queensland, prior to 1 July 2007 the Minister for Mines and Energy could fix a price cap or determine a method to set maximum prices. Under FRC the Queensland Competition Authority publishes standard retail contract terms (including prices) received from gas retailers.
- South Australia regulates retail gas prices by responding to submissions from the local retailer—Origin Energy. In its most recent determination ESCOSA derived prices from the costs that a prudent retailer with Origin Energy's responsibilities would incur. The approach is consistent with its approach to setting electricity prices.
- Tasmania, the Australian Capital Territory and the Northern Territory do not regulate the retail price of gas.

In 2006 Australian governments reaffirmed their commitment to remove retail price caps where effective competition can be demonstrated. Governments also agreed that transitional price caps should not hinder the development of competitive markets.[13]

12 For details see IPART, *Promoting retail competition and investment in the NSW gas industry, Regulated gas retail tariffs and charges for small customers 2007 to 2010*, Sydney, 2007.

13 Australian Energy Market Agreement 2004, as amended in 2006.

Box 11.3 New South Wales and Victorian reporting on the quality of gas services

New South Wales

IPART in New South Wales monitors and assesses the extent to which licensed energy suppliers and distributors operating in the state comply with the conditions of their licences or authorisations. IPART reports that gas retail suppliers breached 30 licence obligations in 2005–06, compared with 28 breaches in 2004–05. The breaches related to marketing; billing and charging; and a range of other obligations, including customer notifications, information requirements and consumer safety awareness plans.

The tribunal found that most of the non-compliances reported were minor in nature, with minimal or no impact on customers. In most cases licensees were quick to identify and address the incidents. Of the breaches that occurred in 2005–06 two-thirds had been resolved by the time of reporting. Figure 11.10 shows the breakdown of licence breaches by category and retailer in 2004–05 and 2005–06.

Victoria

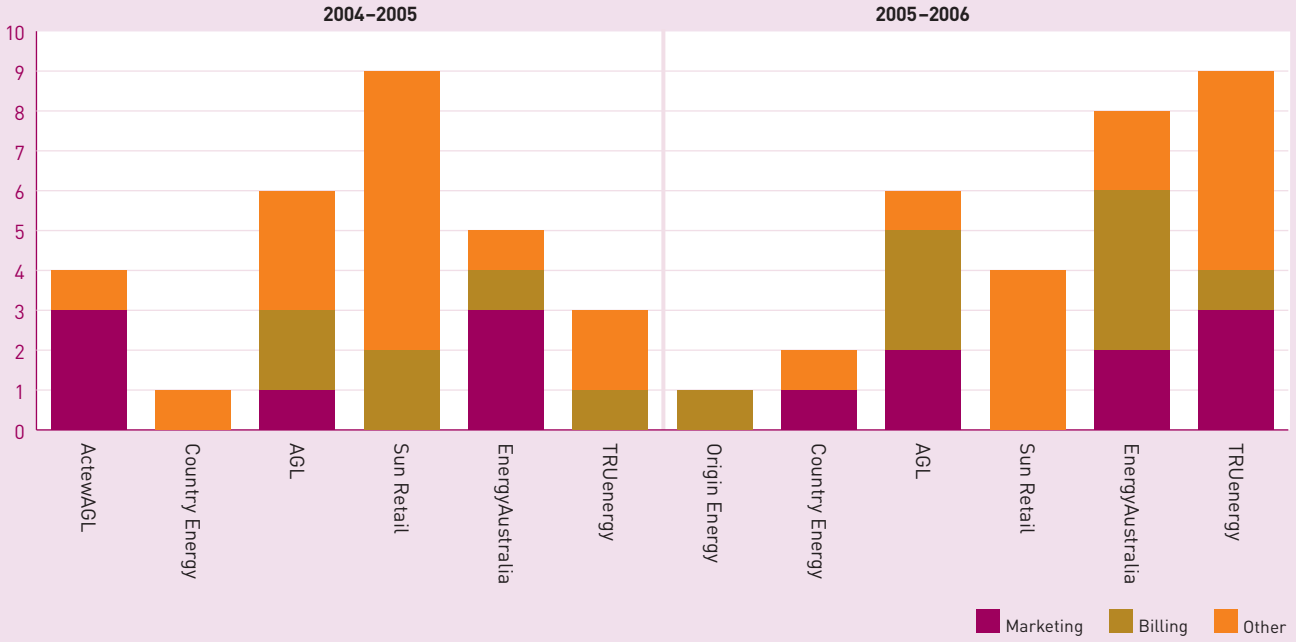
Victoria's Essential Services Commission reports on several retail quality matters, including customer access to gas retail services, call centre performance and complaints handling. Table 11.7 compares outcomes in customer access to electricity and gas retail services. The data indicates that retail disconnections occur more frequently for gas than electricity, but the disconnection rate has trended downwards since 2000 to 0.27 per cent in 2005–06. Victoria introduced legislation in 2004 that provides for compensation to households that are wrongfully disconnected. Around five per cent of gas customers have access to budget instalment plans, which is slightly higher than for electricity.

The ESC reported an improvement in gas retailer call centre performance in 2005–06, with 81 per cent of calls to gas retail account lines being answered within 30 seconds, compared to 68 per cent in 2003–04 and 74 per cent in 2004–05. However, it noted an independent finding that the average time to respond to customer calls had declined to 102 seconds from 90 to 95 seconds and 101 seconds on average in 2003–04 and 2004–05 respectively. This response time is slower than the Australian energy sector average, but better than a range of selected industries also surveyed.

Total complaints to Victorian gas retailers increased from 2506 in 2003–04 and 3479 in 2004–05 to 4630 complaints in 2005–06, equivalent to 0.28 complaints per 100 customers. Complaints relating to gas affordability were low at 0.15 complaints per 100 customers, or 2381 complaints. The ESC noted that some of the newer entrants to the Victorian market recorded higher rates of complaints than the three local retailers.

Figure 11.10

Breaches of gas retailer licence obligations, by category



Source: IPART, *Energy distribution and retail licences, compliance report for 2005/06*, report to the Minister for Energy, 2006.

Table 11.7 **Small customer access to gas retail services, Victoria**

INDICATOR	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
PER 100 CUSTOMERS						
DISCONNECTIONS						
Electricity	0.44	0.7	0.61	0.84	0.54	0.22
Gas	1.16	1.1	0.41	0.74	0.7	0.27
BUDGET INSTALMENT PLANS						
Electricity	4.58	5.07	4.9	5.11	4.77	4.66
Gas	5.3	5.66	5.54	5.47	4.99	4.87
REFUNDABLE ADVANCES						
Electricity	0.03	0.03	0.02	0.01	0.01	0.01
Gas	0.02	0.02	0.01	0.01	0.01	0.00

Source: ESC, *Energy retail businesses comparative performance report for the 2004–05 financial year*, 2005, p. 5.

11.6.2 Consumer protection measures

Governments regulate aspects of the energy retail market to protect consumers' rights and ensure they have access to sufficient information to make informed decisions. Most jurisdictions require designated local retailers to provide gas services under a standard or default contract to nominated customers. Default contracts cover minimum service conditions relating to billing, procedures for connections and disconnections, information disclosure and complaints handling. During the transition to effective competition, default contracts also include regulated price caps.

Some jurisdictions have put in place codes that apply to all retail gas services, including those sold under negotiated contracts. The codes govern market conduct and establish minimum terms and conditions under which a retailer can sell gas to small retail customers. The codes often:

- constrain how retailers may contact potential customers
- require pre-contract disclosure of information, including disclosure of commissions for market contracts
- provide for cooling-off periods
- provide rules for the conduct of door-to-door sales, telemarketing and direct marketing.

Most jurisdictions also have an ombudsman to whom consumers can refer a complaint they have been unable to resolve directly with the retailer. In addition to general consumer protection measures, jurisdictions establish a gas supplier of last resort to ensure customers can be transferred from a failed or failing retailer to another.

11.6.3 Community service obligation delivery

States and territories provide a range of assistance measures to meet community service obligation payments to particular groups of gas users—mostly low-income earners. Traditionally, community service obligations were funded by cross-subsidies from large industrial and commercial users to small consumers. Under the National Competition Policy and related reforms, governments have been replacing cross-subsidies with transparent concessions and grants funded directly from budgets. This makes it possible to provide community service obligations without distorting competitive outcomes.

11.6.4 Future regulatory arrangements

State and territory governments are currently responsible for the regulation of retail energy markets. Governments agreed under the Australian Energy Market Agreement 2004 (amended 2006) to transfer rule-making, and review and regulatory functions to the national governance framework administered by the Australian Energy Market Commission and Australian Energy Regulator. The regulatory responsibilities scheduled for transfer include:

- the obligation on retailers to supply customers at a default tariff with minimum terms and conditions
- arrangements to ensure customer supply continuity and wholesale market financial integrity in the event of a retailer failure
- minimum contract terms and conditions applying to small customer market contracts
- small customer marketing conduct obligations
- retailer general business authorisations (where necessary for matters other than technical capability and safety).

The Ministerial Council on Energy has scheduled the transfer of responsibilities to commence from 2008. Under the current proposals, the states and territories will retain responsibility for price control of default tariffs unless they choose to transfer those arrangements to the Australian Energy Regulator and the Australian Energy Market Commission.