MONITORING THE DEVELOPMENT OF ELECTRICITY RETAIL COMPETITION IN SOUTH AUSTRALIA

STATISTICAL REPORT

September 2003

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ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

1. INTRODUCTION

This September 2003 report is the first of a regular series of reports to be published on the development of Full Retail Competition (FRC) in the South Australian electricity market.

On 1 January 2003, the South Australian electricity retail market became fully contestable. This means that there are no longer any direct legal or regulatory impediments in place that prevent a licensed electricity retailer seeking to sell electricity to a South Australian customer.

For background and details of the proposed reporting program, please refer to the Essential Services Commission of South Australia (ESCOSA) Position Paper "Monitoring the Development of Electricity Retail Competition in South Australia". All ESCOSA reports are available on the ESCOSA website at http://www.escosa.sa.gov.au/[1].

This report focuses on publishing up to date statistics. A more detailed report containing additional analysis and commentary is to be provided in November 2003.

This report provides data on the number of South Australian licensed retailers, the number of retailers operating in the South Australian small customer[2] retail market, and the number of small customers switching from standing contracts[3] to market contracts[4].

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[1] Report located at: http://www.escosa.sa.gov.au/resources/documents/030807-R-MonitorEffectiveERC-PositionPaper.pdf.

[2] Small Customer refers to all residential customers and those business customers with an annual consumption of less than 160MWh.

[3] Standing Contracts: from 1 January 2003 all small customers were deemed to have taken out standing contracts with the incumbent retailer (ie AGL SA), which required the retailer to agree to sell electricity to the customer at the retailer's standing contract price and subject to the retailer's standing contract terms and conditions. Refer to Section 36AA of the Electricity Act.

[4] Market Contracts: refers to contracts on terms and conditions agreed or negotiated with the customer, expected to be with different prices and pricing arrangements to those available under Standing Contracts (or default contracts).

2. INDICATORS

2.1 *Number of Retailers Operating in the South Australian Electricity Market*

Since 11 October 1999, ESCOSA (formerly the SAIIR[5]) has been responsible for administering the licensing regime that applies to electricity entities, pursuant to Part 3 of the Electricity Act 1996.

Table 1 provides the current number of electricity retailers licensed to operate in South Australia, together with the history of entry and exit since October 1999. This statistic indicates the current available pool of retailers licensed in South Australia, and those interested in operating in South Australia and potentially best placed to become active when circumstances suit the retailer.

TABLE 1: NUMBER OF LICENSED SA RETAILERS

AS AT DATE	RETAILERS(i)	NUMBER
October 1999	Actew Energy (ActewAGL Retail), Advance Energy, AGL Electricity (AGL South Australia), Boral Energy Electricity (Origin Energy Electricity), CitiPower, Eastern Energy (TXU Electricity), Energex Retail, Energy Australia, Ergon Energy, ETSA Power (AGL South Australia), Flinders Power (NRG Flinders), National Power Australia, North Power (Country Energy), Optima Energy (TXU Electricity) and Yallourn Energy (ii)	15
October 2000	ACTEW Retail (ActewAGL Retail), Advance Energy, AGL Electricity (AGL South Australia), AGL South Australia, CitiPower, Energex Retail, National Power Australia, North Power (Country Energy), NRG Flinders, Origin Energy Electricity, TXU Electricity and Yallourn Energy (ii)	12
November 2001	ActewAGL Retail, AGL South Australia, CitiPower, Country Energy, Energex Retail, NRG Flinders, Origin Energy Electricity, Tarong Energy, TXU Electricity and Yallourn Energy (ii)	10
November 2002	ActewAGL Retail, AGL South Australia, CitiPower, Country Energy, Energex Retail, NRG Flinders, Origin Energy Electricity, Tarong Energy, TXU Electricity and Yallourn Energy (ii)	10
September 2003	ActewAGL Retail, AGL South Australia, CitiPower, Country Energy, Energex Retail, Energy Australia, NRG Flinders, Origin Energy Electricity, Tarong Energy, TXU Electricity and Yallourn Energy (ii)	11

Note: (i) Prior to 1 January 2003 only AGL was licensed to sell electricity to non-contestable customers. From 1 January 2003 there were no restrictions, as all customers became contestable with the commencement of electricity FRC. The companies identified in brackets indicate either the current trading name or a related company.
(ii) Yallourn Energy Pty Ltd trading as AusPower.

Care needs to be exercised in comparing the number of licensed retailers over time. A number of licence holders in 1999 and 2000 were either not selling to anyone and

[5] ESCOSA commenced operation in September 2002 replacing the SA Independent Industry Regulator (SAIIR). ESCOSA is the same body corporate as the SAIIR.

eventually surrendered their licences or the few customers they had were transferred to a related entity, as part of the market settling down process. Also, not all the current licensed retailers listed in Table 1 have South Australian customers[6].

The number of retailers currently operating in the small customer electricity market and/or intending to operate in the future would be expected to have an important influence on the prevailing level of competition.

It is early in the development of electricity FRC in South Australia. At this stage there are three retailers (AGL SA, Origin Energy and TXU) selling electricity to small customers located in South Australia.

2.2 Number of South Australian Small Customers Transferring to Market Contracts for Electricity

Figure 1 and Table 2 provide the number of small customers who have elected to take out a market contract for electricity either with AGL SA or an alternative retailer, for the eight months to August 2003. Figure 1 shows the cumulative total of transfers from standing contracts, with Table 2 providing the relevant core data.

This aggregated transfer data combines NEMMCO[7] small customer transfer data, with AGL SA data on the number of its customers transferring to market contracts with AGL SA. The NEMMCO data provided from its Market Settlement and Transfer Solution (MSATS) system only records transfers away from AGL as the 'incumbent' retailer (and not those customers who have moved from an AGL SA standing contract price to one of its market contracts). The combination of the AGL SA and NEMMCO data shows the overall extent to which customers are exercising choice in moving to market contracts.

There are some issues in defining the term "customer" [8], and analysing trends in the data will be as important as the absolute numbers at any given point in time.

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[6] As at 30 June 2003, there were at least eight currently active SA licensed retailers (ie have SA customers).

[7] NEMMCO is the National Electricity Market Management Company Limited, which is responsible for the day-to-day operation and administration of both the power system and the wholesale spot market in the National Electricity Market (NEM).

[8] Footnote 2 defines small customers. However, whilst reference is made to customers, the term 'customer' can be defined in a number of ways, such as connection point, National Metering Identifier (NMI), site, contract and account. As noted in the report, the customer transfer data amalgamates NEMMCO transfer data with AGL SA data. The NEMMCO data is best characterised as the change in responsibility for NMIs. The AGL SA data is also provided on a NMI basis and represents acceptance of an offer, which is not formally deemed to have occurred until after the 'cooling off' period has expired. It is possible that a single property or contract could have a number of NMIs associated with it. In terms of Figure 1 and Table 2, the customer numbers provided will not necessarily translate directly to the number of residences or business premises switching.

FIGURE 1: NUMBER OF SMALL CUSTOMERS TRANSFERRING TO MARKET CONTRACTS FOR ELECTRICITY IN SOUTH AUSTRALIA
2003

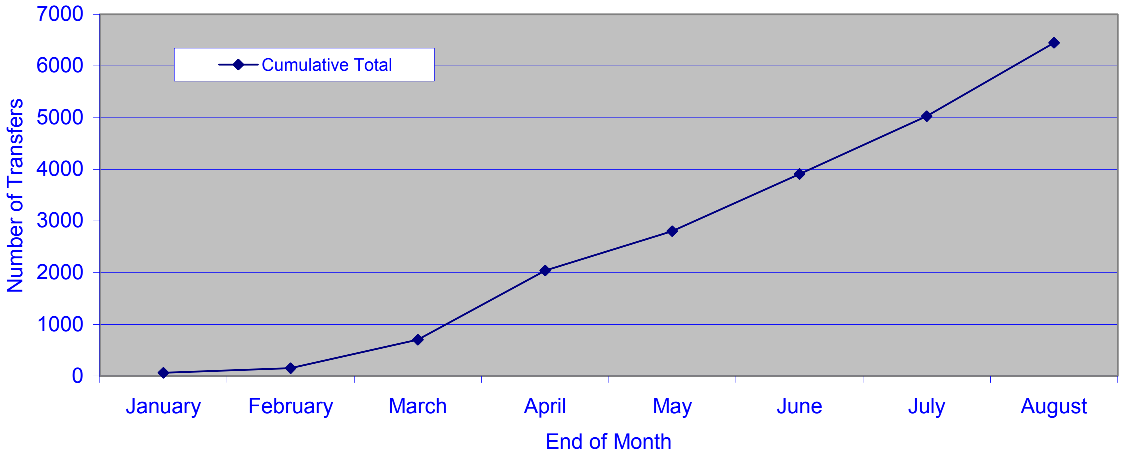

TABLE 2: NUMBER OF SMALL CUSTOMERS TRANSFERRING TO MARKET CONTRACTS FOR ELECTRICITY IN SOUTH AUSTRALIA
(JANUARY 2003 TO AUGUST 2003)

MONTH	NUMBER(i)	CUMULATIVE TOTAL(i)
January	63	63
February	91	154
March	549	703
April	1338	2041
May	761	2802
June	1106	3908
July	1123	5031
August	1416	6447
Total	6447	

Note: (i) Numbers relate to completed transfers only. For this report, no audit assurance has been sought on the numbers provided to ESCOSA.

A small level of churn[9] would be expected in the early stages of retail competition. The 6,447 completed transfers represents 0.9% of the small customer base of around 750,000 customers.

[9] Churn represents the number of transfers as a percentage of the eligible customer base.

3. SUMMARY

In summary:

- ▲ There are currently 11 electricity retailers licensed to operate in South Australia.
- ▲ Three retailers are currently selling electricity to small customers in South Australia.
- ▲ As of 31 August 2003, 6,447 small South Australian electricity customers had transferred to market contracts.
- ▲ The 6,447 completed transfers represents 0.9% of the small customer base of around 750,000 customers.

The next Statistical Report in this series is due to be released in November 2003.