



15 May 2024

National Competition Policy analysis study
Productivity Commission
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Alinta Energy is pleased to make a submission to the Productivity Commission as part of its study to estimate the economic benefits and revenue impacts of proposed competition reforms, which will then inform the competition policy and priority reforms to be considered by national and state and territory governments.

We are an active investor in energy markets across Australia, with an owned and contracted generation portfolio of around 3,000MW and over one million electricity and gas customers.

In Western Australia, the South West Interconnected System (or "SWIS") is the largest electricity network, supplying around 2.3 million customers across the Perth metropolitan and extending 255,00 km to Kalbarri in the north, Albany in the south and Kalgoorlie in the east. Currently, the state government-owned entity, Synergy, is the only energy retailer permitted under the *Electricity Corporations Act 2005* to sell electricity to residential and small business customers in the SWIS consuming less than 50 MWh per annum (the "contestability threshold").

Full retail contestability in electricity markets is essential to ensuring long-term benefits to all electricity consumers. This was recognised in the landmark Hilmer microeconomic reforms which aimed to promote efficiency and competition across industries, including energy markets, by deregulating and fostering competition among providers. Energy market reforms were supported by the federal and state governments through the Australian Energy Market Agreement, under which signatories 'reaffirm their commitment to full retail contestability in accordance with the National Competition Policy Agreements'.¹ In this respect it is concerning that Western Australia has yet to deliver on this commitment, to the detriment of the local economy and to small use electricity consumers.

Following repeated requests from small business owners for alternative electricity retail options, Alinta Energy commissioned an analysis by KPMG of the effects of lowering the contestability threshold from 50 MWh to 20 MWh. The KPMG analysis (see **Attachment**) determined that a reduction in the contestability threshold presents an immediate and cost-effective reform mechanism, with the potential to unlock significant benefits for both electricity customers and the broader Western Australian economy, including:

- Providing an additional 24,500 connections (20–50 MWh) with access to multiple retailers with competitive product offerings;

¹ The Commonwealth of Australia *et al* (9 December 2013) *Notice of Amendment to the Australian Energy Market Agreement*, clause 14.10

- For eligible connections, a reduction in electricity prices of up to 12.5%. A business using 20 MWh could save up to \$802 per annum, whilst a business using 50 MWh could save up to \$1,878 per annum;
- Up to \$29.7 million per annum in direct cost savings to the economy;
- A potential GSP boost of \$548 million over 15 years; and
- An increase of nearly 200 permanent FTE jobs in Western Australia after 5 years.

We consider that reducing the contestability threshold from 50 MWh to 20 MWh would be achievable in an immediate timeframe due to minimum reform complexity – existing systems and processes could be utilised for the relatively few eligible connection points within that consumption band. Additionally, required amendments to the regulatory framework would be minimal.

The KPMG analysis indicates that the broader economic benefits arising from this reform would be seen across all sectors where competition is active. These benefits would be significant and long-lasting and would directly contribute to our economy as we deal with the after-effects of COVID-19 and the current cost-of-living crisis.

We agree with the sentiments of the Commonwealth Treasurer, The Hon Dr Jim Chalmers MP, that 'Increasing competition and dynamism is good for businesses, good for consumers and good for the economy'.²

We encourage the Productivity Commission to consider, as part of its study and as a first step to full retail contestability, the benefits arising from lowering the electricity contestability threshold in the SWIS as outlined above and discussed in more detail in the Attachment. Lowering the threshold can be achieved with little effort and the resulting impact to Western Australians and flow-on effects nationally would be significant.

We would be very pleased to discuss this matter with the Productivity Commission in more detail.

Yours sincerely

Graeme Hamilton

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² The Hon Dr Jim Chalmers MP (15 March 2024) [Treasurers work together to boost competition | Treasury Ministers](#) (media release), accessed 10 May 2024