

N40706.

**Stewart, Liam**

**From:** Monks, Melissa [Melissa.Monks@mallesons.com]  
**Sent:** Thursday, 29 April 2004 5:24 PM  
**To:** liam.stewart@accg.gov.au  
**Cc:** Bodger, Amanda  
**Subject:** Notification by EnergyAustralia

Mallesons Stephen Jaques  
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Confidential communication

Dear Liam

As requested, please find set out below some further information about EnergyAustralia and CRG to assist the Commission's consideration of the relevant notification. I note that the information relating to EnergyAustralia's customer numbers and CRG's member numbers are commercially sensitive and the parties would appreciate if the Commission could keep such details confidential.

I also confirm that the proposed conduct as notified to the Commission, will be confined to South Australia given that all of CRG's members are based and operate in South Australia.

**EnergyAustralia**

EnergyAustralia is a gas and electricity retailer providing services to residential and business customers, traditionally in New South Wales, although it has commenced retail operations over the last couple of years in various other Australian states (for example, Victoria in 2003, Queensland (for large customers) over the last year, South Australia earlier this year and the ACT within the next few months). In New South Wales, EnergyAustralia is also an electricity distributor. Generally, EnergyAustralia is a very new and small player in all states but New South Wales, where the fact that it is a state-owned corporation that has operated for some decades, has enabled it to compete effectively with large energy retailers such as AGL, Integral Energy and Country Energy.

Full retail competition commenced in the electricity market in South Australia in January 2003 and will commence in the gas market in June-July 2004. Accordingly, a range of retailers (including EnergyAustralia) are actively competing for customers in South Australia, including Origin Energy, TXU, AGL, PowerDirect and Country Energy. AGL is the dominant incumbent retailer in South Australia and has a considerable advantage in comparison to other new entrants such as EnergyAustralia (particularly as AGL is the default retailer).

Given the relative immaturity of the energy retail market, it is difficult to provide figures as to market share. However, we note that as EnergyAustralia only commenced retail operations in South Australia in late February 2004, it currently has only [ ] customers [ ] out of a population of over 1.5 million in South Australia. In comparison, the incumbent retailer, AGL, is conservatively estimated to have 800,000 customers in South Australia.

**CRG**

CRG, which commenced operations in 1992, is a collective buying and sourcing group that is based in South Australia. Basically, CRG provides members with greater access to discounts and benefits on services by pooling its buying power, than they may otherwise achieve alone. CRG has approximately [ ] as members (out of an estimated 20,000 small to medium businesses in South Australia), on whose behalf it seeks discounts and other benefits on items such as telecommunications goods and services, energy services, stationery and other requirements that members may have in running their business. The members pay a membership fee to CRG for sourcing, negotiating and facilitating the discounts and other benefits with suppliers, manufacturers and retailers. Examples of other buying groups operating in South Australia who provide similar services to those provided by CRG are the National Farmers Federation, Dale Woods Business Brokers, ACUMA Buying Group and Green Hill Electricity Buying Group.

CONFIDENTIALITY  
GRANTED - Areas outlined

30/04/2004

In summary, EnergyAustralia is of the view that the proposed conduct set out in its notification to the Commission, will be of benefit to South Australian energy customers (namely, small business customers) as it will allow them to acquire energy at a discount, with a credit, rebate or other allowance and, in our view, will encourage other competitors to make similar offers. Given both the level of active competition in the South Australian retail energy market and EnergyAustralia's minor share of that market, in our view, the proposed conduct will not lessen competition.

Please contact me if you require any further information or would like to discuss EnergyAustralia's notification.

Kind regards,  
Melissa

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