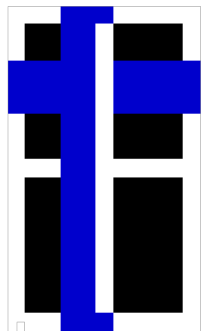


Finncorn

Efficient Competition through Sunlight

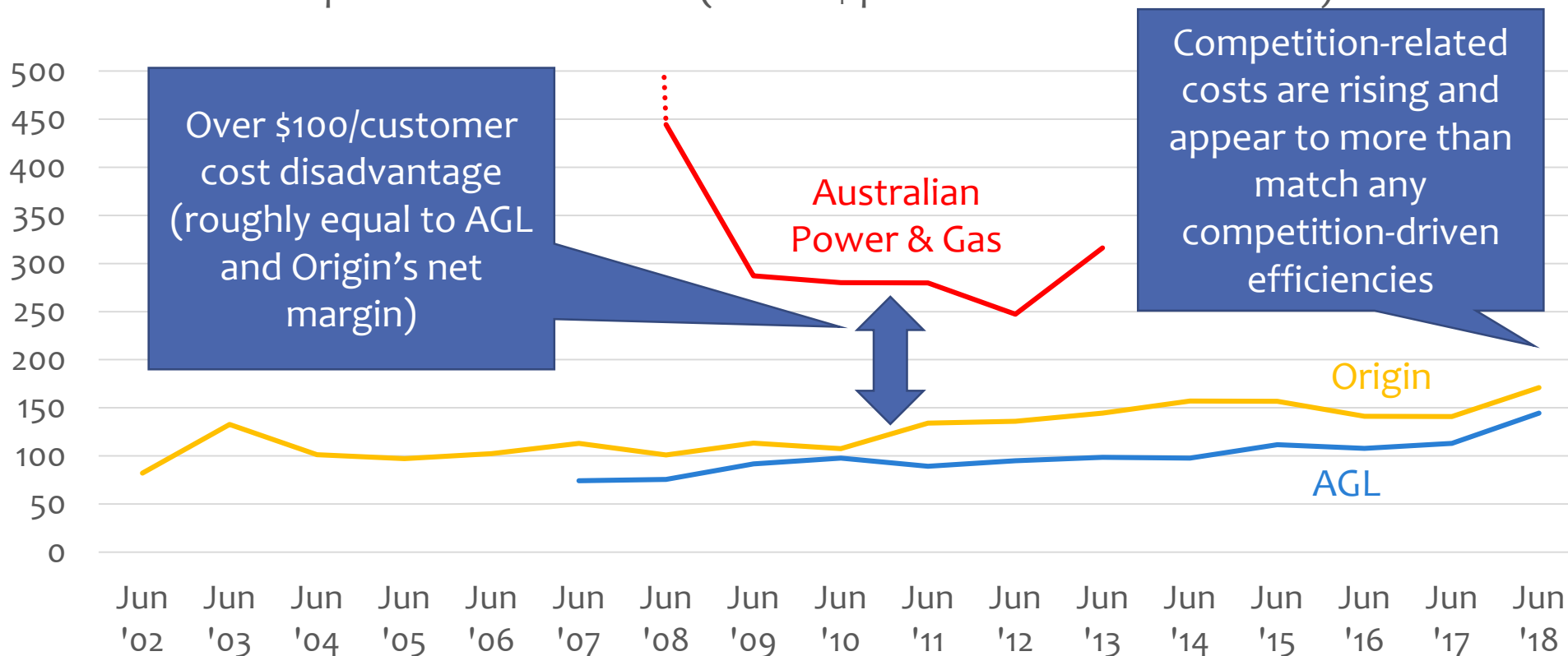
Using retailer data to improve the analysis of
competition

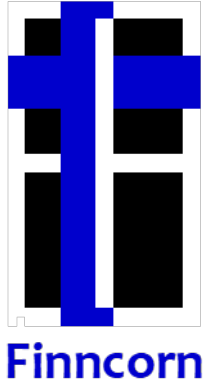


Finnicorn

Small retailers are high-cost ... Large retailer operating costs are rising

Comparative Cost to Serve (annual \$ per small customer account)





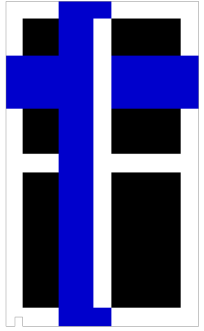
Two things needed to deliver lower consumer costs under competition

1. **Industry structure where lower-cost competitors set price**
TEST: Industry-wide returns are close to cost of capital

AND IDEALLY ALSO

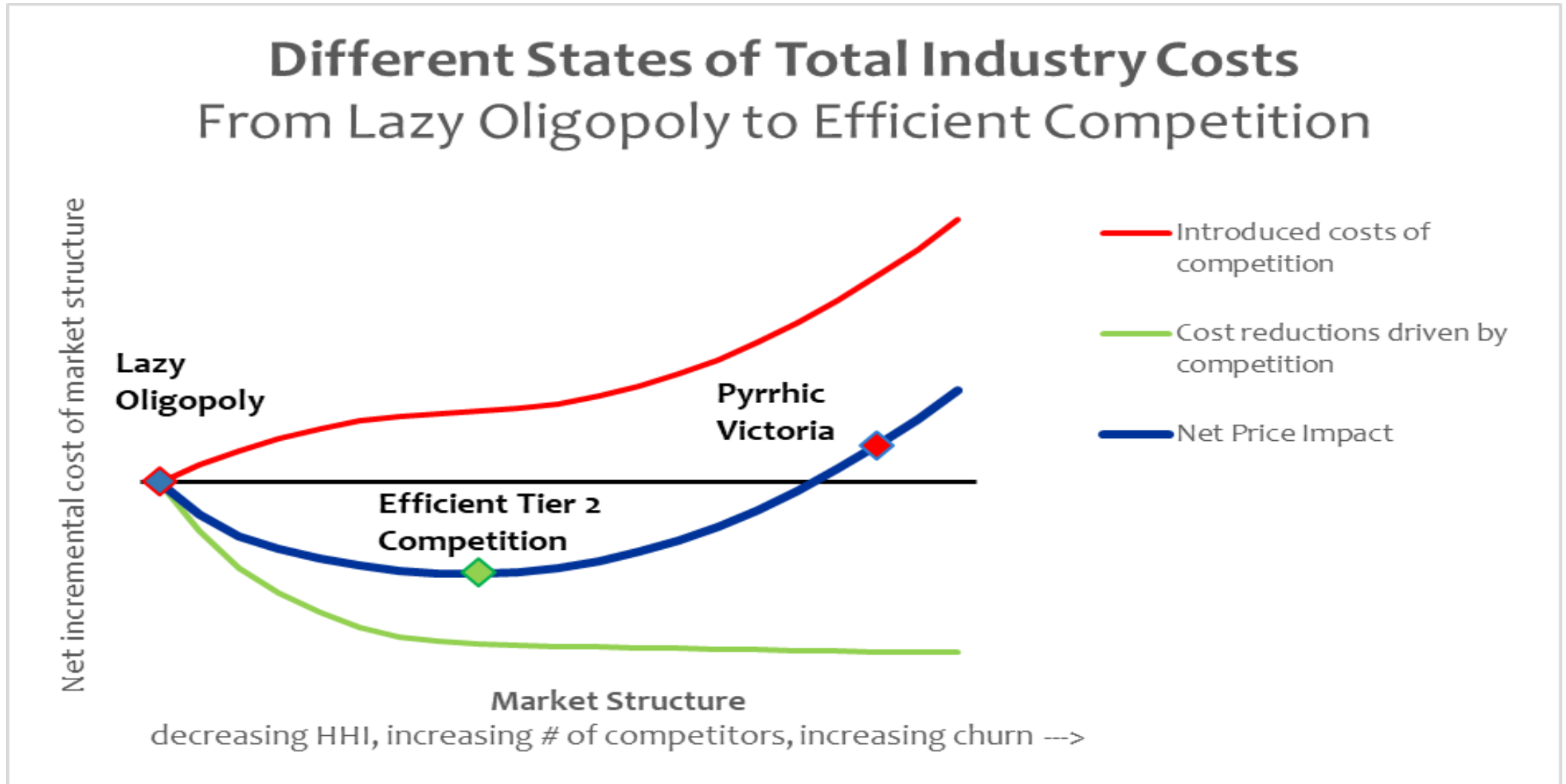
2. **Lower total industry operating costs to recover via gross margin**
TEST: Falling costs over time, net of new costs of competition

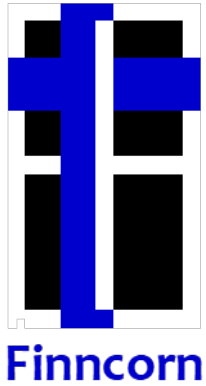
In our view, **neither appears to hold in “Pyrrhic Victoria”.**



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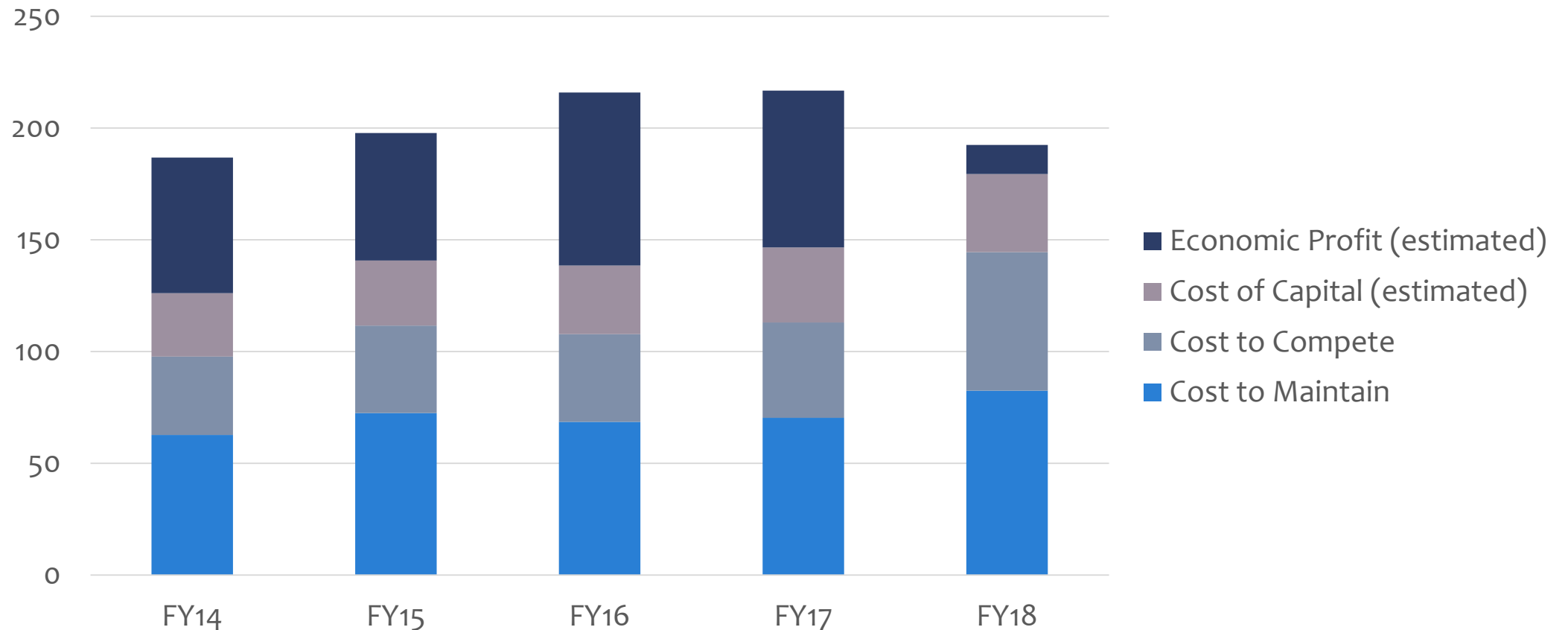
Where are we now? Where are we going?

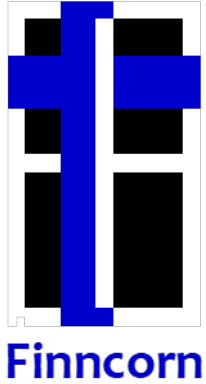




From a sample dataset of one, we suspect there have been persistent excess returns

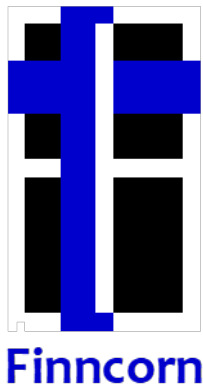
AGL's uses of Electricity Gross Margin (\$ per small customer account)





A rule change?

- In our opinion, there may be value in seeking a rule change
 1. A condition of retail licencing may be **timely annual submission of standard financial and operational performance data** for a common financial year.
 2. The data would be classed as:
 - **Private:** more commercially sensitive detail, only released in anonymised, aggregated form to allow analysis between NEM regions and between Tiers of retailers as well as whole-of-industry.
 - **Public:** everything else, consistent with the listed-company examples.
 3. Exemptions may exist for **very small retailers below a de-minimus level of customers** (or equivalent load).



Thank you

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