

# POWER CONFERENCE

On Energy Research and Policy

## ABSTRACT

### ***"Price Discrimination, Search, and Negotiation in an Oligopoly: A Field Experiment in Retail Electricity"***

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In many retail markets, prices are negotiated between consumers and companies. In the electricity market that we study, with competitive retailers, fixed and variable charges vary widely across customers, even among customers with the same retailer, in the same distribution network, at similar levels of usage. There are also concerns in this market that recipients of income-tested government subsidies are charged higher base rates. This paper proposes an audit-study based approach to identify the sources of price dispersion. We create a call center staffed by actors that call real call centers to obtain rates for fictitious customers with experimentally-assigned combinations of customer characteristics. We find that firms are willing to reduce their profit margins by 30% for customers who are informed about and negotiate based on low market prices. Firms are also less willing to negotiate lower prices with new customers relative to existing customers looking to switch retailers. Finally, we find no evidence of explicit price discrimination based on government-subsidy status. Incomplete pass-through of government subsidies for vulnerable customers appears to be due to lower likelihood to search and lower willingness to accept direct-debit or pay-on-time plans.