



**THE HON CHRIS BOWEN MP**  
**MINISTER FOR CLIMATE CHANGE AND ENERGY**

MS24-001246

Ms Anna Collyer  
Chair  
Level 15  
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SYDNEY NSW 2000

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Dear Chair *Anna*

Please find attached a package of rule change proposals to amend the National Energy Retail Rules to help households access cheaper energy deals, increase support for people experiencing hardship, and deliver more protections for consumers.

These necessary changes are recommended by the Energy and Climate Change Ministerial Council (ECMC) which on 19 July agreed that I submit the attached package to the Australian Energy Market Commission (AEMC) in my capacity as Chair of ECMC. This package was developed in response to findings presented to Energy Ministers in March 2024 by the Australian Competition and Consumer Commission (ACCC), the Australian Energy Regulator (AER) and Energy Consumers Australia (ECA) that there are aspects of the east coast regulatory framework that could be strengthened to better serve the interests of electricity consumers.

I endorse these rule change requests and ask that the AEMC urgently progress with their initiation, prioritising those proposals which are most urgent and have the highest expected impact, as agreed by Energy Ministers. These are: 'improving the ability to switch to a better offer,' 'ensuring energy plan benefits last the length of the contract,' 'preventing price increases for a fixed period under negotiated market retail contracts,' and 'assisting hardship customers.'

As the Commonwealth Minister for Climate Change and Energy, I also request withdrawal of the pending rule change request 'long-term standing offer notice', as it is now superseded by the attached package of rule change requests.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Chris Bowen', written over the words 'Yours sincerely'.

CHRIS BOWEN

# Improving the ability to switch to a better offer

## Request to make a rule

### Name and address of the person making the request

The Honourable Chris Bowen MP  
Minister for Climate Change and Energy  
Parliament House  
Canberra ACT 2600

### Statement of issue

The transaction costs currently inherent in switching offers, even within the same energy provider, represent a market failure; the process of a customer achieving the most appropriate offering for them – involving both price discovery and the transaction – is not efficient. The Better Bills Guideline (BBG) acts to materially improve price discovery by requiring a retailer to present to a customer on their bill if a cheaper offer is available to them. This rule change is intended to reduce the transaction cost associated with moving to the retailer's deemed better offer.

The Australian Competition and Consumer Commission's (ACCC) [Inquiry into the National Electricity Market](#), released in December 2023, found that:

- customers may achieve better price outcomes if they switch regularly
- customers need to continually re-engage in the market to obtain the benefits of competition
- customers who have not switched are more likely to pay higher prices.

However, the ACCC also raised concerns that barriers to consumer engagement may prevent them from switching to a better offer. The ACCC found that 79% of its sample of approximately 5 million small customers could have been on cheaper deals. That approximately 4 in 5 of small customers were either unaware of a cheaper deal being available, or were not prepared to spend time and effort switching, demonstrates that more should be done to reduce barriers to switching.

The evidence in Victoria suggests that providing a simpler mechanism for switching would support consumer engagement with the energy market and empower consumers to reap the benefits of a better deal. Under rule 25A of the National Energy Retail Rules (NERR) the Australian Energy Regulator (the AER) is required to make a billing guideline. The Better Bills Guideline Version 2 (BBG) has been in effect since 30 September 2023 across NERR jurisdictions (all jurisdictions except Victoria, Western Australia and the Northern Territory). The BBG requires retailers to include a 'better offer' statement on the front page of consumer bills, explaining whether the retailer offers a better deal and summary instructions on how to switch plans.

While the BBG provides a useful tool for ensuring efficient price discovery for customers who could be on a better offer with their current retailer, it does not extend to ensuring that the subsequent transaction costs of switching to that better offer are minimised. The process of switching plans can be complex in practice and presents a further barrier to consumers switching to a better offer.

It is acknowledged that there is unlikely to be only one type of solution to this problem. Retailers can, and do, take their customers on different journeys when engaging with them. Depending on a range of factors including the customer's circumstances, their contract, billing preferences, level of understanding and engagement etc., the nature of the pathway to being placed on the better offer may vary. Nevertheless, that customer journey should be as streamlined, short, and safe as possible.

Consultation and positive engagement by retailers, consumers and other stakeholders will be critical to identifying and implementing best practice solutions across the retail market, with the aim of ensuring that all customers' overall transaction costs are minimised and the maximum amount of customers can switch to the better offer available with their retailer.

While this rule change request is focussed on customers switching to a better offer with their existing retailer, it is noted that that better offer is likely to be an acquisition offer and would thus be exposed to competitive tension with the broader market, channelling the benefits of competitive pricing to that customer without requiring them to switch retailers.

The focus of the BBG is on the 'deemed better offer', which is calculated with reference to a consumer's past usage and the lowest cost plan available for that consumer. The better offer requirement as currently described does not require retailers to present offers that are like for like (for example, if a consumer is on a plan which matches their electricity consumption with 50% GreenPower renewable electricity, the best plan available that also has 50% GreenPower renewable electricity). The focus of the 'deemed better offer' provision is overall price.

It has been noted that the effect of this may have been that some consumers have switched from plans that offer a renewable energy component to a lower cost plan without a renewable energy component. It may be appropriate for consideration to be given to the overall materiality of this effect, and if warranted to consider re-examining the scope of the BBG's 'deemed better offer' to broaden the information provided to include other tariff types that are available such as flat rate tariffs and tariffs which include renewable energy options. This would be a separate process to this rule change request.

The ACCC's sample of customer bills was taken in August 2023, and the BBG came into full effect in September 2023. As a result, the full impact on switching is unknown. However, experience from Victoria's implementation of a similar requirement demonstrates that while notification of a better offer can be expected to have a positive impact on customer switching through more efficient price discovery, it is unlikely to remove all remaining barriers. The evidence suggests the monetary benefit gained through switching is outweighed by the time and effort constraints on consumers, contributing to the difficulties consumers face in engaging in the market.

## Background

The [ACCC Inquiry into the National Electricity Market](#) (p 10) released in December 2023, showed that 79% of the residential customers in their sample could have achieved a better offer if they had switched to a competitive acquisition offer in Energy Made Easy or Victorian Energy Compare.

Victoria has required energy companies to include information about a consumer's 'best energy offer'<sup>6</sup> since July 2019. Data presented by the Essential Services Commission's [Victorian Energy Market Report September 2023](#) highlights that residential consumers could have saved a total of \$191 million in electricity bills and \$89 million in gas bills if they were on their retailer's best offer. The report also found 28% of Victorian residential electricity consumers could have saved \$100 per year by being on their retailer's current best offer, while 17% of Victorian gas consumers could have saved \$100 or more. The report highlights the complexity of information presented can be overwhelming for consumers and identifies switching costs (referring to the time and effort required

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<sup>6</sup> See [Consequential amendments related to the Victorian Default Offer \(esc.vic.gov.au\)](#).

to switch to the best offer) as including clicking a link, visiting the retailer’s website and calling the retailer.<sup>7</sup>

### Description of the proposed rule change

Under [rule 25A](#) of the National Energy Retail Rules (NERR), the AER is required to make a billing guideline. This rule change request seeks to extend the requirements of the [Better Bills Guideline Version 2](#) (BBG) by amending the NERR to introduce an obligation on retailers to provide a streamlined process for consumers to switch to the better offer as presented on the customer’s bill.

The new obligation could be implemented through a new rule in the NERR under [Division 7](#) (Market retail contracts—particular requirements), potentially as a subrule to [Rule 46](#) (Tariffs and charges). Alternatively, the new rule could be introduced in [Division 9](#) (Other retailer obligations) which includes provision for retailer obligations regarding switching and provision of information to customers.

Some consumers may have more complex plans, such as those designed for solar or home batteries, or with special payment terms, that may not be included in the deemed better offer. For these customers, the explicit informed consent requirements will be critical, to ensure that any difference between the two plans is made clear. The differences may include tariff structures, a renewable energy component, or other elements.

It will also be important for the new obligation to include a degree of flexibility, and for it to be technology-neutral, given that some consumers receive paper bills and that retailer billing systems will vary. The obligation in the rules and any requirements in the billing guideline will need to consider retailers’ ability to implement requirements with minimal costs, to avoid any significant costs being passed onto consumers.

Acknowledging this rule change request is not proposing a specific mechanism to be implemented, the Australian Energy Market Commission (AEMC) will need to consult with retailers about their existing systems and processes and consider what requirements can be placed on retailers in the NERR, and what would be appropriate for the AER to specify in its billing guideline.

### Alternative option

Another option that would require amendments to the AER’s billing guideline, would be to introduce an obligation on retailers to provide a streamlined process for switching to similar tariff types and tariffs which include renewable energy options. For example, if a consumer is on a plan with a flat tariff, the consumer is provided with a streamlined switching option to a lower cost flat tariff plan; if a plan contains renewable energy, streamlined switching to the cheapest plan available with renewable energy (including different percentages of renewable energy); if the consumer is on a plan that includes a feed-in tariff, streamlined switching to the cheapest plan available that includes a feed-in tariff, is provided. This ‘like for like’ streamlined switching would be presented in addition to a streamlined process for moving to the ‘deemed better offer’.

### How the proposed rule change will address the issue

Tangible and intangible transaction costs limit the ability of consumers to benefit from switching to better energy offers and hence the benefits of a competitive market. Providing a streamlined

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<sup>7</sup> [RPT - Victorian Energy Market Report - September 2023 3.pdf \(esc.vic.gov.au\)](#) p 9.

mechanism for switching will incentivise consumers to become active in the market. Removing barriers to switching and simplifying the process will increase price competition and deliver savings for consumers.

## How the proposed rule change will or is likely to contribute to the achievement of the National Electricity Objective

The National Energy Retail Objective (NERO), set out in the *National Energy Retail Law*, is:

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system; and
- (c) the achievement of targets set by a participating jurisdiction—
  - i. for reducing Australia's greenhouse gas emissions; or
  - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”

The relevant aspect of the NERO for this request is the price of energy services in the long-term interests of consumers of energy. Switching energy deals is an intrinsic aspect of a competitive market delivering energy services. Eliminating the barriers associated with switching to a better energy deal will increase the efficiency of energy services, directly contributing to the NERO.

## Expected costs, benefits, and impacts

### Expected benefits

Simplifying the switching process for consumers empowers and promotes customer choice, allowing all consumers to pay the best price based on their own individual energy circumstance and needs. Facilitating switching to lower price offers will provide bill relief for consumers.

### Expected costs

For retailers:

As noted above, it is recommended the proposed solution be technology neutral. Costs to retailers will depend on the changes required to existing systems. There will be up-front costs for retailers for setup, software, and integration into existing systems, however these will be one off costs.

For consumers:

Streamlined switching will reduce transaction costs for consumers. Retailers may pass setup costs onto consumers, which could see a temporary increase to contract prices.

### Expected impacts

This reform aims to eliminate the barriers associated with switching to a better offer, making the process as streamlined as possible for the benefit of consumers.

While the rule change would lower the barrier to consumers switching, the impact will ultimately depend on customers' willingness to act. Ensuring the switching process is streamlined and easy to engage with will help to promote consumer behavioural change.

As noted above, where a consumer's existing plan contains special conditions or arrangements to suit the consumer's needs, it will be important to ensure the simplified process for switching takes appropriate account of these, so it does not have a negative impact.