

14 January 2025

Australian Energy Market Commission
Level 15,
60 Castlereagh Street
Sydney NSW 2000

Submission: Delivering more protections for energy consumers: changes to retail energy contracts (Reference: RRC0058)

This is Compliance Quarter's submission to the Australian Energy Market Commission's consultation paper considering Consumer Rule Changes published on 28 November 2024. In our submission we focus on the proposal to prevent price increases for a fixed period under market retail contracts (considered from pages 13-14) and the proposal to remove certain fees and charges (considered from pages 16-19). We thank the Commission staff for consideration of our submission. This submission does not necessarily reflect the views of our clients and is made on our own behalf.

Background to Compliance Quarter

Compliance Quarter works with various energy retailers operating in those states that have adopted the National Energy Customer Framework. We work closely with our energy retail clients to help them implement and improve [compliance management](#) programs. We conduct reviews of their systems, processes, and documents and help train their front-line customer-facing staff.

As a result of our experience, we have a good understanding of the practical challenges of implementing changes to the regulatory framework and also of the likely effectiveness or otherwise of proposed changes.

Preventing Price Increases for a fixed period

As the Commission notes, in December 2023, the Australian Competition and Consumer Commission (**ACCC**) found that consumers who do not regularly engage in the energy market experience higher prices over time. Additionally, 47% of residential



Phone:
+61406 509 198



Email:
info@compliancequarter.com.au



Address:
18 Brisbane Water Drive,
Kooilewong NSW 2257

consumers were paying an annual cost equal to or higher than the default market offer (DMO), with 79% of residential customers able to achieve a better offer by switching [ACCC, *Inquiry into the NEM*, December 2023].

The position has not improved over time. The ACCC's 2024 report found that 51 percent of consumers were paying more than the DMO and more than 80 percent of consumers receiving best offer messages were not on a retailer's best offer [ACCC, *Inquiry into the NEM*, December 2024]. In other words, consumers, by this measure, were in a worse position in 2024 than they were in 2023.

The Better Bills Guideline was introduced in 2023 with the intention to encouraging consumers to switch to a better offer. Despite the Better Bills Guideline, the percentage of consumers paying more than the DMO has increased over time. We do not say that the Better Bills Guideline is completely ineffective, but it, alone, is an inadequate response to the problem that it sought to address.

What is the outcome sought?

The Consultation Paper sets out two options identified by the proponent:

1. To prevent price increases for the first 100 days; or
2. To only allow price increases once a year, similar to the arrangement in Victoria

As the Commission identifies, costs would predominantly fall on retailers as they would carry any risks associated with increased wholesale prices during the fixed period, along with costs to update their billing systems.

It's not clear to us how limiting the frequency of price increases would be relevant to the findings of the ACCC. In other words, if the rule change were made reflecting either of the two options set out above, would the December 2025 or December 2026 ACCC report show any reduction in the number of consumers who are paying more than the DMO or who are not on a retailer's best offer?

In answer to question 2: We submit that for each rule change considered by the Commission, there should be a measure of success - i.e., where possible, there should be some measure that can be considered post-implementation to determine the effectiveness or otherwise of a rule change once made. Such measures of success would be useful in the Commission's consideration of future rule changes.



Phone:
+61406 509 198



Email:
info@compliancequarter.com.au



Address:
18 Brisbane Water Drive,
Kooilewong NSW 2257

Our main concern with the proposed approach is that it may disproportionately impact smaller retailers, particularly where there is a mismatch between a network tariff and a retail tariff for example where a network tariff is changed and cannot be passed on to a consumer for 100 days.

Placing retailers in a position where they are subject to higher network tariffs but unable to make corresponding changes to their retail tariffs would not lead to positive outcomes for consumers. Such an outcome would result in additional financial pressure on smaller retailers who operate with thinner margins, and this may consequently reduce competition within the market.

In answer to question 5.2: We submit that there should be no fixed period but that if there is one, it must not result in retailers paying increased network fees before those are able to be recovered. If retailers are not able to recover network costs from consumers, then we will continue to see greater financial pressure on smaller retailers.

Removing fees and charges

The proponent proposes to amend the National Energy Retail Rules to prohibit certain fees and charges, including - Account establishment fees - Special meter read fees - Credit card payment fees - Late payment fees - Early termination fees - Over-the-counter fees at Australia Post and paper bill fees.

We agree with the proposal insofar as it would result in more consistency across jurisdictions. However, we disagree that shifting the recovery of costs away from fees and charges into tariffs would drive efficiency and say that it would in fact result in inequitable outcomes whereby all consumers are paying for costs that were incurred as a result of the action or inaction of a small number of consumers- where such fees and charges are otherwise correctly applied.

In addition, we say that fees and charges are important insofar as they incentivise or disincentivise particular behaviors. In some cases, the behaviors that are sought to be influenced are those that would otherwise increase costs for retailers, i.e., non-payment. For particular customer segments, we agree that certain fees and charges may not be appropriate, however, a blanket ban would be problematic insofar as resulting in additional costs which will disproportionately impact upon smaller retailers. Particularly where the relevant fee or charge is a reflection of a cost imposition on a retailer.



Phone:
+61406 509 198



Email:
info@compliancequarter.com.au



Address:
18 Brisbane Water Drive,
Kooilewong NSW 2257

In answer to question 6.5: we note that there are existing limitations on fees and charges should be carefully considered so as to not result in a circumstance in which smaller retailers are particularly disadvantaged.

Should you have any questions on our submission, please do not hesitate to get in touch.



Phone:
+61406 509 198



Email:
info@compliancequarter.com.au



Address:
18 Brisbane Water Drive,
Kooilewong NSW 2257