
Consultation paper: Delivering more protections for energy consumers: changes to retail energy contracts

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

To submit this form, [follow this link](#), and select the project reference code **RRC0058**.

SUBMITTER DETAILS

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DATE 16 January 2025

PROJECT DETAILS

NAME OF RULE ECMC Consumer rule change requests x 4

CHANGE:

- Ensuring energy plan benefits last the length of the contract (RRC0061)
 - Removing unreasonable conditional discounts (RRC0065)
 - Preventing price increases for a fixed period under market retail (RRC0058)
 - Removing fees and charges (RRC0059)
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PROJECT CODE: RRC0058

PROPONENT: The Hon Chris Bowen MP, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council

SUBMISSION DUE DATE: January 16, 2025

CHAPTER 1 – CONTEXT FOR THESE RULE CHANGES

Question 1: What are the interactions between the four rule change requests that we should consider?

<p>What are the interactions between the four rule change requests that we should consider?</p>	<p>The AEMC must consider if proposed changes require amendments to market retail contracts or notification to consumers. Where possible these should be implemented together.</p>
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CHAPTER 2 – MAKING OUR DECISION

Question 2: Assessment framework

<ul style="list-style-type: none"> • Do you agree with the proposed assessment criteria? • Are there additional criteria that the Commission should consider or criteria included here that are not relevant? 	<p>We agree with the assessment criteria.</p> <p>We recognise that “outcomes for consumers” is important, but submit that this assessment criteria should not be considered above the three other criteria.</p> <p>Each proposed change will result in increased administrative and financial burdens which need to be effectively balanced with the intended outcomes. This balance is particularly important where only a small subset of customers may benefit from the change. Any update to a retailer system will require investment, which is ultimately transferred to customers. These investments run into the hundreds of thousands of dollars, per rule change.</p> <p>Larger retailers with more resources may be better equipped to absorb the costs of compliance with these reforms, potentially putting small retailers at a competitive disadvantage. Small retailers may struggle to absorb these costs without passing them on to customers or compromising service quality.</p> <p>Therefore, while outcomes for consumers are always important to keep front of mind, it is imperative that retail competition remains and that retailers are still able to recover costs and make a profit. Failure to sufficiently consider these in the assessment criteria could lead to significant administrative and cost burdens as well as a reduction in market competition, ultimately reducing outcomes for consumers in the long run.</p> <p>Further, Energy Locals urges the AEMC to closely consider the increased burdens to retailers in connection with the proposed reform and to ensure any change is consistent with Victoria, noting that consultation by the Essential Services Commission in relation to the consumer reform rule changes requested by the Energy and Climate Change Ministerial Council is currently underway.</p>
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CHAPTER 3 –ENSURING ENERGY PLAN BENEFITS LAST THE LENGTH OF THE

CONTRACT

Question 3: Ensuring energy plan benefits last the length of the contract

<p>1. How material do you consider the proposed issue to be?</p>	<p>Energy Locals does not consider the proposed issue to be significant for its customer base as we do not offer any fixed</p>
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<ul style="list-style-type: none"> • Do you have any information you can provide us on how many consumers are on contracts with expired or expiring benefit periods? • How many of these consumers are vulnerable or receiving concessions? • Are there differences in the extent or nature of the problem between retail electricity and gas contracts? 	<p>term contract or lock in fees, meaning that a customer can change plans at any time.</p> <p>While there may be a limited number of disengaged customers on energy plans where benefits do not last the entire length of the contract we do not think this warrants a rule change.</p> <p>Energy Locals does recognise that customer engagement can be a challenge, however, there are already a number of resources available to customers to better equip them to switch plans. For example, best offer messaging and the Energy Made Easy comparison website.</p> <p>We also note a general observation of the retail market outside of Energy Locals, where many offers function as described in the proposed rule change, with contracts for market offers typically expiring after 12-months, at which time the customer is notified and benefit periods end. For this reason, we're not sure this rule change has any material impact on market behaviour.</p> <p>There is also a risk that these rule changes may have an adverse impact on retail competition, we have elaborated on this in sub-question 3.</p>
<p>2. Will the proposed solution address the issue raised in the rule change request?</p> <ul style="list-style-type: none"> • Does the proposed solution address issues of consent by including a standard term for end of contract arrangements? • Is there an alternative solution that would better address the underlying issues? • What transitional provisions would help retailers implement this rule at least cost? • Are there any other considerations we should assess in the rule change 	<p>With regard to obtaining consent, we agree with the recommendation to include a standard term for consent in market retail contracts.</p> <p>If these rules are to be implemented, we think there needs to be flexibility around notification requirements. Being able to notify customers on the bill proceeding the change, for example, would simplify operational burden on retailers.</p> <p>With regard to alternative solutions, other actions could be taken to assist disengaged customers, however, we do not consider that further responsibility should be placed on retailers.</p> <p>Placing the onus entirely on retailers to protect disengaged customers risks creating a dependency rather than fostering consumer independence.</p> <p>Customers have access to tools like comparison websites (e.g., Energy Made Easy) and guidelines to make informed decisions. Encouraging active participation promotes consumer education and a better understanding of their energy needs and options.</p> <p>Restricting how retailers structure contracts might stifle innovation and reduce the variety of offers available which ultimately limits consumer choice.</p>
<p>3. Would this proposed rule change impact the variety of tariff structures available in the retail market?</p>	<p>We do consider that this proposed rule may impact the variety of tariff structures available. Retailers compete by offering benefits and incentives, which can result in better deals for actively engaged consumers.</p> <p>Restricting a retailer's ability to offer certain benefits to customers for a fixed period may actually end up being detrimental. A retailer may elect not to offer a benefit given</p>

	<p>the need to sustain the offer indefinitely. If short term price discounts are not possible, engaged consumers who monitor the market and capitalise on introductory offers may end up with higher prices.</p> <p>Similarly, some retailers, who currently have no lock in contracts, may start offering fixed term contracts which would restrict the customer from being able to obtain better offers during that period.</p> <p>Retailers may also elect to price their plans more conservatively which may result in an increase in costs for consumers.</p> <p>Requiring benefits to last the duration of a contract could limit flexibility and innovation.</p>
<p>4. Is there any information we should consider based on the experience of the similar rule in Victoria?</p>	<p>We urge the AEMC to closely consider any learnings from Victoria.</p>

CHAPTER 4 – REMOVING UNREASONABLE CONDITIONAL DISCOUNTS

Question 4: Removing unreasonable conditional discounts

<p>1. What is the materiality of the problem raised in the rule change request?</p> <ul style="list-style-type: none"> Do you have any information you can provide about the impact of large conditional fees and discounts on vulnerable customers? 	<p>Energy Locals does not have a strong position on this proposed reform as we do not have a large cohort of customers on these legacy contracts.</p>
<p>2. Will the proposed solution address the issue raised in the rule change request?</p> <ul style="list-style-type: none"> Is there any information we should consider based on the application of the current rules relating to conditional discounting? Are there alternative options we should consider to best achieve the long-term interests of energy consumers.? 	
<p>3. What would be the cost of the proposed solution, if implemented, to both consumers and retailers?</p>	<p>The proposed solution may add to retailer administrative burden. In particular, the increased number of benefit change notices that would be required to be provided to customers will result in increased operational overhead to retailers – with these costs ultimately transferred to the end consumers.</p>

	<p>With regard to consumer costs, there may be a subset of customers on legacy offers who are meeting the conditions and are, therefore, benefiting from the legacy contract. If these plans end these customers may face higher costs.</p> <p>To prevent this, we would be supportive of a rule change that allows these customers to be offered an opt out from these plans as opposed to a complete closure of the legacy plans.</p>
<p>4. Are there any issues with implementation we need to consider?</p> <ul style="list-style-type: none"> • What transitional provisions could address those issues? 	<p>As above, the AEMC will need to appropriately consider requirements for obtaining explicit informed consent for any changes.</p>

CHAPTER 5 – PREVENTING PRICE INCREASES FOR A FIXED PERIOD UNDER

MARKET RETAIL CONTRACTS

Question 5: Preventing price increases for a fixed period

<p>1. What is the materiality of the problem raised in the rule change request?</p> <ul style="list-style-type: none"> • Do you have any data on how often retail energy prices change per year? • Do electricity and gas consumers experience the same issues? 	<p>For our customer base, we do not consider this to be significant issue. Given the restrictions in Victoria, we generally only change prices once per year or in response to a network-initiated tariff change.</p> <p>This approach is largely due to the demand on resources that implementing price changes requires. We also try to keep our prices as low as possible for customers and, therefore, we only increase them annually in response to changes to our cost inputs. Our prices are created factoring in wholesale and network costs which are the two biggest components of our cost stack. We, therefore, only change prices outside the annual price change in response to tariff changes at the network level.</p> <p>However, we do recognise that many other retailers may repeatedly raise prices, and we urge the AEMC to ensure that proposed changes are limited to these manipulative market practices. The AEMC must be careful to not inadvertently penalise retailers who are trying to keep prices low for their customers.</p> <p>Whilst we've previously referred to alignment with Victorian regulation, in this case we ask the AEMC to consider more flexibility around the timing of price changes, noting we have a single day, once a year, in Victoria, which puts a significant burden on retailers.</p>
<p>2. Which of the proposed solutions would best address the issue raised in the rule change request? Are there other options we should consider?</p>	<p>Due to significant existing reporting obligations, we are not supportive of increasing these. However, of the proposed options, our preference would still be option 3 – to empower the AER to collect data from energy retailers on the number of retailer-initiated price changes.</p> <p>We consider this rule change, of the options presented, may have the greatest positive impact with the least costs to retailers.</p>

	<p>By requiring retailers to report on the number of reprices per annum, there will be greater transparency.</p> <p>We also consider that this data will highlight the extent of the issue. Recording and reporting on price changes may also prompt behaviour change.</p> <p>With regard to the other options, we also are concerned that these options would reduce retailer flexibility and restrict retailers from passing on network tariffs, which are completely outside of a retailers control, and seemingly only growing in cost each year. To mitigate this risk, retailers may need to raise prices.</p> <p>While we currently reprice all customers annually (in line with the requirements in Victoria) at once to reduce burden, or in response to a network tariff change we think it is important that flexibility remains for retailers. Importantly, there are some instances where a reprice is required to correct an error. Similarly, we may need to move a customer onto a cost reflective tariff. If a retailer is unable to action this, then they risk under recovering costs.</p> <p>We are not supportive of the restriction on the 100-day fixed period. While we understand the intent of this, customers continue to switch retailers right up until annual reprice events. It's not reasonable to enforce that a retailer is unable to change prices at the same time as input costs change, just because a customer has only recently joined. Energy Locals typically introduces banners onto our website prior to reprice taking place, informing new customers that a price change is imminent. Thereafter, once our new prices have been finalised*, we display both current and new prices to customers, with the respective dates that each will apply – this is referred to as pre-positioning.</p> <p>Reprice is resource intensive meaning that, requiring retailers to separate customers who have recently joined and exclude them, would not only add to the burden, it would lead to further cost recovery being required via existing customers who had not joined within the prior 100 day period.</p> <p>*Prices are not typically finalised until late June, following publication of the network tariffs and finalisation of wholesale markets.</p>
<p>3. What are the costs and benefits of each approach?</p>	<p>While the benefit of adopting the requirements in Victoria achieves jurisdictional alignment this could result in higher costs to retailers if they are unable to reprice to effectively recover costs. The 100-day fixed period presents the same issue.</p> <p>There will likely be additional costs associated with increased reporting obligations as retailers may have to make system enhancements.</p>
<p>4. What are your views on the appropriate fixed period for prices (if any)?</p>	<p>As above, we do not agree with there being a fixed period.</p>

5. Are there any implementation issues we need to consider?	As outlined in sub-question 3 above, implementing any changes may require system enhancements. Retailers, therefore, require sufficient notice before any new rules are introduced.
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CHAPTER 6 – REMOVING FEES AND CHARGES

Question 6: Removing fees and charges

1. What is the materiality of the problem in this rule change request?	<p>The rule change request sets out that fees and charges are often not transparent.¹</p> <p>We disagree with this. Our fees are clearly communicated at sign-up and in our welcome packs to customers.</p> <p>Energy Locals also does not have any joining fees, exit fees or lock in contracts.</p> <p>The only fees we may charge upon termination are in connection with equipment obtained provided to the customer as part of the energy plan and such costs would be clearly communicated to the customer.</p>
<p>2. Will the proposed solution address the issues raised in the rule change request?</p> <ul style="list-style-type: none"> • Are there any alternative solutions we should consider? • Is a rule change the best approach to solving this problem? If not, what approach would be better? 	<p>The proposed solution may not achieve the desired impact.</p> <p>If reasonable costs cannot be recovered directly from a consumer, via fees and charges, retailers will need to raise prices more broadly which means the price is spread to all customers.</p> <p>If unrecoverable, these costs must also be accounted for by the Australian Energy Regulator when setting the Default Market Offer (DMO).</p> <p>The Consultation Paper outlines that under the proposed rule, “retailers would retain the ability to charge fees arising due to a customer-initiated specific arrangement, where the customer is informed of the costs.”²</p> <p>Energy Locals would like further clarification on when these fees are recoverable and what ‘customer-initiated specific arrangement’ would entail. Energy Locals would be supportive of this change, if there is clear guidance.</p>
<p>3. What fees and charges should be prohibited in the NERR, if any?</p> <ul style="list-style-type: none"> • What are the benefits of removing these fees and charges? 	<p>We support the prohibition on charging account establishment fees and early termination fees.</p> <p>However, retailers are charged fees from third party service providers and need to be able to recover these costs. We therefore consider that special meter read fees, credit card payment fees, late payment fees and paper bill fees should be capable of being recovered.</p> <p>Any additional fees incurred from third parties or in connection with equipment for the consumer should be capable of cost recovery directly from the relevant customer.</p>
4. Will a change to the NERR (in lieu of jurisdictional	Yes, jurisdictional alignment is likely to help provide consistency for retailers. Derogation from the NERR and NERL

¹ Removing fees and charges – Request to make a rule – The Honourable Chris Bowen MP

² Ibid.

derogations) help provide consistency for retailers?	in each state can add to the administrative burden for retailers.
5. Besides existing jurisdictional derogations, are there any other implementation issues we should consider (eg, timing, costs)?	

OTHER COMMENTS

5. Information on additional issues	Energy Locals expects that it will have further feedback as the review progresses, and we look forward to participating in the industry briefing sessions.
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