SACOSS
South Australian Council of Social Service

SACOSS Submission to the AEMC consultation on RRC0058-RRC0063 Consumer Rule Changes

January 2025

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First published in January 2025 by the South Australian Council of Social Service

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The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities, like water and electricity, impacts greatly and disproportionately on people experiencing vulnerability and disadvantage.

We welcome the opportunity to provide input into the Australian Energy Market Commission's (AEMC) consultation on the rule changes submitted by the Hon. Chris Bowen MP, Minister for Climate Change and Energy. Our submission will cover all five rule changes currently open for consultation, which are:

1. Ensuring energy plan benefits last the length of the contract
2. Removing unreasonable conditional discounts
3. Preventing price increases for a fixed period under market retail contracts
4. Removing fees and charges
5. Assisting hardship customers

We broadly support the proposed assessment criteria for the rule change package and endorse the intent of the rules, which seek to enhance consumer protections and improve the transparency and fairness of energy retail markets. Below, we outline our support for each proposed rule change, along with key questions and considerations for their implementation.

However, we must note our continuing frustration with certain persistent and flawed assumptions underpinning the current energy market framework. Specifically, the assumption that consumer engagement with markets and switching will inherently lead to better outcomes is not supported by evidence. Research consistently shows that these approaches often fail to deliver equitable benefits, particularly for vulnerable or low-income households.

We welcome this suite of changes which address, at least in part, issues on which we have been advocating for some time. However, they also highlight the weaknesses of the current system. If continued rule changes are required to ensure some measure of equitable or fair outcomes for vulnerable or low-income households, this suggests that a more holistic review and restructure is necessary. Throughout this submission we have pointed to shifts in priorities that we believe need to happen to improve the current system.

The South Australian Context

South Australia provides a specific context for our commentary on the proposed rule changes. The nature of the SA Energy Market creates unique challenges for consumers and can also serve as examples for other jurisdictions of the type of challenges they are likely to encounter in future, as those jurisdictions catch up on rooftop solar and renewable energy uptake.

In summary, however, the key considerations that provide background for SACOSS' approach to the rule change proposals are as follows:

- South Australia has the highest per-unit price for electricity in the nation. This exacerbates affordability issues, particularly for low-income households, and makes the proposed rule changes highly relevant to ensuring that consumers are not unfairly disadvantaged.
- South Australian households experience some of the highest levels of energy debt in the country, reflecting systemic affordability challenges. This makes it crucial for rules aimed at improving fairness and affordability to address the specific vulnerabilities of SA consumers effectively.
- The state has a significant proportion of consumers on hardship plans or facing financial stress. This means any rule changes, such as ensuring the best offer or removing unreasonable fees, are likely to have an outsized impact in South Australia. Considering these proposed rule changes in the context of SA can help ensure they address the real issues faced by these groups.
- South Australia's energy market differs from others in terms of its high penetration of renewable energy and network characteristics. These factors often lead to unique pricing structures and challenges, making it important to evaluate how the rules will interact with SA's specific market conditions (that likely reflect future market conditions for other jurisdictions).

Given South Australia's context, it is critical that national reforms do not overlook or disadvantage regions that are already struggling with energy affordability. Out submission aims to support policymakers to understand the critical need for equitable solutions that work for the most affected jurisdictions. Below we set out the key data characterising the South Australian energy system.

Wholesale Market

- The AER's recent Wholesale Markets Report[1] for Q3 2024 shows that average volume weighted prices in SA increased by 35% in the last quarter and were up 76% on Q3 2023. [2]

- SA had the highest average quarterly wholesale price in the NEM for Q3 2024. SA also accounted for half (27) of the 54 high price periods (exceeding $5,000 per MWh) in Q3, and also 30% of **negative** price intervals.

Electricity Prices

- South Australian households continue to face the highest per unit electricity costs in the Nation (See Figures 3 and 4).

- Median Market Offers in SA increased by 16% in 2023/24 - the biggest increase of all jurisdictions. The Default Market Offer (standing offer price cap) increased by 24% in SA in 2023/24, and only reduced by 2.2% in 2024/25.

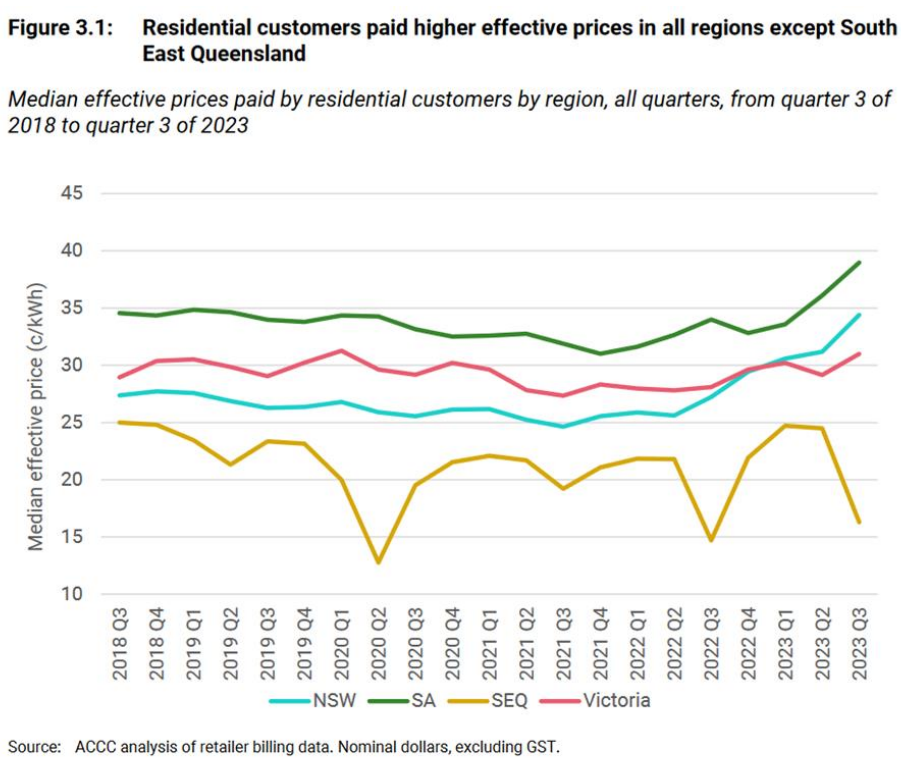

Figure 1: Median effective price per unit. Source: ACCC, 2024[3]

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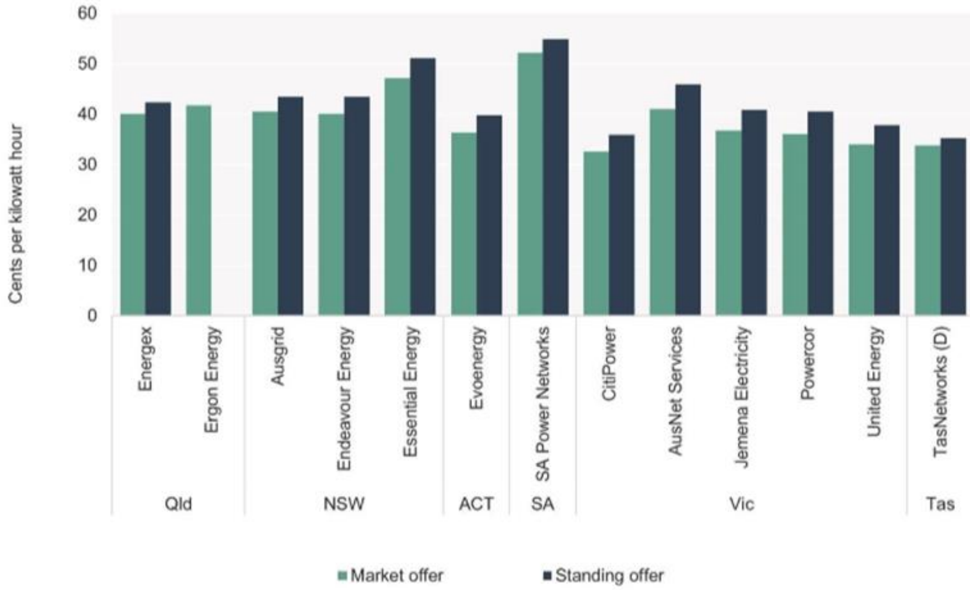
[1] AER, Wholesale Market Report Q3 2024, October 2024

[2] AER, Quarterly Wholesale Markets Report Q3 2024,

[3] ACCC, Inquiry into the National Electricity Market, June 2024, p. 28

Figure 2.2 Residential electricity median market and standing offer prices



Note: Offer data as at September 2024. Based on single rate offers for residential customers and average consumption in each electricity distribution network for 2023–24. Due to a different regulatory framework, there are no market offers in the Ergon Energy distribution zone. The regulated price has been used as a proxy of the market offer for Ergon Energy.

Source: AER analysis using offer data from Energy Made Easy and Victorian Energy Compare. Consumption based on Economic Benchmarking RIN responses.

Figure 2: Median electricity market and standing offer prices. Source: AER, 2024[4]

Electricity Usage

- The AER's *Annual Retail Market Report* for 2023/24[5] found that South Australia had the **lowest average annual household electricity usage in the nation due to high rooftop solar penetration** (SA is 4,237kWh, and Tasmania is 7,855 kWh – **85% higher than SA**). The AER used a model annual usage of 4,000 kWh (or around 1,000kWh a quarter) to determine Default Market Offer (DMO) 6 for South Australia.
- Victoria also has low average energy usage (4,462 kWh) but this is largely due to the higher average annual gas usage per customer (around 40,000 metajoules in Vic compared to SA's 14,303 metajoules).
- The ACCC's data (from billing information) shows the median grid usage for SA hardship customers (not on a concession) for 2022-23 was 7,684 kWh, with hardship customers on the 75th percentile using 11,035 kWh in that year. The median usage of an SA hardship customer was **66% higher** than the median usage of a South Australian

[4] AER, Annual Retail Markets Performance Report 2023/24, 30 November 2024, p.32

[5] AER, Annual Retail Markets Performance Report 2023/24, 30 November 2024

residential customer in 2022-23, leading to much higher bills. For customers on a payment plan (not receiving a concession) median usage was 6,686 kWh for 2022-23 and up to 9,535 kWh for the 75th percentile.

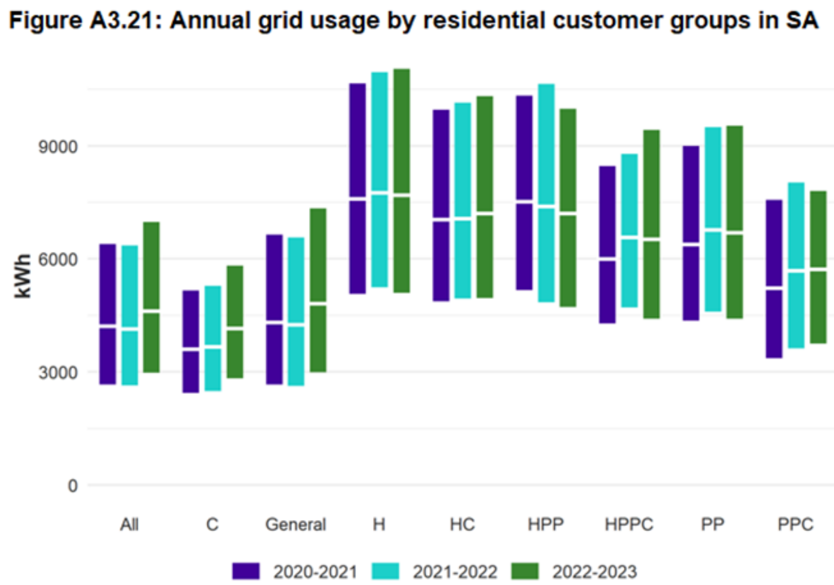


Figure 3: Annual Grid usage by customer group. Source: ACCC, June 2024[6]

- Looking at usage on a quarterly basis, for quarter 3 in South Australia across 2020 – 2023, the median grid consumption for all South Australian residential customers in Q3 2023 was 1047 kWh. For customers not in the other identified groups (not hardship customers, concession customers or payment plan customers etc.), median usage was 1061kWh (about the same as the AER's average annual usage). For customers on a hardship plan in South Australia, the median usage for Q3 2023 was 1,960 kWh**, or 84% higher** than customers not in the other identified groups**.**
- Residential 'delivered' (through the transmission grid) electricity is predicted to decline in South Australia through to 2052-53, with the majority supplied by rooftop solar (see: Figure 6, below).

[6] ACCC, Inquiry into the National Electricity Market Report, June 2024, Appendix E

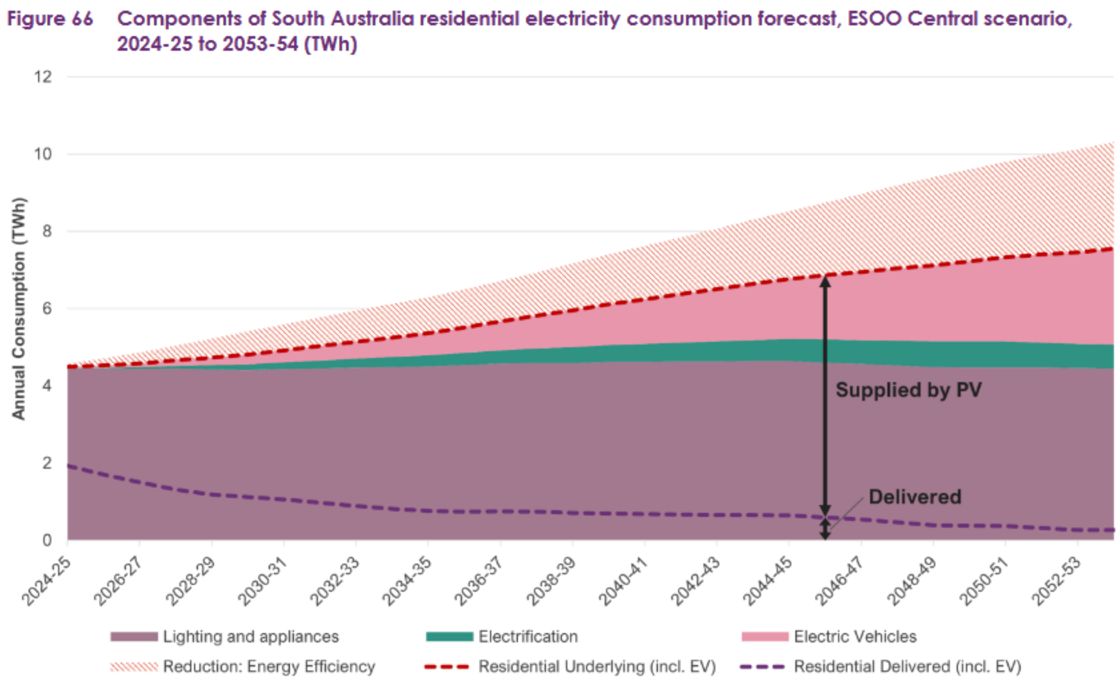


Figure 6: Residential Electricity Consumption Forecast. Source: AEMO, 2024[7]

Energy debt and payment difficulty

- South Australia has the highest average residential energy debt in NEM jurisdictions. South Australia has had the highest levels of average residential energy debt for the past 3 financial years.[8]
- The average energy debt of (non-hardship) residential customers in SA is $1,522 (up from $1,256 in 2022-23), $374 above the National average of $1,148. Average energy debt of (non-hardship) residential customers in SA has increased by 21% or $266 in 12 months.[9]
- Even with government energy bill relief, the number of customers repaying energy debt has increased over the past two years from 23,182 in 2021/22, to 27,380 in 2023/24 (up by 18%).[10]

[7] AEMO, 2024 ESOO, p. 140

[8] AER, Annual Retail Markets Performance Report 2023/24, 30 November 2024

[9] AER, Q4 2023/24 Retail Markets Data, 30 November 2024

[10] AER, Q4 2023/24 Retail Markets Data, 30 November 2024

- Average debt of hardship customers in SA has decreased in the last 12 months – from $2,402 in 2022/23, to $2,174 in 2023/24, but is still $487 above the National average of $1,687 (and is up $311 from pre-pandemic levels of $1,863 in 2018-19).[11]

Response to proposed rule changes

1. Ensuring energy plan benefits last the length of the contract

We strongly support this proposed rule change as it aligns energy contracts with consumer expectations and provides greater clarity and consistency in energy market retail contracts. Consumers reasonably expect that the terms and benefits associated with their energy plan, such as discounts or incentives, will apply for the entire contract duration. Under the current system we have seen that the absence of this requirement has the potential to cause confusion. Many consumers are unaware that some benefits may expire before their contract ends, leading to dissatisfaction and mistrust in the energy market. This reform would rectify this inconsistency.

SACOSS would also suggest that the term “benefits” may be misleading, as it implies optional perks rather than potentially integral components of a contract. We recommend reframing these elements to ensure transparency and accurate consumer understanding.

2. Preventing price increases for a fixed period under market retail contracts

We support this proposal, recognising its potential to enhance price stability and to assist consumers in avoiding bill shock, but emphasise the need for additional data and safeguards to ensure its effectiveness.

Retailers should disclose how often they change prices under market retail contracts. Mandatory reporting on the frequency and magnitude of price changes would provide a robust evidence base to determine the appropriate fixed period for price stability.

SACOSS believes that the proposed option of a 100-day fixed period would not sufficiently address consumer concerns, as it would only guarantee one billing cycle of price certainty. A longer period, for example of 12 months as also proposed in the rule change consultation, would better align with consumer expectations and provide more meaningful protection.

[11] AER, Q4 2023/24 Retail Markets Data, 30 November 2024

We warn, however, that retailers may inflate initial prices to mitigate perceived risks of this rule. Measures should be implemented to monitor and mitigate – though preferably prevent – such unintended consequences.

3. Removing fees and charges

We support the removal of unnecessary fees and charges but advocate for a broader assessment of cost allocation across market participants. The allocation of costs and benefits has been well canvassed in previous SACOSS submissions, such as X and Y.

Determining which costs should be fairly borne by consumers versus other market players is critical. For instance, while system-wide changes may yield overall savings, it is often unclear whether these savings are passed on to consumers despite the cost of achieving these savings often being recovered from consumer bills. This assessment would ensure that consumers are not unfairly burdened with costs that should be absorbed elsewhere. Clear criteria for what constitutes an appropriate charge on consumer bills should be developed. This would prevent residential consumers from subsidizing broader market benefits without receiving direct value.

4. Removing unreasonable conditional discounts

SACOSS supports this reform as a step towards fairer energy pricing but recommends clarifying definitions and ensuring effective communication with consumers.

A clear and precise definition of "unreasonable" conditional discounts is essential. This would provide consistency in application and protect consumers from exploitative practices, as well as ensuring this rule is implemented appropriately.

Conditional discounts, such as pay-on-time discounts, are often perceived by consumers as valuable despite potential hidden costs and/or disadvantages. Transparent communication is necessary to help consumers understand the implications of any changes and to maintain trust.

The reform should monitor and address any unintended consequences, such as retailers withdrawing beneficial or appropriate discounts altogether, which would inadvertently disadvantage some consumers.

5. Assisting hardship customers

We support this proposal but note that there are potential implementation challenges that require careful consideration to ensure success and good outcomes for consumers:

- **Transparency in “Best Offer” Calculations:** It is essential to define how the best offer will be calculated and how often it will be reviewed. This transparency would build consumer trust and ensure consistency across retailers.
- **Addressing Trust Deficits:** Trust in energy providers is low among many consumers, particularly those experiencing hardship. Clear communication and consumer engagement strategies are critical to overcoming these trust deficits.
- **Cycle of Hardship:** There is a risk that this rule could perpetuate a cycle of hardship by causing bill shock when consumers exit hardship programs. Communication and education provisions should ensure that consumers are informed about their options and can transition smoothly out of hardship.
- **Supporting Broader Causes of Hardship:** Hardship is often caused by broader financial pressures, not merely poor energy offers. The rule should account for these factors and include provisions to address them comprehensively.
- **Retailer Incentives:** Current retailer definitions of hardship are highly discretionary. This rule change could disincentivize proactive identification and support for hardship customers. Monitoring and accountability measures are needed to mitigate this risk.
- **Administrative Costs:** The additional administrative burden on retailers should be assessed. There is a risk that these costs could be passed on to all consumers, potentially negating the intended benefits of the rule change.
- **Consumer Choice:** Consumers should have the option to switch to a better offer if they prefer, and this must be preserved as part of this rule change. It is essential that whichever “better offer” is put forward to consumers in hardship programs is also available to them on exit of the hardship program. Additionally, the impact of this rule on the range and quality of offers in the market should be evaluated.

We commend the Minister and the AEMC for efforts to strengthen consumer protections and improve the fairness of energy retail markets. SACOSS supports the proposed rule changes and trust that the suggested improvements we have proposed will ensure successful implementation. If you have any questions about our submission, please contact our Senior Policy Officer Malwina Wyra at malwina@sacoss.org.au or on 8305 4228.

Kind regards,

Ross Womersley, CEO