Four rule changes from ECMC package of consumer-related rule changes – feedback from consumer groups on consultation paper

16 December 2024 – meeting notes

Purpose of the session

At an online meeting with AEMC staff on 16 December 2024, consumer groups provided verbal feedback on the consultation paper covering the four rule changes listed below. These rule changes are from the package of consumer-related rule changes submitted by the Hon. Chris Bowen MP, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council (ECMC). The four specific rule changes are:

1. Ensuring energy plan benefits last the length of the contract (RRC0061)
2. Removing unreasonable conditional discounts (RRC0065)
3. Preventing price increases for a fixed period under retail market contracts (RRC0058)
4. Removing fees and charges (RRC0059)

As agreed, the AEMC is considering the feedback during this session as a formal submission to the consultation paper from the consumer groups listed below. A summary of the feedback is below.

The AEMC welcomed consumer groups to provide any supplementary written submissions.

Consumer group and AEMC attendees

Organisation	Representatives/role
AEMC	- Executive General Manager of Consumer, Markets and Analytics team - Project leader and sponsor of RRC0061/65 rule changes - Project leader and sponsor of RRC0058/59 rule changes - Legal director - Senior lawyer
Australian Council of Social Service (ACOSS)	Program director
Energy Consumers Australia (ECA)	Executive manager
Justice and Equity Centre (JEC)	- Program director - Policy officer
South Australian Council of Social Service (SACOSS)	Senior policy officer
Tasmanian Council of Social Service (TASCOSS)	Senior policy officer

Overarching feedback pertaining to RRC0058/59/61/65 – Delivering more protections for energy consumers: changes to retail energy contracts

Summary of feedback

- Consumer groups broadly support these rule changes, but noted it remains critical to holistically support customer choice and clarity of contracts to ensure consumers are getting what they think they are getting when they enter a contract.
- To that end, they noted that:
  - all material aspects of the contract should last the length of the contract, including both benefits and prices
  - customers making price comparisons on offers should have clarity around what they are getting – we should be making it as simple as possible for people to understand what the offer is
  - if this changes contract lengths or conditions (eg, sunsetting after 12 months, and increasing customer churn), that should be regarded positively, so long as it improves clarity for consumers and competition.

RRC0061 - Ensuring energy plan benefits last the length of the contract

Summary of feedback:

- Consumer groups broadly support the intention of the rule change and it was noted that this is a critical rule change.
- The material aspects of a contract should last the length of the contract. They also view there is a need to ensure that this rule change does not preclude prices coming down within a contract or exclude customers from accessing greater benefits through their offers.

RRC0065 – Removing unreasonable conditional discounts

Summary of feedback:

- Consumer groups broadly support this rule change. However, as above, they identified key issues remain in creating clear and simple market contracts, and reverting people to the Default Market Offer (DMO) if they do not engage.
- Consumer groups:
  - encourage AEMC to consider a more holistic solution to the problem rather than the specific mechanism in this rule change (eg, removing legacy unreasonable discounts), noting there is a risk of promoting other undesirable contracts in the place of the banned one.
    encouraged the AEMC to focus on the impact and suggested a wider solution might be ending evergreen contracts and ensuring all contracts have a sunset.
  - noted there was pretty clear evidence that people on these contracts (as well as on contracts where the benefits do not extend the length of the contract) are demonstrably worse off.

<u>Other notes specific to this rule change request</u>

- SACOSS queried how it will be determined that a discount is unreasonable.

    - The AEMC noted this rule change would align grandfathered contracts to the AEMC's 2020 Regulating conditional discounting rule change.
- SACOSS and JEC noted it would be useful to understand why people are still on these older contracts, noting some consumers have motivations that are sometimes economically irrational. For example, they may be motivated by:
    - the perception of a discount or future reward, rather than the actual price they are receiving.
    - seeing refunds or bonuses from retailers as 'savings'.
- SACOSS and JEC highlighted that this rule change should not preclude other mechanisms that could benefit consumers, such as loyalty discounts.
- JEC suggested that pay-on-time discounts are inherently discriminatory because they give benefits to customers who are able to achieve them and are subject to a self-assessment bias, which has negative implications in an unequal market.

RRC0058 – Preventing price increases for a fixed period under market retail contracts

Summary of feedback

- Consumer groups broadly support the rule change and support limiting price increases to once per year. Consumer groups noted that consideration must be given to how retailers may alter their pricing structures in response to the proposed rule and the subsequent effects on consumers.
- Consumer groups consider limiting price changes to once every 12 months is reasonable, with the view that:
    - retailers are capable of managing risks and costs in this period
    - retailers are managing price changes once a year under arrangements in Victoria so they will be able to do so in other jurisdictions
    - limiting price changes to once every 100 days is too short of a time period - customers should not have one bill at a price they agreed upon; they expect to have that agreed-upon price for longer.

<u>Other notes specific to this rule change</u>

- JEC recommended that the AEMC consider whether all contracts should be limited to a fixed period of one year because:
    - currently, consumers have little trust or confidence that what they choose will endure for a meaningful period of time
    - consumers expect that the price they sign up for is the price they will have for a longer period of time than is currently the case.
- JEC noted that further work needs to be done on the effects of this proposed rule change on consumers, specifically considering how retailers will change pricing structures or add higher premiums onto plans.
- SACOSS also recommends that the AEMC consider the third proposed option of empowering the AER to gather how often prices change. This was seen as a key gap in the data and will add further transparency over retailers and their offerings.
- JEC highlighted that there needs to be consideration of how this reform interacts with the DMO and if there are also changes needed to the DMO to support this rule change.

- The ECA noted that consumer trust is at an all-time low, and if consumers can not trust that the price they sign up to will last for a meaningful amount of time, then the industry will struggle to gain trust from consumers in all other reforms.

RRC0059 - Removing fees and charges

Summary of feedback

Consumer groups broadly support the rule change, but consideration needs to be given to the impacts certain fees and charges have on different types of consumers and whether a prescriptive approach will be successful in the long term.

Other notes specific to this rule change

- JEC and SACOSS both support the rule change and are actively speaking to the NSW and SA jurisdictions, respectively, about the issues with fees and charges.
- SACOSS noted that the costs of government schemes that apply to retailers may be passed onto consumers, with lower-income consumers bearing the most harm.
- JEC and SACOSS recommended that fairness and equity be key considerations in the rule change. Specifically, what types of fees and charges should be borne by consumers as opposed to retailers and network businesses, whether they are the responsibility of the consumer and for which consumers.
- JEC noted the need to consider an overarching principle or rule about the types of fees and charges that can be charged, alongside some prescriptive prohibitions, rather than a purely prescriptive approach, because:
    - there is a risk of excluding specific fees and charges now and having retailers charge broadly equivalent fees later
    - by banning certain fees and charges the costs will be recovered through prices which may be less transparent.
- JEC and ACOSS recommended that late payment fees and payment dishonour fees for those in payment difficulty should be banned as they disproportionally effect low-income consumers.