31 January 2025

Benn Barr
Chief Executive Officer
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Mr Barr,

National Energy Retail Amendments – Changes to retail energy contracts

Origin Energy (Origin) appreciates the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) Delivering more protections for energy consumers: changes to retail energy contracts, Rule change consultation paper.

We agree that customers should have confidence they will receive benefits offered by their retailer for the full duration of a defined benefit period. We also believe customers should not be rolled onto energy prices higher than the regulated price when their benefit period expires and that they should have certainty around when and how often their prices will change.

However, it is important that the proposed Rule meets its objectives without diminishing benefits that accrue to some customers under the current framework. A likely consequence of requiring a retailer to provide a continuing benefit under an on-going contract will be that these contracts will no longer be offered because retailers will not be able to factor future market risks and changing market conditions into an enduring discount.

Under the current framework, retailers have the ability to roll a customer who is on an ongoing contract onto a price below the default market offer (DMO) when their benefit period expires, and they do not engage. If ongoing contracts with defined benefit periods cease to be offered, then some customers will be potentially worse off under the proposed Rule because they will likely end up on the DMO.

We believe this anomaly can be addressed by requiring a retailer to charge a price no higher than the DMO in the event the customer does not engage at the end of their benefit period. This will ensure that customers can have confidence that they will receive their full benefit, and they will not be penalised with unreasonably high prices if they do not engage at the point of renewal.

The AEMC should also be cognisant of the risks of further entrenching pricing at the DMO if it is not fully cost reflective. We note for example all network costs were not included for cost recovery in DMO 2, the wholesale cost margin of error was significantly reduced in DMO 4, and most recently the competition allowance was suspended.

While we recognise that the regulatory arrangements governing the DMO are outside of the AEMC's bailiwick, ensuring that both the DMO is cost reflective, and retailers have a reasonable opportunity to recover their efficient costs are vital. It is important that the AEMC fully considers and explains how this risk will be considered in its Rule decision.

In terms of the frequency of a price change, we consider that the proposal of a 100 day price change moratorium will be complicated to implement and confusing for customers. Instead, we propose that retail prices can increase once per year for all contracts on 1 July to align with the DMO and network tariff price changes. When prices consistently change on the same day then this creates an understanding and

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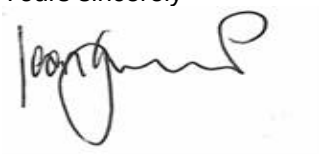
certainty for customers i.e. they become to understand that their prices will only change on the same date every year.

Origin's views on each of the issues raised in the Consultation Papers are set out in Attachment A.

If you have any questions regarding this submission, please contact Caroline Brumby in the first instance on (07) 3867 0863 or caroline.brumby@originenergy.com.au.

Yours sincerely



Sean Greenup
Group Manager Regulatory Policy

Ensuring energy plan benefits last the length of the contract

Will the proposed solution address the issue raised in the rule change request?

The objective of the Rule change is to ensure that customers do not face an unfair price penalty if they cannot, or do not, actively engage with the retail energy market when a benefit under their retail market contract comes to an end.

To achieve this objective, the Rule change proposes:

- For a fixed term contract, the contract ends when the benefit period ends. If the customer does not engage at that time, they will transfer to their retailer's standing offer.
- For an ongoing contract, the discount must apply continually.

A likely consequence of the Rule as proposed is that retailers will cease offering fixed discounts in ongoing contracts because retailers will not be able to factor future market risks and changing market conditions into an enduring discount.

If ongoing contracts with defined benefit periods cease to be offered, then some customers will go onto a fixed term contract and will be potentially worse because they will be transferred to the DMO if they do not engage.

We believe this anomaly can be addressed by requiring a retailer to charge a price no higher than the DMO in the event the customer does not engage at the end of their contract (ongoing or fixed) benefit period. This provides the customer with certainty their defined benefit will be honoured and that they will not be penalised at the end of their defined benefit period if they do not engage.

This would enable retailers to decide how best to manage their retention and pricing strategies as well as enabling Origin's proposal for hardship customers to access a Hardship Tariff set below the DMO. (see Assisting hardship customers Rule change).

While this proposal will provide customers with price certainty, the AEMC also needs to be mindful of the potential risks of linking these pricing outcomes with the DMO. While we recognise that the regulatory arrangements governing the DMO are outside of the AEMC's bailiwick, the financial risks of calculation errors in the DMO are worn by retail businesses. To the extent that the DMO is not cost reflective, it is important that retailers have the ability to recover any shortfall in costs.

It is important that the AEMC fully considers and explains how this risk will be considered in its Rule decision.

The Rule change should also exclude non-financial benefits such as loyalty points, tangible gifts or third-party subscriptions, as it may not always be possible to guarantee these benefits can be provided on an evergreen basis. Where retailers are unable to provide non-financial benefits for the length of a customer's contract, retailers must disclose the length of the benefit to customers. It is also important that setting a price cap does not stymie the ability of retailers to offer different services offerings.

It is also vital that this Rule change is considered in the context of reform consultations running in parallel including the NEM Wholesale Market Settings Review, the AEMC's Electricity pricing for a consumer driven future, and Consumer Energy Resources Roadmap.

Preventing price increases for a fixed period under market retail contracts

We do not support the proposal to restrict prices changes for 100 days post a customer entering a market contract. This proposal will have significant process and system changes to accommodate regular price changes in the three months following each price adjustment. This process would also result in considerable additional administrative burden, as there would be a need to continuously monitor and comply with the new pricing requirements. Tracking contracts, adjusting systems, and ensuring the correct application of price increases would demand substantial resources from the administrative team to maintain accuracy

and consistency. This method introduces considerable complexity in managing price adjustments across multiple contracts, customers and fuels.

We support similar arrangements to those that apply in Victoria. Our proposal is that prices can increase once per year for all contracts on 1 July to align with the DMO and network tariff price changes. This creates an understanding and certainty for customers about when their prices can change.

Removing unreasonable conditional discounts

Will the proposed solution address the issue raised in the rule change request?

Customers are often drawn to higher discounts, even when these offers don't necessarily correspond to the best offer for a consumer. In many cases customers focus on headline discount figures rather than the conditions necessary to achieve these (such as a pay-on-time condition). This exposes customers who are unable to accurately anticipate their ability to pay to higher energy prices.

We consider the AEMC's 2020 Rule change effectively restricted the level of conditional discounts and fees that can be offered to the reasonable costs likely to be incurred by the retailer when a customer fails to satisfy a payment condition.

We support the extension of the AEMC's 2020 Rule change to contracts entered prior to 1 July 2020. We consider this will address instances where customers who are not meeting the discount condition and end up paying a price at the DMO or worse above the DMO. Furthermore, it would ensure the consistent regulatory treatment of conditional contracts before and after the 1 July 2020 Rule change date.

Removing fees and charges

The Rule change proposal aims to prevent retailers from imposing fees and charges unless authorised by State or Territory legislation. This stems from concerns that fees are not transparent to the customer at the time they enter into a new contract.

Origin supports transparency in fees and charges, enabling customers to make informed decisions about retailer contracts and options that suit their needs. Transparency can be improved by requiring fees and charges to be presented alongside tariff information. For example, displaying these details on the summary page of the Energy Made Easy website, where estimated annual costs are shown, would enhance visibility.

We also consider that fees and charges should represent only the fair and reasonable costs directly incurred by the retailer.

Shifting responsibility for setting fees and charges to States and Territories will not improve transparency and consistency. For example, there is no guarantee that States and Territories will set the same fees and charges. As a result, prices for some services could be higher in some States compared to others which will be illogical to a customer.

Origin's preferred position is for the AEMC to continue with the current national 'reasonable' test approach in the National Energy Retail Rules (NERR). Retail fees and charges should be reasonable and reflect the costs incurred by the retailer in providing the good or service. The NERR requires a retailer to be able to demonstrate to the AER compliance with the NERR.

We believe the scope of the current NERR could be expanded to protect customers within energy retailers' hardship programs including restrictions on the billing of fees and charges to customers in these programs.

Fees and charges arising due to a customer-initiated specific arrangements (e.g. disabling remote communications capability of a smart meter that necessitates a special meter read), where that customer is informed of the costs, should not be prohibited.

Not allowing retailers to recover incurred costs will result in these costs being recovered in their cost to serve. This will mean unrecovered costs will be effectively smeared across a retailer's entire customer

base. We believe this will create cross-subsidies which goes against the National Energy Retail Objective of promoting efficient investment in, and efficient operation and use of energy services. Diminishing or removing price signals does not support efficient behaviour but incentives customers to use inefficient services because they are not cost-reflective.

Furthermore, we do not support the alternative option of requiring a retailer to submit a Rule change request each time it considers a new charge appropriate. This would be neither efficient nor conducive to improving market transparency. Such processes are time-consuming and costly, placing an unnecessary burden on both retailers and the regulatory system.