Tesla Motors Australia, Pty. Ltd.

546 Gardeners Road
Alexandria NSW 2015
Australia

31 January 2025

Mr Andrew Lewis

Executive General Manager
Consumer, Markets and Analytics
Australian Energy Market Commission

Dear Andrew,

RE: Consultation Paper – Ensuring energy plan benefits last the length of the contract

Tesla Motors Australia Pty Ltd (Tesla) welcomes the opportunity to provide the Australian Energy Market Commission (AEMC) with a response to the 'Ensuring energy plan benefits last the length of the contract' consultation paper.

Tesla's global mission is to accelerate the world's transition to sustainable energy. As the world's largest vertically integrated renewable energy company, Tesla has a diverse product portfolio of electric vehicles (EVs), solar and battery storage products that cover residential, community and utility scale applications. We make products that displace fossil fuel alternatives by designing and manufacturing a fully integrated ecosystem for energy and transportation.

As a leader in sustainable energy solutions, Tesla is committed to contributing to the development of a robust, efficient, and consumer-focused electricity market that supports the widespread integration of consumer energy resources (CER). Tesla is also uniquely positioned with a rapidly expanding EV fleet in Australia, complemented by our supercharger stations across the country. Optimising these products at both the customer and fleet level offers additional opportunity to create a valuable flexible energy service – minimising future network strain in a way that provides system-wide benefits to all consumers.

Tesla appreciates the opportunity to provide feedback on the proposed rule changes and the AEMC's consultation paper on delivering more protections for energy consumers. While we support the intent of the proposed reforms, we have outlined our observations and recommendations regarding the alignment of benefit periods to contract lengths, pricing regulations, and their implications for the energy market.

We support the intent of the proposed rule change to amend the National Energy Retail Rules (NERR) to require that any benefit provided under a contract extends for the duration of the contract. We understand that the aim of this amendment would be to provide consumers with greater certainty and predictability over energy bills and remove price penalties for consumers who do not actively engage with the retail energy market.

The proponent has positioned this change as a mechanism to improve consumer outcomes by aligning benefit periods to contract terms, and we support solutions that enhance consumer protections in this way. However, we believe the inclusion of additional pricing restrictions—such as those preventing any increase to tariffs or charges for a specified fixed period following the commencement of an energy plan—warrants more detailed consideration and analysis.

The energy sector already operates under a highly regulated pricing framework, including the Default Market Offer (DMO) and Victorian Default Offer (VDO), which establishes price caps for residential and small business customers on standing offers. As well as additional state-specific rules, such as Victoria's annual price change limitations. Adding new pricing restrictions tied to contract timeframes would further obscure an already complex regulatory environment. This would have the potential to introduce confusing timelines and regulatory requirements, undermining the balance between pricing flexibility and broader contract terms and discouraging the development of innovative pricing models.

We note that the AEMC highlighted in the paper the need to consider exemptions for innovative products from price change requirements. Tesla supports this approach. Policymakers and regulators have consistently encouraged the adoption of more sophisticated pricing structures, such as demand tariffs and time-of-use pricing, to align consumer behaviour with energy market conditions. However, the proposed fixed price restrictions could deter retailers from offering innovative and dynamic products and undermine the benefits of the smart meter rollout by discouraging the development of tariffs that incentivise efficient energy use.

The energy market is increasingly evolving to accommodate innovative pricing structures that better align with consumer usage patterns and energy market conditions. The proposal to prevent price increases during fixed periods could inadvertently stifle these developments. A key risk that the AEMC should consider as an unintended consequence of the proposal is that it could limit a retailers' ability to respond to dynamic market conditions and lead to higher default prices and/or reduced competition. Retailers may pre-emptively increase initial pricing to account for the risk of wholesale price volatility. Smaller retailers with limited resources to absorb compliance costs and manage price risks may exit the market, leading to reduced competition and consumer choice.

Implementation considerations

The rule change request provides limited analysis of the expected costs to retailers, merely asserting that consistency in terms and conditions would simplify management. This does not adequately consider:

- The costs of system upgrades and process changes to comply with new requirements
- The financial risk retailers face from price fluctuations during fixed periods, potentially leading to higher default prices
- The disproportionate impact on smaller retailers, who lack the resources to absorb additional compliance costs

We recommend that the AEMC engage further with retailers to gather detailed insights into the true costs of implementing these rules. Without robust cost analysis, the proposed changes risk imposing significant burdens on retailers, which could reduce market competition and ultimately harm consumers.

Improving Consumer Engagement

Rather than introducing stopgap solutions that complicate the regulatory landscape, we believe consumer engagement can be better addressed through the enhancing comparison tools, targeted reforms and a coordinated policy approach. The proponent's justification for this rule change is based on addressing the event of consumers engaging in a "set and forget" approach to energy plans. While this behaviour has resulted in disengaged consumers paying higher prices, the proposed solution risks overcomplicating the regulatory framework without directly addressing consumer disengagement. As noted in the paper, issues regarding underlying pricing mechanisms cannot be effectively addressed under the NERR alone and require alternative policy solutions.

Developing an effective, user-friendly comparison tool that provides meaningful insights into available energy plans would empower consumers to make informed choices. Ensuring the tool includes clear, accurate comparisons of tariffs, benefit periods, and other key contract terms would reduce the "set and forget" approach. There is a clear case and absolute need to update the Energy Made Easy tool for consumers.

Additionally, there should be focus on reforms that address the root causes of disengagement, such as financial literacy programs and clearer communication from retailers about contract terms and options. As well as an opportunity to address underlying pricing issues through mechanisms outside the NERR, ensuring reforms align with broader energy market policies and do not create contradictory regulatory conclusions and deliver meaningful outcomes in the long-term interests of consumers.

Recommendations

To balance consumer protection and market efficiency, Tesla recommends:

1. **Broader Review** - conduct a comprehensive review of existing pricing regulations (DMO, VDO) and engagement obligations.

2. **Exemptions for Innovation** - allow exemptions for innovative products and services that provide consumer value.

3. **Flexible Fixed Periods** - enable shorter fixed periods where consumers explicitly agree, aligning with smart meter data availability.

4. **Targeted Protections**:
   - Focus fixed price restrictions on hardship customers.
   - Introduce enhanced communication requirements to address price change concerns.

5. **Post-Implementation Review** - conduct a cost-benefit analysis and establish a feedback mechanism to assess impacts and address unintended consequences.
6. **Energy Made Easy Enhancements** - prioritise updates to the Energy Made Easy tool to provide meaningful comparisons for consumers.

While we support the intent of aligning benefit periods with contract terms, we urge the AEMC to carefully consider the broader implications of introducing fixed price restrictions. Greater flexibility, targeted protections, and robust cost analysis are essential to avoid regulatory complexity and market disruption.

We look forward to continued collaboration with the AEMC to refine these proposals and strike a balance between consumer protection and innovation in the energy sector.

Yours sincerely,

Emily Gadaleta

Senior Energy Policy Advisor