



# INFORMATION

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## Improving the ability to switch to a better offer

### We are seeking feedback on a rule change request to improve the ability for customers to switch to a better offer with their retailer

On 12 August 2024, the Australian Energy Market Commission (AEMC) received a rule change request from The Honourable Chris Bowen, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council (ECMC) (the proponent). The rule change seeks to amend the National Energy Retail Rules (NERR) to require retailers to provide a streamlined process for consumers to switch to the better offer, as presented on the customer's bill.

The AEMC has published a consultation paper to initiate this rule change, and is seeking submissions from stakeholders by 6 March 2025.

### The rule change request suggests transaction costs may be preventing customers from switching to the best offer

The proponent considers that the transaction costs that consumers face when switching to another offer (even with the same energy provider) are inefficient, and represent a market failure. In this rule change request, transaction costs refer to the time and effort associated with switching to a better offer. These include, but are not limited to, time spent phoning a retailer, navigating to a retailer's website, or comparing detailed plans.

As identified in the Australian Competition and Consumer Commission's (ACCC's) December 2023 Inquiry into the National Electricity Market report which this rule change request cites, 79 per cent of customers are paying more on their energy bills than they could be if they switched to another offer.<sup>1</sup> The proponent considers that this is in part a reflection of the transaction costs associated with switching to another offer, and that more should be done to reduce barriers to switching.

### The proposed solution is to require retailers to provide a streamlined process for switching to the deemed better offer

Under the NERR, the AER is required to make a billing guideline (the Better Bills Guideline). The proposal seeks to amend the NERR to extend the requirements of the BBG to require retailers to provide a streamlined process for customers to switch to the deemed better offer, as presented on the customer's bill. The proponent considers that simplifying the switching process would provide bill relief to consumers, and empower consumers to pay the best price on their energy to suit their bespoke needs.

The rule change request does not propose a particular mechanism to implement a streamlined switching process. The proponent states that the most appropriate implementation approach should be determined by the AEMC through further consultation with stakeholders (particularly retailers), to understand existing processes and identify opportunities for streamlining. The proponent also considers that any new requirement should include a degree of flexibility, be technology-neutral, and consider the ability of retailers to implement changes with minimal costs, to avoid any significant costs being passed on to consumers.

<sup>1</sup> ACCC December 2023 Inquiry into the National Electricity Market, p. 5.

## We are seeking stakeholder feedback to support our assessment of this rule change proposal

To assess whether we should make a rule change to require retailers to introduce a streamlined switching process, we are seeking stakeholder feedback regarding:

- the extent and magnitude of the identified problem that transaction costs are a barrier to customer switching
- the potential benefits associated with providing a streamlined switching process
- the potential costs associated with this requirement on retailers
- potential approaches to implementing a streamlined switching process, including whether a more prescriptive or 'principles-based' approach is appropriate
- the proposed alternative approach put forward by the proponent, which would additionally require retailers to provide a streamlined process for "like-for-like" switching.

We are also seeking stakeholder feedback regarding our proposed assessment criteria. Considering the National Energy Retail Objective (NERO) and the issues raised in the rule change request, we propose to assess the rule change request against four assessment criteria:

- outcomes for consumers
- principles of market efficiency
- implementation considerations
- principles of good regulatory practice.

## This rule change request was submitted to the AEMC as part of a broader package of consumer-focused rule change requests

The rule change forms part of a package of proposed rule change requests submitted by The Hon Chris Bowen, Minister for Climate Change and Energy, as Chair of the ECMC. The package of consumer related rule change requests include:

- [Ensuring energy plan benefits last the length of the contract](#)
- [Preventing price increases for a fixed period under market retail contracts](#)
- Improving the ability to switch to a better offer
- [Assisting hardship customers](#)
- [Removing fees and charges](#)
- [Improving the application of concessions to bills](#)
- [Removing unreasonable conditional discounts](#)

## Submissions are due by 6 March 2025

Written submissions responding to this consultation paper must be lodged with the Commission by 6 March 2025 via the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au).

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