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Thursday, 13 March 2025

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

Dear Ms Collyer,

Re: Improving the ability to switch to a better offer – Consultation paper

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the 'Improving the ability to switch to a better offer' rule change proposal.

The better offer is an important new protection to improve price outcomes for energy consumers by helping them know if they could be on a better offer and encouraging them to compare their plan with those available from other retailers. However, we agree that transaction costs are a genuine barrier to customer switching. Switching plans can be even more difficult for some customers, including those who are digitally excluded, those who come from culturally and linguistically diverse backgrounds, First Nations people, and people with disability. We support changes that will make it easier for all customers to switch to a better offer, including those who face specific barriers.

Reducing transaction costs will mitigate barriers for consumers trying to switch to the better offer

We agree that reducing transaction costs has the potential to mitigate barriers to customer switching and make it easier for more customers to switch to a better offer.

There is evidence that customers experience a range of barriers and transaction costs related to switching energy plans. For example, 26% of households who responded to Energy Consumers Australia's June 2024 Energy Consumer Sentiment Survey¹ indicated they had considered switching energy companies or plans but decided not to, with reasons including that it was too complicated (25%), too confusing (27%) or too time consuming (25%). We also hear about these barriers from consumers directly in focus groups and from enquiries to our contact centre.

¹ ECA, [Energy Consumer Sentiment Survey June 2024: Topline Results Report](#), June 2024, pp 10 & 12.

Evaluation research has found new obligations in the Better Bills Guideline have been effective in simplifying bills and supporting customers to engage in the energy market

Under the Better Bills Guideline, retailers are required to include a better offer message on customer bills. The better offer message must tell customers if they could save money on another plan with their energy retailer or, if not, how to compare plans from other retailers on Energy Made Easy, the price comparison website operated by the AER. The Better Bills Guideline also requires retailers to provide a prominent link to Energy Made Easy at the front of every bill. The AER's vision for Energy Made Easy is for it to be a trusted and independent tool that helps consumers to access the best energy offer for their circumstances. All retailers operating in the National Energy Customer Framework were required to comply with the new obligations in the Better Bills Guideline by the end of September 2023.

The AER has partnered with the Behavioural Economics Team of the Australian Government (BETA) to conduct evaluation research into the effectiveness of the Better Bills Guideline. Specifically, the evaluation research aimed to understand the impact of the guideline on consumers' comprehension of bill content and their confidence to engage in the energy market.² The research has shown that the guideline has led to increased consumer engagement in the energy market, including by supporting consumers who may not otherwise have compared plans on Energy Made Easy. BETA's analysis shows that a larger proportion of people compared plans on Energy Made Easy after seeing it mentioned on their bill (23%) compared to before guideline implementation (7%). More than 60% of people visiting Energy Made Easy after seeing it mentioned on their bill had not previously switched retailers. The research has also found that consumers find it easier to compare their current plan to others on the market and to find their plan details (including their National Metering Identifier, which can be used to compare plans on Energy Made Easy). The final report from this research is forthcoming, and will be published on BETA's website. In the meantime, we will continue to engage with the AEMC to ensure the research findings can be appropriately considered in this rule change process.

Consider opportunities to mitigate the potential risk of unintended consequences from streamlined switching, including impacts on consumer price outcomes

Data from the Australian Energy Market Operator (AEMO) shows that approximately 20–25% of Energy Made Easy visitors who use their National Metering Identifier to compare plans end up switching retailers. While we agree a streamlined switching process would make it easier for consumers to switch to their retailer's better offer where available, we note it may make them less likely to compare plans offered by other retailers. This could reduce the competition and price benefits of the proposed change. To mitigate this risk, the AEMC could consider incorporating safeguards that ensure the streamlined switching process lets the customer know they can visit Energy Made Easy to compare more plans from other retailers. Ideally, this information should make clear that Energy Made Easy is an independent price comparison website run by the Australian Energy Regulator, as our behavioural testing for the Better Bills Guideline has indicated that this is likely to increase consumer trust and intention to act on the information.³ We would also be open to exploring with the AEMC a future role for Energy Made Easy to act as an independent source of information to help consumers understand switching processes.

In addition, we highlight the risk of unintended consequences arising from the proposed alternative option of 'like for like' switching. We agree it is important to ensure consumers understand any relevant differences between the better offer and their current plan before

² BETA, [BETA in 2024: Behavioural insights with impact](#), 17 December 2024.

³ Behavioural Insights Team, [Testing the better offer notice on energy bills](#), February 2022.

they switch. This could include differences such as tariff structure, benefits and conditions. However, we would be concerned about any change that increases the complexity of bills for customers, as this could negatively impact customer comprehension and engagement. We note that the Better Bills Guideline was informed by extensive behavioural research and consumer testing, including behavioural testing of the better offer message specifically.⁴ The guideline's design principles and tiered approach to billing information were direct outcomes of the research, which emphasised the importance of simplifying bills and making sure that the most important information is most salient.⁵ As stated above, BETA's evaluation research has shown that the Better Bills Guideline has been effective in simplifying and clarifying bills to support consumer comprehension, and has led to increased consumer engagement in the energy market. In its December 2024 Inquiry into the National Electricity Market report, the ACCC noted that this likely contributed to results showing that more customers are paying less than the default offers.⁶ A like for like switching process that would require changes to the Better Bills Guideline could undermine these benefits and contribute to worse price outcomes for energy consumers. It is also important to note that customer circumstances and preferences may change over time. As a result, customers may value different plan features at the point of switching than when they signed up for their current plan.

Customers should be provided with relevant information to make informed decisions. However, providing this information on the bill itself may risk increasing customer confusion and reducing customer engagement with the better offer and information about Energy Made Easy. To mitigate the risk of unintended consequences from any like for like switching process, the AEMC could consider safeguards that ensure retailers clearly communicate any differences between the customer's current plan and the better offer in the switching process, rather than on the bill itself. This approach is also likely to mitigate implementation costs for retailers, which would likely be passed on to customers. We would not expect this approach to require any amendments to the Better Bills Guideline, but it may be supported by changes to other AER regulatory instruments (such as the Retail Pricing Information Guidelines) if there are any gaps in current requirements.

A principles-based approach may better address the needs of diverse consumers

While either a prescriptive or principles-based implementation approach could achieve the desired outcomes, we suggest a principles-based obligation may enable retailers to better address the needs of diverse customers. Within a principles-based approach, the AEMC could consider requiring retailers to:

- provide a range of switching methods and channels that cater to diverse customer preferences and needs (including the needs of culturally and linguistically diverse customers, customers with accessibility needs, and customers who may be digitally excluded or who still receive paper bills)
- clearly communicate the different methods customers can choose to switch to the better offer
- provide fair and transparent information about any differences between the customer's current offer and the better offer, to allow customers to make a fully informed decision.

⁴ AER, [Better Bills Guideline – Version 1: Initiation](#), 2022.

⁵ BETA, [Energy bill contents and bill requirements: Literature review](#), October 2021.

⁶ ACCC, [Inquiry into the National Electricity Market – December 2024 report](#), December 2024.

Any approach should be based on customer insights and best practice to deliver the most efficient outcomes that remain adaptable to developments and innovations over time. As the AEMC notes, some customers choose features or characteristics that, together with cost, form part of the overall value proposition for their energy plan. It is important customers are aware of whether these features are included in the better offer when making a decision to switch.

Additional feedback on implementation approach

We suggest that the implementation approach should consider the range of current and future ways that better offer messages may be provided to customers. For example, we are aware that some retailers include the better offer message in bill cover emails, as well as the bill itself. This is beneficial for customers as it further increases the prominence of the better offer message and supports more customers to engage with it. We also note there are other circumstances in which a better offer message may be particularly beneficial for customers, such as on reminder notices or disconnection warning notices. Implementing the obligation through the Better Bills Guideline may result in gaps in the switching process for better offer messages provided outside bills, such as in these circumstances.

We suggest implementing the rule in Division 9 (Other retailer obligations), in alignment with the reasons outlined in the consultation paper. If the change were made to Division 7, only market retail contracts would be affected to the exclusion of a significant number of customers who are on the standard retail contract, for which the better offer message requirement also applies.

We also suggest further consultation should be undertaken on the approach to reporting, compliance and enforcement for the new obligation. We note either a principles-based or prescriptive implementation approach would require different considerations in relation to data categories, reporting and integration as well as resourcing for AER monitoring functions. We are willing to engage with the AEMC directly on these issues.

Thank you for the opportunity to provide feedback on the consultation paper. We look forward to continued engagement on this rule change as it progresses.

If you have any questions about this submission, please contact the AER's Consumer Policy team at ConsumerPolicy@aer.gov.au.

Yours sincerely,



Sara Stark
Acting General Manager, Policy
Consumers, Policy and Markets

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