

10 October 2017

Mr John Pierce  
Chair  
Australian Energy Market Commission  
PO BOX A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce,

### Consultation Paper: Notification of the End of a Fixed Benefits Period

Simply Energy welcomes the opportunity to provide the Australian Energy Market Commission (AEMC) with feedback on the Australian Government's proposal to impose an obligation on energy retailers to inform customers about the expiry of their fixed-term benefits period.

The policy objectives of the rule change largely align with our practice of ensuring customers always enjoy comparable benefits even if they do not choose to move on to a new market contract at the end of their nominated benefits period. It is important to point out that as a result of this practice 96% of Simply Energy's customers are on market offers with an active discount benefits period.

As a growing retailer operating across the National Energy Market, Simply Energy is committed to assisting customers to make informed decisions about their energy needs. For this reason, we support the proposed rule change in-principle.

With regard to the questions posed in your consultation paper, Simply Energy would like to make the following observations:

- **Significance of the issue and its application to gas:** If implemented effectively, providing information about the end of a fixed-term benefits period should stimulate further consumer engagement in the energy market. Through ensuring customers have a clear understanding that savings could be made by exploring alternative market offers, the rule change has the potential to provide otherwise passive customers with a greater incentive to evaluate their market options. To this end, there is no reason why this arrangement should not also apply to gas given that customers often look to bundle these fuel sources when seeking a new retail energy contract.
- **Cost-benefits of the proposal and information disclosure:** Consistent with our in-principle support for the proposed rule change, we consider that a cost-benefits analysis of certain aspects of the proposed rule will add value by assisting development of final rules that maximise net benefits.

For example, there is a risk that aspects of the requirement to provide financial information to customers could be overcomplicating the intent of this proposal. The requirement to give notice of the amount in dollars that would be payable by a customer under a contract if the customer had not received the financial benefit in preceding period will require significant thought and investment. For example, implementing the system changes to meet this requirement is likely to cost industry participants several million dollars and could potentially lead to further confusion around energy prices, particularly if the way these benefits are calculated across industry is not

consistent. Such an outcome would not be in the best interests of customers and would therefore be inconsistent with the intent of the National Energy Retail Objective.

- **Ambiguity around the application of the exemptions:** Further to the point above, the 'financially no worse-off' exception to the proposed rule change is ambiguous in its application. There are external factors, such as the customer's eligibility for an energy concession, changes in networks tariffs and even feed-in tariffs that could influence whether a customer is financially worse-off. A less ambiguous exemption would be 'financially no worse-off due to the end of the benefit period.'

If the proposed rule change is to provide an objective reference point for customers to evaluate alternative offers, then a consistent calculation method would be required across the wider industry. For this reason, there may be a need to confer the Australian Energy Regulator with the power to publish guidelines around the calculation approach that must be undertaken by retailers based on a high-level set of criteria under the National Energy Retail Rules.

- **Commencement date:** A 1 January 2018 start date would not affect Simply Energy directly owing to our current practice of ensuring customers receive comparable benefits even if their fixed-term benefits period expires. In effect, we consider that this practice would exempt Simply Energy from having to provide a notice under the proposed rule change, as our customers are not financially worse-off under our current practices.

That said, any broader obligation to market to customers in dollar-terms would require Simply Energy to undertake substantial system and marketing changes that would take around 12 to 18 months to implement. For this reason, a 1 January 2019 commencement date with a transitional phase-in period over 2018 is likely to be more workable from an industry standpoint. The phase-in process could involve requiring retailers to send basic information to customers advising them that their fixed-term benefits period has expired.

It should also be taken into account that most retailers are already making significant system changes as a result of the introduction of Power of Choice, which is due to begin on 1 December 2017. Further, many retailers are also in the process of making wider operational changes to meet the policy requirements around energy that have recently been put forward by various governments across Australia.

I trust the above feedback on the proposed rule change provides you some helpful context and direction. If you would like to contact me about Simply Energy's submission please feel free to do so on (03) 8807 1171 or by email at James.Barton@simplyenergy.com.au.

Yours sincerely



James Barton  
General Manager, Regulation  
Simply Energy