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Mr Lily Mitchell
Project Leader
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



**energy & water
OMBUDSMAN SA**

ABN 11 089 791 604
GPO Box 2947
Adelaide SA 5001

Free call 1800 665 565
Free fax 1800 665 165
contact@ewosa.com.au
www.ewosa.com.au

Dear Ms Mitchell

**Submission on the Consultation Paper:
Notification of the End of a Fixed Benefit Period**

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper on the *Notification of the End of a Fixed Benefit Period* rule change request.

In this submission, the EWOSA primarily addresses matters that are specifically of interest to the EWOSA Scheme.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We support initiatives that will provide better information to energy customers about their contracts, including when fixed benefit periods come to an end, what their bills can be expected to be as a result, what options are available to them to save on their energy bills and what termination fees might apply if they change their contract.

We also support the AEMC's intention for the rule change request to proceed under the expedited rule making process as a non-controversial rule.

Question 1: Significance of Issue

To what extent do you consider that lack of information regarding the end of a fixed benefit period has led, or will lead, to a negative effect on the overall competitiveness of the market?

We believe that the lack of information regarding the end of a fixed benefit period has a negative impact on the overall competitiveness of the market. This lack of information means that many customers may be unaware that their bills are going to rise as a result of the end of a fixed benefit. If they had this awareness, they would be encouraged to switch plans or retailers to obtain a better deal and thus lower their bills. This would improve the overall competitiveness of the market.

It is also likely that the requirement on retailers to provide the information to customers outlined in the rule change request will result in greater competition and more innovation in the market offers provided by retailers, particularly in terms of retaining customers.

Indeed, by providing customers with awareness of the Energy Made Easy website, the proposed rule is likely to result in greater competition. According to the Newgate Research survey conducted for the 2017 AEMC Retail Energy Competition Review, just nine per cent of energy customers were aware of the Energy Made Easy website.

Question 2: Gas

Should the proposed rule change apply to market retail energy contracts including gas, or only to market retail electricity contracts? Why?

We believe the proposed rule change should apply to both market retail gas contracts and market retail electricity contracts. This will ensure consistency for both retailers and customers alike.

Most importantly, the benefits to energy customers of the proposed rule change will be greater by applying it to market retail gas contracts.

Question 3: Exemptions

(a) Are the proposed exemptions clear, appropriate and workable?

(b) What potential improvements could be made? Why?

We support the exemptions that retailers need not provide customers with information about the end of a fixed benefit period if the benefits are non-financial and for where customers would not be financially worse off. The exemptions will reduce the costs associated with the proposed rule change for retailers and customers.

Question 4: Commencement Date

(a) Would a 1 January 2018 commencement date result in materially higher costs than a later commencement date?

(b) If so, what is the soonest practical commencement date?

(c) Should commencement be staged? For example, if full implementation on 1 January 2018 is not practical should retailers still be required to send out a standard notice with basic information from that date?

We do not believe a commencement date of 1 January 2018 would result in materially higher costs for retailers. In contrast, a later commencement date would be likely to materially reduce the benefits of the rule change for some customers.

We do not support a staged commencement. A staged commencement would likely cause confusion, both for retailers and customers. Retailers would also face higher costs if it is necessary for them to update their systems and processes more than once.

Question 5: Assessment Criteria

(a) Are there any other matters that the Commission should consider in assessing the proposed rule change against the NERO test?

(b) Are there any particular factors that the Commission should consider in assessing the proposed rule change against the consumer protection test?

We support the assessment criteria proposed by the AEMC in assessing the rule change request, with regards to both the National Energy Retail Objective test and the consumer protection test.

Question 6: Information Disclosure

(a) Has the proponent identified the right notice period and set of information likely to be required by consumers?

(b) Are the additional quantifications of dollar amounts for past and future benefits as set out in section 5 and 6 of the draft rules clear, appropriate, workable and cost effective to produce?

While the proposed rule change suggests a notice period that is consistent with Rule 48 of the National Energy Retail Rules – between 40 and 20 business days – we believe that this period may not be long enough for customers to consider their energy contract options and act upon them before they lose their benefit or may be shifted onto an inferior contract. We would like consideration to be given to extending the notice period, possibly to three months, which would align with the timeframe that many customers receive their bills.

We also believe that the set of information the rule change request identifies for retailers to be required to provide customers could be improved. We support the existing set of information, but believe this could be enhanced by requiring retailers to provide their customers with options of the best deals they can offer. This may make decision-making for customers easier and it would reward loyal customers. It would also provide retailers with an opportunity to retain their customers.

While quantifying the dollar amounts for past and future benefits for customers will add to the costs and procedures of retailers, it should be possible to develop calculation systems (possible even using Microsoft Excel) that would be relatively simple and cost-effective to utilise. Such information would be very valuable for customers when deciding whether to stay on their current contract, change contracts with the same retailer or switch retailers.

Question 7: Barriers to Competition

Would the proposed rule materially increase the likelihood of consumers seeking and obtaining better deals in retail energy markets?

We believe the proposed rule change will substantially increase the number of customers seeking and obtaining better deals in retail energy markets. Not only will customers be made aware of the increase in their bills resulting from the end of a fixed benefit period, they will know where to go to explore obtaining a better deal, i.e. the Energy Made Easy website.

According to AEMO/AER data contained in the 2017 AEMC Retail Energy Competition Review, around 19 per cent of small electricity customers, in National Electricity Market jurisdictions that have an active choice of retailer, switched retailers in 2015 and 2016. Furthermore, according to the Newgate Research survey conducted for the AEMC, around half of small electricity customers have switched retailers or changed plans in the last five years.

With respect to small gas customers, the AEMO/AER data shows that the percentage of customers switching retailer dropped from 16 per cent to 13 per cent between 2015 and 2016. The Newgate Research survey shows that 43 per cent of small gas customers have switched retailer or changed plans in the last five years.

This data indicates that there is significant upside in the potential for more customers to seek out and obtain better deals in retail energy markets as a result of the proposed rule change, whereby many customers would be armed by their retailer with improved information on the choices available to them.

Question 8: Costs and Benefits

Will the long term benefits to consumers of the proposed rule change exceed the additional costs that would pass through to them?

We believe the long terms benefits to consumers of the proposed rule change will comfortably exceed the costs to retailers that will be passed through to them.

According to the Essential Services Commission of South Australia Fact Sheet "Saving on Your Energy Bills", by switching retailers or energy retail offers, a representative small customer might have been able to save up to \$575 for electricity and \$151 for gas in 2016-17. While this was the maximum saving possible and reflects switching to the lowest-priced market offer available in the market, the data does show that small energy customers are likely to yield significant benefits as a result of the proposed rule change.

In addition, data in the 2017 AEMC Retail Energy Competition Review shows the range of bill outcomes for representative small energy customers in South Australia was \$1429-\$3026 for electricity and \$869-\$1019 for gas. This again indicates that substantial benefits can be obtained by customers from switching energy plans or retailers, a practice that would certainly increase following implementation of the proposed rule change.

Question 9: Form of Rule

Are there amendments that could be made to the proposed rule to better achieve the intent of the rule change request?

Apart from the suggestions in response to Question 6 – that consideration be given to extending the notice period to three months and to retailers being required to provide customers with options of the best deals they can offer – we do not suggest any further amendments to the proposed rule change.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



Antony Clarke
Policy and Research Officer
Energy and Water Ombudsman SA