



COTA QUEENSLAND

PO Box 15525
City East 4002
ABN 13 465 280 311

Level 1, 25 Mary St
Brisbane QLD 4000
www.cotaqld.org.au

P:(07) 3316 2999
P: 1300 738 348
F:(07) 3316 2900

28 February 2014

Mr Paul Smith
Chief Executive
Australian Energy Market Commission
aemc@aemc.gov.au

Dear Mr Smith,

Thank you for the opportunity to respond to the Approach Paper for the Australian Energy Market Commission's 2014 Retail Competition Review.

COTA Queensland is a state based organisation committed to advancing the rights, needs and interests of people as they age in Queensland. We aim to help create a more just, equitable and caring community in which older people are actively involved and have access to appropriate support, services and care. COTA Queensland believes that everyone, regardless of age, health status, wealth or social status has a fundamental right to sustainable, ongoing, secure and affordable access to energy.

Our comments relate to energy retail competition for residential consumers in the Queensland jurisdiction only, and are informed by feedback from our constituents throughout the state, and through our networks with other seniors' organisations in Queensland.

Responses to the specific questions posed in the Approach Paper are presented below.

Market definition

1. Is there evidence to support alternative market definitions to those that we are proposing to use for the review? We plan to base our analysis on separate markets for electricity and gas in each NEM region (ie two markets per region), except for Queensland where South East Queensland will be treated as a separate geographic market to the rest of Queensland.

Response: Given the complete absence of retail competition outside South East Queensland, we support the proposal to treat South East Queensland as a separate geographic market to the rest of Queensland for this review. Over time, we would prefer to see this distinction progressively removed.

Customer activity in the market

2. Are small customers able to access energy related information that is easy to understand, relevant and up to date, that supports their decision-making process to choose an energy offer?

Response: The majority of our constituents do not understand the operation of the electricity and gas markets, or the roles of the various participants in the market. In particular, many are unaware of the distinction between distributors and retailers. While some constituents do have the

necessary skills and resources to seek out energy offers, they do not find the information easy to understand. The majority are not aware of the existence of any sources of reliable information about energy offers. This is particularly the case for constituents who do not have the confidence or the technology to access on-line resources.

There is no trusted 'one-stop-shop' where this information can be accessed in a face-to-face mode.

3. What motivates small customers to switch from a standing (or regulated) offer to a market offer?
Response: *A number have switched from regulated to market contracts, but this has been in response to unsolicited, one-on-one offers from a competing retailer offering a significant discount to switch retailer. It is rare for one of our constituents to proactively seek competing offers.*

4. What motivates small customers to switch energy retailers?
Response: *Refer to Question 3*

5. What are the reasons behind some small customers remaining on a standing (or regulated) offer rather than shopping around for a market offer?
Response: *Most small customers do not have the knowledge or confidence to seek out alternative offers.*

6. Are there any barriers preventing customers from switching energy plans within their current retailer or offered by an alternative retailer?

Response: *Yes, there are a number of barriers to switching:*

- lack of understanding that a competitive market exists*
- difficulty in sourcing credible information about options for switching*
- lack of trust in retailers, and a concern that they will finish up in a worse position due to misunderstanding/misrepresentation of the contract conditions*
- for those with a solar PV installation, there is a concern that by switching retailer, they will lose access to the higher solar feed-in tariff*

Independent rivalry

14. What types of marketing practices, or business behaviours, have small customers experienced in different electricity and natural gas retail markets?

Response: *Until about 6 months ago, there were many complaints about the prevalence and aggressive behaviour of representatives of retailers using door-to-door sales techniques. These concerns appear to have abated in recent months, but have left behind a very poor impression and a lack of trust in retailers generally. There now appears to be a growth in telemarketing campaigns.*

Customer satisfaction

15. Are customers satisfied with the service quality they receive from their energy retailer(s) and the value for money?

Response: Some constituents face difficulties when a retailer insists that certain transactions can only be performed online. For example, one retailer would only pay out the solar bonus due to a customer if an application was submitted online. The transaction could not be completed over the phone.

Call centre waiting times are a major concern for constituents who use pre-paid mobile phones as their primary mode of telecommunications.

16. Are customers satisfied with the level of choice available in the market?

Response: Most of our constituents are not aware of the choices available to them in the market.

17. Are customers satisfied with the ease and speed with which they can switch retailers?

Response: No. This is considered to be a significant challenge.

For the successful introduction of a price monitoring regime in South East Queensland, COTA Queensland believes that improved customer engagement in the electricity market is critical. It is essential that a comprehensive public information and education program is established, with resources to support consumers via appropriate information channels. This has been recognised previously by both the AEMC in its 'Consumer engagement blueprint' in the Supplementary report on Retail Competition in NSW, and by the Victorian Government in its belated 'Switch On' program. Both of these approaches provide a model which we believe could be successfully applied in the Queensland context.

Key points to note when considering customer engagement for older consumers are:

- trusted sources of information include families, peers, community sector organisations, and government. Energy businesses do not enjoy a high level of trust.
- a significant proportion of older consumers are not technologically literate and do not have internet access capabilities
- many use pre-paid mobile phones as a means of managing communications costs. Accessing energy companies call-centres by phone can be problematic when calls are charged, and extended waiting times are experienced
- face-to-face communication with trusted sources is preferred.

It is imperative that government and non-government organisations, particularly community sector organisations, work together on a consumer engagement program to ensure that accurate and timely information is delivered through trusted sources. Significant additional resources would be required not

only to provide training to existing service providers, but also to create new service providers with the knowledge and expertise to specifically deliver energy related advice and assistance to constituents.

If you require additional information about COTA Queensland or its energy policy position, please contact me on telephone (07) 3316 2999 or by email to mte@cotaqld.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Tucker-Evans', written over a horizontal line.

Mark Tucker-Evans
Chief Executive