

Submission to the Australian Energy Market Commission (AEMC)

On the Draft Ruling on Retailer Price Variations in Market Retail Contracts

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 130 branches and affiliated organisations with a combined membership of over 30,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.

CPSA welcomes the opportunity to make comment on the draft rule determination on retailer price variations in market retail contracts.

CPSA strongly supports the request made by the Consumer Action Law Centre (CALC) and Consumer Utilities Advocacy Centre (CUAC) that retailers be prohibited from changing energy prices over the course of energy contracts. Contrary to what has been put forward by retailers and the Commission, CPSA deems that a retailer's ability to vary prices in market retail contracts reduces the pressure on retailers to act competitively and manage future risks as they can pass these risks on to consumers. CPSA supports the Public Interest Advocacy Centre's argument that price variation clauses make market retail contracts less efficient. Retailers are in a substantially better position to be able to manage and bear the risks associated with increases to energy supply costs than customers, even if disclosure requirements are improved.

For this reason, CPSA is concerned that the Commission's draft decision does not prohibit retailers from being able to vary the tariffs and charges payable by a consumer for the duration of a fixed term or fixed period contract. Customers sign up to contracts with the (false) understanding that they are signing up for a fixed price as well as a fixed period. For this reason CPSA welcomes the Commission's decision that retailers be specifically required to disclose whether prices can increase during a fixed period and when the customer will be notified of any price variation. However, CPSA firmly believes that fixed period contracts should mean fixed prices, as is the case with other fixed period contracts outside of the energy space. Without such a requirement customers lose out, being required to hold up their end of the contract, potentially facing exit fees, while companies are able to vary the price. At the very least, a change in price within a contract period should result in customers being able to leave for a better deal without penalty. A change in price within a contract period should negate any requirement to pay an exit fee for switching retailers. Exit fees create a barrier which prevent people, particularly low income people who cannot afford any additional expenses, from being able to shop around.

It is grossly unfair, and in many cases misleading, that market retail contract prices presently do not have a restriction on the number or size of price variations and that retailers are only required to notify customers of the variation as soon as is 'practicable' and no later than the next bill. Whilst CPSA welcomes the draft rule determination to ensure that retailers must specifically disclose if price changes can occur and also when the customer will be notified of any variation, there must be a requirement built into this that customers must be told about the change before it comes into effect and be able to exit the contract without penalty.

It is important to note that not everyone is able to shop around. While a lack of transparency by retailers and a lack of standardisation in the way price information is presented (so that quick comparisons can be made) is incredibly important, solving these

issues will not result in everyone being able to navigate the market effectively, if at all. Adequate protections must be in place to protect such customers. People who lack functional literacy and numeracy, people with a cognitive impairment, people who are not proficient in English and those who are not Internet users are not adequately catered for in the current energy market. Requirements must be made that all crucial information be in plain English (and other community languages) and be prominent (not hidden in fine print). CPSA is also concerned about the level of information (and in instances misinformation) given to people over the phone and by door to door marketers.