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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Level 18, 215 Adelaide Street
Brisbane Qld 4000

GPO Box 1450
Brisbane Qld 4001

Phone 07 3233 9100
Fax 07 3211 9339

policy@nationalseniors.com.au

Retailer Price Variations in Market Retail Contracts

With 200,000 individual fee paying members, National Seniors is the country's largest organisation representing those aged 50 years and older. Our membership includes people in the workforce, those who receive an age pension, as well as part and fully self-funded retirees.

Older Australians continue to report that they are confused by the complexity of electricity contracts and are often unaware of the ability of electricity retailers to increase the price at any time within the contract period.

Older consumers also report that they are enticed into electricity contracts by discount rates offered under the assumption that electricity contracts are similar to all other major contracts which are fixed price for the term of the contract. They also assume that they will continue to pay the discounted rates for the term of the contract.

This fundamental assumption that prices cannot be increased within a contract term is based on years of experience entering into other contracts, including telecommunication and insurance contracts which are prohibited from increasing the price mid-contract. This core assumption and subsequent purchase decision will not be changed with a simple amendment to the disclosure requirements as proposed in the draft rule determination.

National Seniors is puzzled by the Australian Energy Market Commission's conclusion that input cost of electricity retailers is so unpredictable that they have to be able to increase the price paid by consumers at any time to manage their business risk.

National Seniors does not agree with the assertion that electricity retailers' input costs including network prices and changes to government policy are more unpredictable and unmanageable than those affecting other sectors such as insurance and telecommunications which are prohibited from increasing their prices within a contract's term.

National Seniors is concerned that the draft determination which continues to allow the electricity retailers to increase costs at any time results in consumers bearing all the business and input cost risk with no ability to manage the risk.

National Seniors is also concerned with the mismatch and inequality between the ability of electricity retailers to increase the price at any time and consumers inability to break a electricity contract without incurring termination fees.

National Seniors recommends: that the Australian Energy Market Commission reviews its draft determination and prohibit electricity retailers from varying price within the contract's term.

If the Australian Energy Market Commission continues to allow the electricity retailers the ability to increase prices at any time **National Seniors recommends** that electricity retailers should be prohibited from charging termination fees.

The removal of the termination fees will allow consumers to break the contract if prices are increased and provide consumers with the ability to manage the risk to which they are exposed without financial punishment.

National Seniors would be pleased to expand further on the above recommendations should you require.

Yours sincerely

Michael O'Neill
Chief Executive