



Energy Retailers Association of Australia

National Energy Retail Amendment

AEMC Public Forum 19 May 2014

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About the Energy Retailers Association

- Peak body representing electricity and gas retailers in the national energy markets
- Members are mostly privately owned and vary in size
- Members are large, medium and niche retailers
- National coverage including WA
- Members have more than 10 million customers – more than 3 million gas customers
- Most provide electricity and gas

Impacts on Consumers and Energy Retailers of Proposed Rule Change

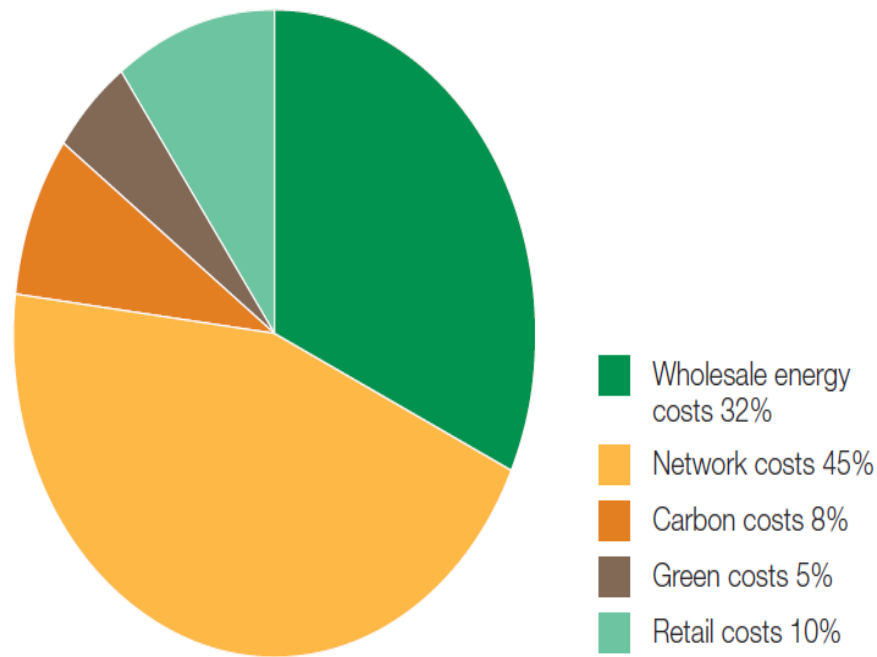
The ERAA does not support the proposed rule changes for the following reasons:

- Reduces consumers' choice of products
- Impedes innovation in product development and may reduce competition.
- Increases and also introduces additional and unnecessary risk for retailers
- Risk premiums likely to be built into consumer energy prices
- May lead to unintended consequences related to retail prices that impact negatively on consumers.

Lastly, the benefits of the proposed rule change have to date not been substantiated by evidence and therefore the NERO test has not been met. The proposed rule change is a disproportionate response to an un-demonstrated perception of market failure.

“Variable Retail Component” of a Residential Electricity Bill is Small

Indicative composition of residential electricity bills, 2012–13



Source: AER State of the Energy Market 2012

Premiums are required to manage the risk of inability to recover costs not within retailer’s control, therefore:

- Higher prices for consumers as risk premiums built into price
- Innovation is reduced and consumers are impacted by a reduction in variety of offers (e.g. contracts with shorter periods)

Scope of Products Impacted is Wide

A range of products are captured by the proposed changes:

- 1. Fixed term, variable price contracts** – products where the term of the contract is fixed with some/all of the price components being variable
- 2. Fixed term, fixed price contracts** – products where the price is fixed over the term of the contract.
- 3. Fixed term contracts that have no exit fees** – customers free to switch at any time at no cost.
- 4. Fixed benefit period contracts** – benefits (such as a discount) apply during a specified period; price may or may not be fixed.
- 5. Tailored products** – Vary in length and consumer benefit and discounts could apply based on certain conditions (E.g. Direct Debit)

Therefore the scope of the proposed changes are far wider than potentially anticipated and may limit consumer choice

Significant Consumer Protections Already Exist

Consumers entering retail energy market contracts receive significant protections:

- ACL and requirement for informed consent
- Unfair contract term provisions
- NERR – Rule 64 (1)
- 10 Day cooling off periods
- Only 2% of electricity customer dissatisfied after switching due to price rise (AEMC)
- ACCC remains active in enforcing ACL where potential breaches have occurred.

Evaluation of AEMC Alternatives Proposed

The ERAA has evaluated the alternatives proposed:

Alternative	Allocation of costs & risks	Consumer engagement & participation	Range of products & services
Prescriptive list	Increased costs and risk	Consumer confusion and increased transactional costs	Impede innovation and difficult to administer
Limiting amount time to switch	Increased costs and risk	Increase consumer transactional costs	Will impact on price
More information on price variations in specified retail contracts	Increase retail transactional costs considering information already disclosed	Consistency and simplicity of information essential	No impact

In conclusion, the ERAA does not believe that the proposed changes promote the long term interests of consumers, rather they will have detrimental impacts.





Energy Retailers Association of Australia

Further information:

www.eraa.com.au

