



19 September 2019

Mr Conrad Guimaraes
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Email: aemc@aemc.gov.au

Dear Mr Guimaraes

Regulating Conditional Discounting – Proposed Rule Change (RRC0028)

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Market Commissions (AEMC) Consultation Paper on Regulating Conditional Discounts¹. This rule change request was submitted by the Honourable Angus Taylor, Minister for Energy and Emissions Reduction (proponent) in response to an Australian Competition and Consumer Commission (ACCC) Retail Electricity Price Inquiry recommendation in July 2018.

Origin supports the intent of the rule change. While competition has provided customers with unprecedented levels of choice, we recognise that the market has evolved in a manner where, for many customers, it is challenging to make efficient and effective decisions about the range of available retail offers. This includes vulnerable customers selecting market offers which have large conditional discounts (ie direct debit, pay on time discounts) and these customers being least able to pay their bills if they do not meet the conditions of the discount. We note the AEMC is seeking to balance the need for providing customer choice and further regulating the level of conditional discounts.

There have been significant market developments since the rule change was submitted and we question whether further regulation in terms of defining conditional discounts is required in the current market. The market changes include the development of the default market offer (DMO) and Victorian market offer (VMO) that requires that any conditional discounts be calculated from a reference price (ie the DMO) and conditional discounts may not be the headline offer feature of an offer. This has resulted in consumers more easily able to make a comparison on the level of conditional discount being offered (if any) and they are able to make a more informed choice about the product that best suits their circumstances.

These developments have reduced both the level and number of conditional discounts. The ACCC's Inquiry into the National Electricity Market August 2019 Report (ACCC Report) found there has been a significant shift away from the use of conditional discounts by retailers. After 1 July 2019, over 80 per cent of the market offers now have no conditional discounts across regions in South Australia, New South Wales and Queensland². This is in contrast to only around 46 per cent of market offers having no conditional offers in NSW as at 1 June 2019³.

¹ Conditional discounts are considered as those that customers generally receive when certain payment conditions are fulfilled by the customer during the term of a contract. The most common types of conditional discounts are pay-on-time and direct debit.

² ACCC, Inquiry into the National Electricity Market – August 2019 Report, p62.

³ ACCC, Inquiry into the National Electricity Market – August 2019 Report, p62.

Further, the level of conditional discounts has significantly decreased since 1 July 2019. The proponent's submission to the AEMC noted conditional discounts for market offers were up to 30 to 40 percent in 2018⁴. The recent ACCC report noted that the average conditional discount level for market offers was 16 per cent as at 12 July 2019⁵.

These findings not only highlight the levels of the discounts have fallen but also the prevalence of conditional discounts have decreased. This in turn reduces the exposure of customers to conditional discount terms.

It should also be noted that it is a retailer's responsibility to monitor and review whether customers are on the most appropriate market contract under hardship programs. This requirement allows retailers to focus on dealing with those customers who are most in need of assistance and ensuring that customers that are least able to meet conditions are not on a conditional market offer.

Closing

If you would like to discuss any aspect of this submission, please contact Caroline Brumby on (07) 3867 0863 / Caroline.Brumby@originenergy.com.au in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', written over a light grey rectangular background.

Sean Greenup
Group Manager Regulatory Policy
(07) 3867 0620 sean.greenup@originenergy.com.au

⁴ Australian Government, Improving consumer outcomes and competition by regulating conditional discounts, p3.

⁵ ACCC, Inquiry into the National Electricity Market – August 2019 Report, p62