



6 March 2025

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted online: www.aemc.gov.au

National Energy Retail Amendment – Improving the Ability to Switch to a Better Offer Rule 2025 (RRC0062)

Alinta Energy welcomes the opportunity to respond to the Australian Energy Market Commission's consultation paper on the proposed rule change "Improving the Ability to Switch to a Better Offer."

The rule change proponent suggests that retailers implement a more streamlined switching process for existing customers. However, no details are provided on how this could be achieved. Furthermore, the consultation paper acknowledges that any specific mechanism to establish such a process will require further consultation. This is considered necessary to determine whether, under the current regulatory and compliance framework, it is even feasible to introduce a streamlined process without exposing retailers to compliance risks or customers to potential product and pricing risks.

Further consultation is therefore required to fully identify which current rules, regulations, and laws would need to be amended to allow the introduction of a more streamlined switching process. This consultation must be completed before the proposed rule change (RRC0062) can be considered.

A key premise of the proposed rule change is the assumption that a high level of "transaction costs" hinders customers from switching to a "Better Offer." Transaction costs, as defined in the proposal, refer to the time and effort required to switch.

However, retailers' ability to reduce the administrative requirements (transaction costs) of switching is constrained by existing regulatory and compliance obligations. Consumer protections related to consent and the communication of minimum information requirements are administratively burdensome but necessary to uphold customer protections.

Improving the ability to switch to a better offer, as suggested in the consultation paper, requires ensuring a balance between increased efficiency and maintaining minimum consumer protection standards.

Our detailed comments and responses to questions from the consultation paper are set out below. Should you have any questions or wish to discuss any aspect of our submission please contact Shaun Ruddy – Manager National Retail Regulation (shaun.ruddy@alintaenergy.com.au).

Yours sincerely

A handwritten signature in blue ink, appearing to be 'GH' or similar initials, followed by a surname.

Graeme Hamilton

General Manager, Regulatory & Government Affairs.

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Findings from the Australian Competition and Consumer Commission's December 2023 inquiry into the National Electricity Market indicate that customers who switch regularly may achieve better price outcomes, while those who do not engage with the market are more likely to pay higher prices.

This is no surprise; customers who are more engaged in their energy supply are more likely to seek out and find better offers. The lack of engagement from customers may be a by-product of a perceived complexity in comparing energy offers.

A key reform in recent years aimed at reducing this perceived complexity is the introduction of obligations requiring retailers to compare offers against a common reference price when presenting them to customers. This change has made it easier for consumers to identify a better offer.

Government-run comparison sites such as Energy Made Easy also provide an unbiased platform for offer comparisons through a simple-to-use online tool. Additionally, the Better Bills Guideline mandates regular communication to customers informing them whether they are on the best available offer. These measures all provide significant support in helping customers identify the best deal for them.

Question 1: Do stakeholders agree that transaction costs are a barrier to customer switching?

- Are transaction costs a key barrier to customers switching to a better offer?
- What other factors do stakeholders consider influence customer switching?
- Have stakeholders observed higher rates of switching since the implementation of the Better Bills Guideline?
- How material is the issue identified in the proposal?

The rule change proposal asserts that transaction costs are the primary barrier to customers switching to better offers. However, the proponent provides no supporting evidence that transaction costs alone explain why many customers do not switch.¹

While customers must invest time in understanding their energy usage and comparing available offers, the required effort is not so substantial that it alone constitutes a barrier. The time needed to assess and compare energy offers is comparable to that required for switching household or vehicle insurance. Moreover, unbiased energy comparison services are available to assist customers in this process.

The value customers place on the time and effort needed to switch is heavily

¹ Section 2.1 Transaction costs may be preventing customers from switching to a better offer (consultation paper)

influenced by the level of potential savings. If the expected savings are minimal, customers may see little incentive to switch. The introduction of the Better Bills Guideline has helped improve transparency, but a customer's likelihood of switching is still influenced by the level of financial benefit.

Given the lack of evidence provided by the rule change proponent to support transaction costs as the key barrier to switching, it is not possible to determine the materiality of this issue. Further review and assessment are required to accurately identify any barriers impacting a customer's ability to switch.

Question 2: Do stakeholders agree with the potential benefits identified in the proposal?

- Do stakeholders have any feedback on the potential magnitude of any benefits this could manifest?
- Do you expect this will result in consumers facing lower bills?
- Are there other potential benefits that we have not considered?

The magnitude of any benefits will depend on the financial savings available to the customer. There is a balance between the time invested and the size of the benefit from switching. The key question remains: at what level of savings, depending on a customer's individual circumstances, would they be motivated to switch?

Question 3: What are the costs associated with providing a streamlined switching process?

- What are the upfront implementation costs?
- What do you consider the magnitude of the costs imposed on retailers will be?
- Do you consider there will be any ongoing costs associated with this rule change?

Given the proposed rule change does not specify minimum standards for a streamlined process or necessary regulatory amendments, it is premature to consider these questions.

Question 4: What are stakeholders' views on the best way to implement an improved approach to switching?

- Should specific processes be prescribed or a principles-based approach taken?
- What could a principles-based approach look like?
- What opportunities for streamlining switching have you identified?

To determine the best approach for improving the switching process, a review of existing consumer protection provisions related to product offerings and

switching is required. This includes provisions for explicit informed consent, communication standards, and minimum information disclosures. Such a review must be conducted not only within energy market regulations but also across Australian Consumer Law obligations.

This review is necessary to determine whether a prescribed or principles-based approach should be adopted.

Question 5: Do stakeholders consider there is merit to the proposed alternative?

- Would providing streamlined “like-for-like” switching result in greater improvements to switching rates?
- How material are the additional costs this would impose on retailers?
- If there is merit to this, do stakeholders have views on how this additional mechanism could work?

As with similar proposals for like-for-like switching, existing consumer protection provisions must be assessed before evaluating the potential benefits or costs of any changes.

Question 6: Assessment framework

- Do you agree with the proposed assessment criteria?
- Are there additional criteria that the Commission should consider, or criteria included here that are not relevant?

The assessment criteria proposed by the Commission align with standard rule change evaluations and are generally acceptable.

However, a key concern with this rule change proposal is its lack of detail regarding the final outcome for retailers. The proposal vaguely refers to a streamlined switching process but provides no details on the regulatory and compliance framework amendments needed to support implementation. Without this information, retailers cannot properly assess or develop the necessary system, policy, and process changes to accommodate a streamlined switching process.

These gaps in the proposal prevent a robust assessment of the potential impact and benefits of the rule change.