

## ATTACHMENT A

**Submission to AEMC rule change process**

<b>Project code</b>	RRC0062
<b>Consultation paper</b>	<i>National Energy Retail Amendment (Improving the Ability to Switch to a Better Offer) Rule 2025</i>

The Australian Government is working to improve outcomes for energy consumers. In addition to direct bill relief, significant investments in household energy performance and leading the First Nations Clean Energy Strategy, the Government is driving customer-focused regulatory review and reform.

As noted in the *Improving the ability to switch to a better offer* rule change request submitted on behalf of Energy Ministers in August 2024, the transaction costs inherent in switching between energy retail contracts, even within the same energy provider, represent a market failure. The process a customer can use to achieve the most appropriate offering for them is not efficient.

**The Australian Energy Regulator's Better Bills Guideline supports efficient price discovery.**

The Better Bills Guideline (the Guideline) acts to materially improve price discovery by requiring a retailer to check whether a customer could achieve a lower cost on a generally available plan, given the customer's historical energy usage. If a customer could achieve a lower bill by switching to a different, generally available offer, the retailer is required to provide a deemed better offer message on the customer's bill, informing them of the potential savings and the name of the better available offer.

These messages are intended to support greater customer switching by assisting and prompting customers to access and achieve more competitive prices with their existing retailer.

The rule change request as submitted would complement the Guideline checking and notification process by requiring that retailers provide a streamlined process for consumers to switch to the better offer as presented on the customer's bill.

**Since this rule change was proposed, new evidence has emerged that retailer naming conventions are leading to customer confusion.**

In December 2024 the Australian Competition and Consumer Commission (ACCC) released the latest report from its *Inquiry into the National Electricity Market*. In this report the ACCC outlines findings that almost a quarter of customers are being

prompted through notifications required by the Guideline to switch to a lower-priced offer with the same name as the market contract they are currently on.

The ACCC uses the following example in its December 2024 report of a situation where there might be multiple variations of the same offer:

*“...this would occur if a customer signs up to an offer in January, which remains publicly available at the same price until July. At that point the retailer either:*

- increases the prices for the offer the customer is on, or*
- lowers the price of the offer available to new and switching customers.*

*This would create two versions of the same offer; the one for the existing customer (with higher prices), and one for any customers who sign up to the offer from July onwards (with lower prices).”*

Further detail is available in the ACCC’s report<sup>1</sup>.

In energy retail markets, retailers are generally able to determine contract pricing at their discretion in response to market conditions. However as outlined by the ACCC, this combines with retailers’ convention of maintaining standard contract names to create a discrepancy where different price levels are being experienced by different consumers on contracts of the same name.

Retailers are not prevented from maintaining such naming conventions and are not obliged to ensure that the prices for all contracts signed under a given name are kept aligned over time.

The requirement for ‘Better Offer’ notifications under the Guideline is highlighting this discrepancy for customers in cases where the price for a market offer has decreased following a customer signing a contract under the same name. In these cases, the customer receives a notification on their bill that they could save money by switching to a better available offer, however this offer has the same name as the current contract they have with their retailer.

**While the Guideline is not causing this confusion, the switching behavior of customers who receive such messages on bills is being impacted.**

The Guideline plays a critical role informing customers of the potential for energy bill savings at a point at which they are engaged with their energy consumption and energy contract. This function should be retained.

However, in such cases described above it is likely that some proportion of customers who might otherwise switch to a better available offer because of the Guideline’s ‘Better Offer’ requirements are being dissuaded from doing so out of

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<sup>1</sup> <https://www.accc.gov.au/inquiries-and-consultations/electricity-market-monitoring-inquiry-2018-25/december-2024-report>

confusion or the mistaken understanding that they are already on the cheapest available offer. The ACCC indicates that it has received complaints on this issue.

**Incorporation of the ACCC's evidence in the AEMC's rule change process is the shortest path to impact that includes appropriate deliberation and consultation.**

Given the importance of this notification process for the *Improving the ability to switch to a better offer* rule change proposal, it is likely that any ongoing confusion caused by better offer notifications would materially impact the potential benefits of a final determination by the AEMC. As such, this issue should be considered through the rule change process and a solution incorporated into any final determination.

The Commonwealth Department of Climate Change, Energy, the Environment and Water considers this issue is within scope of the original rule change request – noting the Commission's prerogative in forming a view on this – and a solution could be included in the draft determination to be made following this consultation process. Consultation on the draft determination will allow views on the proposed solution to be aired and tested as part of the AEMC's standard rule change process.

Several potential resolutions could be considered by the AEMC, including:

- amending the same elements of the NERR as initially proposed for the *Improving the ability to switch to a better offer* rule change proposal to require that, when a retailer provides notice to a customer of a variation in tariffs and charges, the retailer must inform the customer if there is a widely available market offer under the same name;
- a new rule or amendments to an existing rule could be introduced in Division 9 (Other retailer obligations) which includes provision for retailer obligations regarding switching and provision of information to customers. This rule could impose an obligation on retailers to, in all communications where this confusion resulting from naming conventions may occur, make clear to the customer that the offers with the same name are not identical, and ensure that customers are able to differentiate between the two; or
- if required, considering a rule change or rule changes to extend or clarify the Australian Energy Regulator's power to make the Better Bills Guideline, to provide clear guidance relating to contract names which ensures customers can easily and quickly discern between contracts on offer as presented to them on their bill as per the 'Better Offer' requirements.