



Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

06 March 2025

Dear Ms Collyer,

Improving the ability to switch to a better offer – consultation paper

ENGIE Australia & New Zealand (ENGIE) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper that outlines a rule change request to require retailers to provide a streamlined process for consumers to switch to a deemed better offer.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet that includes renewables, gas-powered generation, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

While ENGIE supports meaningful reform to ensure consumers can access an energy plan that best suits their needs, ENGIE is concerned that the proposed streamlined switching mechanism lacks sufficient evidence to justify regulatory intervention, especially when existing frameworks are already effective in supporting consumer choice. ENGIE contends that any modifications to the current switching process should provide meaningful net benefits for consumers while avoiding undue compliance and implementation costs for retailers.

ENGIE also notes that the Essential Services Commission is consulting on a similar reform to the Energy Retail Code of Practice. Misalignment between the reforms would likely introduce additional compliance risk and increased administrative costs. For example, a new sign up process for customers switching to a better offer may require retailers to implement different logic flows for customers in Victoria compared to those in NECF regions.

ENGIE's response to this consultation paper provides commentary on the proposed switching mechanism, assesses the effectiveness of existing frameworks in supporting consumer choice, and considers the implementation challenges, costs, benefits, and potential outcomes of the potential rule change.

Evidence to justify regulatory intervention

Evidence that further regulation would increase the number of customers switching to a better plan is largely absent

ENGIE notes that while the proponent suggests that transaction costs are a key barrier to consumer engagement, there is a lack of substantive evidence to support this claim. The transaction costs and barriers identified in the consultation paper, such as clicking a link, navigating a website, or time to switch, are in reality, quite minimal, and in some circumstances serve important purposes including allowing the customer to provide explicit informed consent to choose an energy plan that best suits their needs.

Additionally, the Better Bills Guideline (BBG), including the better offer message, had been in place for less than a year at the time of the Minister's rule change request. This is insufficient time to suggest that the better offer message is ineffective at facilitating switching. More time should be given to assess the outcomes of the BBG and the better offer message before implementing further reform, such as obligations for retailers to provide a streamlined process for consumers to switch to the deemed better offer. ENGIE contends that any additional reform in this area would be better focused on areas that meaningfully enhance the value of switching such as addressing barriers that genuinely impact consumer engagement in the energy market as part of a holistic solution.

Customers in financial hardship are unlikely to be able to benefit from this reform proportionally

ENGIE acknowledges that for many vulnerable customers, every dollar counts, and they actively seek to maximise their energy bill savings. In this context, it is only where such a customer was unable to readily switch that the proposed reform may likely provide some additional benefits.

ENGIE contends that practically, the proposed mechanism to streamline the switching process is unlikely to deliver any real additional benefits to these vulnerable customers. This is because customers participating in a financial hardship program are already more likely to be on an energy plan with lower rates than the general consumer. Retailers work closely with these customers under established hardship frameworks to ensure they receive tailored support, including access to the most cost-effective plans. While the reform intends to increase bill savings for such customers, its practical impact may be limited as existing hardship programs already provide mechanisms for vulnerable customers to switch to a better offer.

ENGIE also notes the AEMC is currently consulting on a proposed rule change to improve hardship customers' access to the deemed better offer. Overlapping reforms without consideration for how implementation of one reform will affect the other risks leading to unintended consequences for consumers.

Existing frameworks support consumer choice

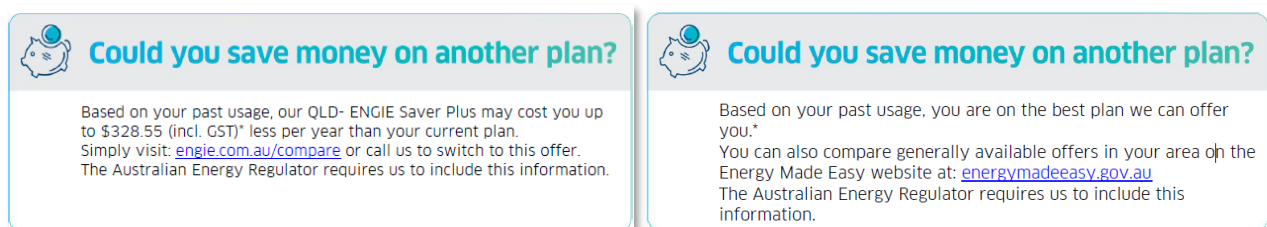
The current customer experience of switching to a cheaper energy plan is largely straightforward

ENGIE considers that current bill requirements provide customers with the tools and information required to make an informed decision about their energy plan. The Australian Energy Regulator's BBG requires retailers to display a deemed better offer on customer bills, which includes quantified savings and simple instructions on how to switch to assist customers in making an informed decision about their energy choices.

Figure 1 illustrates two ENGIE bill excerpts which demonstrate how this process functions in practice. In one instance, a customer is notified that they could save \$328.55 by switching to a better plan, with options to undertake this process via phone or online. In another, a customer is already on the best available deal, with further guidance to explore the Energy Made Easy website if they wish to view alternative offers.

ENGIE's process to allow customers to switch offers is designed to be as user-friendly as possible and takes only a few minutes to complete. It is difficult to see how the process could be made simpler, or reduce transaction costs, without reconsidering explicit informed consent requirements. As such, ENGIE contends that if the AEMC seeks further changes, it should assess whether easing explicit informed consent requirements would be a more appropriate avenue for reform.

Figure 1 Messages displayed on ENGIE customer bills under the NECF framework when the customer is not on the best offer (LHS) and when the customer is on the best offer (RHS).



There are many reasons why a consumer may not choose to switch to a deemed better offer

Customers naturally exercise choice in the products and services they engage with through balancing price with other factors they value. For example, at the supermarket checkout, some customers may opt for branded products where they may perceive a greater value, while others may choose a home-brand option as they place a higher value on cost savings.

The same principle applies to energy plans. There are various reasons why a customer may choose not to switch to what is deemed the best offer. Some may prioritise benefits, such as reducing their carbon footprint through GreenPower, securing a higher solar feed-in tariff, or accessing rewards programs, while

some customers are simply comfortable with their current tariff structure. Conversely, other customers may seek the lowest-cost plan as it best suits their current financial priorities.

Implementation and the preferred approach to reform

A principles-based approach is preferred over any prescriptive requirements

ENGIE supports a principles-based approach over prescriptive requirements to improve customers' ability to switch to the best offer. This approach would allow retailers to adapt switching processes to consumer needs while enabling effective performance monitoring for the AEMC.

ENGIE sees benefit in the AEMC further defining the proposed switching mechanism for future rounds of consultation so that retailers can provide informed feedback on potential implementation and ongoing costs. It is difficult for ENGIE to estimate the costs associated with implementing a more streamlined switching process as the proponent does not outline a proposed mechanism. More generally, however, ENGIE notes that any changes to billing systems or customer engagement processes would inevitably involve implementation costs, as well as potential ongoing costs for retailers.

The proposed like-for-like alternative method has several implementation challenges

ENGIE is concerned that the proposed like-for-like alternative method may be challenging to implement as energy offerings are subject to frequent change. Retailers continuously innovate their plans, meaning that a direct comparison may not accurately reflect a customer's best available options. A like-for-like approach risks presenting a product that meets some of a customer's energy needs but not all, requiring further engagement from the customer to ensure the plan aligns with their preferences. Reform would be more effective if it focused on enabling streamlined switching to leverage the existing better offer process and calculation rather than introducing a separate offer comparison method.

Finally, as highlighted by the consultation paper, a like-for-like comparison would likely introduce additional costs beyond those associated with streamlining the switching process. Limited details on how this approach would work in practice make it difficult to assess the full implications and costs.

Concluding remarks

On a daily basis, the retail sector continues to manage difficult customer interactions concerning the increasing costs of energy plans. These interactions are already highly regulated and there is limited evidence to suggest further regulation will greatly improve the status quo.

ENGIE looks forward to working actively with the AEMC to ensure that any modifications to the switching process provide meaningful net benefits for consumers while avoiding undue compliance hurdles and implementation costs for retailers.

Should you have any queries in relation to this submission please do not hesitate to contact me by telephone on 0400 731 274.

Yours sincerely,

Ronan Cotter

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