8 May 2025

Energy Locals Pty Ltd
11 Newton Street
Cremorne VIC 3121

Ref: RRC0058

Ms Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Reference: ERC0403

Dear Ms Collyer and colleagues

Draft rule determination - Improving consumer confidence in retail energy plans

Energy Locals Pty Ltd (ACN 606 408 879) (**Energy Locals**) welcomes the opportunity to provide a submission to the Australian Energy Market Commission's (**AEMC**) draft rule determination on the *Improving consumer confidence in retail energy plans* proposed rule changes **(Draft Determination).**

In January, we made a submission in response to the *Consultation Paper - Delivering more protections for energy consumers: changes to retail energy contracts*.[1] We maintain our position as previously communicated but wish to highlight some additional concerns in relation to the following proposed changes:

- proposed rule 46AA and amendment to rule 46(4)(a) – relating to the timing of variations to tariffs, charges and fees; and
- proposed rule 52A(2) – relating to new restrictions on fees and charges to vulnerable customers.

1. Restricting price increase to once per year

We support the principle of limiting retail price increases to once per year as, in practice, we generally update prices only once annually, or in response to network-initiated tariff changes, due to this being aligned to customer expectations as well as the operational complexity involved in repricing.

However, we urge the AEMC to allow greater flexibility in timing to accommodate the significant resources required for price changes. While we acknowledge that the AEMC has proposed a one-month window for implementing price changes (rather than a single date as in Victoria), the additional notification requirements will present substantial operational challenges.

(a) July requirement

Retailers rely heavily on the timely release of network tariff information and the Default Market Offer (**DMO**) to perform accurate cost forecasting and to set appropriate prices. However, these critical inputs are typically not finalised until late May. A July implementation will leave only a few weeks for retailers to:

- conduct detailed internal analysis and cost modelling;
- validate key assumptions (e.g. demand forecasts, wholesale price trends, customer churn rates);

[1] Energy Locals submission to the AEMC Consultation paper – Delivering more protections for energy consumers: changes to energy retail contracts, dated 7 May 2025.

- obtain the necessary internal approvals;
- finalise tariffs and prepare its systems and supporting documentation; and
- coordinate implementation across pricing, legal, marketing, billing, customer service teams and third-party agents.

This timeline is further compressed by the need to prepare price fact sheets, update pricing comparison tools, complete rigorous testing, and meet disclosure and compliance requirements. Without certainty on essential cost inputs until late in the financial year, the limitation of only repricing in July may be operationally challenging particularly for smaller retailers with limited resources and fewer economies of scale. This time pressure is further compounded by extended notice requirements.

(b) 20-Business-Day Notice Requirement

While we support providing customers with sufficient notice, if prices can only be changed in July, the proposed increase from a 5-business-day to a 20-business-day notice period for price changes adds undue pressure on retailers.

We strongly disagree with the AEMC's statement that:

> "*20 business days' notice is sufficient time for retailers to update their prices, if necessary, following network tariff and DMO updates, particularly if they are not limited to 1 July for price increases*."[2]

In practical terms, the notice requirements will require retailers to have all pricing finalised by early July to issue notices - further compressing an already tight pricing window.

For customers who have requested postal communications, additional time must be factored in for postal delivery times, particularly those in regional areas.

By comparison, the Victorian Essential Services Commission's Energy Retail Code of Practice mandates a 1 August price change date but requires only 5 business days' notice. The proposed change quadruples the notice period, significantly increasing the compliance burden.

Performing these activities in June and July is also likely to coincide with financial year-end business processes.

We would only support an increase to a 20-business-day notice requirement if retailers are given greater flexibility regarding the timing of the annual price changes or if the DMO and network tariff information were finalised earlier in the year. Flexibility is critical for effective planning and maintaining competitive offers.

(c) Exceptions

We support the inclusion of the two proposed exceptions in daft rule 46AA(3), but believe an additional mechanism is required to allow for price adjustments in certain circumstances. Based on our experience in Victoria, we believe there should be scope to amend prices in cases of material pricing or administrative errors, as well as significant and unforeseen shifts in wholesale market or hedging costs.

To safeguard consumer trust, we propose the Australian Energy Regulator (**AER**) be granted discretion to approve out-of-cycle price changes under clearly defined and transparent criteria. This would provide a balanced mechanism for addressing legitimate exceptions without undermining the intent of the rule.

2. New limits on fees and charges for vulnerable customers

Energy Locals supports the overarching objective of improving protections for vulnerable customers, including the restriction of certain fees. However, we strongly urge the AEMC to give further and more substantive consideration to the potential unintended consequences of the current proposal. As drafted, the approach risks creating inequitable cost distribution, increase complexity for retailers, and diminished consumer transparency.

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[2] AEMC, Improving consumer confidence in retail energy plans, Draft rule determination, 27 March 2025, p.38.

If retailers are unable to recover reasonable and proportionate costs through targeted fees, these costs will need to be absorbed into broader tariff structures. This will result in cost cross-subsidisation between vulnerable and non-vulnerable customers, potentially leading to overall higher energy prices and reduced clarity around cost components.

This approach will require retailers to undertake detailed modelling to estimate hardship customer volumes and revise pricing strategies – efforts that are both resource-intensive and time-sensitive, particularly if this work must be actioned within compressed timeframes, as outlined above. The added administrative burden may ultimately divert resources from more impactful and direct support initiatives for customers in genuine hardship.

Importantly, we believe the focus should be expanded beyond retailers to address the role of distribution network businesses, many of which continue to apply fixed charges that disproportionately affect vulnerable consumers. A coordinated, government-led response involving both retailers and network businesses would provide a more effective and sustainable solution.

In its current form, the AEMC's proposal risks diminishing retailer flexibility without delivering meaningful benefits to the customers it seeks to protect. We respectfully recommend that the AEMC pause and undertake deeper consultation with industry stakeholders to refine this aspect of the draft determination. We urge the AEMC to engage across industry and to consider the cost sharing initiatives proposed in the AER's Game Changer program.

(a) Application to customers receiving a concession or rebate

If this rule is to progress, we do not agree with its application to customers who are "*receiving a rebate, concession or relief under any government funded energy charge rebate, concession or relief scheme*."[3]

Many concessions, such as life support rebates in NSW, ACT, or TAS, are not means-tested and are designed to offset specific usage-related costs rather than signal financial stress.

Furthermore, retailers do not validate concession eligibility at the point of sale. Concessions are typically applied only after the account has been activated and a customer's eligibility is verified through a third-party validation process. As a result, retailers may not know at the time a service is performed (e.g. a move-in or move-out) whether a customer qualifies for a concession.

To comply with the proposed rule, as drafted, retailers would be required to implement a range of system changes, including the ability to retrospectively waive fees after concession eligibility is validated, make material updates to billing system logic, manually identify and refund fees that may have already been charged, and establish complex exception-handling processes across customer service, operations, and finance teams.

(b) Clarification needed on ancillary fees and charges

In order for retailers to comply with the proposed rule change, a number of aspects require clarification and further consideration by the AEMC. In the case of ancillary fees from distribution networks, we consider that it is unreasonable for retailers to be liable for service costs they cannot control. We request further clarity on whether distribution network services fees incurred as a result of an action (or inaction) by the customer (such as a fee for special meter read that cannot be completed due to lack of safe or clear access to the customer's premises) are intended to be restricted under the draft rule.[4]

The draft rule is also unclear on whether fee waivers are intended to be retrospective, such as in cases where a customer's status changes. For example, where:

- a customer has not provided concession information at sign-up but does so weeks or months later;
- a customer becomes a family violence affected customer; and
- a customer enters into a hardship program only after a fee (e.g. disconnection or reconnection) has already been applied.

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[3] Draft National Energy Retail Amendment (Improving consumer confidence in retail energy plans) Rule 2025, draft rule 52A(2)(c).
[4] Ibid, draft rule 52A.

Clarity is also required on whether all concessions and rebates would qualify under the draft rule, noting that federal bill relief applies to all customers.

Summary of Energy Locals' position

Energy Locals acknowledges the AEMC's commitment to enhancing transparency and consumer protections in the retail energy market. However, we urge the AEMC to reconsider aspects of the draft rules that may place undue pressure on retailers and risk unintended impacts on consumers.

We recommend:

- allowing greater flexibility in the timing of annual price changes to reflect the timing of key inputs such as network tariffs and the DMO and in recognition of the operational complexities for retailers;
- reconsidering the 20-business-day notice requirement if the AEMC maintains the July window for price changes;
- engaging with other market participants and government to better assist vulnerable customers in hardship;
- clarifying and narrowing the scope of fee restrictions to avoid applying them to customers who are not necessarily in hardship; and
- ensuring that any cost impacts from unrecoverable fees are considered in the DMO or supported through government-funded schemes rather than imposed on retailers.

We would welcome the opportunity to further discuss our submission and work constructively with the AEMC on refining the final rule.

Yours sincerely,

Adrian Merrick
Chief Executive Officer
Energy Locals Pty Ltd