

Consultation paper:
Improving the ability to switch to a
better offer

STAKEHOLDER FEEDBACK TEMPLATE

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SUBMITTER DETAILS

ORGANISATION:	COTA Australia on behalf of the COTA Alliance’s Energy Advocates COTA Alliance Energy Advocates is a panel of consumers, consisting of representatives from each State and Territory jurisdiction in the National Energy Market. COTA Alliance Energy Advocates are supported by COTA Australia.
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DATE	March 2025

PROJECT DETAILS

NAME OF RULE CHANGE:	Improving the ability to switch to a better offer
PROJECT CODE:	RRC0062
PROPONENT:	The Hon Chris Bowen MP, Minister for Climate Change and Energy, as Chair of the Energy and Climate Change Ministerial Council
SUBMISSION DUE DATE:	6 March 2025

CHAPTER 2 – THE PROBLEM RAISED IN THE RULE CHANGE REQUEST

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

<ul style="list-style-type: none"> • Are transaction costs a key barrier to consumers switching to a better offer? • Have stakeholders observed higher rates of switching since the implementation of the Better Bills Guideline? 	<p>Transaction costs (as identified in the consultation paper) can act as a significant barrier for energy consumers looking to switch to a better offer. For many older energy consumers, these costs discourage them from actively participating in the energy market even though the result can be higher energy bills.</p> <p>Many older Australians have shared that the process of deciphering the complexities of various offers and comparing potential costs and benefits inherent in each often leads to feelings of uncertainty, mistrust and resignation. This uncertainty makes it difficult for individual energy consumers to confidently determine whether switching will deliver any 'real' financial benefit.</p> <p>As a generalisation, older energy consumers tend to be risk averse. Concern over the likelihood of switching resulting in a worse financial outcome in many cases outweighs any perceived benefits.</p> <p>Instead of this behaviour demonstrating customer loyalty, these consumers often remain with their current retailer because they adhere to the adage, "better the devil you know than the devil you don't." As one Energy Advocate shared, 'I am disappointed that the better bills initiative has not assisted consumers much. Many I have spoken to have not changed suppliers for decades even if they are uncertain of where they stand on contracts.'</p> <p>In this regard, implementation of the related rule change 'Preventing price increases for a fixed period under retail market contracts' is essential to give consumers the confidence that the prices won't change once they have switched to the deemed better offer. This lack price certainty is currently a barrier to switching.</p>
<ul style="list-style-type: none"> • What other factors do stakeholders consider influence customer switching? 	<p>To increase trust in retailers and the energy market more generally, retailers should be required to guarantee that consumers will not be worse off if they switch to the deemed better offer.</p> <p>Other factors that can influence customer switching</p> <p>Another reason that hinders some energy consumers seeking a better offer is a common misconception that switching providers could lead to a disruption in their energy supply.</p> <p>In addition, many older Australians face significant challenges in engaging with and navigating the energy market online, as is well-documented in pertinent government reports. A major barrier is the shift towards digital engagement, which excludes those who either cannot or choose not to manage their energy accounts online.</p> <p>Alternatives to online access are rapidly disappearing. For efficiency reasons, many institutions and businesses now rely on automated phone systems that are often inaccessible to older people—especially those with hearing, speech, cognitive, mobility or dexterity impairments. These systems can make even the simplest tasks or requests annoyingly frustrating or impossible.</p>

<ul style="list-style-type: none"> • How material is the issue identified in the proposal? 	<p>Direct human interaction must remain an option for energy consumers across all aspects of engagement. This is particularly urgent given the rising prevalence of phone scams, which have made many older Australians hesitant—or outright unwilling—to answer calls from unfamiliar numbers. Without accessible and trustworthy communication options, many are left struggling to manage their essential services and clearly will miss the opportunity to lower energy cost by switching providers.</p> <p>We believe there is an urgent need for energy retailers to be more transparent and straightforward in their communications with consumers. Options provided need to empower energy consumers to realise the benefits to be had in a competitive energy market and for them, as valued energy consumers, given every option to be engaged (in ways that they determine as being fit for purpose).</p> <p>If the issue is highly material. Access to affordable and reliable essential services, including energy, is a critical issue for most Australian households. This includes of many older Australian households especially if impacted by financial or social disadvantage.</p>
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CHAPTER 3 – THE PROPOSED SOLUTION AND IMPLEMENTATION

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

<ul style="list-style-type: none"> • 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? 	<p>While we have not undertaken specific research regarding the potential magnitude of benefits that could be realised from energy consumers switching providers, we have anecdotal evidence that those who have engaged in the process are relatively pleased with the outcome. Although we are not able to quantify the percentage of energy consumers who would benefit from the enactment of NERA (RRC0062), we can confidently assert that many older Australian households are at present reluctant to switch energy retailers and, therefore, are likely to be paying more on their energy bills than they could be if they switched to another offer.</p> <p>We have identified that many older energy consumers have never switched energy plans, probably to their detriment. If the process for switching to a deemed better offer is improved (and engagement approaches expanded) because of this work, consumers should be more likely to attempt the process. Once a successful switch has been achieved, consumers will be more confident to switch again in the future, thus improving their own financial outcomes and leading to enhanced competition benefits.</p> <p>Implementation of the proposed rule change is very likely to result lower energy bills for energy consumers. However, the extent to which this would be realised would be dependent on any implementation related changes not being passed onto energy consumers.</p> <p>N/A</p>
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Question 3: What are the costs associated with providing a streamlined switching process?

<ul style="list-style-type: none"> What are the upfront implementation costs? 	N/A
<ul style="list-style-type: none"> What do you consider the magnitude of the costs imposed on retailers will be? 	N/A
<ul style="list-style-type: none"> Do you consider there will be any ongoing costs associated with this rule change? 	There are likely to be some costs associated with this streamlining the switching process. However, we do not consider them to be large. More importantly, we believe it is critical that any costs be absorbed by energy retailers as an improvement of business cost rather than passed onto residential energy consumers.

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

<ul style="list-style-type: none"> Should specific processes be prescribed or a principles-based approach taken? What could a principles-based approach look like? What opportunities for streamlining have you identified? 	<p>From an energy customer's perspective, both approaches have their benefits and challenges. For example:</p> <p>Prescribed-based approach</p> <p>Benefits</p> <ul style="list-style-type: none"> Clarity and consistency: agreed regulations provide clear, specific rules that suppliers must follow, ensuring consistency across the energy market and this contributes to building greater customer confidence Consumer protection: monitored and enforced regulations can offer strong protections for consumers, reducing the risk of unfair practices, as well as the likelihood of consumers being able to readily identify and draw attention to poor compliance Ease of Compliance: energy retailers/suppliers know what is required of them. This can facilitate compliance and is likely to reduce disputes with energy consumers <p>Challenges</p> <ul style="list-style-type: none"> Inflexibility: Prescribed rules can be rigid, making it difficult for retailers/suppliers to accommodate new technologies or adapt quickly to market changes Stifling innovation: Strict regulations may hinder retailers'/suppliers' ability to offer new, potentially beneficial products and services to their consumers Complexity: Detailed rules can be complex and difficult for consumers to understand, potentially leading to confusion and deepening their disengagement with and mistrust of the energy market. <p>Principles-Based Approach</p> <p>Benefits:</p> <ul style="list-style-type: none"> Flexibility: This approach allows suppliers to adapt to new technologies and market conditions more easily -
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- **Encourages innovation:** By focusing on outcomes rather than specific rules, suppliers have more freedom to innovate and offer diverse products and services
- **Simpler for Consumers:** Principles-based approaches can be easier for consumers to understand what they can reasonably expect, broad outcomes rather than trying to unpack and understand detailed rules

Challenges

- **Uncertainty:** The absence of specific, enforceable rules can create uncertainty for both suppliers and consumers about what is acceptable practice
- **Variable enforcement:** Without specific rules, enforcement is more challenging, potentially leaving energy consumers unable to act against retailers/suppliers who engage in poor and/or misleading practices
- **Potential for abuse:** this approach creates the potential for inconsistent interpretations, which could result in some retailers/suppliers engaging in practices that are not in the best interest of energy consumers

While we appreciate a principle-based approach is attractive and could impact positively on accelerating innovation in the energy market, the potential to deliver benefits to energy consumers is precarious. In the current energy market – especially given the level of customer engagement, the COTA Alliance believes that over the short to medium term a prescribed approach is more likely to result in better outcomes for consumers.

Regardless of the implementation approach adopted, the COTA Alliance stresses that the switching process must be equally accessible for consumers who choose not to interact with retailers online.

Increasing customer engagement should not be a retailer objective in and of itself. The most consumer effective and streamlined approach is for energy retailers to consistently promote to and offer consumers their best offer.

However, while the onus is on the energy consumer to seek out and apply for a better offer, it is imperative that retailers provide a streamlined process for switching. Rather than define the mechanics of the process, the COTA Alliance advocates it needs to be simple, information must be in plain language free of industry-based jargon and readily supports consumers in understanding what they are switching from and to. The financial benefit to the customer must be readily identifiable.

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

<ul style="list-style-type: none"> Would providing streamlined “like-for-like” switching result in greater improvements to switching rates? 	Streamlining the energy market can offer several benefits for energy consumers and significantly enable more customer - friendly services. As highlighted in the Consultation paper (page12), the like-for-like’ switching option could have potential benefits. The COTA Alliance believes that the proposed streamlining could make it easier for consumers to understand their energy bills and the various factors that influence pricing.
<ul style="list-style-type: none"> How material are the additional costs this would impose on retailers? 	N/A
<ul style="list-style-type: none"> If there is merit to this, do stakeholders have views on how this additional mechanism could work? 	Streamlining often involves the adoption of advanced technologies, which can empower consumers to monitor and control their energy consumption more effectively. This could contribute to the development of a more sustainable, cost-effective, and customer-friendly energy market.

CHAPTER 4 –MAKING OUR DECISION

Question 6: Assessment framework

<ul style="list-style-type: none"> Do you agree with the proposed assessment criteria? 	The COTA Alliance supports in principle the proposed assessment criteria. We recommend that if there is any weighting to be attributed the criteria, the priority concern is for the rule change to lower energy bills for consumers without impacting reliability and/or transparency of supply. Further, we contend the rule change needs to be implemented within the context of enhanced and consistent adherence within the energy industry to the principles of good regulatory practice.
<ul style="list-style-type: none"> Are there additional criteria that the Commission should consider or criteria included here that are not relevant? 	The COTA Alliance welcomes the application of the proposed assessment criteria in the spirit in which they are conveyed in the consultation paper. We believe the four criteria have the potential to build a more informatively inclusive and fairer energy marketplace.