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Submitted electronically: https://www.aemc.gov.au/contact-us/lodge-submission

Dear Commissioners

## Improving the ability to switch to a better offer and applying concessions to bills

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia, of which around 22k customers are supported under our hardship program (EnergyAssist). EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

EnergyAustralia greatly appreciates the opportunity to participate in the AEMC's consultation on: (1) improving the ability to switch to a better offer, and (2) improving the application of concessions to bills.

We strongly support initiatives that reduce switching friction for customers and ensure eligible customers can access the financial support available to them. That said, it is important that regulatory changes are well-targeted, practical, and based on clear evidence of existing barriers. Cost of living and high energy bills are critical issues for our customers and new regulations should help minimise costs rather than introduce unintended complexity or expense.

## Customers have easy switching options, but perceived value matters most

While we support efforts to lower transaction costs and make switching plans with the retailer easer, we are not confident that the proposed rule change will have the desired effect of uplifting customer switching. Our analysis suggests that:

- **Switching is already straightforward** – online switching can take just a few minutes, and phone-based switching remains a viable, technology-neutral option.
- **The core challenge appears to be perception, not structural process** – many customers do not switch because they **do not see enough value in doing so**, rather than because of high transaction costs.

Retailers, including EnergyAustralia, are already committed to making switching easier by providing clear, transparent information, direct links to better offers, and accessible digital tools. These efforts ensure customers can compare plans and switch with relative ease.

Existing initiatives such as the Better Bills Guideline have had a positive impact on switching, and the AER is currently working with retailers to refine "Better offer" bill messaging to ensure customers more clearly understand the benefits of switching – even within plans that have the same name. We fully support this initiative as we believe this targeted approach can support better customers outcomes without imposing costs that would arise with broad new regulation.

Additionally, we support continued government-led awareness campaigns that highlight the benefits of switching. Programs like Victoria's $250 Power Saving can help drive engagement as it provides an immediate incentive to engage.

Imposing broad new switching mandates risks adding cost without solving the real issue—the customer perception that switching is not worth it.

## Concessions should be applied at sign-up, but better portability is needed

We fully support measures that help customers eligible for concessions receive them. Our sign-up process already involves asking customers for concession details. We support making this a standard requirement to help ensure concessions are applied from the first billing cycle, where possible. There is a fine balance in not creating additional barries for customers to switch or sign-up and keeping the process streamlined while ensuring eligible customers receive their concessions.

We do not support broader regulatory mandates:

- Mass-market campaigns requiring retailers to proactively contact all customers would be costly, resource-intensive, and unlikely to improve customer outcomes.
- Concession portability remains a key challenge – customers must reapply when switching retailers due to the lack of an automatic transfer mechanism. This can lead to delays, gaps in concession benefits, and unnecessary financial stress.

While this review does not cover long-term structural reforms, we support future improvements that focus on:

- A centralised verification system to enable data sharing between retailers and government agencies (including Services Australia).
- Harmonising concession frameworks across states to achieve efficiencies and reduce friction in the process.
- Ensuring third-party providers collect concession details at sign-up, preventing gaps in eligibility for customers using intermediaries.

These measures would significantly improve efficiency, accessibility to concessions, and customer experience.

Our full submission is detailed in the **Attachment**.

If you would like to discuss this submission, please contact me on 03 9060 0934 or maria.ducusin@energyaustralia.com.au.

Regards

Maria Ducusin

**Regulatory Affairs Lead**

## EnergyAustralia Submission

### 1. Improving the ability to switch to a better offer

The rule change proposal aims to simplify consumer switching by requiring retailers to streamline the process for moving to a better energy offer, as indicated on customer bills.[1] According to the ACCC's December 2023 report, cited in the rule change proposal, many customers pay more than necessary because they haven't switched offers.[2] The proposal suggests that high transaction costs discourage switching. By mandating simpler processes, it aims to lower these costs and encourage more customers to access better, cheaper offers.[3]

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

Based on our analysis we do not consider the lack of customer switching is because transaction costs associated with switching is too high.

We support efforts to reduce transaction costs for customers because, in principle, lower costs can facilitate easier switching. However, from our perspective the current customer switching process appears generally efficient. For instance, when customers sign up or switch offers online, the process can take just 3 to 4 minutes. Even if customers choose to switch by phone, the process can take between 10 and 15 minutes, which we do not consider overly burdensome. Although some customers may perceive switching to be a hassle, the actual time and effort required appears minimal. We are therefore not confident that additional regulation (and cost) would yield the desired uplift in switching behaviour intended by the rule change.

***Have stakeholders observed higher rates of switching since the implementation of the Better Bills Guideline?***

Yes – efforts to make switching to a "better offer" easier for customers have had a positive impact.

1 RRC0062 - Improving the ability to switch to a better offer - Pending doc - Aug2024.pdf, p 4.
2 RRC0062 - Improving the ability to switch to a better offer - Pending doc - Aug2024.pdf, p 2.
3 RRC0062 - Improving the ability to switch to a better offer - Pending doc - Aug2024.pdf, p 5.

Since the introduction of Better Bills Guideline, we have observed a significant increase in customers product switching. Further, the ACCC has acknowledged that the Better Bills Guideline has already supported customer switching.[4]

The AER Better Bills Guideline requires retailers to include 'deemed better offer' messages on the bill including that it must: 'contain clear and simple instructions on how to switch to the deemed better offer'.[5] Customer bills include the following information to help customers compare and switch:

- a 'deed better offer' message explaining which plan offered by the retailer is considered better for the customer based on the formula in the AER Better Bills Guideline.
- a hyperlink to the direct plan page on our website to compare and switch plans
- a phone number to call our contact centre
- a hyperlink to the government comparator site to compare with other retailer offers.

Below is an example bill message:


## Current AER consideration and clarification that can help promote switching

The AER is currently considering making retailers add a separate note on bills (without changing the Better Offer message) to clarify that customers may save money by switching to the updated plan with the same name. This stems from concerns raised during AER engagement with some retailers, and the ACCC's December 2024 Report, which revealed that current messaging about plans with the same name but different prices are an issue that may be causing customer confusion.[6]

We believe the ongoing AER refinements to the bill messaging is a good approach to help promote switching outcomes, rather than introducing broad new regulations that may add complexity (and cost) without achieving the desired uplift in customer engagement.

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[4] ACCC, Inquiry into the National Electricity Market report - December 2024, 30 December 2024, p 54.
[5] Part 4, clauses 62 and 63, AER, *Better Bills Guideline (Version 2)*.
[6] ACCC, Inquiry into the National Electricity Market report - December 2024, 30 December 2024, p 55.

Maintaining a targeted, evidence-based approach can better serve customers while ensuring retailers can continue improving customer communication effectively.

***What other factors do stakeholders consider influence customer switching?***

Understanding what drives switching is critical to developing effective policies. In our view, new regulation to mandate simpler switching processes is unlikely to produce the desired results if it does not also address the perception gap that there is value in switching.

We consider there is a disconnect between the reported findings that supports the rationale for the proposed rule change and the intended outcome of the proposed rule change. The ACCC December 2024 report findings, used to support the rule change, cited the following reasons why households who considered switching to a better offer did not:[7]

- 25% said it was too complicated
- 27% said it was too confusing
- 25% said it was too time consuming.

This roughly translates to around 136 households surveyed from the survey sample of 541 households. The proposed rule change suggested that these results reflected that the transaction costs associated with switching is too high.

However, the same ECA survey indicated that the primary reason for customers not switching is the perceived low value for money in shopping around for a better deal, with 38% of households surveyed (around 206 households) stating 'savings didn't make it worth it' as the main reason why they didn't switch (see **Appendix A**). This indicates that the main driver for switching may not be in the actual mechanics of the switching process (and high transaction costs as a barrier) but in customer perceptions that shopping around wasn't worth it. This is well supported by academic research. For example, research from Great Britain suggests the perception of gains from switching increases switching behaviour (He and Reiner, 2018; Flores and Waddams Price, 2018).[8]

Since perceived value appears to be the main barrier, we are not confident that broad regulatory changes to reduce transaction costs will effectively increase switching. Government-led initiatives such as Victoria's $250 Power Saving Bonus can encourage customers to review their energy plan as it provides an immediate incentive to engage.

7 ACCC, *Inquiry into the National Electricity Market report - December 2024*, p 46;Energy Consumers Australia, *Energy Consumer Sentiment Survey*, June 2024, p 10, accessed 24 February 2025.

8 See Ryan Esplin, Ben Davis, Alan Rai, Tim Nelson, *The impacts of price regulation on price dispersion in Australia's retail electricity markets*, Energy Policy, March 2020, p 5.

***How material is the issue identified in the proposal?***

We fully support lowering the barriers for customers to engage in the market and switch to the best offer within the retailer, however based on deeper consideration of the available evidence from internal and external sources, we do not believe that transaction costs are a significant barrier to the switching process. As mentioned, we consider the general process of switching energy plans is already relatively straightforward, with digital switching taking only a few minutes and phone-based switching remaining a technology-neutral and straightforward process.

As evidenced by research, the issue at its core appears to be less about structural barriers and more about customer perceptions, particularly regarding the value of shopping around. As highlighted by the Better Bills Guideline and ongoing government communication efforts telling customers to 'shop around', progress has already been made in helping customers compare offers and realise the potential benefits of switching.

Given this, it is unclear that the proposed reform would lead to meaningful improvements in switching behaviour. If there are special anecdotal cases where transaction costs have been shown to be a barrier to switching for customers, we suggest further exploring this to ensure that any new regulation is well targeted and seeks to address a specific issue. This does not seem to be the case as the rule change request appears broad and seeking to reduce transaction costs generally.

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

As set out above, we are not confident that further regulation will deliver meaningful benefits since the main barrier appears to be the perceived low value of switching—rather than the actual mechanics of switching and transaction costs involved.

We agree with the principle to lower the barrier to consumers switching, but also consider that the impact – and whether consumers actually switch to save on their bill – 'will ultimately depend on customers' willingness to act' as cited in the proposed rule change.[9]

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

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9 RRC0062 - Improving the ability to switch to a better offer - Pending doc - Aug2024.pdf,.

The cost of any further streamlining would depend on how prescriptive the regulatory requirements are; if more extensive system changes are mandated, those costs could be significant—potentially in the millions of dollars.

It is also important to note that the energy sector has already invested heavily in initiatives to improve customer engagement and awareness:

- Best Offer Messaging: Requiring clear communication of the best available offer on bills.
- Payment Difficulty Framework: Ensuring customers on tailored assistance receive help to make informed decisions including advice on the most suitable tariff to minimise costs.
- The Default Market offer and Victorian Default Offer (DMO and VDO): Providing a trusted reference point for energy prices, enhancing transparency.
- Government comparison websites Energy Made Easy and Vic Energy Compare: as part of government initiatives to help consumers compare energy offers and find better deals.

Each of these reforms were introduced at considerable cost to retailers, with the burden ultimately borne by consumers. Despite this investment, the data indicates that customer inertia persists due to value perceptions rather than access or awareness issues.

Furthermore, experiences with major initiatives such as the Consumer Data Right—which required significant investment but achieved limited consumer uptake to date—suggest that further regulation may add costs without addressing the core consumer issue.[[redacted]]

Confidential information has been omitted for the purposes of section 24 of the Australian Energy Commission Establishment Act 2004 (SA) and sections 223 and 268 of the National Energy Retail Law.

As discussed, we believe that the current customer switching process is already streamlined, and so we are not confident that mandating further streamlining would achieve the desired objective of uplifting customer switching and justify introducing costs to customers.

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

We have discussed our views on the case for change.

With all this in mind, should the AEMC still decide to pursue the proposed approach, allowing retailers the ability to determine the best implementation method is critical as each retailers’ systems are different. To satisfy any such new requirement, one option could be that retailers can demonstrate to the AER that their switching process is streamlined by the approximate time that it takes on the customer journey to switch offers digitally and via phone. To reduce regulatory burden and cost, this can be a once-off requirement to the AER.

## 2. Improving the application of concessions to bills

We fully support measures that ensure customers eligible for concessions can benefit from them. We believe there is an opportunity to build on the existing framework to achieve this goal.

**Question 1: What are the key barriers to consumers not receiving concessions or rebates at sign up?**

The perennial issue with concessions is that there is no uniform national approach for customers, as each state has a different approach to concessions that can create different barriers for customers across jurisdictions. For example, in South Australia, concessions are a state government process, and customers must wait for their first energy bill to provide a copy to state government. This means retailers are unable to apply concessions on sign-up for customers in South Australia.

Further, in South Australia, while someone listed on the energy bill may be eligible for a concession, if they are not the main account holder then retailers are unable to apply this concession to the bill. We understand this is well-intended to help prevent fraud, but this is not a requirement in other states and retailers can apply concessions to an eligible customer so long as they are listed on the bill. This aspect of the concession regime may be a contributing factor to why South Australia has the largest gap in eligible customers not receiving a concession (38%).[10]

We consider that the type of concessions that a customer has may impact the ability for retailers to apply concessions to the bill – but this is not necessarily a barrier to receiving concessions. For example, standard concessions such as those tied to a concession card are generally straight forward and retailers can provide concessions on sign-up to customers (outside of South Australia) provided retailers have all the information required. This includes: the concession card number, full name, address, and how many concessions the customer has.

[10] See AER, *Game Changer Report - November 2023*, p 11; Consumer Policy Research Centre, Mind-the-Gap_Report_Update-1011.pdf.

In contrast, special concessions that are not tied to a concession card - such as life support or the family energy rebate have a more involved process than standard concessions. For example, medical concessions require signed documentation from a medical practitioner before retailers can apply concessions. For the family energy rebate, a customer applies directly with the NSW Government using an online form with limited validations, which is then passed to retailers to match with its system. We observe that at least 15% fail due to poor data quality that means we cannot match the record in our system and are unable to apply the rebate.

There are better more effective approaches to concessions that are outside the scope of this review, which we discuss under question 7.

**Question 2: What happens to consumer access to concessions or rebates when they transfer retailers?**

Customers need to start the process again and provide concession information to retailers. The key challenge in concession portability is that there is no automatic mechanism to ensure continued application of concession when customers switch retailers. This can often lead to delays, gaps in concession benefits, and unnecessary financial stress. We suggest longer term solutions under question 7.

**Question 3: How could retailers best ask or inform consumers about their eligibility for concessions or rebates at sign up?**

Retailers can best inform and collect concession details by integrating it into the sign-up process. This can be done by:

- **Collecting concession details upfront** during sign-up, ensuring eligible customers receive benefits from their first billing cycle where possible (excluding South Australia).
- **Standardising the requirement** for all retailers to ask for concession details at sign-up, making it a formal practice rather than an optional step.

While our practice already includes steps to capture concession details during the sales journey, we support a clear and practical standardised approach.

For customers who are unable to provide all details at sign-up – for example a special concession such as life support or medical rebate, retailers can continue to trigger communications post-sign up.

**Question 5: How could retailers inform or ask current customers about their eligibility for concessions or rebates?**

Proactive measures that require retailers to reach out to all existing customers about potential eligibility for concessions are likely to be administratively burdensome, costly, and unlikely to meaningfully improve outcomes.

We strongly oppose a mass marketing campaign to all residential customers to contact a retailer to see if they are eligible for a concession or rebate. In our view, resources should instead be targeted where they are most effective. This can include added training for front agents to ensure they understand any new proactive measures that explicitly require concession information from new customers during the onboarding.

In future reviews of the AER Better Bills Guideline, we would support exploring the inclusion of a section on the front page of the bill indicating whether the customer has received concessions. Any changes to the AER Better Bills Guideline should be consulted with industry stakeholders and supported by consumer testing.

**Question 6: What are your views on compliance?**

Retailers play a critical role in administering rebates and concessions for governments, yet the lack of a consistent framework and alignment across jurisdictions creates significant friction, complexity and inefficiencies. Each state and territory have different eligibility criteria, application processes, and administrative requirements.

Given these challenges, compliance measures should be practical and proportionate, ensuring that obligations are met without adding unnecessary regulatory burden. Retailers are already incentivised to ensure concessions are applied correctly, as doing so reduces bad debt risk and supports positive customer outcomes. A compliance approach that recognises these complexities and supports a collaborative implementation process would be the most effective way forward.

**Question 7: Could consumer access to concessions and rebates be improved in a different or more efficient way?**

Yes, but these options are outside of the scope of this review.

While retailers can proactively ask customers about concessions at sign-up, retailers cannot proactively and independently verify concession eligibility without access to detailed information from Services Australia or other government agencies. Sharing this information raises privacy and legal hurdles that we understand are not easily overcome.

In the long term, a better and more comprehensive solution would be to resolve information asymmetries between retailers and Services Australia. A modernised framework would allow retailers to verify consumer eligibility through a **centralised database**, ensuring that concessions and rebates are **automatically applied** without requiring manual intervention.

We agree with the **AER's Game Changer report** that improving data-sharing mechanisms would:[11]

- Ensure eligible customers receive their entitlements without delay.
- Eliminate the need for consumers to reapply when switching retailers, improving concession portability.
- Reduce administrative burdens for both customers and retailers.

Further and more broadly, it is crucial to ensure that concessions and rebates are effectively targeted towards those most in need and remain responsive to fluctuations in energy costs.

**Key areas for future improvement**

While this review does not cover long-term structural reforms, we support future improvements that focus on:

- A centralised verification system to enable seamless data sharing between retailers and government agencies (including Services Australia).
- Harmonising concession frameworks across states to achieve consistency, efficiency, and reduce confusion.
- Ensuring third-party providers collect concession details at sign-up, preventing gaps in eligibility for customers using intermediaries.

Additionally, it is worth reconsidering concession naming conventions. Many consumers do not associate their pensioner entitlements with concessions such as the Annual Electricity Concession or NSW Low Income Household Rebate. A clearer naming system, such as "Centrelink PCC Energy Concession", may help improve consumer awareness and uptake.

[11] See AER, *Game Changer Report - November 2023*, p 11.

By implementing these changes, the process would become more efficient, accessible, and consumer-friendly, ensuring that concessions reach those who need them most while removing unnecessary barriers to switching and applying benefits.

### 3. We support the AEMC assessment criteria

As outlined in our previous submission, Energy Australia continues to support the AEMC's assessment criteria which focusses on:

1. **Outcomes for consumers** and the impacts of these rule changes on incentives provided to consumers from retailers.
2. **Principles of market efficiency** ensuring retail competition, fair allocation of risks and costs between retailers and consumers and transparency of market offers.
3. **Implementation considerations** including interactions with other processes.
4. **Principles of good regulatory practice** and whether principle-based approaches are more appropriate than prescriptive approaches.

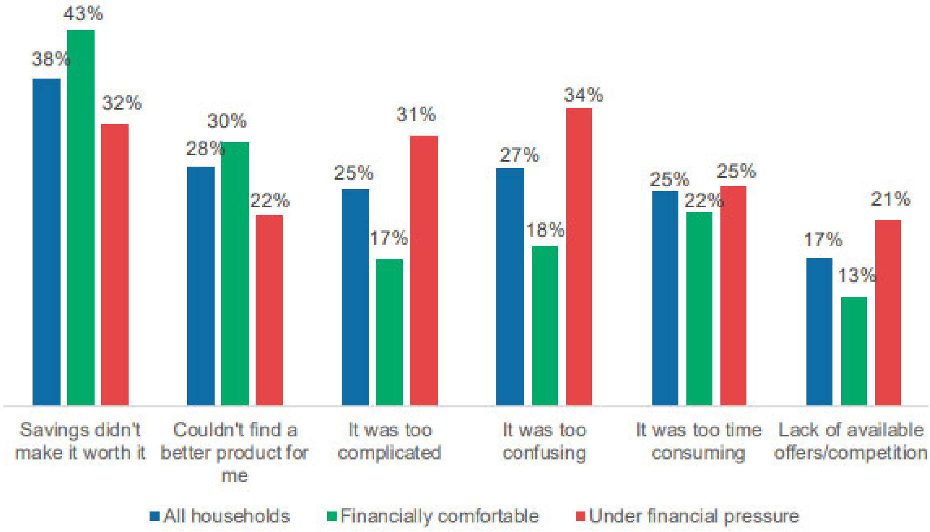
These criteria are key to ensuring reforms deliver meaningful benefits while avoiding unintended consequences.

As we previously noted, when assessing market efficiency, it's important to consider whether the proposed measures unintentionally benefit larger players while disadvantaging smaller ones. Competition, rather than regulation, is often the best way to deliver cost-effective outcomes. Given the current cost-of living pressures, regulatory changes should balance customers protection with retailer flexibility to compete and innovate, ensuring long-term benefits for customers.

Principles of good regulatory practice should also ensure that measures are proportionate to the issue to avoid unnecessary costs and market distortions.

# Appendix

## Appendix A:




Q: Thinking about the last time you considered changing energy companies/switching to a better offer, but did not end up doing so, what were the reasons you didn't switch?
Base: All households who considered switching energy companies or plans but decided not to (n=541), Financially comfortable (n=157), Under financial pressure (n=116)