

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Draft report: The pricing review - Electricity pricing for a consumer-driven future

Thank you for the opportunity to make a submission in response to the draft report of the AEMC pricing review. National Seniors Australia (NSA) is the leading consumer advocacy organisation for older Australians. Through our research and advocacy activities, NSA works to improve the wellbeing of all older Australians, including pensioners, part-pensioners, self-funded retirees, veterans, and carers.

Currently the network tariff design process includes principles of 'customer impact' and 'customer understanding'.

We are shocked that the AEMC would propose to remove these considerations in a paper titled "Electricity pricing for a **consumer-driven** future", specifically:

"Recommendation 6: Amend the rules to ensure networks design tariffs for energy service providers, rather than directly for customers, to promote more flexible and innovative retail offers."

As the AEMC says, this would put energy service providers central in network tariff design, while also reducing their compliance costs and allowing them to change their rates more frequently. We would remind the AEMC that its role as an electricity regulator is not to simply implement whatever benefits the electricity industry, most importantly it is to protect consumers.

Our view is that many issues in the electricity market are due to *too little* regard being given to consumers, not too much.

We do not understand why the AEMC is focussed on "innovative retail offers" in the draft report. Consumers do not want innovation in their bills, they want reliable supply with reasonable and predictable bills. It seems the AEMC proposing to remove requirements to consider consumers is not aimed at benefiting consumers, but allowing even more complicated energy plans and higher bills.

The AEMC appears opposed to all current volumetric tariffs: flat, time-of-use, and demand. Instead, the AEMC is proposing a fixed charge for the period, irrespective of usage, and a “dynamic charge” based on “network conditions” in the electricity network. Paradoxically, we question how would this tariff innovation increase retail innovation, if this is a goal?

The AEMC seems to be attempting to design an idealised electricity market by ignoring the involvement of consumers. Does the AEMC wish to remove the requirement to consider consumers because there is no reasonable way to explain a dynamic charge to consumers and so the current rules don't allow such pricing? Based on the report, no consideration appears to have been given to how consumers are meant to understand or respond to such electricity pricing.

Consumers do not know the status of the wholesale electricity network, they understand volumetric usage. The simplest way consumers can be billed for electricity is via a flat tariff that reflects the amount of electricity used. This also serves to curtail excessive or flagrant energy consumption, which should be a key concern of the regulator. We continue to recommend that consumers always have the right to choose a flat tariff.

Converting wholesale electricity prices into retail prices is the role of energy retailers and this is why NSA agrees with the AEMC that energy service providers should act as “risk managers” between the wholesale and retail markets, instead of the apparent current practice of just passing on network tariffs (with a retail profit margin added on top). We don't trust that if the requirements to consider the consumer are removed this will result in electricity retailers serving a useful market purpose instead of taking as little risk as possible and passing on costs as directly as possible to consumers.

NSA is supportive of several of the proposed reforms raised in the draft report, and think they are worthy of further development, including:

- Removing the ‘loyalty tax’ by requiring energy retailers to charge all customers on the same plan the same price (draft recommendation 1).
- Make standing offers more competitive through a competitive franchise, such as auctioning the right to supply these customers (draft recommendation 2).
- Periodically reviewing if regulations are supporting good consumer outcomes (draft recommendation 3).
- Funding AER to upgrade Energy Made Easy – which we hope will include a cost comparison of the demand charge and easier comparison with the Default Market Offer (draft recommendation 4).

We thank the AEMC for the opportunity to participate in this consultation.

Yours Sincerely



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Chief Executive Officer