

19 October 2017

Ms Lily Mitchell
Project Leader
Australian Energy Market Commission

Dear Ms Mitchell

COTA welcomes the opportunity to provide a brief comment to the AEMC consultation paper on National Energy Retail Amendment (Notification of the end of a fixed benefit period) Rule 2017 (Reference RRC0010) dated 12 September 2017.

COTA Australia is the national consumer peak body for older Australians. Its members are the eight State and Territory COTAs (Councils on the Ageing), which have around 30,000 individual members and more than 1,000 seniors' organisation members, jointly representing over 500,000 older Australians. COTA Australia is represented on the Australia Energy Regulator Consumer Consultative Group and the National Energy Consumer Roundtable.

Energy issues are an important and growing concern for our constituency of older Australians. Affordability is a critical concern for older consumers, particularly the large percentage who are on low fixed incomes and heavily reliant on energy supply to maintain their health and wellbeing. COTA Australia welcomes any responsible strategies that make energy more affordable for older consumers.

We make the following comments in response to the consultation questions:

- **Question 1 – Significance of Issue**

- A lack of useful information about energy market contracts is a significant barrier discouraging older consumers from more actively engaging with the energy retail market.
- Research shows that older consumers are less likely to exercise consumer choice and switch between energy suppliers. A 2015 COTA Energy Survey found that only 20.5% of respondents who had the option to switch electricity and/or gas retailers had switched energy retailer in past 2 yearsⁱ. AEMC's own research found that almost half (46%) of the people they studied who were categorised as 'retired on a low income', had no interest at all in switching energy contracts.ⁱⁱ
- The COTA Energy Survey found that many respondents were discouraged from switching retailers as they held the view that all energy retailers provide a similar service and similar price. Pricing and rebates were considered the most important attributes in switching retailers. Respondents generally needed an incentive of a bonus to switch.ⁱⁱⁱ

- Older consumers may also be deterred from actively engaging with the energy market due to a lack of trust in the energy retailers and in the outcomes of switching.^{iv v}
- It has been COTA's experience that older consumers are generally unaware of the expiry of a benefit period in a market contract. When they discover that a benefit has expired and this results in a higher energy bill, they feel that they have been 'hoodwinked' by the retailer into paying more money than necessary. This leads to reduced trust in energy retailers, and lack of confidence in the market, thus reducing overall market effectiveness.
- **Question 2 - Gas**
 - The same rule should be applied to both electricity and gas market contracts. Consumers value consistency and predictability. Gas consumers experience the same issues with the expiry of benefit periods as energy consumers.
- **Question 3 - Exemptions**
 - COTA Australia does not support the exemption for non-financial benefits. Many consumers would consider benefits, such as magazine subscriptions, of financial value. They can influence a consumer's choice of offers. Consumers should be able to decide what benefits are important for their decision regarding an energy market contract. In the interests of market transparency, all expiring benefits should be reported to consumers.
- **Question 4 – Commencement Date**
 - A commencement date of 1 January 2018 would be preferable for consumers.
- **Question 5- Assessment Criteria**
 - COTA Australia is unable to comment on the assessment criteria.
- **Question 6 – Information Disclosure**
 - The notice period identified is considered appropriate.
 - The additional quantifications of dollar amounts for past and future benefits as set out in section 5 and 6 of the proposed rule are not considered appropriate. Additional quantifications of dollar amounts for past and future benefits must also reflect the impact of conditional discounts.
- **Question 7- Barriers to competition**
 - The proposed rule could increase the likelihood of older consumers seeking and obtaining better deals in retail energy market if the information presented to older consumers and the way it is presented meets their particular needs. Clear, concise and comparable information on the terminating benefit period must be presented in a variety of formats, including online and paper-based.
 - Consumer co-design and rigorous, segmented user testing of the notification to consumers is essential to ensure the necessary information is presented in the most appropriate way.
- **Question 8 – Costs and benefits**
 - COTA Australia is unable to comment as it will depend on what additional costs are imposed on consumers by retailers.

- **Question 9 – Form of rule**

- The proposed rule can be amended to better achieve the intent of the rule change requested. The rule needs to identify any changes in the termination fee over the residual life of the contract.
- Importantly, para 4 (d) of the proposed rule must also include telephone contact details for the AER's price comparator service for those consumers who do not have access to online facilities. Older Australians make up the majority of people who do not have access the internet^{vi}

COTA welcomes the AEMC investigation of strategies to increase customer awareness of changes in retail market contracts. We would be happy to meet with the AEMC to expand further on our comments, if required.

Yours sincerely



Ian Yates AM
Chief Executive

ⁱ Etrog Consulting and Connection Research 2015 *COTA Energy Survey 2014* COTA Australia accessed at http://www.cota.org.au/lib/pdf/COTA_Australia/publications/reports/cota-energy-survey-results-february-2015.pdf

ⁱⁱ Newgate Research 2016 *AEMC 2016 Retail Competition Review: Understanding Vulnerable customer experiences and needs* Australian Energy Market Commission accessed at <http://www.aemc.gov.au/getattachment/feb45d05-2b12-4d0c-b66f-3ca1c4dc2347/Understanding-vulnerable-customer-experiences-and.aspx>

ⁱⁱⁱ Etrog Consulting and Connection Research 2015 *COTA Energy Survey 2014* COTA Australia accessed at http://www.cota.org.au/lib/pdf/COTA_Australia/publications/reports/cota-energy-survey-results-february-2015.pdf

^{iv} Etrog Consulting and Connection Research 2015 *COTA Energy Survey 2014* COTA Australia accessed at http://www.cota.org.au/lib/pdf/COTA_Australia/publications/reports/cota-energy-survey-results-february-2015.pdf

^v ACOSS, The Brotherhood of St Laurence and the Climate Institute *Empowering disadvantaged households to access affordable, clean energy* 2017

^{vi} (Australian Communications and Media Authority (ACMA) Research snapshots *Digital lives of older Australians* 4 August 2016 accessed at <https://www.acma.gov.au/theACMA/engage-blogs/engage-blogs/Research-snapshots/Digital-lives-of-older-Australians>).