



Ethnic Communities' Council of NSW Inc.

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Submission to Australia Energy Market Commission's Retail Competition Review

The Ethnic Communities Council of NSW (ECC) welcomes the opportunity to comment on AEMC's Issues Paper: **Retail Competition Review**

Since its formation 37 years ago the ECC has been the peak body for culturally and linguistically diverse (CALD) community members and representative organisations in NSW. The ECC's main activities are advocacy, education and community development. It is a member of the Federation of Ethnic Communities Councils of Australia (FECCA).

The ECC published the results of research in 2011 that was funded by the Consumer Advocacy Panel, called ***Experiences of energy consumption for culturally and linguistically diverse (CALD) communities***. The research demonstrated that CALD community members do not trust the energy retailers and are reluctant to engage with retail marketing. This prevents these members of our community engaging in making choices in the market. There is a belief in the CALD communities surveyed that changing their energy retailer 'won't really make a difference to cost or ease and comfort of sticking to what has always been done' (p9). To view this research go to <http://www.eccnsw.org.au/What-we-do/Advocacy/Consumer-Energy-Research> .

In dual fuel households the fixed charge for each supply (gas and electricity) presents a barrier to consumers engaging in competition as they are forced to pay the two fuel supply charges whatever their usage. This situation will drive consumers to change to single fuel households reducing the competition between the two fuel supplies.

Specifically in relation to the Retail Competition Review see the following comments:

Some of the ECC's responses are based on anecdotal evidence collected when communicating with member organisations and with staff in organisations working with newly arrived and refugee communities. We also receive information when visiting ethno-specific small and medium sized businesses (SMEs).

Customer activity in the market

2. Are small customers able to access energy related information that is easy to understand, relevant and up to date, that supports their decision - making process to choose an energy offer?

In our experience most small customers have great difficulty accessing information they can understand particularly those newly arrived migrants, refugees and older migrants. The small to medium sized business owners and managers are too busy to try to find the information. It is usually the marketers from the retailers who either call or visit these small customers that provide the information in the form of a verbal sales pitch followed by a detailed contract.

3. What motivates small customers to switch from a standing (or regulated) offer to a market offer?

The main motivator is the offer of a reduced cost. However when discounts are offered small customers are not aware that:

- What price the discount is based on
- What the additional fees are attached to the contract
- That the contract is not actually fixed and the price can change during the contract

Most of the consumers who have changed have found that there are no savings in the cost of their energy.

4. What motivates small customers to switch energy retailers?

Reducing their energy costs

5. What are the reasons behind some small customers remaining on a standing (or regulated) offer rather than shopping around for a market offer?

They do not trust the retailers and believe that moving to a market offer will not improve their energy costs. SME owners and manager do not have the time to shop around and some customers have loyalty to their existing retailer and can see no reason to change.

6. Are there any barriers preventing customers from switching energy plans within their current retailer or offered by an alternative retailer?

There are a number of barriers for switching energy plans ranging from termination fees to the issue in NSW when the customer has an interval meter in some network areas the customer cannot choose the any retailer unless they agree to go on time of use pricing. A standard rate is only available from the default retailer. It should be remembered that the retailers all offer a product where a considerable proportion of the costs for low energy users are the fixed charge or service fee and this can be a burden for low income customers so changing retailer

The greatest barrier is the lack of information provided to the customers. Our research demonstrated that the CALD consumers were unaware of the choice. The government has provided websites where they enter data and find the best offer for their circumstances and translated material on how to use the site but many of the older migrants do not have access or do not use the internet. The newly arrived migrants and refugees have similar access barriers and if they do visit a library to gain access will encourage their children to have the free access so that they are not disadvantaged in comparison in their education.

Independent rivalry

10. To what extent do energy retailers compete with each other in terms of price or product/service differentiation to acquire new, and retain existing, small customers?

The retailers are constantly using telemarketing to promote their product and compete for customers in the market. They are particularly active in areas of Sydney where there are large populations of newly arrived migrants. The retailers offer discounts to gain customers but do not explain the additional fees involved or what price the discount is related to.

11. What sort of product and/or service improvements have retailers delivered to small customers in electricity and natural gas retail markets?

CALD consumers have not reported any product or service improvements except the change in marketing practices. The majority of energy retailers have ceased marketing door-to-door. This practice was particularly confusing for some CALD community members, particularly the older and newly arrived migrants and refugees. Many of these customers believed that the marketers were from the government and that they did not have the freedom to reject the offer.

14. What types of marketing practices, or business behaviours, have small customers experienced in different electricity and natural gas retail markets?

See Answer to Question 11

Customer satisfaction

18. Is there evidence of any long term jurisdictional or cross-jurisdictional trends in the number and nature of customer complaints to retailers or ombudsman?

Unfortunately the Ombudsman does not ask the ethnicity of the caller and so the ECC does not have statistics to report on CALD trends. It would be expected that the CALD numbers are similar to the broader population remembering that more than 20 % of the population in Sydney and Melbourne speak a language other than English at home.

If you have any questions about this submission, please do not hesitate to contact Helen Scott on 02 9319 0288 or 0425 833 892.

Sincerely yours,



Mark Franklin
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