

22 March 2019

Consumer Strategy and Innovation
Department of Natural Resources, Mines and Energy
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Submitted electronically to energy.reform@dnrme.qld.gov.au

Re: Review of the NERL in Queensland – Discussion Paper

The Australian Energy Council ('AEC') welcomes the opportunity to respond to the Review of the National Energy Retail Law in Queensland: Discussion Paper (the 'Discussion Paper').

The AEC is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC believes Queensland's decision to adopt the NECF has rapidly improved the performance of its electricity market. Retailer efficiency has increased and Queensland now offers some of the cheapest electricity prices in Australia. The NERL Review, as outlined in this Discussion Paper, is an opportunity to draw light on this but also identify areas for improvement. This submission focuses on some high-level issues and puts forth suggestions as to how the NERL can be amended to improve consumer outcomes and retail efficiency.

National Uniformity

The decision of the Queensland Government to introduce the NECF has brought Australia one step closer to nationalising energy regulations. This has enabled energy retailers to reduce their compliance costs for operating across the NEM and improved stability since rule changes will require consent from all participating states. This has led to general improvements in the technical efficiency of retailers.

Derogations

That being said, the continued existence of derogations in the Queensland NERL has eroded some of the efficiency benefits gained from adopting the national framework. As the ACCC noted in its Retail Electricity Pricing Inquiry report, derogations increase regulatory compliance costs, reduce regulatory consistency and ultimately should be unwound except when jurisdiction-specific circumstances justify their existence.¹

In light of this, the AEC welcomes the intention evinced in the Discussion Paper to review the derogations that apply in the deregulated market. This review should explain what jurisdiction-specific circumstances justify the derogation and whether the benefits of that derogation are outweighed by the increased compliance costs and loss of national consistency that the ACCC has identified.

¹ ACCC, *Retail Electricity Pricing Inquiry – Final Report*, June 2018, pp227-228. Also see recommendations 27 and 28.

Annually Contacting Standing Offer Customers

The AEC agrees that customers on standing offers should be encouraged to switch to more competitive market offers where possible. We note that a rule change was submitted to the AEMC in June 2018 that would require retailers to notify standing offer customers annually of the availability of lower priced offers. We envisage that a rule of this nature would encourage some standing offer customers to engage in the energy market by making them more aware of offers that will reduce their bill, however it should be noted that simply providing more information is not a silver bullet.

The AEC would not support a derogation to implement a requirement of this nature in Queensland directly. The need for greater engagement of standing offer customers is not jurisdiction-specific, and implementing obligations through a derogation would likely create inconsistencies with the national framework. If the Queensland Government is keen to encourage this rule, we suggest it could be prioritised with the AEMC.

Retailers Giving Advance Notice to Consumers

The AEC encourages Queensland to adopt the new national requirement to provide at least five business days' notice to consumers about any price change. Aligning with the national framework improves regulatory transparency and simplicity, and goes towards the broader goal of nationalising energy regulations. The AEC does not consider the benefits of maintaining a 10 business day requirement in Queensland outweigh the costs.

Pre-Payment Meters

The AEC believes the time is right to revisit the benefits of allowing pre-payment meters in Queensland and other states. With appropriate consumer protections, pre-payment meters enable customers to better manage their energy costs, and increase their understanding of their consumption. Pre-payment has been implemented effectively in New Zealand and other jurisdictions internationally. The AEC considers that through greater understanding of these schemes, in line with improvements in technology with the introduction of smart metering, any potential risks to consumers could be mitigated.

The AEC would support the Queensland government leading a discussion with industry and the consumer sector about how pre-payment meters might be introduced in future, while avoiding the risks they might cause.

Victorian 'Best Offer' Requirement

The AEC considers it would be prudent for Queensland to await the implementation of the Victorian best offer requirements before assessing their value to Queensland consumers. The regulatory framework nationally is undergoing significant reform. A number of these reforms are focused on improving experiences for customers engaging in the energy market. Our view is that these changes should be allowed to play out to ensure that any potential reforms are nationally consistent and, importantly, work in concert with other regulatory interventions in the retail market. Introducing it as a derogation at this time would undermine the transparency and simplicity of the national regulatory framework while also reducing the technical efficiency of retailers.

Notwithstanding retail compliance costs, it is questionable whether placing more information on the bill will improve customer outcomes. Increasing the amount of numbers, data and other information already on the bill might generate more customer confusion and entrench the view that deciphering the electricity market is too complicated.

Not-for-Profit Brokerage Service

The AEC supports the consideration of a not-for-profit brokerage service into Queensland. If developed well, this simple initiative could provide vulnerable customers with an extra layer of support and the comfort of having an independent person, rather than a machine, assist them to engage. A brokerage service would work best if it was limited to those customers most in need of the assistance, such as those in hardship programs or without internet access. Expanding the brokerage service to incorporate a larger class of customers risks bloating the service and making it inefficient. Unfortunately, when this happens, it is usually those most vulnerable that are left waiting in the queue.

Commonwealth Matters

The Commonwealth Government's recent announcement that it will impose a Default Market Offer ('DMO') in Queensland is likely to have a significant impact on how consumers and retailers engage with the energy market. It is the AEC's position that the DMO is ultimately likely to cause consumers to pay more than they would otherwise.

The DMO is scheduled for implementation on 1 July while the Final Report of this review will be tabled in Parliament around mid-2019. With this in mind, it might be prudent to postpone tabling the Final Report until after 1 July to ensure any regulatory changes the DMO brings are properly accounted for.

The AEC hopes to continue to work with Queensland Government to ensure the operation of the NECF is to the long-term benefit of customers.

Any questions about this submission should be addressed to Rhys Thomas, by email to Rhys.Thomas@energy.council.com.au or by telephone on (03) 9205 3111.

Yours sincerely,



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