

Australian Energy Market Commission
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Submitted online: <https://www.aemc.gov.au/contact-us/lodge-submission>

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Improving the Ability to Switch to a Better Offer

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's ('AEMC') *Improving the Ability to Switch to a Better Offer* Consultation Paper ('the Paper').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC supports enhancing customers' ability to switch to a better offer and consistently advocates for customers to contact their retailers to ensure they are on the best deal for their circumstances, and/or to make use of Victoria Energy Compare and Energy Made Easy. The AEC also supports the undertaking of further empirical consumer research into understanding the current barriers to customers switching more frequently as there are a variety of potential root causes which may be at play.

Noting that each retailer operates with unique systems and processes, and that product offerings are evolving as the energy market transitions, it is important to prioritize the principle of ensuring that retailers have flexibility to tailor approaches for greater customer uptake of better offers. This was highlighted in our submission to the Essential Services Commission on this issue.¹ Greater engagement with consumers can be facilitated by retailers tailoring their communication to their customer's needs, through apps, emails, mobile push notifications or a conversation over the phone. Retailers already use these different channels to facilitate switching to a better offer. Adding a new layer of regulatory requirements has the potential to conflict with, or undo, existing systems, applications and online functionalities which currently exist.

We stress that there are various reasons why a customer may decide not to switch. Indeed, it is possible that some customers will elect not to take up a cheaper 'best' offer, due to insignificant price savings, or because they value other benefits associated with their current market retail contract. While the AEMC notes that there are perceived transaction costs that are creating barriers to switching, we highlight that retailers are incentivized to make the process of switching to the best offer as streamlined, short and safe as possible to remain competitive within the energy market.

The AEC does not believe that a pathway to increasing the uptake of better offers lies in taking the prescriptive approach under consideration, and we encourage the AEMC to consider the potential negative consumer impacts. For instance, the paper suggests that retailers could be required to provide a two-stage process via a link on the customer's bill to access a consent form for switching to the deemed better offer,

¹ Australian Energy Council, [Submission to Energy Consumer Reforms](#), [2024].

followed by one more ‘click’ to trigger the switch. We note that there is research that suggests that even minor ‘friction costs’ such as clicking a link can still deter consumers from engaging with information on their energy bills.²

Moreover, the energy sector has already implemented a range of reforms aimed at increasing customer awareness and engagement on better offers. These have included better offer messaging required under the Better Bills Guideline, the Default Market Offer (DMO) as a common price reference point, and government comparison tools such as Energy Made Easy. These measures provide greater transparency and promote consumer awareness of the availability of a better deal, both with their own retailer or another, and time should be allowed for these measures to take full effect before additional changes are introduced with potentially unintended consequences.

Any questions about this submission should be addressed to Braeden Keen by email to braeden.keen@energycouncil.com.au.

Yours sincerely,

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² Behavioural Economics Team of the Australian Government, *Improving Energy Bills: Final Report*, [2021]. Pg.34