



28 November 2024

Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Via e-mail: energyreform@esc.vic.gov.au

Energy Consumer Reforms - Discussion Paper

Alinta Energy welcomes the opportunity to respond to the Essential Services Commission's discussion paper on Energy Consumer Reforms.

We understand the discussion paper considers measures included in the package of reforms put forward by the (Commonwealth) Minister for Climate Change and Energy to be considered as rule changes by the Australian Energy Market Commission. The measures being considered are not currently included in the framework for retail energy regulation in Victoria.

While supportive of the objectives to help consumers manage their energy costs and minimise the complexities involved with engaging in the market, some of the proposed reforms may have long-term negative consequences for consumers including decreased engagement with the market, confusion over what constitutes a "best offer", and how reforms may align to changes to the retail energy market arising from the energy transition. The Commission should support flexibility for retailers to implement any reforms and the outcomes of changes should be monitored and reported on for their effectiveness.

Importantly, the Commission has an opportunity to align its changes with the rule changes that will be considered by the AEMC. To minimise costs to consumers in a regulatory environment that already imposes significant costs on retail businesses in terms of compliance, reporting and the resources needed to ensure adherence with the Victorian and National frameworks, we strongly encourage the Commission to align any changes to the Energy Retail Code of Practice with changes to the National Energy Retail Rules (including implementation dates). This will minimise the additional cost of regulation that is ultimately borne by consumers themselves.

We welcome the Commission's commitment to undertake a Regulatory Impact Statement and also recommend that a post-implementation review of actual costs and realised benefits of any changes be undertaken.

We provide feedback on each of the proposed priority reforms below.

1. Automatic best offer for customers experiencing payment difficulty

Of the three options presented, Alinta Energy considers crediting eligible customers the difference between the cost of their energy usage on their current plan and the costs they would face under a retailer's deemed best offer is likely to be effective and present the lowest implementation costs. This option avoids changes to the explicit informed consent provisions of the ERCoP and the potential for retailers to alter systems at significant cost.

However, even though this is our preferred option, retailers would require sufficient time to implement system changes to support this approach.

The second option of changing a customer's tariff structure to align with the best offer would be highly complex and runs the risk of the best offer being a different structure as noted by the Commission on page 9 of the discussion paper. It also presents complexity in product administration and management in retailer systems, as well as EIC challenges.

The third option of automatic switching (with its three separate approaches) present significant issues with customer EIC, monitoring EIC validity and managing compliance and reporting. It would result in material system and process changes for retailers and is not preferred.

Automatic best offers should be made to customers receiving tailored assistance as suggested on page 12 of the Commission's discussion paper. These customers are likely to benefit most and be less engaged than other cohorts of energy consumers.

2. Improving the ability to switch to the best offer

We support an "outcomes-based approach" to improving consumers' ability to switch to the best offer. This would provide the flexibility for retailers to cost effectively include a mechanism to support customers switching to the best offer at the lowest possible cost.

A "minimum requirement" or any form of "prescriptive approach" will greatly increase the costs of implementation and ongoing management to comply with the required mechanism to switch to the best offer.

3. Improving the application of concessions to bills

Alinta Energy strongly supports customers being able to claim concessions they are eligible for and, as the Commission notes, Victoria is a leader in enabling consumer access to concessions.¹ Retailers have strong incentives to assist customers access concessions for which they are eligible.

Government agencies play a critical role in enhancing access to energy concessions, given their awareness of individuals and families eligible for support, even if they do not have information on these consumers' chosen retailer. Public education campaigns led by the government could raise awareness about available concession programs and guide customers on how to apply for assistance with their energy costs.

Retailers routinely verify concession eligibility during customer sign-ups and for new accounts, with triggers to recheck eligibility as customers' circumstances evolve. To address this issue effectively, a flexible, non-prescriptive approach is preferred—allowing retailers to tailor their processes for maintaining concession eligibility while aligning with their operational systems. This approach ensures efficiency and supports customer needs.

4. Extending protections for customers on legacy contracts

Transitioning customers from legacy arrangements to new contracts would be very complex and impose significant implementation costs under each of the options being proposed. An alternative approach would be to require retailers to use their best endeavours to further engage with customers on legacy contracts and encourage them to voluntarily choose a new contract and for retailers to reduce the cohort of customers who remain on legacy agreements. A 12-month target for such a transition could be set and monitored by the Commission, which if not met, would result in the Commission taking more prescriptive action.

5. Improving awareness of independent dispute resolution services

Of the options discussed in section 5 of the discussion paper, Alinta Energy considers that including the Energy and Water Ombudsman's number on the front page of bills to meet the outcomes the Commission is seeking at the lowest cost impact for industry (and ultimately customers). This approach aligns with the Better Bills Guideline as noted by the Commission on page 28 of the discussion paper and many retailers would currently comply with this requirement.

¹ ESC (2024), *Energy Consumer Reforms – discussion paper*, page 20.

Additional information describing when customers should contact EWOV is likely to be confusing and add more detail to bills that contain a significant amount of information required by regulation.

Alinta Energy would also welcome further discussion of any issues raised in this response with the Commission, please contact David Calder [REDACTED] in the first instance.

Yours sincerely



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