



# Ethnic Communities' Council of NSW Inc.

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## **Submission to Australia Energy Market Commission's Rule Change Request**

The Ethnic Communities Council of NSW (ECC) welcomes the opportunity to support the rule change request to amend the National Energy Retail Rules submitted by the Consumer Action Law Centre (CALC) and the Consumer Utilities Advocacy Centre (CUAC). The ECC agrees with CALC and CUAC's proposal that a new rule 46A Fixed period market retail contract:

1. This rule applies to market retail contracts with a fixed period.
2. For such market retail contracts, all tariffs and charges payable by the customer are not to change for the duration of the fixed term.
3. For avoidance of doubt, for contracts subject to this rule, the retailer is not able to vary the tariffs and charges that affect the consumer.

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) and represents FECCA in energy advocacy for CALD communities in the National Energy Market (NEM)

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. 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> .

This distrust is exacerbated by the lack of certainty due to the assumption that 'fixed' period means 'fixed' price. As a result CALD consumers have a lack of confidence and engagement in the market and are discouraged from participating in the retail energy markets.

More specifically in regard to the question posed in the consultation paper the ECC will address some of the questions but not all.

### **Question 3 Risk allocation in market retail contracts**

*Experiences of energy consumption for culturally and linguistically diverse (CALD) communities. 2011*

**Do the current rules result in an inefficient allocation of risks between retailers and consumers in retail energy markets?**

The current rules allocate risk more heavily on consumers as the retailers can change the price if the wholesale price rises. If the retailer loses a customer due to the price rise then the costs of losing the customer are carried by the customer in the exit fee.

**Question 4 Risk premiums**

**a) If the proposed rule is made, would risk premiums be built into fixed period contracts?**

The retailers could build the risk into the fixed period contract. The benefit for the consumer would be transparency. The consumer would know what the cost of their energy for the period of the contract and be able to plan for the costs. At present many consumers whose English language skills are limited do not read the English contract and are therefore unaware that the price of their discounted energy can change during the fixed period of their contract.

**b) How significant would these risk premiums be and would these risk premiums create a permanent increase in the price of fixed period contracts?**

The proposed rule could result in a permanent increase in price however the competition between the retailers should overcome this possibility.

**Question 5 Transparency and market retail contracts p42**

**a) When entering fixed period contracts, do some consumers believe that the prices will be fully fixed when in fact they are not? If so, what proportion of consumers are likely to fall into this category?**

The staff of organisations who work with refugees and newly arrived migrants are not aware that during a fixed period contract the price can change. For example the staff and team leaders at Settlement Services International (approximately 60) had no idea that the price could change. They work with 20 – 30 clients each over 6 months and each client represents an energy consumer. It needs to be remembered that these members of the community do not have access to energy rebates so cost is paramount.

Similarly in another organisation that works with refugees and newly arrived migrants the staff of over 30 did not know that the price could change during the fixed period contract and they were responsible for educating the clients about living in the Australian community. Their training was provided to over 250 energy consumers this year.

These are only two organisations in NSW working with newly arrived migrants and refugees and does not include other states and the older vulnerable migrants<sup>1</sup>.

**b) Are there some consumers that are not aware that fixed period contracts with fully fixed prices are available on the market? If so, what proportion of consumers are likely to fall into this category?**

The staff in organisations described above believed that all fixed period contracts had fully fixed prices and so the proportion of consumers that can distinguish is impossible to assess.

**Question 6 Barriers to consumer participation and engagement p45**

**a) Does the ability for retailers to vary prices lead to a perception for consumers that changing to a new retailer or contract would waste search costs?**

Consumers surveyed in the ECC's research<sup>1</sup> that had switched retailers to save costs were so dissatisfied with the outcome that they did not think it was worth the effort.

**b) To what extent might the existence of exit fees and other transaction costs affect consumer behaviour after a price variation in a fixed period of a *market retail contract*?**

Exit fees are a significant barrier to consumers switching retailers to save costs. The exit fees are a considerable amount if the consumer is on a low income or is a low energy user.

**Question 7 Impact of proposed rule on consumer participation and engagement p45**

**a) Would the proposed rule improve the level of consumer participation and engagement in retail energy markets?**

With some effective and appropriate communication by the energy retailers to CALD energy consumers that they would develop a higher level of trust and so would be willing to be more active in engaging in the retail energy markets. Particularly if it could be demonstrated in the communication how engaging would save costs for their business or households.

**b) To what extent would the proposed rule place downward pressure on prices in retail energy markets due to improved consumer engagement and participation?**

Greater competition between retailers, who would be acting transparently and on a level playing field, should act to put downward pressure on prices.

For the benefit of those more vulnerable and less able to participate in the energy market the ECC would support the rule change proposed by CALC and CUAC that seeks to prohibit retailers from including terms in their contracts that allow them to change prices during the fixed term or fixed benefit period of market retail contracts.

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  
Executive Officer  
Ethnic Communities' Council of NSW Inc.