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**25 March 2019**

### **Review of the National Energy Retail Law in Queensland – Discussion Paper**

AGL Energy (AGL) welcomes the opportunity to provide feedback to the *Review of the National Energy Retail Law in Queensland - Discussion Paper* (Discussion Paper) being conducted by the Department of Natural Resources, Mines and Energy (Department).

AGL notes the purpose of the Review is to assess whether the National Energy Retail Law (NERL) has met its objectives in terms of increased efficiencies and consumer protection, and to ensure arrangements are delivering a net benefit to Queensland.

The Department questions whether:

- competition has been enhanced since South East Queensland signed up to National Energy Customer Framework (NECF), especially for hardship or concession customers;
- the Queensland derogations to the NECF have been effective in providing additional protection for consumers; and
- are future reforms needed to continue to promote consumer engagement in the retail sector acknowledging that many changes are already underway to improve transparency and comparability in the retail market.

AGL supports positive outcomes for consumers that is underpinned by a robust consumer protection framework and believe this is best achieved by continuing to pursue national consistency and alignment. Implementing derogations to the NECF runs counter to this approach.

AGL's feedback on these major queries raised in the Discussion Paper follow below.



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## **Competition has been enhanced in South East Queensland**

AGL believes that Queensland customers have greatly benefited from NECF. Various energy retailers, operating across the National Energy Market (NEM) have chosen to enter the South East Queensland market and compete to supply to customers. This level of competition has been made possible because of the operational efficiencies and lower regulatory compliance costs for new entrant retailers than would otherwise have been the case.

The Discussion Paper identifies several changes that have been made to the NECF framework over the past 12 months through various review processes. These changes can be classified under two categories:

- increasing customer transparency; and
- improving affordability.

Both are important in ensuring the NECF remains fit for purpose in protecting consumers rights while balancing the need for ongoing industry innovation.

Generally, the changes have met these objectives. AGL would highlight that it does not support the re-regulation of retail energy prices and believes this aspect of the Default Market Offer (DMO) has been an unnecessary policy response given the other market reforms being initiated at a national level.

In contrast, the changes to Energy Made Easy to simplify and standardise product information has been positive in providing customers with clearer information about the total and discount cost of retail products. The impending introduction of a reference price will further enhance transparency as it will provide consumers with simple and standardised cost comparisons across retail products.

From an affordability perspective, the recent Rule to grant the Australian Energy Regulator (AER) power to develop a hardship Guideline is an important measure ensuring NECF continues to provide appropriate minimum standards. AGL believes the Guideline is a positive step in setting a consistent level of service across all retailers to facilitate consistent consumer outcomes while also providing scope for retailers to seek out other support options over and above the minimum.

AGL supports a shared-responsibility approach to addressing energy affordability issues across the community, which takes into account the responsibilities and strengths of customers, industry, government and the community sector. Hence, AGL believes a co-ordinated approach to communication is important in improving customer awareness of support and assistance available.

New initiatives and programs such as the Thriving Communities partnership<sup>1</sup>, a cross sectoral collaboration program, are important initiatives to drive awareness. Ongoing communication with community partners, proactively sharing what AGL, and more generally industry, can do to support customers so they cascade this information during client interactions.

Customer education through digital channels is also important. Clever use of digital, such as gamification, can be important tools in educating customers about energy use and efficiency. AGL has undertaken this type of work in the past with initiatives such as “reduce your juice”<sup>2</sup>, however, we believe there are more opportunities to engage further and provide education more broadly.

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<sup>1</sup> <https://thriving.org.au/>

<sup>2</sup> <http://reduceyourjuice.com.au/about/>



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AGL notes the proposal for a not for profit brokerage service. As a principle this has merits and AGL would support such a service to assist vulnerable customers. AGL believes using community group networks to target their constituents can broaden the reach of such a program. Further, the brokerage service should consider providing broader energy efficiency advice and support. In our experience, customers in our Staying Connected hardship program<sup>3</sup> tend to consume more energy on average and while advice on seeking out a lower offer is beneficial it may not necessarily provide full relief.

### **Qld derogations to NECF have been effective but can now be removed**

The recent Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry Review final report on electricity pricing made many recommendations regarding the future of retail energy regulation in Australia, including around the operation of the NECF:

- Recommendation 26 – that Victoria should harmonise with NECF;
- Recommendation 27 – that NECF jurisdictions should unwind any derogations unless they cannot be met by NECF; and
- Recommendation 28 – future state-based derogations should be limited to situations where there are jurisdiction-specific needs that cannot be addressed by a NECF wide rule change.

The ACCC highlighted the substantial compliance costs associated with state-based derogations, particularly in Victoria and the impacts this can have on smaller retailers.

AGL considers this review by the Department provides the opportunity to align any Queensland derogations made at the time of signing up to NECF and where NECF has subsequently changed.

We note and welcome the amendments made by the Queensland Government in February this year to the *National Energy Retail Law (Queensland) Regulation 2014*. The key changes being the removal of the Queensland end of benefit period requirement (i.e. to write to customers 20-40 business days before the end of their benefit period) and partial alignment with the Advance Notice of Price Change rule change.

AGL believes completely removing the Queensland price notification derogation and aligning with the recently made national Rule makes sense. We can foresee no negative impacts as customers will continue to receive prior notification of a price change, but alignment would also lead to further operational efficiencies for retailers and allow for streamlining of price change notification systems and processes across jurisdictions.

### **Future reforms to continue to promote consumer engagement in the retail sector**

AGL encourages the Queensland Government to maintain alignment with the NECF reforms, including proposed changes being considered to further boost consumer transparency.

The Discussion Paper notes the Victorian requirement for retailers to include their lowest generally available offer in customer's bills (best offer) and queries whether this would be of benefit to Queensland consumers.

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<sup>3</sup> <https://www.agl.com.au/help/payments-billing/staying-connected-hardship-program>



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Adopting the Victorian 'best offer' arrangements not only go against the principle of a relying on NECF to provide a national consumer protection regime but AGL believes the measure itself is unlikely to provide positive consumer outcomes.

In our submission to the Essential Services Commission's (ESC) process for implementing 'best offer' we noted several concerns and gaps in their decision. This includes concerns over the definition of generally available for the purposes of 'best offer', the need for disclaimers that may be easily misunderstood by consumers, and the need to base the exemption threshold on evidence rather than on the disconnection fee limit.

Further, the research that was undertaken by the ESC could have been more robust. We noted in workshops facilitated by the ESC that customers were given multiple-choice responses on what actions they should take after viewing the bill, rather than asking customers what they need to do after viewing the bill. Consumers unprompted in a controlled test-environment may not give any of these responses, and as such the results (including the level of brand recognition for Victorian Energy Compare) noted by the ESC are likely to be inaccurate.

AGL also raised with the ESC the problem with having multiple figures on customer bills which will result in many customers paying the wrong amount. AGL suggested that the test results were likely conservative or inaccurate due to the nature and environment in which the tests were conducted. Customers in their home environment have multiple competing priorities, time-pressures and other home distractions that can impact comprehension and understanding.

AGL believes Queensland consumers will benefit more from the NECF reforms to Energy Made Easy and the impending reference price comparison due to commence in July 2019.

These two measures will provide Queensland consumers with simple and appropriate tools to compare and make informed choices of 'best offer'.

If you wish any further information, please contact me on (03) 8633 6207 or Patrick Whish-Wilson on (02) 9921 2207.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux  
GM of Energy Markets Regulation