



10 October 2012

Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

Lodged online at www.aemc.gov.au – project number EPR 0022

Dear Australian Energy Market Commission

Re: Australian Energy Market Commission (AEMC) Draft Report - Power of choice - giving consumers options in the way they use electricity.

Thank you for the opportunity to comment on the Australian Energy Market Commission (AEMC)'s *Draft Report - Power of choice - giving consumers options in the way they use electricity* (the Report). On 25 August 2011, the Energy and Water Ombudsman (Victoria) (EWOV) made a submission to the AEMC on the Issues Paper released during this review.

EWOV welcomes the Report's recommendations, particularly around protections for vulnerable consumers so that they are not financially 'worse-off' under a flexible pricing regime.

EWOV supports the following AEMC proposals:

- Giving vulnerable consumers the option to remain on a flat tariff rate.
- The establishment of new government programs providing targeted advice and assistance to consumers about a move to flexible pricing.
- State government review of concession schemes.
- The delivery of simple information to all consumers to help them understand and respond to the pricing changes.
- A gradual transition to flexible pricing - focused on heavy electricity users first.

EWOV encourages the AEMC to consider the scenario where consumers switch to a flexible price and later find that it disadvantages them. Consideration is required to ensure that reverting back to a flat tariff rate can be achieved easily and without a financial penalty, particularly for vulnerable consumers. In Victoria, where flexible pricing will be more

Energy and Water Ombudsman
(Victoria) Limited
ABN 57 070 516 175
GPO Box 469
Melbourne VIC 3001

Administration
Melbourne VIC 3000
Telephone 03 8672 4460
Facsimile 03 8672 4461

Enquiries and Complaints
Freecall 1800 500 509
Freefax 1800 500 549
TIS 131 450
NRS 133 677
Email ewovinfo@ewov.com.au
Web www.ewov.com.au

widespread from mid-2013, the government has announced that consumers who decide to change to flexible pricing can return to their previous flat tariff with the same retailer without incurring an administration fee. This protection will be in place until 31 March 2015.¹

We also restate the importance of consumer education and independent price comparison services in a retail energy market that will have complex price structures, lots of consumer choice and a plethora of contract offers. Further, a move towards contracts with more complex pricing structures creates a greater need for retailers to ensure that their marketing staff provide clear and simple offer summaries to potential new customers. Regulators should ensure that compliance is adhered to, and take action where regulatory breaches are identified.

Additionally, EWOV would like industry and government to encourage the use of in-home display units and consider subsidies to low income groups to help purchase and install the device. This will help consumers to better understand their energy consumption patterns and maximise the potential financial benefits of flexible pricing.

We trust that these comments are useful. Should you require further information or have any queries, please contact Justin Stokes, Senior Research and Communications Advisor on (03) 8672 4272.

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)

¹ See the media release by the Hon. Michael O'Brien, Minister for Energy and Resources, 'Greater pricing choice for Victorian energy consumers' (26 September 2012) - <http://www.premier.vic.gov.au/media-centre/media-releases/4977-greater-pricing-choice-for-victorian-energy-consumers.html>