



VCOSS response

Fixed benefit periods notification obligations – ESC draft decision

December 2017

Introduction

The Victorian Council of Social Service (VCOSS) welcomes the opportunity to provide feedback on the Essential Services Commission's proposed amendments to the Energy Retail Code. These amendments would ensure Victorian energy customers are notified about changes to, or the expiry of, a fixed benefit period under an electricity or gas contract. Benefit periods are limited periods within a contract term during which a particular benefit applies, such as a discount. Ongoing contracts with limited benefit periods are becoming increasingly common in Victoria.

VCOSS supports the ESC's proposed amendments, which would be consistent with the rule change determined by the Australian Energy Market Commission (AEMC) on 7 November 2017 (applying to the other National Electricity Market jurisdictions).

Problems with benefit periods

The proposed amendment would require retailers to send written information to customers 20 to 40 business days before a benefit changes or ends, including:

- the customer's metering identifier
- a statement the customer's benefit will change and the date this will happen
- reference to the Victorian Energy Compare price comparator website
- reference to the customer's ability to request historical billing data (to use on the Victorian Energy Compare website)
- any early termination charges payable under the contract.

The ESC should clarify whether the obligation to notify customers of benefit period changes includes informing customers about how the price will change.

We reiterate our position that benefit periods per se are problematic for energy consumers, and appear to be unnecessary.¹ If benefits (such as certain pricing) can only be offered for a particular period of time, this can be managed through usual contract terms, as is the case with other consumer products such as insurance. Benefit periods are problematic because they:

¹ Victorian Council of Social Service, *Retail electricity supply and pricing: Submission to the Australian Competition and Consumer Commission inquiry*, July 2017.

- make energy contracts even more confusing and complex, and weaken trust in energy retailers
- undermine competition by making it difficult to compare energy offers (some offers include benefit periods; some do not)
- undermine competition where changes to benefits are not transparent, and customers are not prompted to consider switching (unlike at the end of a contract term).

Notifying customers before benefit periods change or expire will help counteract the latter problem, hopefully to the point where benefit periods are no longer a common retailer practice (or disappear entirely). However, if this does not happen, the other problems caused by benefit periods will remain.

We note this amendment is the first of two possible changes concerning benefit period notifications, and that the ESC will consider the merits of a second phase of amendments (consistent with AEMC rule changes) following the Victorian government's response to the Review of Electricity and Gas Retail Markets. That review recommended:

- retailers be required to notify a customer of the best available offer by that retailer in advance of any price or benefits change
- retailers roll customers onto the nearest matching, generally available offer at the end of a contract or benefit period, unless the customer opts for another offer.

VCOSS supports these recommendations.

We thank the ESC for proposing this first phase of amendments to the Energy Retail Code, and look forward to consultation in 2018 which strengthens the requirements around benefit period notifications.