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Mr Paul Smith
Chief Executive
Australian Energy Market Commission
aemc@aemc.gov.au

Dear Mr Smith

Retailer price variations in market retail contracts (Reference RRC0001)

Thank you for the opportunity to respond to the consultation paper on National Energy Retail Amendment (Retailer price variations in market retail contracts) Rule 2014.

COTA Queensland is a state based organisation committed to advancing the rights, needs and interests of people as they age in Queensland. We aim to help create a more just, equitable and caring community in which older people are actively involved and have access to appropriate support, services and care. COTA Queensland believes that everyone, regardless of age, health status, wealth or social status has a fundamental right to sustainable, ongoing, secure and affordable access to energy.

COTA Queensland supports the current proposal to amend Rule 46 to remove the ability of energy retailers to change the energy price within the term of a fixed period energy contract.

Many energy consumers across the National Energy Market, particularly older consumers on low or fixed incomes, are opting for fixed period energy contracts in the belief that this will shield them from increasing retail energy prices. This is due in part to systemic poor literacy amongst a large proportion of Australians and the increasing complexity of energy contracts. Parallels are also drawn with the banking industry where consumers are able to enter into fixed interest loan arrangements, where interest rates remain fixed for the duration of the contract.

However under current arrangements, retailers are able to regularly change the price within the period fixed by the contract. In combination with exit fees on fixed period contracts, this practice creates a significant distrust of retailers and a distortion of the energy market which suppresses consumer choice and unfairly divides risk between consumers and retailers.

The practice of changing prices within a fixed period contract moves the risk of changes in the energy market onto the consumer, who rarely has the ability to predict the change or hedge against it. This is particularly so given the exit fees on fixed period contracts. Efficient market design requires risk to be borne by the party most able to manage it. In the energy market, this is the retailer. While retailers may charge a small risk management premium for this, retailers' greater risk management efficiency would lead to a net saving for consumers.

The proposed change will create clearer and more easily understood contracts. This increase in transparency and efficiency will increase the participation and engagement of consumers in the market, and increase levels of informed consumer choice. For these reasons, COTA Queensland supports the proposed changes.

If you require additional information, please contact me on telephone 3316 2999 or by email to mte@cotagld.org.au.

Yours sincerely

Mark Tucker-Evans
Chief Executive