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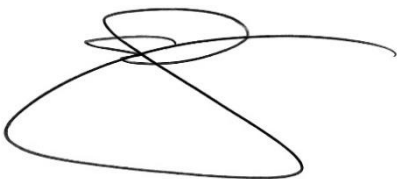
## The pricing review: Electricity pricing for a consumer-driven future (EPR0097)

National Seniors Australia (NSA) welcomes the opportunity to make this submission in response to the consultation paper on the pricing review. NSA is the leading advocacy organisation for older Australians. Through our research and advocacy activities, NSA defends, protects and promotes the interests of older Australians, including self-funded retirees, pensioners, part-pensioners, veterans, and carers.

NSA welcomes an increased focus on the interests of consumers in the work of the AEMC. However, we are concerned this focus will be undermined when rules are proposed that ultimately benefit industry over consumers, as we have seen with the recent decision to accelerate the rollout of smart meters. We continue to argue that complicated tariffs have no place in consumer markets if households lack the skills or resources to manage them.

A detailed response to the consultation paper can be found at the end of this letter. In it we question whether the proposed Consumer Preference Principles will have any material impact on the decision-making processes of the AEMC, with reference to its consultations regarding the accelerated smart meter rollout.

Yours Sincerely



**Chris Grice**  
Chief Executive Officer

## Substantive feedback

### 1. Consumer Preference Principles

We agree with the proposed Consumer Preference Principles, but question whether these will have any material impact on AEMC’s decision making based on recent decisions related to the accelerated rollout of smart meters.

Table 1: Consumer Preference Principles

AEMC proposed Consumer Preference Principle	NSA response
<i>Value for money – customers want affordability and value</i>	The complicated cost-reflective tariffs enabled by smart meters, in particular demand tariffs, which separates cost from usage, do not reflect either affordability or value. In many instances their use will result in higher energy bills because households will not be able to manage their use in line with the ‘price signal’ from these types of tariffs. Even time-of-use tariffs, which are marginally more intelligible than demand tariffs, will cause affordability issues because they rely on households having the time and resources to manage energy use at different times of the day.
<i>Availability – customers want electricity to be available when they need it</i>	Cost reflective tariffs undermine the principle of availability given the impact on bills during peak times. When electricity retailers advise customers to cook dinner using a gas barbeque in response to demand tariffs, as we have found, this does not reflect electricity availability.
<i>Meaningful options – customers want options from a range of products that meet their needs</i>	Customers being moved onto a tariff they do not understand and did not choose does not reflect the principle of meaningful options. For something to be meaningful it has to be understandable, and it is clear to us that most people do not understand or want to understand complicated market offers. Additionally, if customers are not given an option regarding the installation of a smart meter or its capabilities, such as real-time data, then this also does not provide consumers with meaningful options.

AEMC proposed Consumer Preference Principle, cont.	NSA response, cont.
<i>Simple engagement – customers want accurate and accessible information from interactions with their service providers</i>	The move to complicated tariffs enabled by smart meters undermines the principle of simple engagement as it will mean more complicated interactions to explain these complex products. Further, unless real-time data is supplied directly to households via a smart meter, households will have to go through electricity retailers or third parties to understand how to manage their electricity use, which means more complicated engagement.
<i>Appropriate protections – customers want to be protected against adverse product and service outcomes</i>	For customers to have appropriate protections, they need to have information, choice and control. Customers should be given ongoing protection against retailers placing them automatically on cost-reflective tariffs, not limited to two years as was recently proposed by the AEMC.

It is unclear how the Consumer Preference Principles will be balanced against the five assessment criteria, but given criteria one “outcomes for consumers” lists price signals, incentives, and opportunities for consumers (listed elsewhere as the ‘opportunity’ to adjust their energy use, make CER assets available, and contribute to reducing emissions), it appears the focus is on what consumers can do for the energy market, not what the energy market can do for consumers.

The position of the AEMC appears to be that consumers protections are something that should be traded off against potential future benefits. For example, question six is “how could consumer protections be balanced to enable further innovation in a future retail electricity market?”. We disagree with this thinking: consumer protections are a good in and of themselves, and regulators should be very wary of reducing consumer protection on the promise of future ‘innovation’ from industry participants who receive an immediate and ongoing benefit from the reduced protections.

If the Consumer Preference Principles are to be a meaningful tool in assessing if future energy market solutions are in the best interest of consumers, then we respectfully suggest the AEMC should commit to putting these principles above the interests of industry.

## 2. Tariff design

The consultation paper discusses how to balance simplicity and precision in tariff design. Simple tariffs are important so customers can understand and respond to the prices, but may not precisely reflect network costs, in particular over the short-term. As such, it will be difficult to reconcile these principles in practice without significant trade-offs.

As we have set out in previous submissions, research suggests that consumers do not have a good understanding of newer types of electricity tariffs<sup>1</sup>. Indeed, the CSIRO warned against relying on consumers to respond to cost-reflective tariffs (including time-of-use and demand tariffs)<sup>2</sup>.

If the intent of a complex tariff design is to be precise in response to short-term network costs, this will only increase revenue instead of driving a change in customer behaviour. The preference should therefore be for simpler tariffs reflecting long-term costs. Short-term and complex tariffs should be left to the electricity retailers and networks who have the capability and ability to understand and respond to these tariffs.

Alternatively, rather than spending large sums of money to expose all households within the National Energy Market to complex tariffs via an accelerated roll out of smart meters, the AEMC should focus on customers who can and are willing to manage to change their behaviour as a priority to reducing peak demand.

The AEMC has also raised the question of what barriers there might be to a “consumer-focused future”. The risk for the AEMC is that failure to provide adequate consumer protections will undermine public trust and confidence in future changes to the energy market.

## 3. Consumer archetypes and possible future consumer energy experiences

Regarding the consumer archetypes, the consultation paper sets out that engagement is a function of ‘resources’ and ‘interest’. The use of the term ‘interest’ is problematic as it treats the issue as a matter of willingness, not one of time and capacity constraints, when these things are intimately entwined. Households may lack the spare time or the skills and education to fully assess and choose between the range of complicated electricity plan options put before them or to manage their use to optimise their bill and this will in turn inform their ‘interest’ or willingness to engage.

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<sup>1</sup> [Directions paper, National Electricity Amendment \(Accelerating smart meter deployment\) Rule 2024 - NSA submission](#)

<sup>2</sup> [Accelerated smart meter deployment - NSA submission](#)

Table 2: Consumer archetypes

<p><b>‘Behind barriers’</b> (Low resources, high interest to engage)</p>	<p><b>‘Embracers’</b> (High resources, high interest to engage)</p>
<p><b>‘Not to be left behind’</b> (Low resources, low interest to engage)</p>	<p><b>‘Full of potential’</b> (High resources, low interest to engage)</p>

Critically, a person requires both the resources and interest to engage in energy markets. For the ‘embracers’ they have both factors, which is a precondition to having the capacity to compare and adopt behaviours that reflect more complex energy offers.

For non-‘embracers’, the apparent solution AEMC envisions is for them to be automatically put into a tariff they don’t understand or do not have the resources to manage. But if they don’t respond to the tariff they will receive a high bill. This does not make logical sense, because it does not consider that price sensitivity is the primary factor for most people.

For instance, in the example of ‘Peter’ (likely a ‘not to be left behind’ archetype), the concept is that in the future he would be automatically switched each year to the “most cost-effective plan available based on his recent electricity consumption patterns” without him needing to choose his own electricity plan. We would question how this would work in practice given the moves towards cost-reflective tariffs. This could only possibly work if a flat tariff is selected, because complicated tariffs involving time-of-use and demand charges require behaviour change, which Peter has neither the resources or capacity to manage.

Likewise, ‘Joel’, (likely a ‘full of potential’ archetype), doesn’t want to engage with his electricity bill, so he is automatically put into the “best offer based on retailer performance” which offers him the most savings. But, again, if complicated tariffs depend on changing consumer behaviour to avoid high bills, how can the best plan be selected if Joel doesn’t engage with his bill?

We also take issue with the suggestion that the best solution for ‘Chris’, with an unstable job and unpredictable income, is to put him on an energy plan with an “upfront monthly subscription”.