

THE AUSTRALIAN

Power to the people at last: energy summit heralds lower bills

JOSH FRYDENBERG THE AUSTRALIAN 12:00AM August 9, 2017

When you open your power bill, it's not hard to be confused. There are facts, figures and diagrams about your electricity usage, past and present, and kilowatt-hours, dollars and percentages.

There are details about your greenhouse gas emissions and a table to compare your electricity consumption with that of other households in the area. Not to mention the supply charge, which is on top of usage costs.

Then there is a single line about your discount, but it's not often clear as to how long the discount lasts, exactly what it is a discount on and whether there is a better deal available.

This is where government and energy retailers working together can and must do better, and it is why the Prime Minister has invited the leading retailers to Canberra today.

There are plenty of good ideas to work through, in part thanks to the contribution of key bodies such as St Vincent de Paul, Energy Consumers Australia and the Grattan Institute, among others.

First, we need to equip families with the best and most timely information available in a format that every Australian can understand.

In the Australian Energy Market Commission's retail energy review released last month, it found that 30 per cent of respondents were unable to identify the type of offer they were on and one in 10 respondents didn't even know they had a choice of retailer.

This really matters because the Australian Energy Regulator has found the difference between the best and worst offers available could be worth more than \$1000 a year to households.

When one considers that about half of all households have not switched retailers or contracts in the past five years, it's easy to see why greater customer awareness can lead to lower energy bills.

Often families sign on with a retailer, having been attracted by a headline discount that may be only temporary, yet they move after 12 months to a higher price. This creates the perverse situation where, as one large retailer recently observed, the companies reward disloyalty "because I only talk to you about a good deal if you threaten to leave me". Loyal customers are left languishing.

As rules stand, retailers are not obliged to inform customers when their discount period ends if their contract is ongoing. This should change, as customers deserve to know when the bill is changing and by how much.

Second, we need to make it easier for customers to switch retailers. Improved transfer times, greater access to data and standardising the presentation of information are all important in empowering the consumer.

While the industry has largely abolished exit fees, other barriers do exist.

For example, the impact of a discount on an average family household bill is often unclear because discounts are not calculated from the same base. This can create the ridiculous situation, as the Grattan Institute has observed, where "consumers can pay less with the retailer that advertises no discount than with another that advertises a 30 per cent discount".

One way to overcome this problem is to require disclosure of the financial impacts of discounts in a standardised format; for example, using an average family bill.

The government also can do better in promoting the Australian Energy Regulator's comparison website, Energy Made Easy, which allows households to plug in the relevant data in the search for a better deal.

Third, vulnerable households in particular need to be moved quickly to the best possible deals. In 2015, AGL found that 26,000 of its vulnerable consumers were on the more expensive standing offer. To AGL's credit, it moved quickly to lower their bills.

But this is just the start. There needs to be a rigorous assessment undertaken to identify all vulnerable customers and their present deals and a concerted effort to take all steps necessary to help them.

This means not just the lowest price deal but also the most suitable deal, as vulnerable customers have a challenge making regular payments. They should not be punished by losing all of their discount simply for making a late payment.

While late payment fees have been abolished in Victoria, they live on in another name where the entire discount can be forgone for a late payment.

In a time of rising energy prices, all players, including government, industry and consumer groups, need to act as one in pursuit of policies that alleviate the household burden.

Today's discussion with the retailers will build on the significant initiatives already undertaken by the Turnbull government to increase domestic supplies of gas, reduce network costs and increase market competition.

No single initiative is a silver bullet, but combined these reforms will lead to lower energy prices, create more jobs and help Australian families.

Josh Frydenberg is the federal Environment and Energy Minister and will attend today's meeting in Canberra with the Prime Minister and Treasurer.



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