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2 July 2019

To Dr Ron Ben-David
Chairman
Essential Services Commission (**ESC**)
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000
retailenergyreview@esc.vic.gov.au

Dear Dr Ben-David

Submission to Ensuring energy contracts are clear and fair - issues paper (Issues Paper)

On 17 June 2019, representatives of amaysim Australia Ltd (**amaysim**) attended the ESC Stakeholder Workshop which gave stakeholders the opportunity to meet with the ESC and discuss the recommendations set out in the Issues Paper, specifically recommendations 3A and 4A to 4E (**Recommendations**).

As discussed during the ESC Stakeholder Workshop, the Recommendations can essentially be divided into two categories:

- recommendations 3A, 4D and 4E (**Discount Recommendations**); and
- recommendations 4A, 4B and 4C (**Contract Recommendations**).

Subject to the comments and clarifications set out below, amaysim supports the intent and implementation of the Discount Recommendations and the Contract Recommendations.

For clarity, "month-to-month" and "leave at any time" plans should be expressly carved out of any rule changes flowing from the Contract Recommendations

Section 2.1 of the Issues Paper states that "*the intent of recommendation 4A is to give customers certainty that their prices will not change soon after they sign up to a new contract*". Further to discussions at the ESC Stakeholder Workshop, amaysim understands the intention of recommendations 4A and 4B is to offer protection to customers who enter fixed 12-month term (or longer) contracts on low "acquisition rates" driven by high conditional discounts only to "soon after" have their prices raised for the remainder of the contract term.

In our submission, recommendations 4A and 4B should not apply to "no lock-in contract" plans such as amaysim's subscription plans which are all month-to-month with no exit fee or "leave at any time" plans like our classic energy plans. The Contract Recommendations are not relevant to these plan types given that customers would be notified in advance of a price change and would be able to leave the retailer either immediately or at the end of their current billing cycle with no exit fees. As the intent of the Contract Recommendations is clearly to protect *contracted* customers against price rises, we submit that "month-to-month" and "leave at any time" plans should be expressly excluded from any rule changes flowing from recommendations 4A and 4B.

In addition, we consider the intention behind recommendation 4C, to roll customers onto the "nearest matching, generally available offer" at the end of the contract period is already addressed by the reforms which came into effect on 1 July 2019. The intention of recommendation 4C is "to give customers confidence that if they do not take action at the end of a benefit or contract period, they will not be on a significantly more expensive plan". In our view, the reforms which came into effect on 1 July 2019 already achieve this by:

- ensuring customers are made aware of the cheapest generally available offer at least every 3 months (for electricity) and every 4 months (for gas) by the Best Offer message;
- requiring retailers to send bill change notifications for any benefits and tariff changes. This notification will also contain a Best Offer message notifying the customer if they are on the cheapest generally available offer, and if not, how a customer can access the retailer's Best Offer; and
- requiring retailers to advise customers of the most suitable plan throughout the customers' lifetime with the retailer.

We made detailed submissions to the ESC on what expect to be the far-reaching impact of the 1 July reforms on 4 April 2019 and 22 May 2019, and we stand by those submissions.

In addition, recommendation 4C again raises the question of how "month-to-month" and "leave at any time" plans are to apply under this proposed reform. In our view, it would be inappropriate to include such plans in any reforms flowing from recommendation 4C as the nature of these plans is that the customer remains on the plan unless they leave their retailer or ask to switch between plans (which amaysim customers can do at any time). In the case of "month-to-month" plans, we submit that it would be a perverse outcome if retailers were required to roll customers onto (for example, the VDO) after the first 30 days of signing up with a retailer. Based on the discussion in the Issues Paper and at the ESC Stakeholder Workshop, we do not believe that this is the intent behind recommendation 4C. Nonetheless, if not carefully drafted, any rule amendments run the risk of applying the recommendation 4C reforms to "month-to-month" and "leave at any time" plans. As such, care should be taken to ensure that these types of plans are expressly excluded from any new rule.

amaysim supports the Discount Recommendations but considers that some innovative products may not always lend themselves to being marketed in dollar terms (for example, bonus kWh of energy in subscription products)

amaysim ceased acquiring customers on the amaysim brand using discounted products in January 2019. Since that time, we have been transitioning away from the same discounting practices for our Click Energy brand. As of 1 July 2019, we no longer offer discounted plans under either brand.

Our decision to remove discounted plans from our portfolio was to stand behind our commitment to put customers first and provide simple and transparent information to our customers about our plans. Accordingly, amaysim supports the Discount Recommendations subject to one qualification.

Some innovative products, such as our subscription plans, contain features which do not always lend themselves to being expressed only in dollar terms. For example, offers expressed in dollar terms alone do not take into account the value to customers of innovative product features such as the predictability of prepaying for a fixed monthly amount of energy (in kWh), the value of our apps for managing energy usage in real time and energy rollover which allows customers to bank unused energy allowances and to use that "banked" energy later (such as in winter when usage typically spikes). These features have real value for customers but are difficult to express in simple dollar terms.

As we note below, we understand that the ESC is separately considering whether the methodology in calculating a retailer's Best Offer could be adjusted to account for the potential value of these types of plans (or whether they should be excluded from the Best Offer message and clear entitlements advice altogether).[1] In our view, the same issues arise here. For example, recommendation 3A could prevent retailers from offering promotional energy to a customer under a subscription plan (such as, an offer to give the customer a bonus 100kWh for use during winter months). We would encourage the ESC to ensure that the reforms promote, rather than restrict, innovative plans which deliver valuable features or benefits to customers.

Subscription energy plans should be generally excluded from these reforms and the ESC should again revisit whether subscription and other innovative products should be excluded from the Best Offer and clear advice entitlement requirements

We understand that the ESC is considering whether certain energy products, such as subscription plans, should be excluded from the Best Offer message and clear advice entitlement requirements (or whether the methodology should be adjusted to account for potential value in these products) in monitoring the impact of the 1 July reforms. We believe it is clear from our submission that the ESC must not consider these reforms in isolation and it would be timely to reconsider whether an exemption should apply in the context of taking further steps in relation to the Discount Recommendations and the Contract Recommendations.

As we have stated in our earlier submissions and meetings with the ESC, we believe that subscription energy plans will immediately reduce bill shock and eventually see the end of 'front-book, back-book' pricing strategies in the sector by giving customers a better alternative to a confusing discount: a clear and fair plan with predictable and transparent monthly pricing and no lock-in contracts.

Subscription energy plans that allow customers to freely move between plans, monitor energy usage, rollover unused energy and leave at any time, are not the kind of product which the 1 July 2019 reforms or the Recommendations seek to regulate. With a subscription energy plan, the power is already in the hands of the consumer. These types of plans simply did not exist in November 2016. To that end, we reiterate our submission that monthly subscription plans should be excluded from the Best Offer requirements (or the rules should be adjusted to account for the potential value which these innovative plans deliver to consumers) and any rules flowing from the Recommendations. Over-regulation of innovative products which have the customer at their heart is undesirable and is not in the interests of consumers or the community.

Through this exemption, we believe that subscription energy plans which introduce customer-centric innovative features and empower customers through usage monitoring capabilities and transparent pricing will shift the Victorian retail energy market away from confusing energy products, towards amazingly simple, clear and fair energy plans.

As always, we would welcome the opportunity to discuss these matters and our recommendations with the ESC. Please contact our Chief Strategy Officer, Alexander Feldman or our Chief Executive Officer, Peter O'Connell whose email addresses have been provided separately.

Yours faithfully

Peter O'Connell
Chief Executive Officer

Alexander Feldman
Chief Strategy Officer & General Counsel

[1] Essential Services Commission, Final Decision - Consequential amendments related to the Victorian Default Offer Final Decision, released on 13 June 2019, page 11.