

22 November 2023

The Hon Chris Bowen MP
Minister for Climate Change and Energy
Chair, Energy and Climate Change Ministerial Council

Sent by email to: [REDACTED]

Dear Minister

Re: Review of consumer protections for future energy services – final advice report

I am writing to provide our final report, attached to this letter, from our *Review of consumer protections for future energy services* (the Review). In 2021, National Cabinet endorsed the recommendation of the Energy Security Board (ESB) that the existing energy consumer protection framework be reviewed by the AER to determine whether the framework is still fit for purpose. This report is the culmination the AER's work to understand the potential impacts of the energy transition and emerging new energy services on consumers.

Following rigorous risk analysis, research and extensive stakeholder consultation, the AER has found that the existing energy consumer protections arrangements set out under the National Energy Customer Framework (NECF) are not fit for purpose for the future energy market. The AER considers there is a compelling case for updating the NECF to ensure it can continue to adequately protect consumers in an evolving energy market, supporting the energy transition.

The AER's conclusion has also been supported by the ESB in its recent report to Energy Ministers on consumer energy resources integration.¹ The ESB agrees that the NECF needs to be updated to ensure that consumers can benefit from innovative new services in the sector whilst also being protected from negative impacts on their use of energy.

The AER considers that, unless there is some regulatory reform to enhance consumer protections for new energy services, consumers may lack the confidence to support the energy transition. An updated consumer protection framework would support wider take-up and effective use of new technologies and changes in consumer behaviour. This should also facilitate innovation and the realisation of the significant benefits that new energy services can bring to the energy transition.

¹ Energy Security Board, *Consumer Energy Resources and the Transformation of the NEM, Critical Priorities to support transformation: a call to action*, November 2023.

Our final advice report sets out:

- the case for reform recommending the NECF be updated to reflect the changes occurring in the energy retail market
- what a potential future regulatory framework could look like
- implementation considerations for any reforms.

In providing this advice, the AER urges Energy Ministers to consider the vital importance of fit-for-purpose consumer protections as the foundation for a well-functioning energy retail market. We consider this work on consumer protections should be progressed as a key component of the CER Roadmap to be developed by jurisdictions in 2024, building on the ESB's report. This is crucial to ensuring that consumers can benefit from innovation in the sector while being protected in their use of essential services.

The AER invites further discussion with jurisdictions on this matter and will be reaching out to officials to discuss the report before publication at the end of the year.

Yours sincerely



Clare Savage
Chair

CC: NEM Energy Ministers