AGL Energy Limited
ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

Submitted online - pina.bria@sa.gov.au

24 May 2019

South Australian Government consultation on early termination fees (electricity and gas)

AGL Energy (AGL) welcomes the opportunity to provide comment on the draft *Electricity (General)(Early Termination Fees) Variation Regulations 2019* and draft *Gas (Early Termination Fees) Variation Regulations 2019* (Early Termination Regulations) being consulted on by the South Australian Department for Energy and Mining (SA Government).

AGL generally support the direction of the proposal of the Early Termination Regulations to provide regulatory rigor and certainty for retailers and consumers regarding circumstances where an early termination fee/exit fee may be charged by a retailer.

As noted by the SA Government's consultation paper, early termination fees are not common in the current South Australian energy retail market environment and this is not a product structure that AGL actively pursues. However, we wish to note that early terminations by customers can impose costs on retailers that may ultimately be costs borne by the retailer's customer base.

The use of the term *installation* is particularly restrictive in this regard and we recommend the SA Government consider revising this language. For example, reasonable costs incurred by a retailer will not just be regarding installation of energy management devices, but also the cost of acquisition and retention, such as call centre staff, communications management and so forth. There are also wholesale costs that need to be considered, as early termination by a customer makes it riskier for retailers to manage their relative wholesale position and therefore risks costs will increase.

Since 1 January 2018, retailers have not been able to charge exit fees/early termination charges to customers except in limited circumstances as replicated in the proposed SA Early Termination Regulations. However, AGL are concerned that the specific drafting of the Early Termination Regulations may be unnecessarily restrictive on product innovation and service offerings by retailers.

AGL agrees with the exceptions (e.g. the reasonable costs associated with the **installation** of *"a solar photovoltaic system; a battery storage system; a digital meter; any associated equipment)* but are concerned that this may prevent potential product structures.

For example, a retailer may choose to bundle an electricity plan with a new energy efficient appliance such as a fridge or freezer. If the customer received the appliance upfront then there would be a significant cost-risk to the retailer should the customer terminate the contract early on

AGL Energy Limited
ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

into the agreement. Under the current drafting of Regulation 44C(2) it does not appear possible for a retailer to recover these costs.

Finally, we are comfortable with the proposed transition period of three months but would appreciate visibility on when the final regulations are expected so that any business changes or updates can be appropriately scheduled and managed.

Please contact Kat Burela (kburela@agl.com.au) if you have any questions.

Regards

[Signed]

Con Hristodoulidis

Senior Manager Regulatory Strategy