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Draft AER Retail Pricing Information Guidelines

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Regulator (AER) proposed amendments to the Retail Pricing Information Guidelines (RPIG).

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. AGL is also a significant retailer of energy, providing energy solutions to over 3.6 million customers accounts throughout eastern Australia. AGL is a customer-focussed business and we endeavour to provide customers with products and services that best meet their diverse wants and needs.

AGL supports the proposed new direction of the RPIG noting that it will predominantly lead to greater customer outcomes. Broadly speaking, these changes are consistent with the Prime Minister's Commitments as well as discussions AGL has had with the AER on price comparisons and fact sheet simplification.

The following attachment highlight opportunities for the AER to further improve customer outcomes and operational efficiency to optimise the improvements in the draft revised RPIG, including:

- Better clarification of the purpose of the Basic Product Information (BPI) and Contract Summary (CS) and allowing flexibility in delivering these documents to suit customer circumstances and the appropriate stage of the purchasing chain.
- Ensuring the positive customer experience outcomes are not unduly impacted, by:
 - an overload or duplication of information, or
 - presenting offers that are not true and reflective of customer circumstances/eligibility, or
 - not shifting the onus on customers to know more about their energy supply to tailor searches.

There are currently a number of significant reforms being undertaken at both State and Federal level which impact retailers processes and systems substantially. We encourage the AER to ensure retailers have sufficient lead time to implement new processes when the final guidelines are issued.

Should you have any questions or comments, please contact Kathryn Burela on (03) 9273 8654 or kburela@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

General Manager Energy Market Regulation



Attachment

Energy Price Fact Sheets (EPFS)

The current EPFS are content heavy and complex, hindering and overwhelming users, rather than informing and supporting decision making when customers are shopping for an energy provider. AGL supports reframing the current EPFS to facilitate meaningful comparisons between offers and to highlight points of difference between retailers or offers.

AGL's consumer testing found that most participants displayed a clear preference towards an information sheet that featured tariffs with a condensed list of Key offer features. The presence of tariffs was identified as being important in making a clear comparison to current rates when switching. Transparency was a key theme in establishing trust with energy providers and the presence of jargon and absence of detail impacted this trust. That is, customers wanted short, relevant and simplified data with an expectation that there were no hidden fees or requirements.

The proposed amendments to the EPFS, of developing a Basic Plan Information (BPI) document, that utilises a comparison metric will improve customers' ability to understand and compare complex information. The use of illustrative images or graphics to convey complex information more clearly to a wider audience, and will help include culturally and linguistically diverse communities in accessing and understanding energy plan information. Most importantly, customers will feel confident in the information they are accessing knowing that it is based on standardised usage profile set by AER benchmark data, with standardised calculations, formalised with the AER logo.

AGL prefer an annual figure as it is the most transparent and accurate figure to provide a customer which reduces the likelihood of a customer being misled by indicative figures. AGL recommend that the AER consumer test the time base of comparison to ensure that customers are satisfied with the outcomes and are not likely to be misled.

Understanding BPI and CS

In AGL's submission to the AER on 31 October 2017 regarding the Customer Price Information consultation, we expressed concern that the EPFS were serving two distinct purposes that could not be reconciled. Splitting the EPFS in to two distinct documents, the BPI and CS, allows customers to compare offers and easily access additional contract information if they want to. We support the use of the BPI as the comparison tool, but consider a need to further define the role of the CS. Both the BPI and CS purpose and usage should be clear and not seek to duplicate information already provided in other ways.

One such example is the proposed requirement of the BPI and CS in Welcome Packs. In section 73 of the draft consultation document, it states that the new requirement is to provide both the CS and BPI in the welcome pack. However, under section 3.2.3 of the Notice of Draft Instrument it states that "the current requirement to send an EPFS as part of a welcome pack to new customers will be replaced with a requirement to send the Contract Summary".

Whether the intention of the AER is to require the inclusion of one or both documents in the Welcome Pack, the requirement represents a significant change in current requirements. AGL does not currently provide a print of the EPFS to customers in their welcome pack, and have carefully designed the welcome pack to ensure all relevant information is provided to customers. AGL have previously expressed concerns about the current EPFS serving two distinct purposes. Splitting the EPFS in to the BPI and CS will allow customers to compare offers and easily access additional information if they want to, however these documents must have a clear purpose and the AER should not



seek to duplicate information already provided in other ways. This includes requiring these documents to be included in the welcome pack, as customers already receive this information in other ways.

Currently, AGL ensures that the Welcome Packs contain all relevant information for customers regarding their plan and their rights. AGL recommends that in lieu of the requirement to add the BPI and the CS to the Welcome Pack, the AER consider providing guidance to retailers on the type of information that should be included into these packs. This would ensure retailers maintain flexibility in the way they communicate the Welcome Pack to the customer without duplicative information and costly/timely builds new processes. This will also ensure that the BPI and CS purpose are clearly defined and consistent.

However, if the AER proceed with the changes as drafted in the consultation documents, retailers will need sufficient time to implement. AGL systems and processes will need to be remapped to ensure that our mail houses can receive the additional documents for each customer offer. This process will take a minimum 14 weeks to change from when all offers are loaded into Energy Made Easy (EME) (that is, timing after finalised RPIG changes, process updates for inputting/extracting plans from EME, and manually inputting all plans).

Provision of information

The way customers can access and are presented energy supply information is integral to informed decision making. The difficulty in such a complex market is trying to balance what retailers or regulators consider is key information, with the decision-making processes and differing levels of understanding that customers hold while ensuring that customers are not overloaded with information. The following sections highlight some areas of consideration regarding the type of information provided to customers, and the way the new requirements will be operationalised by retailers and third parties.

Generally Available

AGL supports transparency in the market which ensures customers can access the best offer at any given time. However, the expansion of scope for the definition for generally available offers will have significant impacts to both retailers and customers. The change will impact the number of offers a customer receives in a search of Energy made Easy exponentially (discussed further in this section).

The current definition of restricted offer presents unintended outcomes. For example, there will be instances where the customer base of what is considered generally available will be far fewer than what is captured in the restricted offer examples.

There will also be a substantial increase in the number of offers available for comparison by customers on Energy Made Easy, while AGL support transparency in offer availability, it must be done in a way that helps the customer access relevant offers without inundating them with alternatives or shifting the onus on the customer understand their circumstances (such as meter type, distribution zone) to narrow the search results. At present, a search on EME for AGL single tariff electricity offers in the Ausgrid region (NSW) provides 6 residential and 6 small business search results. These numbers increase upwards of five-fold when incorporating offer variations across third party channels such as brokers and comparators. In some instances, these offers may be the same base product with third party incentive variations.



These search results will also increase as customers know less information about their circumstances and are therefore unable to limit their search for offers by tariff structure or other limiting factors. Coupling a substantial increase in offer numbers with the range of tariff structures presented, further adds to the complexity some customers will face when looking to identify the most suitable offer relevant to their situation and preferences.

AGL also has specific offers for subsets of customers, such as our hardship customers, standing offer customers (i.e. the loyalty discounts applied in Victoria and South Australia), which are restricted to those particular customers. Origin Energy have a similar offer that they provide South Australian concession card holders through winning the South Australian Government tender.¹ It is unclear by the AER's new definition if retailers would need to make these offers available on EME.

Information overload can alienate customers, particularly when they are less engaged or know little about their circumstances (i.e. distribution zone, meter type etc). The inclusion of third party offers may confuse customers as to what offers they are eligible for and may show results that they cannot access due to certain eligibility criteria that the EME search filter may not discern offers by.

In a competitive market, retailers and third-party providers need to be nimble in reacting to regulatory and market signals. Retailers need to adjust offers (including, but not limited to discounting), to address these signals which will require significant input in to EME on a regular basis. For these reasons, retailers will continue to have a range of different products for customers, and the management of these offers under this new definition will not only add to a flood of offers to the market for various customer segments and offer channels, but also increase retailers' operational costs.

These increased offer volumes will also impact retailer ability to perform all required updates on EME through to websites and sales agent collateral within a two-business day period. AGL recommend that the AER consider extending this time to 4 business days, to account not only for the increased volume but also the lag-time of communication and management of offers from third parties to retailers through EME and back again.

Websites

The AER propose under the new Guidelines, retailers are required to provide a link to the BPI on the EME website noting this will reduce the manual work required by retailers.

AGL encourage the AER to consider allowing for flexibility in the display of BPI on their websites, be it by URL link to the EME offer, or by allowing retailers to manage the upload of relevant documents manually. AGL also recommend the AER separately consult with retailers on potential upgrades to EME to allow the functionality of extracting offers details to map back to retailer and third-party websites.

The proposed guidelines will also require retailers and third parties to include prominent links to the BPI on their website for all pages with plan information including marketing materials. The inclusion of multiple BPI links on marketing materials and offer information will be confusing and unhelpful for customers, particularly as at first glance customers may not know which distribution zone and/or tariff structure is relevant for them. AGL recommend that the proposed guidelines allow for flexibility in the display of this information, for example by allowing retailers to link to their current EPFS landing pages which allow customers to input their data to narrow the search result of offers that are relevant for them.

¹ <https://www.originenergy.com.au/for-home/campaign/origin-value/sa-concession.html>



AGL's current EPFS landing page cannot be changed to allow external links and will require a whole new system to manager. We have built extensive controls to ensure rigorous quality assurance processes occur when uploading our offers through our current system. Relying on a secondary system to generate links, and the management of these links will require significant changes to our current website. There are benefits for retailers having the option to link directly to EME but AGL recommend flexibility in this requirement for those retailers who have existing or preferred processes and controls for delivering this content.

Use of Energy Made Easy

AGL recommend the AER build a search function on the Energy Made Easy website for customers and sales consultants to easy find the unique offer ID code. This would allow customers to find specific offers they may have previously saved, and would allow both retailers and third-party vendors to view the same offer in 'real time' from the same central place when speaking with a customer. This functionality would improve the customer experience and ensure that all retailer and third-party vendors are able to access the offer details the customer is requesting. The AER would also be able to draw analytics from this such as consumer take up of the tool and offer and retailer preference.

This functionality, would also avoid significant system changes retailers would otherwise need to incur to ensure Sales Consultants and 3rd part providers have access to the appropriate offer when speaking to consumers. Specifically, there will need to be frequent data extracts of offers from EME for packaging and quality assessment for use by both AGL contact centres and third-party providers. This will be a manual process that will be labour intensive and prone to human error which may have significant impacts on customer experience. It is also likely to increase agent error where they use an old list or where there is lag time in providing this data to sales channels as these processes are not updated in real-time.

These changes will also likely have significant impacts to third party providers systems and processes which may take additional time to update with new requirements and functionality.

Information overload

AGL want to ensure that customers have access to all the relevant information they need to make informed energy decisions balanced with ensuring a positive customer experience. For example, if a customer sees an offer on EME that is an exclusive AGL offer through a third-party, and calls an AGL representative to request that offer, the AGL agent would be unable to offer the customer this plan as it is exclusive only through third party vendors. These customers would either need to be referred to the third-party vendor to receive this offer, or the AGL representative would need to offer an alternative. We do not consider that either option promotes good customer outcomes and will likely increase customer complaints to the AER as a result of this type of conduct.

One avenue for managing information overload would be that the AER modify the current offer search function to tailor search results. However, if the AER pursued this option by modifying EME to ask customers more questions at the front of a search, the onus shifts on to customers to provide more information and understand more about their circumstances and energy supply to get the most relevant offers displayed for them. Alternatively, if the AER sought to address the overload issue by curtailing the presentation of only the top 1 or 2 offers of each retailer, it may cause additional problems for both retailers and customers. Firstly, because customers would need to provide significant amounts of information to narrow the search down to what is in fact the most suitable offers for their circumstances, but also creates issues where retailers have multiple variations of their offers through third party providers which the customer may not be eligible for. This again shifts the onus to customers knowing up front what the eligibility criteria



are for different exclusive offers and providing that information prior to being presented search results. This is likely to have a negative impact on the customer experience.

While AGL do not have an alternative suggestion at this stage, we welcome the opportunity to work with the AER in devising a solution that ensure both positive customer outcomes and operational efficiency for retailers.

Consistency

AGL is supportive of ensuring that terminology is simple and standardised across retailers. The adjustments to the current guideline table of terminology has impacted the current application of *benefit period*. The practical implication of removing the end column is that retailers would be required to use *benefit period* throughout all marketing and advertising in addition to energy plans. As the AER notes in the draft amendment documents, the consumer testing participants did not understand the term benefit period, but would continue to use it in the absence of an alternative. AGL uses *energy plan period* throughout marketing and advertising communications and consider that this term has a simple meaning. The cost and delays for expanding the use of benefit period to other types of communication will need to be considered against the value of extending its use.