

26 August 2011

Ms Dianne McGrath
Director
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

Dear Ms McGrath,

AER Price Comparator Website – Issues Paper

AGL Energy Ltd (**AGL**) welcomes the opportunity to provide comments on the *AER Price Comparator Website Issues Paper* (the **Issues Paper**) published by the Australian Energy Regulator (the **AER**) in July 2011.

We support the overall policy intent of providing energy consumers with a price comparison service to assist users to navigate the complex electricity and gas retail markets. Participation in the market by consumers, coupled with transparency of standing and market offer prices, will ensure the continuing success of competition in Australian energy markets.

The existing state based regulator comparison sites provide varying levels of information to users from very basic through to comprehensive. In order to assist consumers to make informed decisions about their energy providers the comparison website will need to comprehensively display the complex offer and tariff information in a simple and easy to understand manner.

AGL looks forward to working collaboratively with the AER to develop the price comparison website with a comprehensive interface for consumers and an efficient retailer data entry site to minimise administrative burden for both retailers and the AER while ensuring the comparison site is kept up to date with current offers.

Our responses to the specific questions for consideration contained in the Issues Paper are provided at Attachment A.

Should you wish to discuss any aspect of this submission further please contact me at nwallis@agl.com.au or on 03 8633 7440.

Yours sincerely,



Nicole Wallis
Manager Retail Markets Regulation



Attachment A

Overview of the price comparator website

Question 1: Do stakeholders agree with the AER's proposed overview of the price comparator website?

AGL agrees with the overview of the price comparator website.

Question 2: What information do stakeholders consider should be included in the note/disclaimer?

The disclaimer will need to adequately explain that the estimated annual costs presented are an estimate only based on the information entered and any assumptions made. Whether or not the value of any relevant discount, rebate or account credit has been included in the calculation will need to be clearly articulated, particularly in relation to conditional discounts and rebates.

It would also be worth noting that prices can vary in accordance with market contract terms and that the prices shown may not apply for the duration of the contract. During times of the year when regulated prices are changing this message should be tailored to notify customers that the prices may vary before their transfer to a new retailer is completed and that their new retailer will contact them to advise the new prices. This message and its timing could be specific to each state.

Question 3: Where would the note/disclaimer be most appropriately located?

A disclaimer will need to be presented before the user submits their information, and a simple message about the nature of the information presented should be included on the results page.

Question 4: What are the options for 'sorting' retail offers available to the user?

Customers should be able to sort results alphabetically by retailer, by total estimated annual cost and by contract length. Filters should be available to only show offers with GreenPower options and offers available with solar PV.

It is important that sorting is not applied to individual tariff components, such as the c/kWh price as this will lead to potentially misleading results due to the diversity and complexity of tariff structures. For example, a particular tariff may have a very low peak price for an initial consumption step, with greatly increased prices applying at higher consumption steps.

Question 5: If a results filter option is available, do stakeholders feel that some content presented should be mandatory (that is, not able to be filtered out of the results offer)?

Customers should not have the ability to filter out any offer information. Filters should only be used to narrow the search results to show offers specific to their needs such as offers with GreenPower or offers available with solar PV.

Information required from the user

Question 6: Do stakeholders agree with the AER's proposed user inputs? Are the additional inputs listed above useful? Are there any issues presented by any of the proposed input options?

AGL agrees with the proposed input options. The input for the user's own estimate of energy consumption should be extended to allow input of the average daily usage amount that is shown on their bill, rather than just the total usage on that bill.

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Question 7: Are there any other potential inputs that would be useful for inclusion on the price comparator website?

An input option should be included to select whether the customer is residential or small business as this is key to determining the available offers and tariffs.

Question 8: Do stakeholders have views on how time of use tariffs should be handled?

Caution will be required when presenting annual estimated total cost for customers who select to view time of use tariffs. This will be particularly relevant in Victoria as more pricing options are introduced with varying timebands. Critical peak pricing and demand based tariffs will further complicate the estimation process.

Even if a customer enters their peak, shoulder and off-peak usage amounts from a recent bill, this will not necessarily provide an accurate estimate due to the diversity in time of use tariff structures between retailers.

An average load profile for a particular distribution area could be used to calculate the annual cost estimate for households, however this would require additional disclaimers to explain the nature of the information used and that the load profile may not apply to their particular household. During the initial implementation phase it may be simpler to only provide tariff information for time of use structures, without an annual cost estimate.

Question 9: Do stakeholders have views on how the price comparator website could be developed to aid small business customers?

In most states the tariffs applying to small business customers are more complex and more diverse than those applying to residential customers. Many tariffs already incorporate demand components and time of use structures.

The usage inputs for small business customers should be limited to entering consumption amounts from a recent bill.

It may also be necessary to ask additional questions or provide disclaimers to limit the applicability of the website to only small business as the tariffs shown will not apply to businesses with higher consumption levels.

Showing offers available to the user

Question 10: Which manner of presenting offers do stakeholders consider appropriate for the price comparator site?

Within the section showing the tariff rates it will be necessary to include some footnotes and/or additional information to describe the tariff rates. This can either be shown on the results page immediately under the tariffs table, or included only within the Energy Price Fact Sheet with a disclaimer on the results page referring customers to the Fact Sheet for important information. The type of information included in these footnotes may include the applicable times (seasonal or time of day) for peak, shoulder and off-peak prices, descriptions of controlled load tariffs and details of minimum charges or demand components.

The estimate of the user's bill is proposed to be shown as a monthly, quarterly or annual figure depending on the time period for input data. To ensure that customers are not misled it would be appropriate to only show an annual estimate. A monthly or quarterly estimate would not accurately take into account the impacts of seasonality on consumption or seasonal tariffs which are common in both electricity (particularly South Australia) and gas. Upfront and annual rebates are also captured more accurately in an annual estimate. If a monthly or quarterly figure is desired then it should be selected by the customer after showing the annual figure with a clear disclaimer that this is an average monthly/quarterly amount that does not take seasonal variations into consideration.

It is not reasonably practicable for the comparator website to contain a link to the specific Energy Price Fact Sheet on the retailer's website. A link can be provided to the retailer webpage which contains a search function for Energy Price Fact Sheets. Requiring retailers to provide the AER with specific links to each Energy Price Fact Sheet will impose a

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sizeable administrative burden on retailers, not only in the first instance, but every time a Fact Sheet is updated and will increase the risk of broken links. This is the current approach of IPART's comparator website.

Not all retailers have an online switching service, and not all offers are available for online sign up. It should be up to each retailer to determine which area of it's website that customers are directed to rather than requiring this hyperlink to be to the 'switching area' of the retailer's website. Requirements under the Retail Pricing Information Guideline place obligations on retailers to ensure that Energy Price Fact Sheets for all generally available offers must be easily accessible on the retailers website, it is then up to the retailer to direct customers to either an online switching area or another sign-up process.

Question 11: Are there any other ways in which offers can be presented (not listed above) that stakeholders consider would be more appropriate?

No.

Question 12: Do stakeholders agree with the proposed inclusion of price components, incentives and penalties on the price comparator site? Are the types of incentives, penalties and price components listed above appropriate? What is the appropriate manner in which to present information about incentives, penalties and price components?

AGL strongly oppose the proposal that estimated annual costs are not inclusive of discounts and rebates. An estimated annual cost without any applicable discount is not truly reflective of the product offering, and is not as meaningful to customers as if the discount was included and represented in the estimated cost. In states where it is common for retailers to base market contract pricing on the regulated price, the estimated annual cost without discounts and rebates will appear to be the same for those retailers, making it difficult for users to compare offers.

For the initial display of annual estimated costs any non-conditional discounts and upfront rebates should be included in the calculation. The user should then be able to choose to include conditional discounts and rebates in the estimate, such as direct debit rebates, pay on time discounts and loyalty rebates. Alternatively, the conditional annual cost estimate could be included in an additional column beside the original cost estimate or instead of the original cost estimate with a statement that the estimate includes a \$x discount for paying on time and a \$x rebate for signing up to direct debit.

Regardless of the approach that is adopted, it should be made clear to users which discounts, fees and rebates have been included in the cost estimate. Whether or not the amount of state based concessions have been included in the cost estimate should also be clearly stated.

Non-price incentives such as vouchers, rewards cards and products should be described in free text as offer features but not included in the cost estimate.

Question 13: Are there any other price components, incentives and penalties (not listed above) that stakeholders consider would be more appropriate?

No.

Question 14: What do stakeholders consider is the best manner to present fees and charges to users?

Early termination fees should be clearly shown, along with any account establishment fees. Fees that are a direct pass through of network charges (such as special meter readings, disconnections and reconnections) should not need to be displayed, or if required noted as being a pass through. To minimise the amount of information displayed, users should be directed to the Energy Price Fact Sheets for additional fees that may apply.

Question 15: How should green power options be presented?

We support the approach to displaying GreenPower options by allowing customers to select from different levels of green power, similar to the approach used by IPART.

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Question 16: How should dual fuel offers be displayed? If a website user wants information on gas and electricity, then should only dual fuel offers be displayed, or should gas-only and electricity-only offers also be displayed?

To ensure that customers are able to identify the most appropriate offers for their circumstances the price comparator website should return both single fuel and dual fuel offers if the customer selects "gas and electricity" from the input screen.

Question 17: Do stakeholders consider that an estimated savings function is an appropriate feature for the website? If so, how could the accuracy be optimised for it to usefully work for comparing different offers?

It would be inappropriate to include an estimated savings function within the comparator as it would lead to misleading outcomes. To provide such an estimate would require the user to enter full details of their existing energy plan including tariffs, discounts and rebates. Providing savings against the Standing Offer price would be misleading for the majority of energy consumers who are already on market contracts with some level of discount.

Website accessibility

Question 18: Do stakeholders agree with the proposed website accessibility options?

Yes.

Question 19: Are there any other features or considerations that the price comparator website should include to maximise its accessibility?

The site should be tested to ensure compatibility with mobile devices such as phone and tablets. Future developments may include an iPhone/iPad app for bill benchmarking and price comparison.

General stakeholder comments

Question 20: Are there any additional considerations that the AER should have regard to when developing the price comparator site?

In general, the AER should have consideration to the effort required by retailers to provide information and to support the comparator site. AGL understands that the AER will conduct separate consultation with retailers regarding the retailer processes for providing input to the comparator.

It is important that users are not presented with too much information that may become overwhelmed. Users should be referred to the Energy Price Fact Sheet or to the retailer for additional information.

Question 21: What avenues of promotion should the AER consider to make residential and small business customers aware of the price comparator website?

In addition to links from state based regulator websites and the ACCC site, it would be advisable to promote the new site using Search Engine Marketing and other digital advertising. Links from the Department of Climate Change and Energy Efficiency's Living Greener website should be considered, along with including details of the comparator on any promotional material relating to the electricity bill impacts of a price on carbon.