



29 November 2011

**Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001**

By email to: AERInquiry@aer.gov.au

Dear Ms Proudfoot,

Australian Energy Regulator Price Comparator Website and Retail Pricing Information Guideline

AGL Energy Limited (AGL) welcomes the opportunity to comment on the draft Statement of Approach to the price comparator website (Statement of Approach), draft amended Retail Pricing Information Guideline (draft amended Guideline) and accompanying Notice of Draft Amended Instrument (Notice) released by the Australian Energy Regulator (AER) in November 2011.

The price comparator website and Energy Price Fact Sheets (PFS) proposed by the AER will promote transparency of standing offer and market offer prices to a large extent. Generally speaking, AGL applauds the overall approach of the AER with regard to the price comparator website. It is considered that providing a complete interface for consumers, in combination with an efficient retailer data entry system, will result in minimising exposure to inaccurate pricing information. We believe that it will also lessen the administrative burden for both retailers and the AER.

AGL strongly supports the overall policy intent of the price comparison service to assist customers with the navigation of complex electricity and gas retail markets in the search for a suitable energy offer. Despite the policy aim, AGL has reservations around the presentation of information collected as a consequence of this process. We are particularly concerned about the potential for Australian energy consumers to be misled when conducting a comparison of results. We do consider however, that this risk could be largely mitigated through robust disclaimers and precise representation of available offers.

Comments in response to the specific issues raised in the Statement of Approach, draft amended Guideline and Notice are provided in Attachment A.

Should you have any questions in relation to this submission, please contact myself on (03) 8633 7440 or at NWallis@agl.com.au or Monique Smith, Regulatory Advisor on (03) 8633 7935 or at MSmith@agl.com.au.

Yours sincerely,

Nicole Wallis
Manager Retail Markets Regulation

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

Attachment A

Statement of approach: AER Price Comparator Website

Generally speaking, AGL commends the approach of the AER with regard to the price comparator website. We support the simplicity of the website from both a customer access and a customer use perspective. We consider that the inputs required by a customer are appropriate and result in a reasonable assessment of individual circumstances.

Display of offers available to the user

AGL considers that the layout of the energy offer comparison page will sufficiently allow customers to view and compare current and available energy plans and their relevant features. We do however, have some reservations as to the way in which this information may be interpreted by the customer.

AGL strongly opposes the proposal that estimated annual costs are displayed as 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. The comparison proposed bases its results around a cost estimate which will never be available to customers accepting that offer. We acknowledge the AER's intent in providing a customer with all three cost estimates but are extremely cautious that representing an offer that does not exist could create a misleading impression in the customer's mind.

In a fair marketplace, the customer should be able to choose a retailer based upon a transparent assessment of a customer's options. In the energy market, products offered may be comprised of not only the tariffs, but also of any applicable discounts or rebates. Where a product offers an unconditional discount, a customer is guaranteed to receive the benefit and as such, the base estimated annual cost includes the unconditional discounts. It is important that any non-conditional discounts and upfront rebates are included in the initial calculation of estimated annual costs. The user should then be able to choose to include conditional discounts and rebates in the estimate. AGL also considers it imperative that sufficient disclaimers are attached to each level of estimated cost, to ensure customers are completely aware of the assumptions leading to each estimate.

AGL acknowledges that the AER has attempted to negate some risk by displaying three annual estimated cost results. Whilst this may assist to more comprehensively represent the product as a whole, the positioning and emphasis currently placed upon the annual cost which is not inclusive of discounts and rebates, results in the other two cost results being perceived as only secondary considerations. To combat this, we suggest that if the AER does still require the base cost to be displayed, then all estimated cost results appear in the same font and with no prominence being afforded to any one particular result. At the very least, we consider that results should be sorted based upon estimated annual cost including non conditional discount and at no stage should results be based around the estimated annual costs without any applicable discounts included.

The presentation of estimated annual costs related to time of use tariffs continues to cause concern for AGL. Even if a customer is able to enter their peak, shoulder and off-peak usage amounts from a recent bill, there is no guarantee that this will provide an accurate estimate given the diversity in time of use tariff structures between retailers. Critical peak pricing and demand based tariffs in Victoria and the introduction of inclining block tariffs in Queensland are just two examples of tariff structures that will further complicate the

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

estimation process. It is imperative that any average annual cost generated for a time of use tariff is fully and adequately disclaimed, in a manner simple enough for the customer to understand.

The accuracy of results generated for price comparison is very important as these potentially play a large part in retailer choice for a customer. Given the equitable objective of the price comparator website, AGL suggests that the AER also needs to give consideration to the secondary basis upon which results will be arranged, particularly in jurisdictions where numerous retailers base their tariffs upon regulated and therefore, identical, rates. 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. We support the option for a customer to be able to sort results alphabetically by retailers or contract length and also encourage the ability to be able to sort by any of the three total cost estimates.

Link to Price Fact Sheet

AGL considers it reasonably practicable for the comparator website to contain a link to the retailer's website. We believe, however, that requiring a retailer to provide the AER with specific links to each PFS will place a sizeable administrative burden on both the retailer and the AER. There are many events which may necessitate the update of a PFS. If a direct link to a PFS was to be required, the retailer would have to ensure all new links to the PFS were active, prior to notifying the AER of the change. Given the sheer volume of PFS held by each retailer and the frequency at which these would require updating, there is a risk that these links could become broken or inaccurate. Additionally, in cases where the AER is provided with proposed pricing prior to development of the PFS, providing a link directly to that PFS will be a practical impossibility.

It is imperative that customers are able to access accurate information about an offer prior to accepting it. AGL believes that is not in the customer's best interest to restrict the information it is provided with. When using the PFS links, we believe that customers would either be searching for further information or looking to sign up to an offer. If the link on the website takes a customer directly to a PDF version of the PFS, the information displayed will likely be too specific and consequently unhelpful for the customer. The Retail Pricing Information Guideline places an obligation on retailers to ensure that PFS for all generally available offers are easily accessible on the retailer's website and it is then up to the retailer to direct customers to either an online switching area or another sign up process. As such, providing a generic link to a retailer's website would allow a customer the flexibility to conduct their further research or to follow the sign up process, depending on their own purpose.

Pricing Guideline Notice of Final Instrument – AER Guideline

AGL is predominantly supportive of the proposed changes to the Pricing Guideline. We recommend, however that the PFS disclose the fact that the prices are displayed exclusive of any discounts. This will assist customers to understand the information displayed on the PFS, and to make a more meaningful and informed comparison between offers. Without such a statement, customers may be confused or uncertain about whether the discount has been included in the price in one PFS, but not included in another. We note that such a disclaimer is appropriately included in the price comparator website results page and encourage consistency across all documents to assist with customer comprehension.

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series