

26 August 2011

Ms Dianne McGrath
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

By Email: AERInquiry@aer.gov.au

Dear Ms McGrath

AER PRICE COMPARATOR WEBSITE - ISSUES PAPER

Alinta Energy (Alinta) appreciates the opportunity to comment on the Australian Energy Regulator's (AER) Issues Paper on the development of a Price Comparator Website.

Introduction

Alinta currently retails electricity and gas to approximately 620,000 customers in the Western Australia market. Alinta's current strategy is to establish and expand its retail energy business into the National Electricity Market, complementing its current generation facilities in South Australia, Queensland and Victoria. Alinta has obtained a licence to retail electricity in the South Australian market, and began acquiring customers in August 2011. As a new entrant retailer with an ambitious growth strategy to offer affordable energy to consumers, Alinta considers that improving the information available to prospective consumers is a positive step.

Alinta is generally supportive of the development of a fully functional price comparator website as an information tool for consumers. However, in order for the price comparator to be an effective tool for energy consumers, it is critically important that the site is maintained and updated in an accurate manner. Alinta considers that without regular monitoring and updating the site will not meet its objective of providing useful information to consumers about the energy offers available to them.

Alinta notes that the penetration of commercial switching websites has increased in recent times. While a fully competitive energy market will inevitably embrace new technology platforms such as switching websites in order to communicate with potential customers, Alinta shares concerns that the current offerings from commission based switching sites may not in some circumstances provide complete information to prospective consumers. Therefore, Alinta believes it is critical that the AER's price comparator website is functional and user friendly, and provides consumers with the essential information in which to make an informed decision regarding the major offers from energy retailers in the electricity market.

Summary

An overview of Alinta's comments in relation to the specific matters raised in the Issues Paper are:

- Alinta agrees consumers should be able to search for energy offers using their usage, average energy spend or household information. Alinta also believes the site's functionality should be extended to allow customers to assess whether they could adopt a time of use pricing product.
- Offers should be presented as a base offer plus a discount (where applicable), and where that discount is conditional, that the conditions be clearly stated.
- The site should clearly identify any fees and charges which relate to the total cost of the product.
- Alinta does not support the AER including an estimated savings option in the website, given it is by nature forward looking and prices may change during the contract period.
- The website should be designed to have the functionality to include multiple sorting options, eg for cost, contract term and single vs. dual fuel.
- It should be the priority of the AER to ensure the price comparator website is both functional and appealing to users.
- It should not be mandatory that all products offered by a Retailer be submitted for publication, particularly products targeted at niche markets.
- Alinta encourages the AER to engage with leading industry sites to leverage off this experience and proven functionality.

User Inputs related to Estimated Energy Consumption

Alinta supports the AER's proposal concerning consumers being able to compare energy offers by either:

- The users own kWh or MJ gas usage; or
- Typical energy spend in dollars; or
- Information on the user's household information.

While at the current point in time there is not widespread usage of time-of-use tariffs, consideration should be given to developing the household characteristics function to assist customers in assessing their potential for responding to price signals and the benefits to users from switching their consumption to non-peak periods. Obviously a consumer's ability to consider time-of-use tariffs is dependent on their metering installation. This is a worthwhile initial consideration as the comparator website is developed, so as to reduce the need to re-build the entire platform at a later date.

Other Price Components

Alinta believes financial discounts and the base offer price must be identified separately so as to allow consumers to readily compare various offers, and be able to consider the multitude of potential

discounts/benefits that may be relevant to their consumption. Alinta suggests that distinctions should be made between those financial discounts that are automatically available without condition (i.e. discount on variable rate of electricity) and those price components that have conditions attached (i.e. discount for on-time payment). Alinta is concerned the AER has indicated it only intends to rank offers on base price. Alinta suggests that greater consideration be given to ranking offers with some level of non-conditional discounts, should the consumer choose to stipulate this as a search function.

Should a consumer actively target a number of price comparison websites, including commission based switching sites (which do actively include discounts in price offers), then it will give the appearance that these websites provide more attractive results to the AER price comparator website. Alinta suggests the default search should provide base price only offers, with the option of including price discounts not subject to conditions, so as to provide a complete picture to consumers.

Presentation of Fees and Charges

Alinta considers that it is critical that presentation of fees and charges be clear and transparent to customers. In particular, variation clauses, termination fees and the need for security deposits contained in energy supply contracts can often have unforeseen financial impacts for energy customers after the consumer has entered into a new market contract. It would be preferable that the AER, to the extent practical, could provide some requirements in its proposed guidelines so that these clauses and conditions that may be critical to consumer's decision making are accurately presented to consumers. This could involve all retailers providing a basic overview of non-standard variation clauses contained within contracts and having these variation clauses published along with the retail offer description.

Estimated Savings Option

Alinta does not favour an estimated savings function as an appropriate feature for the website. The primary purpose of the price comparator website is to provide to customers a list of available offers in their supply area that best meet the needs of the consumer. However, the current nature of electricity supply is that many factors are placing upward pressure on retail prices, particularly concerning network costs and the introduction of a carbon tax. Ultimately, any estimated savings functionality would be forward looking, contrasting the consumer's current retail offer, with an alternative offer. Alinta believes that there is a risk that a proposed level of savings generated by a savings estimator function may prove to be ultimately inaccurate.

Alinta believes that the AER Price Comparator website runs the risk of misleading customers as to their actual savings should it include a savings estimator. Further, in situations where consumers are moving to a house that is in a different supply (distribution) area, the savings comparator may misrepresent to a customer a level of saving available to a consumer, given that the current offer the comparison is based upon is for the users current supply area.

Sorting Options

Ideally the options for sorting different retail offerings should be:

- Price;
- Contract Length/type;
- Single Fuel vs. Dual Fuel;
- Tariff Offerings (e.g. time of use); and
- Commonly offered benefits (i.e. early payment discounts for consumers who always pay on time).

Ideally users of the website will be able to select multiple sorting options. The key issue for the AER is ensuring that the sorting functionality of the website is user friendly and that results are clear and easy for the customer to understand. The AER should allow the user flexibility to determine the amount of results displayed per page, in order to allow the user to strike their preferred balance between clearly displayed options and the number of results on each page.

Dual fuel offerings raise some interesting questions as to how potential customers are able to compare the relative merits of dual fuel offers against single fuel offerings. Should a customer be only interested in price when making a product selection, the AER's proposed treatment of dual-fuel offers may not necessarily allow customers to directly compare the relative costs of having a dual-fuel bill against two separate bills. In some circumstances, having two separate utility bills can provide price benefits to consumers.

Mandatory Publication of Offers

Alinta considers it should be at the Retailer's choice as to what offers are provided to the AER for inclusion in the price comparator website. Retailers should be able to exclude niche offers that do not represent their base or standing offer. In particular, some green energy products and time of using pricing products may preclude some offers from being directly comparable. Further, Alinta envisages that retailers will continue to innovate and provide offers targeted at small sections of the residential market that may not necessarily compete on price alone. The inclusion of these offers on the website may act as a disincentive to retailers wishing to develop innovative products that do not compete purely on price.

How to Present Offers to Stakeholders

Alinta considers that the IT model chosen by the AER, in addition to the nature of the website interface is critical to the success of the AER price comparator website. Alinta notes that the currently available switching sites such as Switchwise are visually appealing. The ease of use for consumers, and display of information, ensures that the website is not only functional but is an appealing tool to use. Alinta encourages the AER to engage with leading industry sites currently operating in the market to leverage off this experience and proven functionality.

Should you wish to discuss Alinta's submission in response to Price Comparator website, please feel free to contact me on 08 9486 3762.

Yours sincerely



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