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Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001  
Via email: AERInquiry@aer.gov.au

**Re: AER's price comparison website**

Dear Ms McGrath

Thank-you for the opportunity to respond to the Issues Paper on *AER's price comparison website* (July 2011).

This submission is based on my experience with price comparators (delivered by jurisdictional regulators) through recent work undertaken on behalf of the St Vincent de Paul Society's (SVDP) Tariff-Tracking projects.<sup>1</sup> This submission contains general comments and observations about issues that affect the reliability of price comparison services rather than addressing the issues specifically raised in the AER paper.

In the initial SVDP's Victorian Tariff-Tracking report (July 2010), research for which heavily relied on the Essential Services Commission Victoria's 'Your Choice' website, included recommendations similar to the three below:<sup>2</sup>

1. It is important that consumer representatives continue to monitor tariff changes and analyse the impact changes have on energy bills, and utilise this information to create greater community awareness and increase consumer *initiated* interest in energy market offers. As such, regulators with price comparison services should facilitate this activity through establishing an alert system that automatically notifies interested consumer representatives of new tariff gazettes or changes to published market offers.

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<sup>1</sup> To date, these projects have tracked domestic electricity and gas tariffs in Victoria from July 2008 and NSW from July 2009, and developed a spreadsheet based tools that allows consumer advocates to build on the initial analyses and continue to track changes as they occur. The workbooks, and the associated reports, can be accessed at the St Vincent de Paul Society's website: [www.vinnies.org.au](http://www.vinnies.org.au)

<sup>2</sup> St Vincent de Paul Society Victoria, *Victorian Energy Prices July 2008 – July 2010, A Report from the Victorian Tariff-Tracking Project*, May Mauseth Johnston, Melbourne, July 2010

2. In Victoria, it is currently almost impossible for a household to know which gas offers are applicable to them. The numerous gas zones go under different names and one retailer simply numbers each zone without further reference to the area. Households currently looking at gas offers would in many cases need to compare a list of postcodes in order to determine whether the offer is applicable to them. The AER should simplify and ensure consistency in the naming of the Victorian gas zones.

3. Although the AER's work on Price and Product Information Statements (PPIS) is separate to the price comparison website, the effective working of a price comparison website depends on these statements. The guidelines must ensure that consumers can easily access retailers' price and product information statements, that all retailers include essential information about rates and contract terms and conditions in their statements, and that the statements are easily comparable. Currently this is not the case. It is nearly impossible to find some of the retailers' price and product information statements, while some statements lack crucial information such as length of contract term and date of offer. Furthermore, some retailers list supply charges as cents per day, some as dollars per day and some as dollars per billing period. The terminology used for describing key components of an energy offer varies significantly. One retailer, for example, uses the term "Super Saver Availability" instead of supply charge and "You're'n Charge Off Peak Energy" (sic) instead of off-peak rate.

The SVDP's Update-report on Victorian Tariff-Tracking project (January 2011) highlighted a key issue relating to timely updates of the regulator's comparison service:<sup>3</sup>

"To be consistent with the methodology of the original tariff-tracking tool (released in July 2010) our intention was to use the ESC's YourChoice website to identify changes to published market offers and source information from the attached price and product information statements (PPIS). However, as the ESC still had not updated its website as of 22 January 2011 (despite several of the offers taking effect as early as 1 January) we decided to source the information elsewhere.... Powerdirect also usually operates with a discount included in their market offer rates, but as we were unable to locate these rates, Powerdirect has not been included in this analysis. Other retailers, such as Click, Lumo and Country Energy, make their rates readily available on their websites and we therefore believe we have successfully identified most changes to Victorian market offer rates".

It is crucial for consumers who seek to compare offers and switch to a better energy contract that the regulator updates the comparison website in a timely and accurate manner. However, as the SVDP discovered when developing the

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<sup>3</sup> St Vincent de Paul Society Victoria, *Victorian Energy Prices July 2010 – January 2011, An update-report on the Victorian Tariff-Tracking Project*, Melbourne, January 2011, p 11

NSW Tariff-Tracking tool in July 2011, it is not necessarily as simple as having resources allocated towards updating the website in a timely manner.

The current NSW retail approach appears to be one of short-term special offers designed to increase market share. It is however more difficult for a regulator to provide consumers with reliable and timely information in such a fast changing environment. One approach that can be used to discipline the market and thus improve transparency regarding market offers is to require all published market offers to stipulate expiry dates. The same offer may continue to be 'live' after that date, but then the retailer would simply stipulate a new expiry date. Price and product information statements with expiry dates would mean that the regulator can more confidently provide comparison services when they are most relevant and important (i.e. after a reset of the regulated rates). To date, IPART has been using disclaimers and warnings that rates may have changed and that consumers should contact retailers directly. This is a sensible way of managing the problem, but the SVDP recommended that IPART look into potential solutions to the problem in the first place. The SVDP believes a simple requirement to publish an expiry date on market offer Price and Product Information Statements can diminish this problem.<sup>4</sup>

The importance of consistency in the way the information is presented on the website (e.g. additional discounts being included or excluded from the rates) would seem self-evident, however this is something the AER needs to pay close attention to. Currently on the Victorian 'your choice' website, for example, one retailer has included its 10% discount on usage in the published rates while others have discounts excluded from the rates.<sup>5</sup> As additional discounts are currently the key differentiation aspect of market offers, it is crucial that the offers are listed in a consistent manner. As some retailers offer discounts on the total bill, some on consumption only (e.g. not the supply charge), some only when bills are paid on time, and some have one general discount as well as a pay on time discount, the easiest approach would be to exclude all discounts from the published rates. That said, consistency is the key issue and as long as the chosen approach can deal with the publishing of the various market offers in a consistent manner, it is not all that important whether they include or exclude *ongoing* discounts.<sup>6</sup>

Finally, as natural gas penetration and average household consumption levels vary significantly between jurisdictions, the AER should consider whether its price comparison service should include 'dual fuel' offers. In Victoria, where the gas penetration is high, and several retail market offers exist for gas consumers, this may not be regarded as a priority. In other jurisdictions however, dual fuel products may help improve competition for gas consumers.

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<sup>4</sup> St Vincent de Paul Society, *New South Wales Energy Prices July 2009 – July 2011, A Report from the NSW Tariff-Tracking Project*, May Mauser Johnston, Sydney, August 2011 (forthcoming)

<sup>5</sup> St Vincent de Paul Society Victoria, *Victorian Energy Prices January- July 2011, An update-report on the Victorian Tariff-Tracking Project*, Melbourne, August 2011 (forthcoming)

<sup>6</sup> Note that some discounts apply for a limited timeframe only.

Please do not hesitate to contact me if you wish to discuss any of these issues in more detail.

Yours Sincerely,

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