

3 November 2017

Simon Kidd
Assistant Director
Retail Markets Branch
Australian Energy Regulator
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Dear Mr Kidd

Aurora Energy submission to 2017 Customer Price Information Issues Paper

Aurora Energy welcomes the opportunity to provide comment on the Australian Energy Regulator's (AER) Customer Price Information Issues Paper (AER Issues Paper). Aurora Energy is a Tasmanian Government-owned retailer supplying 279,636 Tasmanian residential and business customers. Aurora Energy's core focus is to generate value for its customers and the broader Tasmanian community. Aurora Energy places a high priority on the provision of timely, relevant and understandable information to its customers, to enable them to best manage their electricity needs.

In order for retailers to effectively communicate with electricity customers, the market context within which customers use electricity must be acknowledged. Aurora Energy would like to emphasise the high diversity of markets that exist within the National Electricity Market (NEM), making particular note of those markets with limited or no effective retail competition.

The majority of Tasmanian electricity customers do not have a choice of retailer¹. While full retail contestability has been possible under the Tasmanian legislative framework since July 2014, Aurora Energy continues to be the sole retailer for all residential customers and for the vast majority of small business customers in Tasmania². Retail prices for these customers are regulated by the Tasmanian Economic Regulator, with the regulatory framework also incorporating obligations for Aurora Energy to provide customers with regulated price and product information.

In contrast, the proposed regulatory changes being considered in the AER Issues Paper are designed for markets with full and effective retail competition, with a focus on facilitating customers "shopping around" for electricity offers. Without effective competition, these proposed regulatory outcomes are irrelevant in Tasmania. Further, there is a significant risk that the proposed regulatory changes, if implemented, will:

- introduce additional customer price information in the Tasmanian market that results in greater customer confusion; and
- impose unnecessary implementation costs in Tasmania with no commensurate benefit to customers.

The proposals included in the AER Issues Paper represent a higher level of prescription in the regulatory framework for customer price information provision. It is Aurora Energy's view that prescribing a 'one-size-fits-all' approach to customer communication not only fails to appropriately

¹ Australian Energy Market Commission, 2017 AEMC Retail Energy Competition Review.

² Robust competition does exist in the Tasmanian large customer market.

consider the diversity of markets in the NEM, but also the role of retailers to effectively meet the specific needs of customers.

The regulatory proposals canvassed within the AER Issues Paper are based on the on the current customer experience in the electricity market. For example, they assume a traditional view of customer price structures, billing methods, communication channels and customer behaviour. Prescriptive regulation developed in this way serves to entrench the customer experience 'status quo' and limit the ability of retailers to respond to the changing electricity needs of its customers in innovative ways.

Aurora Energy urges the AER to ensure that regulatory intervention, if required, has sufficient flexibility to cater for a diversity of markets and does not limit the ability for retailers to meet the evolving needs of customers.

Energy Price Fact Sheet (EPFS) content and format

Aurora Energy notes that the key objective of an EPFS remains undefined. Aurora Energy suggests the following possible objectives which have implications for subsequent design of an EPFS, which are to:

- provide a ready reference guide for customers to compare prices between retailers in a competitive market; or
- serve as a summary contract for customers to access the key terms and conditions of their current offer at any point in time.

Customer segments will value these possible objectives differently. Residential customers in competitive jurisdictions may benefit from an accessible location to obtain key price information for the purpose of price comparison. Other customer segments may prefer for the EPFS to serve as a summary contract, such as business customers who may value a higher level of electricity product detail.

Given the differing needs of customers, the limited competition and retail price regulation in the Tasmanian market, it is Aurora Energy's view that the regulatory requirements for the EPFS must provide sufficient flexibility to tailor the EPFS for the needs of Tasmanian customers and the Tasmanian market context.

Comparison rates and reference prices

Aurora Energy does not support the introduction of a comparison rate or reference price in the Tasmanian jurisdiction. The absence of competition in the residential customer segment renders comparison rates and reference prices redundant. It is also important to note that Tasmania's retail price regulation includes obligations on Aurora Energy to publish a schedule of regulated prices and key terms and conditions. This incorporates product information currently captured by EPFS obligations.

The introduction of a comparison rate or reference price would create an additional set of price information that would again duplicate the Tasmanian regulated price information provided to customers. There is also a high risk that the methodology for a comparison rate or reference price actually results in information *that conflicts with* Aurora Energy's regulated price information. Either way, this would serve to cause greater confusion for Tasmanian customers.

The introduction of a comparison rate or reference price assumes the traditional view of electricity products and customer behaviour. Prescriptive regulation developed based on these assumptions will limit the way retailers evolve customer product offers. For example, a simplistic comparison rate

methodology may limit the potential price innovation that may occur based on the greater granularity of meter data enabled by advanced meters. Importantly, a regulatory focus on price will also likely lead to reduced innovation in the non-price, service related elements of electricity products.

It is Aurora Energy's view that regulatory developments should not limit the ability of retailers to innovate electricity product and service offerings, but should support retailers responding to the changing needs of its customers.

Technological options to facilitate offer comparison

Aurora Energy does not agree with the regulatory framework prescribing a specific technology such as 'QR' codes to facilitate offer comparison (or provision of customer information more generally). In the context of jurisdictions without effective retail competition, a mandated QR code will be irrelevant without other offers from which to compare against.

With respect to the prescription of the use of technology in regulation, Aurora Energy does not agree that the regulatory framework should 'pick winners'. The rate of change of customer use of technology is high and the technologies available are diverse. The most effective communications channels with customers should be the prerogative of the retailer, responding to the behaviors of customers and leveraging those communication channels that may already be well subscribed.

The requirements to be included in a QR code, as identified in the AER Issues Paper, represent material technology changes for retailers, particularly with respect to integration with billing systems. Like most retailers in the NEM, Aurora Energy is in the midst of significant system investment arising from the transition to products based on interval data and advanced meter technology, which will continue to prove challenging over the coming years. In this context, any potential addition to retailer obligations with respect to the use of technology must be of proven value.

Customers who are not digitally engaged

Compared to other jurisdictions, Tasmania has a low level of digital access, with customers' digital affordability, internet accessibility and digital literacy amongst the lowest in Australia³. Tasmania's lower incomes, education and employment levels are major contributing factors to the low digital access level. Traditional forms of price communication are still required for these consumers, such as billing and targeted support through retailer customer service centres and vulnerable customer teams. Aurora Energy will always offer phone support services for those customers unable or unwilling to engage digitally.

For customers that are not digitally engaged, there is an opportunity for energy retailers to innovate and provide this group with information on product choices outside of digital forums. Aurora Energy contends that this innovation should not be prescribed and retailers should be able to identify and develop channels that suit its particular customer segments. Aurora Energy notes that non-digital communications channels already exist between customers and retailers by virtue of the regulatory obligations for retailers to maintain varied payment methods. These channels may be leveraged to improve information provision to customers.

One avenue to reaching digitally and generally disadvantaged customers is to develop strong links with the broader community through supporting local groups and individuals. By building trust and investing in communities, customers can be safe and confident in their ability to reach out to their retailer when energy affordability becomes an issue for their household.

³ Roy Thomas, J, Barraket, J, Wilson, C, Ewing, S, MacDonald, T, Tucker, J & Rennie, E, 2017, Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2017, RMIT University, Melbourne, for Telstra.

Conclusion

While Aurora Energy acknowledges the objectives of national regulation to increase customer engagement with the competitive retail market, it also reiterates that customers and markets within the NEM are diverse. A 'one-size-fits-all' approach fails to appropriately reflect this diversity. Retailers require flexibility to communicate with their customers in the most effective manner.

Tasmania has distinct requirements for communicating price information to its customers as a result of limited competition and its state-based retail price regulation. There is a high risk that regulatory developments such as those canvassed in the AER Issues Paper may not only be irrelevant in the Tasmanian jurisdiction, but cause unnecessary confusion for Tasmanian customers and impose unnecessary costs on Aurora Energy which will ultimately be borne by customers.

Managing energy affordability in Tasmania remains the highest priority for Aurora Energy. In the context of the AER Issues Paper, it is Aurora Energy's view that as retailer, Aurora Energy is best placed to provide the information required for a customer to make informed choices to manage their electricity needs. Aurora Energy will continue to monitor customer service outcomes and ensure Tasmanian's are provided proactive energy choices. It is Aurora Energy's view that regulatory intervention, if required, should not limit its ability to respond to the changing electricity needs of Tasmanian customers.

If you have any questions regarding this submission please contact Aurora Energy's Regulatory and Policy Manager, Hayden Moore, at hayden.moore@auroraenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rebecca Kardos', with a large, stylized initial 'R'.

Rebecca Kardos
Chief Executive Officer