



# Energy Switching Sites

An analysis of energy price comparison  
and switching sites available to  
Victorian consumers

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This report has been prepared for the  
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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

### CUAC Research: Informed choice in retail energy markets

This project is an important component of a current project being conducted by the Consumer Utilities Advocacy Centre Ltd. (CUAC) with funding from the Consumer Advocacy Panel into information asymmetries and effective consumer participation in effective retail energy markets. The findings from this report will be used to inform the and complement the other research particularly in relation to the quality of information currently available to Victorian energy consumers.

## Executive Summary

Price comparison/switching websites are an important component of the competitive retail energy market. They provide consumers with information, and facilitate price comparisons and switching processes that can otherwise be difficult to access.

However, the analysis presented in this report shows that information differs considerably between sites, and while sites can identify and recommend market offers that reduce the annual bill for customers currently on the standing offer, there is no guarantee that a particular site will identify the best offer available.

Energy consumers shopping around for the best deal would currently need a ‘comparator of the comparators’ in order to be confident that the best deal available to them has been identified.

There are three primary reasons for the differences in the search results between the comparison/switching sites:

1. Not all retailers have their market offers listed on all comparison/switching sites and obviously some retailers will have lower rates than others.
2. The comparison/switching sites use different assumptions and methodologies to calculate the estimated energy bill and annual savings.
3. Errors occur in some of the calculations pertaining to the customer’s current offer (the ‘base offer’), which means the site over- or underestimates the annual saving to be made by switching.

The variance in the estimated annual saving a household could achieve by switching from an electricity standing offer to the recommended market offer was as much as \$280 between the comparison/switching sites.

Furthermore, these sites inclusion of non-ongoing discounts and bonuses in the annual bill calculation of offers available makes comparison, and thus switching, from one market offer to another market offer more difficult. As many Victorians have already moved to a market offer and are currently no longer on a standing offer tariff, it is important that tools are designed to allow for reliable and meaningful comparison of customers current market offers with other market offers.

The analysis of the comparison/switching sites also highlights other issues pertaining to distribution areas with shared postcodes and seasonal energy tariffs that compromise the comparability of energy offers/plans. The challenge pertaining to shared postcodes requires two broad actions: Firstly, ensure that customers can more readily identify their electricity and gas distribution zones by introducing a consistent naming of the various zones (by retailers, regulators and distribution businesses) and require retailers to include the name of the gas zone on customers’ bills. Secondly, the comparison/switching sites must all have a search engine design that ensures that only offers available to the customer are listed as well as alerting them to the name of the electricity and/or gas zone the recommended offers are available in.

Finally, this report finds that there is insufficient transparency around the operation of the comparison/switching sites. For example, the information disclosure in relation to issues such as how the sites make their money, how many retailers and which one they include or co-operate with, and how they calculate the offers vary significantly

between the sites. So while the sites can help consumers find a better offer and potentially save on their energy bills, they also provide another layer of potential confusion and uncertainty. While the analysis presented in this report indicates that some of the comparison/switching sites are of higher quality and reliability than others, it appears to be a case of pot-luck for consumers when using the internet to find a site and making a decision to switch on the basis of its recommendation.

The Essential Services Commission (ESC) operates the ‘your choice’ energy price comparison site and is obliged to inform Victorians about standing offer tariffs as well as the rates of at least one market offer for each of the electricity and gas retailers. This report highlights some issues pertaining to the recently upgraded ‘your choice’ site, including:

- Not all retailers have a market offer listed on the ESC’s website although this is a legal requirement stipulated in Order in Council.
- The site is designed to provide a direct link to the Price and Product Information Statements (PPIS) however many of these links are currently missing.
- The site could become more user friendly by simply ranking offers according to price and ensuring that the key information in the attached PPIS is standardised.

### **Key recommendations**

As Victorian energy consumers are continually being advised to shop around for a better deal in order to cope with rising energy costs, it is crucial that they have access to accurate and quality information about energy offers and tools that enable them to compare costs. In broad terms this report recommends a medium to long term approach to improve the standard and quality of privately operated comparison/switching sites, as well as immediate actions for the Victorian Government and the ESC to ensure that Victorian consumers can identify the energy retail offers that present the best value to them.

### **Ensuring an industry standard for comparison/switching sites**

The accuracy and quality of the privately operated comparison/switching sites currently vary significantly. One approach to rectify this problem is to introduce a Code of Conduct (either based on a voluntary industry code or a regulator “seal of approval”) with the aim to raise the standard of participating sites. A Code of Conduct would thus allow consumers to more confidently use these comparison/switching sites to find the best deal available to them. Such a Code should ensure:

- Transparency around which retailers’ market offers are included in the sites’ search engines
- Transparency and disclosure of how commissions/fees are collected (the sites’ business model)
- Standardised and consistent use of assumptions and calculation methods
- Increased transparency around calculation methods and assumptions
- Rectification of search engine design flaws that result in calculation errors

However, raising the standards of the privately operated sites will take some time and consumers need immediate access to reliable information about tariffs and tools to compare costs. The Government and the ESC have both been calling on consumers to

shop around and they thus have a role to play in ensuring that consumers have access to the information and tools required to do so.

**The Victorian Government should:**

- Ensure that the ESC is appropriately resourced to enhance and maintain the quality of the ‘your choice’ website as well as ensuring that Victorian consumers are aware of the site and its services.
- Initiate an investigation into consumers’ ability to compare energy offers (gas and electricity) based on complex tariff structures, such as seasonal pricing. Product innovation by the retailers and consumers’ ability to compare energy offers are both important aspects of a competitive retail market, but there is also a trade-off between these two objectives. This investigation should examine:
  - What challenges consumers face in relation to comparing complex tariff structures such as time of use and seasonal pricing.
  - What the best method for comparing energy offers/plans based on seasonal pricing structures is.
  - The trade-offs between product/tariff innovation and comparability, and the implications for effectiveness of competition in the energy retail market.

**The Essential Services Commission (ESC) should:**

- Ensure that it complies with the Order in Council and include at least one market offer from all electricity and gas retailers on its website.
- Consult with customers and consumer representatives in order to ensure that the ‘your choice’ website becomes a meaningful and user friendly tool for consumers seeking to identify and compare energy offers.
- Prioritise maintenance of the site to minimise the occurrence of errors (such as broken links and data entry mistakes) to ensure that Victorian households have a reliable and quality source of information available to them.

## 1. Introduction

Consumers expressing concern over rising energy costs are constantly being advised to shop around. Politicians, consumer groups and the media have been urging consumers to compare energy retail offers and switch to a better deal. The message is that there are significant savings to be made, and analyses undertaken by both regulators and welfare groups support this claim.<sup>1</sup> But how easily can consumers identify and compare the offers that will reduce their bills and how confident can consumers be that they found the best deal available to them? We know there is a substantial quantity of information about energy offers available to Victorian households. However, there are still many questions as to the accuracy of this information and the value that it provides to consumers wishing to choose the best energy offer. There are also questions as to what additional or different information is required to facilitate better consumer choice.

Consumers actively seeking information in order to compare energy plans/offers that suit their consumption level and pattern essentially have three options: They can contact the retailers directly, they can use the Essential Services Commission's (ESC) comparison site 'your choice' or they can use one of what are commonly referred to as comparison or switching sites.

Following the recent media focus on escalating Victorian domestic energy prices, several energy comparison/switching sites have advertised their services and utilised various media outlets (including newspapers and current affairs television shows) to spread the message that savings can be made by switching to a different retailer or energy plan/offer. These sites have existed for several years but their presence as media commentators and in advertising slots are recent developments. It is, therefore, likely that an increasing number of consumers rely on these sites to choose an energy retailer/find a better deal.<sup>2</sup>

Consumer advocates have for a long time expressed concerns about the quality of the switching sites but no research has been undertaken to analyse their products and assess the quality of their services. This project aims to address this knowledge gap. The three main objectives of this analysis are to inform:

1. the community about the quality of comparison/switching sites and what potential users need to look out for;
2. regulators and policy makers about the quality of comparison/switching sites and recommend actions for improvements where needed; and
3. CUAC's research project into information asymmetries and effective consumer choice in competitive retail energy markets.

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<sup>1</sup> See for example ESC, *Consumers save on market offers as energy prices rise*, Media Release no. 6/2010, 16 December 2010, ESC, *Energy Retailers Comparative Performance Report – Pricing 2009-10*, December 2010 and *Victorian Energy Prices July 2008 – July 2010*, May Mauseth Johnston, St Vincent de Paul Society Victoria, July 2010.

<sup>2</sup> According to the ESC's performance report (ESC, *Energy Retailers Comparative Performance Report – Pricing 2009-10*, December 2010), there were 1.12 million electricity and gas transfers in the 2009-10 financial year (gross switching rates). There is no data available on what proportion of customers use comparison/switching sites in order to identify and compare offers, or to facilitate the switching process.



## 2. Methodology

This report presents the findings of an analysis of the eight privately operated comparison/switching sites (see table 1 below) as well as the ESC's comparison site 'your choice' ([www.yourchoice.vic.gov.au](http://www.yourchoice.vic.gov.au)).

**Table 1 Comparison/switching sites examined<sup>3</sup>**

<i>SwitchPower</i>	<a href="http://www.switchpower.com.au">www.switchpower.com.au</a>	This site offers price comparison and switching for electricity, gas and dual fuel customers (residential and business).
<i>SwitchSelect</i>	<a href="http://www.switchselect.com.au">www.switchselect.com.au</a>	This site offers price comparison for a range of products and services, including energy offers, broadband, phone, insurance products, financial products, travel and pay TV. As well as comparing energy offers it also allows residential customers to switch online to new electricity, gas and dual fuel plans.
<i>GoSwitch</i>	<a href="http://www.goswitch.com.au">www.goswitch.com.au</a>	This site offers price comparison and switching for electricity, gas and dual fuel customers (residential and business).
<i>SwitchWise</i>	<a href="http://www.switchwise.com.au">www.switchwise.com.au</a>	This site offers price comparison and switching for electricity, gas and dual fuel customers (residential and business).
<i>ShopAround and RateDetective</i>	<a href="http://www.shoparound.com.au">www.shoparound.com.au</a> <a href="http://www.ratedetective.com.au">www.ratedetective.com.au</a>	These sites (which use the same search engine) offer price comparison for energy offers, insurance products and financial products such as loans and credit cards. As well as comparing energy offers it also allows the user to switch online to new electricity, gas and dual fuel (residential and business) plans.
<i>Artogtravel</i>	<a href="http://www.artog.com.au">www.artog.com.au</a>	This site offers price comparison for energy offers, insurance products and financial products such as loans and credit cards. It compares electricity and gas offers for residential customers but does not facilitate a switching process. The plans currently listed on this website are out of date.
<i>MakeItCheaper</i>	<a href="http://www.makeitcheaper.com.au">www.makeitcheaper.com.au</a>	This site started off as an energy comparison and switching service for business owners but now offers this service to residential customers as well. However, it does not allow the user to compare offers online as it requires a telephone inquiry to get information about energy offers available.
<i>Energywatch</i>	<a href="http://www.energywatch.com.au">www.energywatch.com.au</a>	This is a telephone based energy comparison and switching service for households and businesses.

<sup>3</sup> These comparison/switching sites were identified through web searches, on the basis that this would be the primary method by which consumers would seek and find this information.

As two of the comparison/switching sites only recommend energy offers/plans over the phone (Make It Cheaper and Energywatch), and one of the sites (Artogtravel) do not have up to date offers, the main analysis, presented in sections 3,4 and 5, is based on the five remaining fully web based comparison/switching sites. “Mystery shopper” style telephone calls were made to both Energywatch and Make It Cheaper and the information obtained from these calls is included in tables 3 and 7. However, no systematic information about offers recommended and estimated annual savings were collected for these phone-based services.

#### **Analysis of electricity offers**

For each of the web based sites, searches for single rate electricity offers were conducted across all five distribution areas. The five distribution areas, and the postcodes used to conduct the searches, are Citipower (3000), Powercor (3400), SP Ausnet (3875), Jemena (3072) and United Energy (3929). These postcodes were chosen because they are serviced by only one distributor (i.e. they are not shared postcodes). See section 6 below for a more detailed discussion of this issue.

In order to investigate whether there were differences in the number and/or type of retail offers available to households depending on their consumption profile, all the electricity searches were repeated for three consumption levels (annual consumption of 3500kWh, 4800kWh and 8000kwh).

The three best offers recommended for each customer type were documented along with the estimated annual bill calculation and annual saving. It was assumed that the customer was looking to switch from the standing offer. The number of plans/offers listed for each of the retailers was also collected.<sup>4</sup> The five web based comparison/switching services included in this analysis are (in alphabetical order): Go Switch, Shop Around (same as Rate Detective), Switch Power, Switch Select and Switch Wise. However, as the purpose of this analysis is not to recommend one particular comparison/switching site over another, the findings are presented for ‘sites 1-5’ (and *not* based on alphabetical order). This allows for a demonstration of any inconsistencies and variance between the sites, without creating a focus on good vs. bad sites.<sup>5</sup>

#### **Analysis of gas offers**

Three of the five web based sites (SwitchSelect, SwitchWise and GoSwitch) offer gas only price comparison/switching services. For each of the three web based sites, searches for gas only offers, based on consumers using 63,000MJ per annum (medium consumption households), were conducted across the eight main gas distribution zones. The eight distribution zones, and the postcodes used to conduct the searches, are Origin North (3630), Tru East (3000), Origin South East (3825), Tru West (3350), AGL North (3023), Tru Central (3216), Origin Metro (3128) and AGL

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<sup>4</sup> This was for indicative purposes only as some of the sites list all offers available for the postcode while others only list those deemed to offer better value than the customer’s current contract. This information was collected for the 4800kWh per annum consumption level only.

<sup>5</sup> As the ESC’s ‘your choice’ site does not automatically compare potential offers to customers’ current offers in order to estimate annual savings, the search results from the ‘your choice’ site have not been included in this analysis. Section 7 looks at the ‘your choice’ website separately.

South (3187).<sup>6</sup> It was assumed that the customer was looking to switch from the standing offer.

The best offers recommended by GoSwitch and SwitchWise for each of the gas distribution zones were documented as well as the estimated annual bill calculation and annual saving. The SwitchSelect searches did not actually produce any gas only market offers.

To identify search results for consumers looking to switch from a market offer to a new market offer, some of the searches conducted for electricity consumers were repeated but with a change to the customer information entered, this time assuming the customer currently is on one of the “top three” market offers recommended by the sites (see discussion in section 5).

#### **Analysis of ‘shared postcodes’**

For each of the five web based sites, searches for medium consumption dual fuel customers (4800kWh and 63,000MJ per annum ) were conducted in postcode 3011 (which includes both Citipower and Jemena’s electricity distribution areas). It was assumed that the customer was looking to switch from the standing electricity and gas offers.

The best offers recommended by each of the comparison/switching sites along with the estimated annual bill calculation and annual saving were documented. Importantly, the searches looked to identify how the sites dealt with the shared postcode issue and whether a potential customer can easily identify what distribution area the sites assign them to by default. One of the sites was unable to produce a dual fuel offer for this postcode.

#### **Analysis of the ESC’s ‘your choice’ website**

The searches conducted across five electricity distribution areas and eight gas zones for each of the web based comparison/switching sites described above, were also conducted using the ESC’s ‘your choice’ site. Estimated annual bill calculations for the best offers were documented but as the ‘your choice’ site does not calculate customers’ current costs, estimated annual saving amounts are not applicable.<sup>7</sup> This is the main reason the ESC site is not directly compared to the privately operated comparison/switching sites in this report. Section 7 discusses the findings and observations in relation to the ‘your choice’ site while section 4.3 (seasonal tariffs) discusses implications arising from the ESC’s approach to estimating gas bills (which are comprised of a winter peak and summer off-peak price).

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<sup>6</sup> These searches were conducted on 7-9 December 2010.

<sup>7</sup> The ESC recently included a ‘Compare your bill’ service on the ‘your choice’ site. This service allows consumers to enter consumption and rate details from their electricity or gas bill and compare this bill to an alternative offer. However, consumers must enter the details of the alternative offer themselves, as the service does not attempt to automatically compare the bill information entered with the offers listed on the ‘your choice’ site. See [www.yourchoice.vic.gov.au/public/compare](http://www.yourchoice.vic.gov.au/public/compare)

### 3. A better deal vs. the best deal

The searches demonstrated significant variance between the comparison/switching websites' in terms of recommended retailer, recommended plan and the estimated annual saving despite the customer's information entered remaining consistent. While all five sites can identify and recommend market offers that reduce the annual bill for customers currently on the standing offer, the size of the annual saving varies by over \$200 per annum in some of the areas. This means that consumers using comparison/switching sites to shop around for a better electricity deal can easily identify plans that produce a saving in costs, but it is nearly impossible to know whether the plan they agree to is the best offer available to them. This, combined with the fixed term condition applied to many of these plans (some of the offers stipulate a fixed term as long as 3 years), means that finding a better offer, but not the best, can be a costly experience for many of the customers relying on a comparison/switching site to identify better deals.

Charts 1-5 below demonstrate the significant differences in the estimated annual savings calculated by the comparison/switching sites across all network areas.<sup>8</sup> There is, of course, a single optimal saving that can be achieved for a consumer using 8000kWh per annum who wants to switch from the standing offer to the best market offer.<sup>9</sup> However, none of the sites were able to consistently identify and recommend a plan/offer with the highest estimated annual saving across all distribution areas. Some general observations of these charts include:

- Site 1 had electricity plans that produce the highest estimated annual saving for customers in four of the five distribution areas.
- Both Site 3 and 4 had electricity plans that produce the lowest estimated annual saving for customers in two distribution areas.
- Site 1 had plans that produced an estimated annual saving of more than \$400 in two distribution areas (Powercor and Jemena).
- The greatest difference in the estimated annual saving occurred in Citipower's distribution area where Site 1 estimated a saving of \$382 on its recommended offer while Site 4 produced a saving of \$104, a difference of \$278.

The below charts thus demonstrate that energy consumers shopping around for the best deal would currently need a 'comparator of the comparators' in order to be confident that the best deal available to them has been identified.

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<sup>8</sup> The dates for which these searches were conducted have been documented as market offers and availability may change. In Citipower's area the searches took place on 22/11/10 for Go Switch and Switch Wise, 23/11/10 for Shop Around/Rate Detective and 25/11/10 for Switch Power. In Powercor's area all searches were conducted on 23/11/10 except for Switch Power which took place on 25/11/10. In SP Ausnet and Jemena's areas all searches were conducted on 24/11/10 except for Switch Power which took place on 25/11/10. In United Energy's area all searches were conducted on 25/11/10 except for Switch Wise which took place on 24/11/10.

<sup>9</sup> In this context, the optimal or best market offer available simply refers to the lowest estimated annual cost. It does not consider individual circumstances (e.g. tenants avoiding lock in contracts) or more subjective preferences (e.g. consumers valuing free magazine subscriptions).

Chart 1 Estimated annual saving in Citipower's area

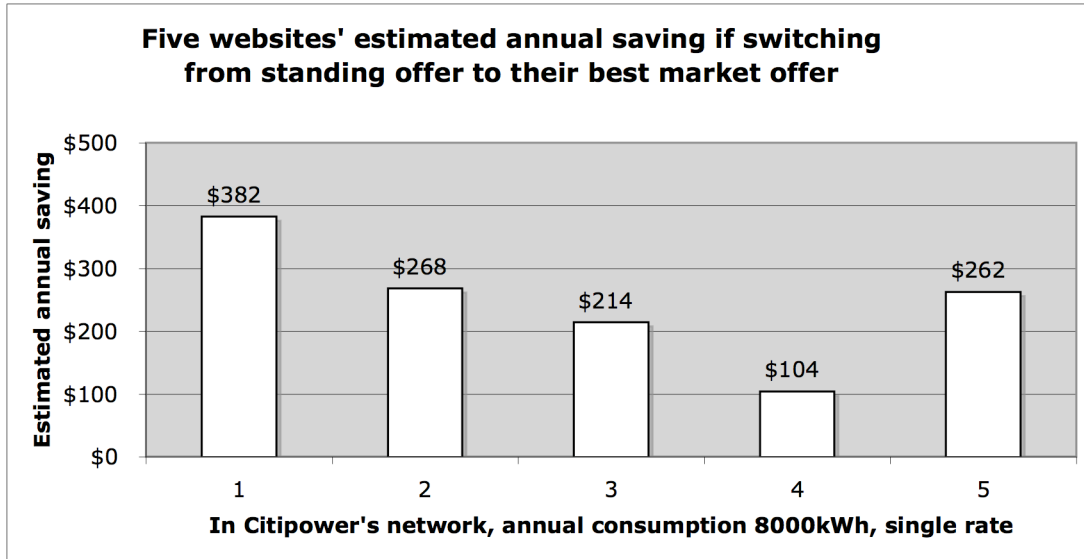


Chart 2 Estimated annual saving in Powercor's area

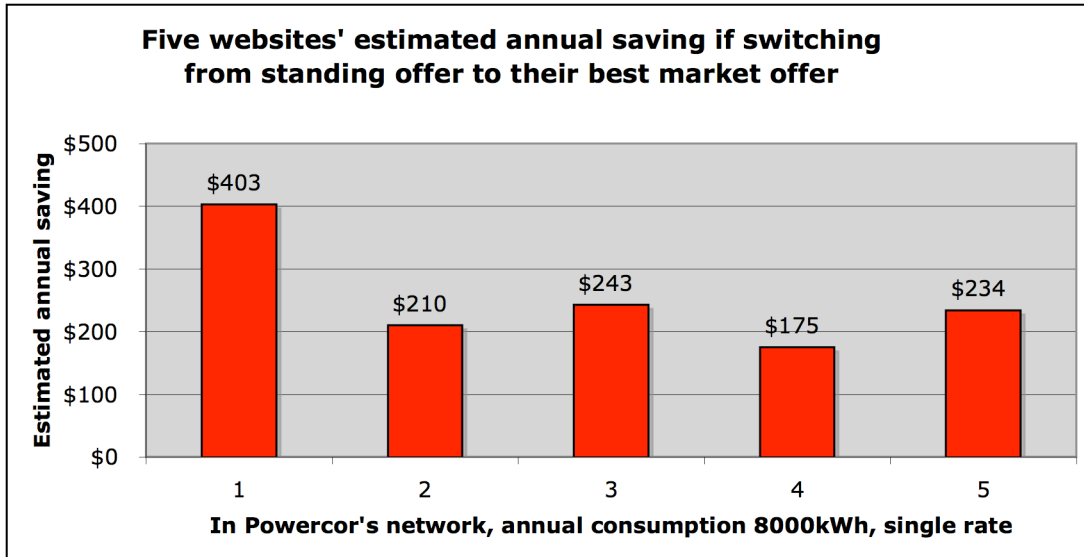


Chart 3 Estimated annual saving in SP Ausnet's area

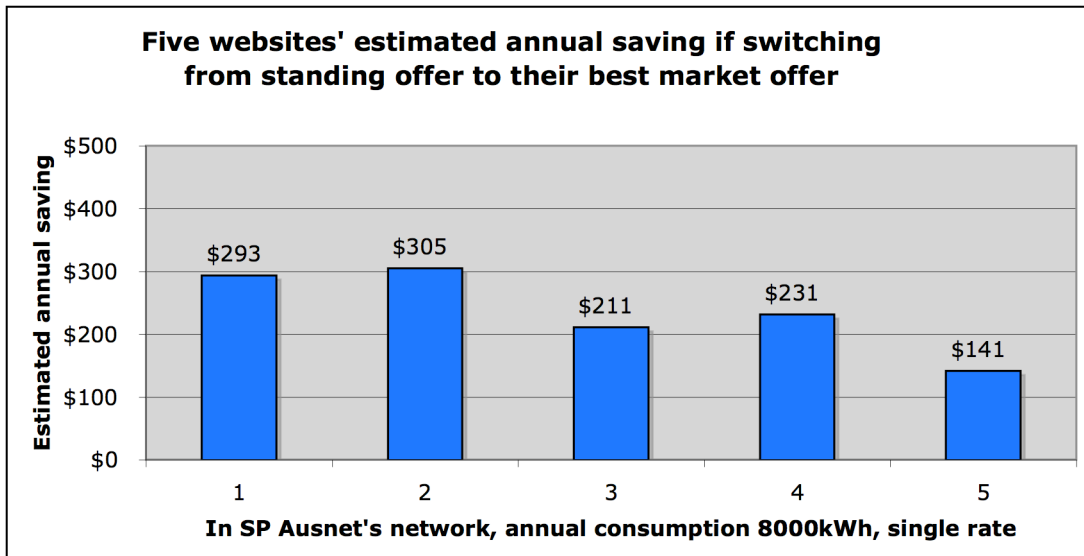


Chart 4 Estimated annual saving in Jemena's area

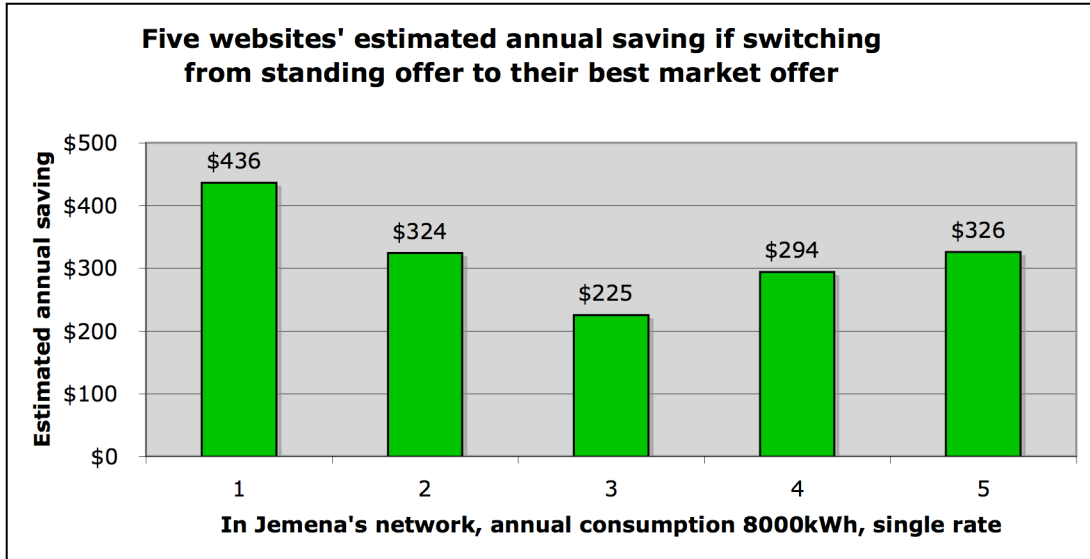
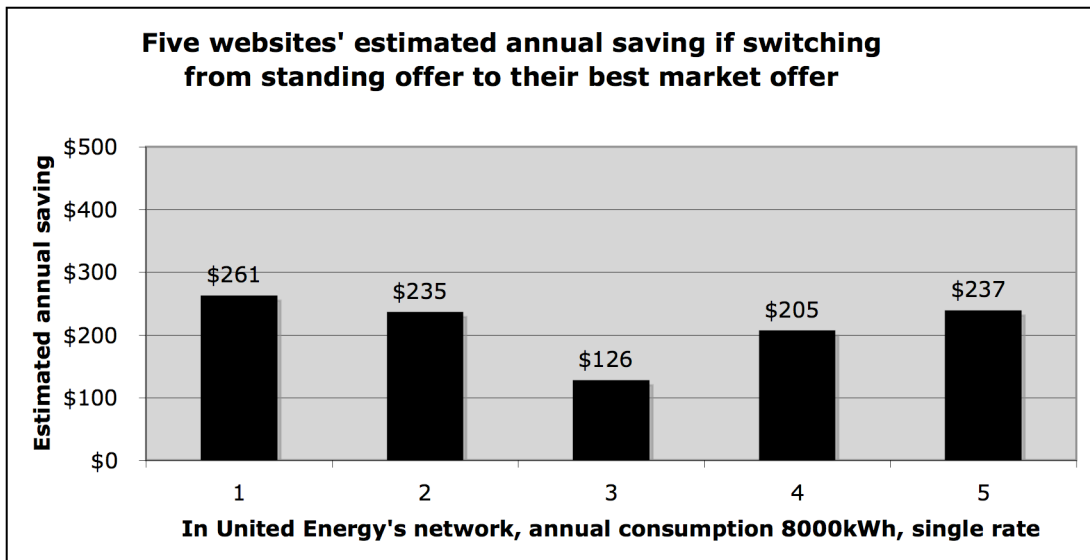


Chart 5 Estimated annual saving in United Energy's area



**In summary:**

- Consumers using comparison/switching sites to shop around for a better electricity deal can easily identify plans that produce a saving in costs, but it is nearly impossible to know whether the plan they agree to is the best offer available to them.
- Consumers shopping around for the best deal would currently need a 'comparator of the comparators' in order to be confident that the best deal available to them has been identified.
- None of the sites were able to consistently identify and recommend a plan/offer with the highest estimated annual saving across all distribution areas.

#### 4. Why do the sites recommend different offers/plans?

The difference in estimated annual savings between the comparison/switching sites is not only due to differences in the retailers/plans included in their search engines. Broadly speaking, there are three primary reasons for the differences between the recommended offers and the estimated annual savings. Firstly, not all retailers have their market offers listed on all comparison/switching sites and obviously some retailers will have lower rates than others. Secondly, the comparison/switching sites use different assumptions and methodologies to calculate the estimated energy bill and annual savings. Thirdly, errors occur in some of the calculations pertaining to the ‘base offer’, which means the site over- or underestimates the annual savings.<sup>10</sup> One possible approach to minimise these variances and improve the accuracy, reliability and quality of the sites, is to introduce an industry Code of Conduct. The UK energy regulator Ofgem, for example, introduced a voluntary Standards Code (or accreditation scheme) for UK price comparison and switching sites.

##### 4.1 Variance in retailers and plans included

If a comparison/switching site does not include a specific retailer or a specific offer with big pay on time discounts in exchange for longer contract terms (e.g. the Dodo 20% plan) it obviously means that the site will recommend a different offer to another site. Most of the sites do not disclose a list of retailers that they include offers from in their search engine but the number of participating retailers and the plans/offers included from the retailers do vary between the sites. Based on the electricity searches in each of the distribution areas, table 2 below illustrates which retailers have market offers listed on the various sites.

**Table 2 Retailers with market offers listed at switching sites (indicative)\***

	Site 1	Site 2	Site 3	Site 4	Site 5	ESC
AGL	√	√	√	√	√	√
Origin	√	√	√	√	√	√
TRU	√	√	√			√
AP&G	√	√			√	√
Click	√	√	√	√	√	√
Dodo	√	√			√	√
EA					√	√
N’hood	√	√		√	√	
P’direct	√	√				√
Red	√	√	√	√	√	√
Simply	√	√			√	
Lumo		√				
Momentum						√

\* As some sites only list the offers they believe will save the customer money, it is impossible to know exactly which retailers/offers are included in the various sites’ searches.

- Site 1 and 2 include most of the competitive market offers (Site 1 typically recommends Dodo while Site 2 typically recommends Neighbourhood Energy).

<sup>10</sup> Base offer refers to the energy contract a customer is currently on. The base offer can be the standing offer or a market contract.

- Site 3 has the least retailers/offers included in their searches. Click and Red Energy are typically recommended by Site 3, however competitive retail offers from neither Dodo nor Neighbourhood Energy are included.
- Site 4 does not have TRU market offers included. It includes market offers from Neighbourhood, Red and Click, but not Dodo.
- Site 5 has a high number of retailers included. The site typically recommends Neighbourhood or Click. The Dodo 20% offer that is frequently recommended by Site 1 is not included on this site. Furthermore, TRU's market offers are not included on Site 5.
- The ESC's 'your choice' site does not contain offers from all the retailers despite an Order in Council from 2008 stating that "retailers who have an existing offer to sell electricity or gas that is generally available for acceptance by persons designated as small customers must publish at least one existing offer for those customers. These offers are to be published on both the retailers' and the YourChoice websites".<sup>11</sup>

#### **4.2 Variance in calculation methodology/assumptions**

While all the comparison/switching sites (except for the ESC's 'your choice' site) include discounts on consumption charges and discounts rewarded for bills paid on time, there is no consistency in regards to how they allocate one off bonuses in relation to sign-up credits or loyalty bonuses.

Clearly, the assumption that bills will be paid on time (and thus the inclusion of these discounts in annual bill estimates) can result in many customers not experiencing the savings from switching retailer/plan as anticipated. Australian Power and Gas, for example, has one plan (with a one year contract term) that includes a \$75 sign up bonus and a \$200 loyalty bonus after 12 months. An annual bill estimate that includes the \$275 may demonstrate significant potential savings to the household however the \$200 loyalty bonus is only credited to the customer's account if *all* bills issued in the previous year have been paid in full prior to the due date.

There may also be an issue around the calculation of GST when estimating these bills. If customers are credited a pay on time discount on consumption rates on the following bill these discounts are presumably GST exclusive. However, all the comparison/switching sites calculate the estimated annual bill inclusive of GST and it is unclear whether the discounts have been adjusted for GST or not.

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<sup>11</sup> ESC, *Energy price and Product Disclosure*, Final Decision, May 2009, p 9. For Orders in Council, see Victorian Government Gazette, S315, 25 November 2008.



**Table 3 Methods for calculating annual bill (electricity)<sup>12</sup>**

	Discounts on usage (kWh) included in estimated annual bill?	Pay on time discounts included in estimated annual bill?	Bonuses/credits (i.e. N'hood Energy's \$30 sign up bonus).
Site 1	Yes	Yes	Offer does not mention bonus.
Site 2	Yes	Yes	Annual bill estimate includes one off sign-up bonus (\$30).
Site 3	Yes	Yes	N/A
Site 4	Yes	Yes	Offer does not mention bonus.
Site 5	Yes	Yes	Value of one off sign-up bonus allocated according to length of contract (e.g. 2 year contract with \$30 sign-up bonus means \$15 in discount on annual bill).
Phone based services <sup>13</sup>	Yes	Yes	N/A
ESC website	No	No	No

The sign-up bonus example used in table 3 above demonstrates how easily the assumptions and calculation methods practiced by the sites can impact on the estimated annual bill and thus the potential savings the customer can expect to make by switching retailer/plan. The methodology applied by Site 5 is arguably a more 'correct' way to estimate the annual bill. When this plan includes a two year fixed term condition and an early termination fee will apply, the value of the \$30 sign-up bonus is only \$15 per annum. However, most sites typically state that the 'estimated annual bill' is based on what the customer can expect to pay during the first year on the new energy plan. Some of the implications of this approach are discussed in section 5 below which pertains to comparison issues for customers already on market contracts.

#### 4.3 Seasonal tariffs and annual bill calculations

The issues pertaining to discounts on bonuses are the same for electricity and gas plans. However, as gas tariffs are seasonal (winter peak and summer off-peak) it is difficult to estimate a meaningful annual bill without taking this aspect into account.

Only a few of the comparison/switching sites allow for gas-only searches. SwitchWise and GoSwitch both come up with gas-only plans across all of the eight main gas distribution zones, while the SwitchSelect site facilitates gas-only searches but has no market offers listed for gas-only plans. The ESC's 'your choice' site allows for gas-only comparisons but only five of the seven gas retailers have offers listed on the site.<sup>14</sup>

<sup>12</sup> As not all of the sites state whether bonuses/credits are included in the estimated annual bill and/or how the amount is allocated, the information in this table has derived from comparing their annual bill estimate to the rates attached to the offer.

<sup>13</sup> Phone based services refer to MakeItCheaper and Energywatch, the two switching sites that require telephone contact in order to recommend plans/offers.

<sup>14</sup> All of the retailers are required to list at least one gas market offer on the ESC website. AGL, Origin, Tru, Australia Power and Gas and Energy Australia currently have gas offers listed on the ESC website while Simply Energy and Lumo do not.

**Table 4 Methods for calculating annual bill (gas)**

Comparison/ switching site <sup>15</sup>	Information entered to estimate usage (MJ used or \$ spent)	Information about MJ/\$ used/spent over what period	MJ/\$ information entered to estimate usage: Peak only or peak/off-peak	Sites present estimated bills per: month / quarter/ annum
Site 1	MJ or \$	Monthly Bi-monthly Quarterly Annually	Peak only No break down*	Annual
Site 2	MJ or \$	Monthly Bi-monthly Quarterly Annually	Peak /off-peak components entered	Annual
Site 3	MJ	Monthly Bi-monthly Quarterly Annually	Peak only No break down**	Annual
ESC website	MJ	Monthly Bi-monthly Quarterly	Peak /off-peak components entered	Monthly Bi-monthly Quarterly

\* The site states that it assumes a peak/off peak consumption ratio based on industry average (but the assumed breakdown is not stated)

\*\* The site does not state whether it assumes a peak/off peak consumption ratio in calculating the estimated annual bills

The table above shows there are differences when it comes to estimating the cost of gas on an annual vs. periodic basis. As gas is priced according to season it is a difficult product to estimate the cost of on a periodic basis (i.e. billing periods).

For example, a hypothetical household in the Envestra/TruEast gas zone uses 63,000 MJ per annum, with one third of the total usage attracting peak rates (during the four winter months) and the remaining two thirds attracting off-peak rates. According to the ESC's site Energy Australia may have the best gas plan for this household. As the site does not facilitate comparison based on annual consumption, a bi-monthly consumption of 10,500 MJ was entered and assuming that approximately 33% of the consumption attracts peak and 66% attracts off-peak rates, the comparison criteria entered was 3500 MJ of peak and 7000 MJ of off-peak consumption on a bi-monthly basis.

**Comparison criteria**

3500 MJ Peak | 7000 MJ Off Peak | Bimonthly

Screenshot from the ESC's 'your choice' website

Based on this information the ESC site calculates that on Energy Australia's gas plan the bi-monthly bill would be \$171 (incl GST).

**Energy Australia**

Residential - Gas- Envestra Central 2

**\$155.45 bimonthly**

(\$170.99 inc GST)

This result only shows the differences in the charges between your most recent bill and the offers you are comparing, based on the consumption you used for comparison. You must look at all other factors before making your decision - for example discounts, other incentives and any other costs you may have to pay

Screenshot from the ESC's 'your choice' website

<sup>15</sup> As the intent of this analysis was to investigate the extent of variance in assumptions and methodology, the three web based comparison/switching sites that include gas only plans are only referred to as site 1-3.

The Energy Australia rates that this ESC calculation is based on are:

Energy Australia Residential - Gas- Envestra Central 2		Tariff	Unit	Ex GST	Inc GST
PPIS		Peak - First 3200 MJ	c/MJ	1.2400	1.3640
		Peak - Balance	c/MJ	1.1000	1.2100
		Off Peak - First 3200 MJ	c/MJ	1.1700	1.2870
		Off Peak - Balance	c/MJ	1.0500	1.1550
		Supply Charge	c/day	39.0300	42.9330

Screenshot from the ESC's 'your choice' website

However, bi-monthly comparison criteria and bi-monthly estimated gas bills are of very little use to anyone trying to get a sense of whether one gas plan is better than the other. Most bi-monthly bills will have off-peak consumption only because the off-peak rate is the rate applied for 8 months of the year (in most cases). At the same time, at least one bi-monthly bill per annum will consist of peak rates only.

A different approach was applied by the recently developed Victorian Tariff-Tracking tool which only allows for comparisons of estimated *annual* bills and assumes a 33.33% peak and 66.66% off-peak ratio.<sup>16</sup> For the same Energy Australia gas plan as the one on the ESC website, the estimated annual bill would be \$923 according to the methodology applied by the Tariff-Tracking tool (compared to the ESC's "annual" bill estimate of \$1026).<sup>17</sup>

**Table 5 Annual bill for Energy Australia's gas market offer in the Envestra/Tru East gas zone, as estimated by the Victorian Tariff-Tracking tool<sup>18</sup>**

Tru East	Energy Aus
Winter bill 1st block peak	87.30
Winter bill Peak balance	176.63
Summer bill 1st block Off-peak	164.74
Summer bill 2nd block Off-peak	337.21
Fixed charges (per annum)	156.71
<b>Annual bill</b>	<b>923</b>

As explained in the report attached to the initial Victorian Tariff-Tracking tool, the difference between winter and summer consumption will vary significantly from household to household (depending primarily upon usage of gas space heating) and a 66-33% split does not adjust for increased winter consumption but assumes consistent consumption levels throughout the year as the prices are simply allocated according to the timeframes to which they apply (e.g. 4 months winter peak and 8 months summer off-peak).<sup>19</sup>

There is no right or wrong methodology when it comes to comparing gas plans/offers, however the huge variance in assumptions and methodology between the few sites

<sup>16</sup> The Victorian Tariff-Tracking tool was developed by the St Vincent de Paul Society Victoria and launched in July 2010. It is primarily a tool for consumer advocates to analyse changes to energy tariffs and the impact tariff changes have on Victorian households' energy bills (depending on household consumption level and geographic location). The Victorian Tariff-Tracking tool is excel workbook based and is available at <http://www.vinnies.org.au/reports-vic>

<sup>17</sup> Explain ESC's disclaimer re annual bill.

<sup>18</sup> Victorian Tariff-Tracking project, May Mauseth Johnston, St Vincent de Paul Society Victoria (July 2010), *Workbook 4: Published gas market offers as of 1 July 2010*.

<sup>19</sup> *Victorian Energy Prices July 2008 – July 2010*, May Mauseth Johnston, St Vincent de Paul Society Victoria, July 2010 p, 26.

that currently offer comparison between gas plans, mean that Victorian households looking to identify a better offer are more likely to be more confused by the comparison services available to them than if they sat down and calculated the offers themselves.

The mandated roll-out of smart meters means that time varying pricing (such as time of use tariffs and seasonal pricing) will become more prevalent in the electricity sector as well. The impact of time varying pricing structures on consumers' ability to compare electricity and gas offers should therefore receive some urgent attention.

#### 4.4 Calculation errors

For a medium consumption household (4800kWh per annum) currently on Origin's standing offer in Citipower's network area 'Site 4' produces a search result that estimates an annual saving of \$69 and an annual bill of \$1092 if the customer switches to the Click Easy plan. 'Site 3' recommends the same Click Easy plan, but they have estimated an annual saving of \$135 and an annual bill of \$1027. As the rates applied to the Click Easy offer are the same for all customers in the Citipower area, this difference is caused by a calculation error in estimating the customer's current rates (for the standing offer) as well as a different search engine design by 'Site 4'.

**Table 6 Recommended offers for customer on electricity standing offer (4800kWh per annum, single rate) in Citipower's area.**

	Recommended retail offer	Estimated annual bill	Estimated annual saving
Site 3	Click Easy	\$1027	\$135
Site 4	Click Easy	\$1092	\$69

'Site 4' asks the consumer who their current retailer is but as they have not included Origin's standing offer in their search engine, the calculation process defaults to an Origin market offer plan instead (the Origin Daily Saver). These rates are of course lower than Origin's standing offer rates and such an error therefore underestimates the potential saving a household can make by switching retailer/energy plan. Furthermore, 'Site 4' does not allow the user to simply enter annual consumption in kWh and the annual bill amount (for 4800kWh on Origin's standing offer) was thus used instead. However, as the site applies the Origin Daily Saver rate to calculate the user's current offer rather than using the standing offer rates, it assumes that the user uses 5154kWh per annum (instead of 4800) and as a result the estimated annual bill for the Click Easy plan is \$65 too high.

'Site 4' produces a similar error in Powercor's area (as Origin's standing offer is not included in the search engine), as well as in Jemena and United Energy's areas. For the latter two distribution areas, the errors are smaller as the site defaults to AGL's Advantage 5 greenchoice 10% plan which is closer to the standing offer rates than in Origin's case. In SP Ausnet's area on the other hand, 'Site 4' does not have this problem as the TRU standing offer is included in the search engine.

#### 4.5 No evidence of retailers cherry-picking customers

The analysis also assessed whether there are differences in the number of retail offers or the rates applied to customers based on consumption level and/or geographic location. The findings do *not* indicate that the retailers are actively marketing specific offers through the comparison/switching sites to residential customers based on attributes such as consumption level and/or geographic location. Obviously there is a difference in the rates offered in the different distribution areas (due to the underlying

network costs) but if a retailer first has a market offer available on a comparison/search site, it is available to low consumption households as well as high consumption. Some plans are of course more suited to low or high consumption households (typically depending on the size of the supply charge component of the bill) but there is no evidence to suggest that certain rates are only made available to customers with a specific consumption load.

**In summary:**

- The number of participating retailers and the plans/offers included from the retailers do vary between the sites, and most of the sites do not disclose which retailers they include offers from.
- The comparison/switching sites use different assumptions and methodologies to calculate the estimated energy bill and annual savings.
- Errors occur in some of the calculations pertaining to the customer's current offer (the 'base offer'), which means the site over- or underestimates the annual savings.
- Time varying, or seasonal tariff structures (such as gas offers), make bill comparison particularly difficult. Also, only a few of the sites allow for gas-only searches.
- Retailers are *not* actively marketing specific offers through the comparison/switching sites to residential customers based on attributes such as consumption level and/or geographic location.

**Recommendations:**

- To enhance the quality and reliability of comparison/switching sites, and thus promote consumer confidence in the switching process, a Code of Conduct for sites (either based on a voluntary industry code or a regulator "seal of approval") should be introduced. Such a Code can ensure:
  - Transparency around which retailers' market offers are included in the sites' search engines.
  - Transparency and disclosure of how commissions/fees are collected (the sites' business model).
  - Standardised and consistent use of assumptions and calculation methods.
  - Increased transparency around calculation methods and assumptions.
  - Rectification of search engine design flaws that result in calculation errors.
- The Government should initiate an investigation into consumers' ability to compare energy offers (gas and electricity) based on complex tariff structures, such as seasonal pricing. This investigation should examine:
  - What challenges consumers face in relation to comparing complex tariff structures such as time of use and seasonal pricing.
  - What the best method for comparing energy offers/plans based on seasonal pricing structures is.
  - The trade-offs between product/tariff innovation and comparability, and the implications for effectiveness of competition in the energy retail market.

## 5. Switching from market offer to market offer

The analysis presented in sections 3 and 4 above focused on the search outcomes for households seeking to switch from the standing offer to a market offer. However, as more and more people have switched retailers and are now on market offers, it is important that these customers have access to information that can help them finding a more competitive market offer and/or allow them to shop around for new contracts when their current contracts are due to expire. This section therefore looks at the results the web based comparison/switching sites produce when a customer is comparing new market offers to the market offer they are currently on.

As discussed in section 4.2 above, the comparison/switching sites present the estimated annual bill and annual saving based on the first 12 months. This means that discounts and bonuses (sign-up/welcome credits) are included in the calculation of the estimated annual bill. This approach may make it difficult for a person currently on a market offer to identify better market offers. That is, sites appear to be using the same rates and calculation method to estimate a customer's current cost as when estimating alternative offers. For example, if a consumer who has been on Neighbourhood's 12% POT discount contract for 14 months goes to 'Site 2' to search for better offers, the site will assume that s/he still has an annual bill that is discounted by the \$30 sign-up bonus so s/he would be advised that there are no better offers available. In other words, the comparison/switching sites do not allow for adjustment according to when a person commenced a contract so their calculations may wrongly assume that the customer still receives 'first year' discounts and/or include the value of sign-up bonuses.

Another example of a plan that may cause similar problems is the Origin Daily Saver 7% which offers a 7% discount on consumption for 12 months. 'Site 3' has this Origin market offer listed as the 3<sup>rd</sup> best offer in the SP Ausnet area and the full discount (which is only valid for 12 months) is included in the annual bill estimate. The contract term is only 12 months but when this customer has been on the offer for nearly 12 months and is looking to find a better deal, the comparison/switching sites will assume that s/he will continue to receive a 7% discount and thus underestimate potential savings that can be made from switching to other offers.

This issue may suggest that only on-going features should be included in the calculations of annual bills and savings, and as such one off bonuses and time limited discounts are more accurately placed under "additional features". If not, comparison/switching sites may only be seen as a useful information source and service for consumers looking to switch from the standing offer to a market offer.

Furthermore, this indicates that the approach to estimating bills currently used for the ESC's 'your choice' website, which is to not include any discounts or bonuses, is a more reliable approach in the long run as more and more customers will be on market offers, and information about the rates for the energy consumed and fixed charges will be the information they need the most.

**In summary:**

- The comparison/switching sites present the estimated annual bill and annual saving based on the first 12 months, as such discounts and bonuses (sign-up/welcome credits) are included in the calculation of the estimated annual bill. This methodology may make it difficult for a person currently on a market offer to identify better market offers.
- The calculation methodology applied by ESC's 'your choice' website, which does not include any discounts or bonuses, may produce more accurate and useful price comparisons in the long run (as more and more customers will be on market offers).

**Recommendation:**

- Only on-going features (discounts applicable for the length of the contract) should be included when calculating the annual cost of an energy plan/offer. This issue can be addressed through an industry Code of Conduct.

## 6. Searching offers with a ‘shared postcode’

All of the comparison/switching sites use postcode based searches. Many postcodes, however, have more than one electricity and/or gas distributor supplying the area which sometimes means that the postcode alone cannot determine what energy offers are available to the customer.

As SwitchWise states on its website:

All suppliers set their prices according to which distributor services your property. In some suburbs there are two or three distributors, one of which will service your property depending upon the street in which you live. Again, we display prices for all distribution areas relevant to your suburb and your chosen supplier will inform you which one you fall into and which price set will apply.<sup>20</sup>

For example, searches using postcode 3011 (Footscray), which is supplied by both Citipower and Jemena, show that:

- One site simply defaults to one of the distributors but it does not specify which one nor does it contain a link to a product information statement that specifies such information. The customers therefore have no chance of knowing whether the offers are available to them or not.
- Another site recommends offers with an upper and lower band for the estimated annual bill and saving, i.e. “save \$186 - \$262” by switching to the best deal. This gives the impression that the customers can expect to pay and save somewhere between the lower and higher band while in reality the customer will save \$186 or \$262 depending on which distribution zone they fall within.
- The ESC’s ‘your choice’ website asks the user to nominate the distributor when a shared postcode has been entered. This is probably the clearest way to ensure that customers investigate offers actually available to them. However while most people can easily identify their electricity distributor as it is stated on their bills, it is virtually impossible for customers to determine which gas zone they are in.<sup>21</sup>

Retailers are not required to name the customer’s gas zone on the bills and there is no consistency in the names different retailers (and the regulator) use for the various gas zones. As stated in the Victorian Tariff-Tracking report that looked at the retailers’ Price and Product Information Statements (PPIS):

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

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<sup>20</sup> From SwitchWise website (step two in the search and switching process). Pop-up box in regards to details about energy offer at <http://www.switchwise.com.au/step-02.asp#>

<sup>21</sup> Some retailers name the gas distributor on the bill while others don’t. However, as each distributor has several gas zones (with different tariffs applicable to each zone) simply knowing the name of the gas distributor is not sufficient information to identify the zone.



order to determine whether the offer is applicable to them.<sup>22</sup>

All of the five web based comparison/switching sites allow consumers to search for dual fuel offers. However, due to the challenges pertaining to shared postcodes and naming of gas zones discussed above, dual fuel searches based on postcodes become a very unreliable information source for many households looking to compare energy plans. Dual fuel searches mean that more customers will face the shared postcode issue (for gas or electricity) and some postcodes are likely to have more than one electricity as well as gas distributor.

**In summary:**

- Shared postcodes between the distribution areas/zones mean that the postcode alone cannot always determine what energy offers are available to the customer.
- Most people can easily identify their electricity distributor (as it is stated on their bills) but it is virtually impossible for customers to determine which gas zone they are in.
- The shared postcode problem makes searches for, and comparisons of, dual fuel offers particularly inaccurate.

**Recommendations:**

- The switching/comparison sites must ensure that their search engines can adequately determine the correct electricity and distribution zones, and only identify and recommend offers actually available to the customer. This issue can be addressed through an industry Code of Conduct.
- The ESC should introduce and ensure consistent naming of the various Victorian gas zones, and require retailers to include the name of the gas zone on customer bills.

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<sup>22</sup> *Victorian Energy Prices July 2008 – July 2010*, May Mauseth Johnston, St Vincent de Paul Society Victoria, July 2010 p, 8.

## 7. The Essential Services Commission's 'your choice' website

The ESC's 'your choice' website was initially developed in relation to full retail competition, then, with the introduction of price deregulation, came the requirement to list at least one market offer per retailer (in each distribution area and for each of the meter types). The most recent development of the site has been the introduction of the bill comparison function (based on consumption during the billing period). Some general observations of the 'your choice' site include:

- While all retailers with a minimum number of customers are required to publish one market offer (for each fuel type) on the ESC website, several offers are currently missing.<sup>23</sup>
- In contrast to the privately operated comparison/switching sites, the ESC site does not include discounts or bonuses in the rates listed or the bills estimated.
- The site does not attempt to compare consumers' current bill to potential future bills and thus it does not estimate the amount consumers can save by switching to a better offer.
- The site includes a separate 'Compare your bill' service. This service allows consumers to enter consumption and rate details from their electricity or gas bill and compare this bill to an alternative offer. However, consumers must enter the details of the alternative offer themselves, as the service does not attempt to automatically compare the bill information entered with the offers already listed.
- The site allows consumers to enter consumption (as per nominated billing period) to compare estimated bills for the various plans listed, however it does not rank the energy offers according to value (lowest to highest bill) which makes it more difficult for consumers to identify the best offers.
- The site is designed to provide a direct link to the Price and Product Information Statements (PPIS) however many of these links are currently missing.
- The site does not allow consumers to search for dual fuel offers.

### 7.1 Offers available on 'your choice' vs. privately operated switching sites

With the exception of the Neighbourhood Energy offers, the ESC's 'your choice' site contains all of the frequently 'recommended offers' on the privately operated comparison/switching sites. Naturally the potential savings are less obvious on the ESC's site (the other sites seek to "sell" the potential savings) but it demonstrates that the retailers do publish their best offers on the ESC site. This means that the ESC's 'your choice' site could quite easily become a highly useful and reliable information source for consumers shopping around for a better deal, but as a minimum the ESC needs to ensure that all retailers have a market offer listed (as required).

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<sup>23</sup> Neighbourhood has no electricity offers on the site and Simply Energy and Lumo have neither electricity or gas offers listed. This requirement was outlined in Orders in Council, see Victorian Government Gazette, S315, 25 November 2008.

Furthermore, the ESC's website should become more user friendly by simply ranking offers according to price and ensure that the key information in the attached Product and Price Information statements is standardised. Consumers looking for a better offer must be able to easily identify key conditions such as length of contract, early termination fees, type of discounts (on bill or usage) and any conditions that may apply to such discounts (such as paying bill on time).

Currently the ESC site has potential to become a valuable information source for Victorian consumers and thus to be a mechanism driving competition. However, it is crucial that the site is accurate, updated, publicly known and frequently accessed in order to deliver such outcomes. The ESC should consult with consumers (i.e. focus group based research) and consumer representatives to identify how the 'your choice' site can become more user friendly and provide Victorian consumers with the information they need in order to easily compare and confidently switch energy plans.

**In summary:**

- The ESC site contains nearly all of the offers frequently recommended by the privately operated comparison/switching sites. This means that the 'your choice' site could quite easily become a highly useful and reliable information source for consumers shopping around for a better deal, but as a minimum the ESC must ensure that all retailers have a market offer listed (as required).
- The site is less user friendly than most privately operated sites.

**Recommendations:**

- The Government should ensure that the ESC is adequately resourced to enhance and maintain the 'your choice' website.
- The Government has a role to play in ensuring that any transition of regulatory functions from the Victorian regulator to the Australian Energy Regulator includes arrangements that ensures on-going access to a price comparison tool for Victorian consumers.
- The ESC must ensure that all retailers list market offers as required by the 2008 Order in Council.
- The ESC should ensure that Victorian consumers become aware of the 'your choice' website and that the site is frequently accessed.
- The ESC's website should become more user friendly by simply ranking offers according to price and ensure that the key information in the attached Product and Price Information Statements is standardised.
- The ESC should undertake focus group based research in order to identify how the 'your choice' site can become more user friendly and provide Victorian consumers with the information they need in order to easily compare and confidently switch energy plans.

## 8. Information disclosure and transparency

The analysis of the various comparison/switching sites presented in this report demonstrates that the different sites recommend different retailers and plans when the same ‘consumer information’ (postcode, consumption, current retailer/plan etc) is entered. This report has documented some of the reasons for the differences, including retailers listed, plans included in the comparison, bill calculation methodology and calculation “errors” as well as search engine design flaws.

As these sites produce vastly different results and recommendations it is especially important that consumers are aware of the sites’ approach to identifying the best offer. Knowledge about which retailers have their market offers included in the search must therefore be regarded as key information for consumers using comparison/switching sites. However, none of the sites offer this information on their website (see table 7 below). The sites also vary to the extent they offer information about calculation methodology and assumptions, and to what extent they provide detailed information about the rates and other conditions in order to assist consumers making the best decision.

**Table 7 Information provided by the comparison/switching site services**

	Info about participating retailers	Info about their business model	Info about calculations/assumptions	Details of offers/rates
<b>Site 1</b>	Claims to have all energy plans available listed but this analysis did not find market offers from all retailers*	Very limited	Detailed description	Yes but no link to PPIS and the rates listed already include discounts
<b>Site 2</b>	States that they have most plans	States that they receive commissions/fees from participating retailers	Detailed description but difficult to find on website	Yes and with links to information based on PPIS
<b>Site 3</b>	States that they have all offers that are “readily available” (this analysis indicates that they don’t)	States that they receive commissions/fees from participating retailers	Detailed description	Yes, with link to PPIS
<b>Site 4</b>	Claims that they have all electricity and gas offers*	States that they receive commissions/fees from participating retailers	Very limited	Yes, easy access to information about rates and calculated discounts
<b>Site 5</b>	States only that they have agreements with numerous retailers	States that they receive commissions/fees from participating retailers	None	Yes and with links to information based on PPIS
<b>Phone based services<sup>24</sup></b>	Indicated that they had plans from most or major retailers	Yes (when asked)	Yes but needed some prompting	Yes (when asked)

\* Difficult to verify with absolute certainty as the sites only lists energy plans deemed to offer a saving. However, these sites do recommend some retailers’ standing offers without suggesting the same retailers’ discounted market offers.

<sup>24</sup> Phone based services refer to MakeItCheaper and Energywatch, the two switching sites that require telephone contact in order to recommend plans/offers.

The above table shows that there is a lack of consistency between the sites when it comes to information disclosure and transparency. Subsequently, while the sites can help consumers find a better offer and potentially save on their energy bills, they also provide another layer of potential confusion and uncertainty. Although no legal compliance assessment has been undertaken as part of this project, an examination of the sites' conduct and thus compliance with the Trade Practices Act (1974) may be a useful undertaking. While the analysis presented in this report would indicate that some of the comparison/switching sites are of higher quality and reliability than others, it appears to be a case of pot-luck for consumers when using the internet to find a site and making a decision to switch on the basis of its recommendation. If s/he is switching from the standing offer s/he is very likely to be on a lower rate, but it would take days of research to find out whether that is actually the best offer available.

Consumers looking to compare and switch from one market offer to another, on the other hand, may experience an even poorer outcome. As discussed in section 5 above, the search engine design and bill calculation methods currently applied by the comparison/switching sites mean that many consumers on market contracts may be incorrectly informed that there are only a few (or no plans) available at a lower annual cost. This creates an information "black hole" for those who have already followed the 'shop around' advice once. In order to promote competition in the energy retail sector in the medium to long term, it is crucial that consumers continue to shop around for a better deal. The findings in this analysis would suggest that there is a need for a detailed assessment of consumers' ability to compare their current market offers with other market offers, and the quality and accuracy of the information available to them.

**In summary:**

- There is a lack of consistency between the sites when it comes to information disclosure and transparency.
- While the sites can help consumers find a better offer and potentially save on their energy bills, they also provide another layer of potential confusion and uncertainty.

**Recommendations:**

- The Australian Competition and Consumer Commission should assess whether the sites comply with the Trades Practices Act (1974).
- The ESC should assess whether consumers currently on market offers have different information needs compared to consumers on the standing offer, and whether the information sources available to them are adequate.