

26 August 2011

Mr Tom Leuner
General Manager, Markets Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: AERInquiry@aer.gov.au

Dear Mr Leuner

AER price comparator website issues paper (July 2011)

The Consumer Utilities Advocacy Centre Ltd (CUAC) is an independent consumer advocacy organisation. It was established to ensure the representation of Victorian consumers in policy and regulatory debates on electricity, gas and water. In informing these debates, CUAC monitors grass roots consumer utilities issues with particular regard to low income, disadvantaged and rural consumers.

In 2010, CUAC, with funding support from the Department of Primary Industries (DPI), undertook a research project which was aimed at assessing the information needs of the community sector and business groups in relation to smart meters¹ (hereinafter referred to as "consumers and smart meters report"). An issue commonly expressed by many community sector stakeholders was the difficulties consumers face in navigating the energy market and in making effective choices. Stakeholders found energy offers difficult to compare because of:

- differences between fixed and variable charges;
- complex terms and conditions; and
- different approaches to discounting and rebating particular offers.

An accessible website tool, from unquestionably independent sources to assist consumers navigate the market and make informed choices in their interest was however, regarded as a positive measure.²

¹ Consumer Utilities Advocacy Centre, Consumers and smart meters: Delivering information to non-governmental organisations, Report to the Department of Primary Industries (October 2010).

² Consumer Utilities Advocacy Centre, Consumers and smart meters: Delivering information to non-governmental organisations, Report to the Department of Primary Industries (October 2010), at 24-25.

CUAC welcomes the opportunity to comment on the AER price comparator website issues paper (July 2011) (hereinafter called "issues paper"). In 2010, CUAC, with funding support from the Consumer Advocacy Panel, engaged Ms May Maseuth Johnston of Alvis Consulting Pty Ltd to undertake research on energy switching sites available to Victorian consumers. Ms Johnston's December 2010 research report³ and CUAC's May 2011 policy briefing paper on the outcomes of this research⁴ are relevant to the questions posed by the AER in the issues paper.

We strongly recommend that the AER consider the outcomes of the abovementioned papers in the development of their price comparator website. We draw upon the findings and recommendations made in the two papers in our response to the AER's issues paper. These papers form a constituent part of our submission and are attached separately for the AER's reference. We have not answered every question raised in the issues paper but only those which we are particularly concern with.

Overview of the price comparator website

- Q1. Do stakeholders agree with the AER's proposed overview of the price comparator website?
- Q2. What information do stakeholders consider should be included in the note/disclaimer?
- Q3. Where would the note/disclaimer be most appropriately located?
- Q4. What are the options for 'sorting' retail offers available to the user?
- Q5. If a results filter option is available, do stakeholders feel that some content presented should be mandatory (that is, not able to be filtered out of the results offer)?

The price comparator needs to be accessible to all consumers. In CUAC's experience, the average consumer needs a price comparator which is simple, easy to use and comprehend. We suggest a price comparator website with a simple search engine and an additional search function for consumers who wish to undertake more detailed searches.

We acknowledge that some consumers are more engaged with the energy market and may wish to undertake more detailed searches about energy offers. With the rollout of smart metering in Victoria, consumers will have more granular and detailed data about their consumption patterns. More consumers may eventually wish to input their consumption profile into the search engine to help them compare and find the best energy offer.

For example, consumers with smart meters in Texas can register at the Smart Meter Texas website⁵ (which is sponsored by a consortium of electric transmission and distribution service providers) to access detailed views of their electricity usage history in 13-month, 30-day, or 24-hour snapshots down to 15-minute intervals including usage data up two days previous. This portal also allows

³ Report prepared for the Consumer Utilities Advocacy Centre by May Maseuth Johnston, Energy switching websites: An analysis of energy price comparison and switching sites available to Victorian consumers (December 2010).

⁴ Consumer Utilities Advocacy Centre, Energy switching websites: A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites (May 2010).

⁵ <https://www.smartmetertexas.com/CAP/public/>

retailers to access their smart meter customers' usage information to support retail offerings such as energy analysis tools and time of use rates. Through the portal, retailers can also connect Home Area Network devices to smart meters to help consumers manage their consumption by remotely controlling appliances and thermostats. While the Texas portal is not a price comparison website, it is not too far to imagine that similar features could be incorporated in a price comparison website in the near future. We recommend that the AER considers developments in this area as they design their price comparator website.

We agree with the AER's proposed overview of the price comparator. All generally available energy offers applicable to residential and small business customers should be included. We recognise the additional complexity involved in listing green and solar energy offers. However, for the price comparator to be accurate and complete, solar and green offers, if they are generally available, should be listed as part of the search results. Information on key features and incentives, and terms and conditions is crucial. This includes:

- estimated bill amount;
- unit cost of energy and daily supply charge;
- contract period;
- non-price incentives;
- conditional discounts;
- key fees (for example – early termination fees or late payment fees).⁶

Note or disclaimer

Website users need to clearly understand that the price comparator is only a guide, and not a switching site. That is, the user is not entering into any energy contract by using the price comparator website. We suggest that this be stated explicitly on the note/disclaimer, which should feature prominently on initial entry to the website (for example: a pop up box). The note/disclaimer should include the information outlined in the issues paper:

- how to use the website and purpose of the website;
- website content may change;
- offers shown include GST;
- all the terms and conditions of each offer need to be considered;
- website users should make their own inquiries with retailers to determine which offer best suits their circumstances.⁷

Users need to click "accept" before being allowed to proceed to the substantive areas of the website. We also suggest an additional note/disclaimer reminding users that the price comparator is only a guide just before the user receives a list of energy offers generated by the information entered. This could be a simple reminder, without setting out all the information in the above dot points, which the user would have already "accepted" before entering the

⁶ Australian Energy Regulator, Price comparator website issues paper (July 2011), at 3.

⁷ Australian Energy Regulator, Price comparator website issues paper (July 2011), at 4.

substantive part of the website. If the customer requests a print out of the search results, the note/disclaimer should also be included in the print out.

Sorting energy offers

To enable users to identify the best offers more easily, the results of each user's search could be sorted in a variety of ways including by retailer name (A-Z may not be best since the same retailers would always be near the top of the list; random might be preferable), cost, green option availability, no fixed contract period etc. We suggest that if the user does not specify how the search results are to be listed, the default option should be to rank the results according to their value (from the lowest to the highest bill).

The standing offers, however, should be listed on top of any search results. This is as the purpose of the price comparator is to "assist a small customer to compare the standing offer price available to that customer, and market offer prices that are generally available to classes of small customers in this jurisdiction."⁸

Filtering information

Filtering information will allow customers to be more specific in what they are looking for in an energy offer, thereby assisting them to more easily identify the energy offer most appropriate to their circumstances. For example: some customers may only want to search for green or solar offers. The inclusion of an option to filter information presented through a search should not result in the omission of essential information to customers. We regard all the information outlined by the AER in the issues paper (page 3-4) as essential to facilitate informed price comparison between energy offers.

Information required from the user

- Q6. Do stakeholders agree with the AER's proposed user inputs? Are the additional inputs listed above useful? Are there any issues presented by any of the proposed input options?
- Q7. Are there any other potential inputs that would be useful for inclusion on the price comparator website?
- Q8. Do stakeholders have views on how time of use tariffs should be handled?
- Q9. Do stakeholders have views on how the price comparator website could be developed to aid small business customers?

We agree with the AER's proposed user inputs to enable the price comparator to provide a list of offers available to the user. That is: postcode, fuel types, metering arrangements (single rate, peak/off-peak, time of use, unknown), and estimated energy consumption.⁹ Customers should not be required to input detailed or complex information before generating a list of energy

⁸ Section 62(3), National Energy Retail Law.

⁹ Australian Energy Regulator, Price comparator website issues paper (July 2011), at 5-8.

offers. We do, however, have some concerns regarding the user inputs which we address below.

Metering arrangements

During the AER's public forum on 17 August 2011, a retailer suggested that users input their national meter identifier (NMI) into the price comparator website. The difficulty with this suggestion is that many consumers will be unaware of what their NMI is or where to look for it, even though the NMI is stated on their bill.

It will be easier for the user to select single rate, two rate (peak and off peak), time of use or unknown.

Postcodes

Many postcodes have more than one electricity and/or gas distributor supplying that area. This means that the postcode alone cannot determine what energy offers are available to a customer.

In our Energy switching sites report,¹⁰ we mentioned the challenges customers experience in ascertaining the gas zone they reside in. In Victoria, most people will be able to identify their electricity distributor as this is stated on their bills. However, this is not the case for gas. As each gas distributor has several gas zones (with different tariffs for each zone), knowing the gas distributor's name is insufficient to identify the gas zone the customer resides in. Further, there is no consistency in the names different retailers use for the various Victorian gas zones. In view of this, customers in Victoria will find it practically impossible to determine which gas zone they reside in. It also means that dual fuel searches based on postcodes become an unreliable information source for customers seeking to compare energy offers.

Where there are shared electricity distribution zones, asking the users to select the name of their electricity distributor from a drop-down menu is likely to be the clearest way to ensure that customers examine the offers that are available to them. There could also be a website tool allowing users to insert their address to locate their electricity distributor if they are unsure who their distributor is (subject to adequate privacy protection). For example, the Essential Services Commission of Victoria's (ESCV)'s Your Choice website has a link to the Department of Primary Industries' (DPI)'s website which a website user can click on to if they "do not know who [their] distributor is."¹¹ The DPI website has a map of the electricity distribution areas and allows the customer to insert their address to locate their electricity distributor.¹² However, there also needs to be an option for customers to call their energy retailer, particularly for gas, in light of the problems identified in the paragraph above. The retailers would be able to advise the customer who their gas distributor is and which gas zone they are residing in.

¹⁰ Report prepared for the Consumer Utilities Advocacy Centre by May Maseuth Johnston, Energy switching websites: An analysis of energy price comparison and switching sites available to Victorian consumers (December 2010), at 22-23; Consumer Utilities Advocacy Centre, Energy switching websites: A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites (May 2010), at 9.

¹¹ http://www.yourchoice.vic.gov.au/Who_is_my_distributor/

¹² <http://www.new.dpi.vic.gov.au/energy/consumer-info/electricity-distributors>

To facilitate effective price comparison, it is important that the AER's price comparator has search engines that can accurately ascertain the correct electricity and gas distribution zones so that only energy offers applicable to the customer is listed in a search. While this could be outside the scope of this issues paper, a consistent naming of the various gas zones in Victoria and a requirement on gas retailers to list the gas zone on their customer's bill would help a customer exercise informed choice.

Estimated energy consumption

Customers entering a figure from a bill

To determine annual estimated consumption, we agree that users may enter the:

- amount of energy consumed based on a recent bill;
- dollar figure amount based on a recent bill;
- average daily usage based on a recent bill (as suggested at the AER's public forum on 17 August 2011);
- average cost per day based on a recent bill (as suggested at the AER's public forum on 17 August 2011).

A seasonal weighting will need to be applied to determine the estimated annual energy consumption. However, there are challenges with complex and seasonal tariffs.

Seasonal energy tariffs and time variant pricing will compromise the comparability of energy offers.¹³ While a decision regarding the mandatory rollout of smart meters in Victoria is still pending, 750,000 smart meters have already been installed. It is therefore likely that time of use pricing will become more prevalent in Victoria. Thus, consumers will need to know how much energy they use at different times of the day to find the best offer in the market. CUAC is concerned that the estimated annual consumption of the various energy offers listed in a search may be misleading because of the assumptions made about a customer's consumption profile. This makes bill comparison difficult for consumers.

We had, in our Energy switching sites report, recommended that the Victorian government initiate an investigation into consumers' ability to compare energy offers (gas and electricity) based on complex tariff structures. The report suggested that the investigation examine:

- The challenges consumers face in comparing complex tariff structures such as time of use and seasonal pricing.

¹³ See Report prepared for the Consumer Utilities Advocacy Centre by May Maseuth Johnston, Energy switching websites: An analysis of energy price comparison and switching sites available to Victorian consumers (December 2010), at 15-18; Consumer Utilities Advocacy Centre, Energy switching websites: A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites (May 2010), at 8-9.

- The best method for comparing energy offers based on seasonal pricing structures.
- The trade-offs between product/tariff innovation and comparability, and the implications for effectiveness of competition in the energy retail market.¹⁴

We recommend that the AER undertake a similar research project, to learn how complex tariffs including time of use and seasonal tariffs should be most appropriately handled. This is necessary if the intent of the price comparator is to serve the consumer interest, and enable more effective consumer participation in the market.

In the interim, where there are time of use offers displayed as part of the price comparator search results, it may be more accurate to display as the search results, the rates of generally available time of use offers (that includes: unit rates, key fees, discounts and non-financial incentives), without information about the estimated costs of those offers.

To assist website users to choose the best energy offer, we suggest that at the “tariff rates” column (table 1 of the issues paper) for each time of use offer listed in a search, an option be given to the user to click to access a pictorial representation of the rates applicable in a time of use offer (see Diagram 1 below as an example). The user can compare the different diagrams from the various time of use offers listed in a search to find the best offer.

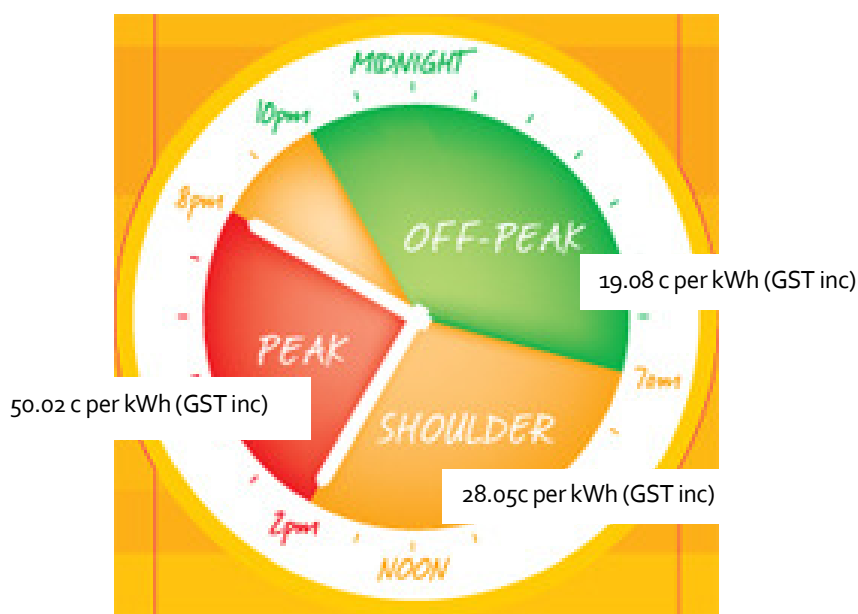


Diagram 1: CUAC adapted the New South Wales, EnergyAustralia’s “PowerSmart” pricing (peak, shoulder and off-peak periods) clock by inserting examples of tariff rates.

¹⁴ Report prepared for the Consumer Utilities Advocacy Centre by May Maseuth Johnston, Energy switching websites: An analysis of energy price comparison and switching sites available to Victorian consumers (December 2010), at 19; Consumer Utilities Advocacy Centre, Energy switching websites: A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites (May 2010), at 12.

Users without billing information

The issues paper suggested that users who do not have bill information (for example: those moving house) could enter household information to estimate annual consumption. This includes property type, number of bedrooms/residents, gas/electric heating or hot water, when residents are at home during the day etc. The issues paper stated that the AER will be drawing on the work done by various regulators and the bill benchmarking project to calculate the estimates. While we understand the need to have an option to cater to website users who do not have billing information, we are concerned that the estimated annual consumption that is derived will be misleading to consumers. Again, the more accurate option may be to display as the search results, the rates of generally available energy offers (that includes: unit rates, key fees, discounts and non-financial incentives) without information about the estimated costs of those offers.

We recognise the difficulties in estimating annual usage for small businesses. We suggest that the AER seek input from the Australian Chamber of Commerce and Industry (ACCI) as to how the price comparator website could be developed to help small business customers compare energy offers.

Showing offers available to the user

- Q10. Which manner of presenting offers do stakeholders consider appropriate for the price comparator site?
- Q11. Are there any other ways in which offers can be presented (not listed above) that stakeholders consider would be more appropriate?
- Q12. Do stakeholders agree with the proposed inclusion of price components, incentives and penalties on the price comparator site? Are the types of incentives, penalties and price components listed above appropriate? What is the appropriate manner in which to present information about incentives, penalties and price components?
- Q13. Are there any other price components, incentives and penalties (not listed above) that stakeholders consider would be more appropriate?
- Q14. What stakeholders consider is the best manner to present fees and charges to users?
- Q15. How should green power options be presented?
- Q16. How should dual fuel offers be displayed? If a website user wants information on gas and electricity, then should only dual fuel offers be displayed, or should gas-only and electricity-only offers also be displayed?
- Q17. Do stakeholders consider that an estimated savings function is an appropriate feature for the website? If so, how could the accuracy be optimised for it to usefully work for comparing different offers?

We agree with the general framework proposed in paragraph 1.4 of the issues paper.

There is a need to ensure that the clear and obvious links to the retailers' energy price fact sheets and retailer contact information are unbroken and up to date. Having the retailer's website opening up as a new window or tab is a good suggestion as that allows customers to view the price comparator and retailer's website concurrently.

Discounts, fees, charges

During the 18 April 2011 AER public forum, retailers argued for the inclusion of discounts in the estimated amount of the energy bill. As mentioned on page one of this submission, CUAC research indicated that one of the reasons why customers found it difficult to compare energy offers was because of the different approaches to discounting and rebating particular offers. In CUAC's experience, to facilitate accurate comparison of energy offers, key fees, charges and discounts (including cash rewards) and incentives accompanying each offer should not be included in the estimated amount of the energy bill.

The base rates listed in a search should be exclusive of all these elements to enable meaningful comparison. Further, discounts and rewards may not be ongoing or are contingent on customer behaviour (for example: pay on time discounts). We are concerned that including these elements directly into the estimated energy bill amount (or the base rate) might mislead the customer or add to their confusion in comparing energy offers. We note that the approach adopted by the ESC Your Choice website excludes discounts and bonuses. We support a similar approach in the AER's price comparator website. Any discounts or incentives which are part of an energy offer may however, be included as an additional item separate from the estimated bill amount (or base rate). For example: below the estimated bill amount there could be a short clause stating "minus \$55 if the customer pays by direct debit or credit card."

Dual fuel

The tariffs applicable for dual fuel (gas and electricity) offers may vary from the rates for a gas-only or an electricity-only offer. We see benefit in listing the dual fuel offers together with the electricity-only and gas-only offers when a website user searches for dual fuel offers. This will allow users to ascertain whether they will receive a better deal with a dual fuel offer from one retailer or whether they will get a better offer with an electricity-only offer and a gas-only offer with the same retailer or with different retailers.

Website accessibility

- Q18. Do stakeholders agree with the proposed website accessibility options?
- Q19. Are there any other features or considerations that the price comparator website should include to maximise its accessibility?

We support the AER's proposed approach website accessibility options.

We suggest that the proposed helpline has a free call number and a call back function to facilitate access particularly for low income and vulnerable consumers. A helpline will also help consumers without internet access obtain assistance with choice. Call centre staff could be

trained to respond to customer queries regarding retailer choice, as well as broader energy enquiries. Consumers can also call the helpline when they experience difficulties accessing the price comparator website.

A translation service is essential for consumers from culturally and linguistically diverse (CALD) backgrounds.

We support the inclusion of additional website features to assist people with vision impairment. We suggest that the AER consult Vision Australia as to whether the proposed website features to assist people with vision impairment is adequate.

We suggest that the AER take steps to ensure that when consumers are searching for their price comparator website using a search engine such as Google or Yahoo, the AER's price comparator website comes up first in the search results. This will point consumers to an independent and reliable source to obtain information on energy offers. This is particularly important given the problems CUAC identified about energy switching websites in their research.¹⁵

General stakeholder comments

- Q20. Are there any additional considerations that the AER should have regard to when developing the price comparator website?
- Q21. What avenues of promotion should the AER consider to make residential and small business customers aware of the price comparator website?

Once the price comparator is developed and before it is launched into the public domain, we recommend that the AER test consumer response (for example: through stakeholders and consumer focus groups) on whether the website is user friendly and allows easy comparison of energy offers. Any problems identified through the testing can then be addressed. Once launched and in use, the price comparator should be regularly reviewed, with input from stakeholders, to assess whether it meets the needs of consumers.

As part of the AER's role in educating consumers about energy issues, the AER has recently produced various customer information fact sheets on electricity and gas. We support linking the AER's price comparator website to information on other government policy areas including energy efficiency and sustainability, jurisdictional concession programs, as well as wider and more general energy consumer issues (for example: fact sheets on how to switch energy retailers etc). This could help improve energy literacy and consumer understanding of energy issues.

¹⁵ Report prepared for the Consumer Utilities Advocacy Centre by May Maseuth Johnston, Energy switching websites: An analysis of energy price comparison and switching sites available to Victorian consumers (December 2010); Consumer Utilities Advocacy Centre, Energy switching websites: A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites (May 2010).

We refer the AER to our Consumers and smart meters report, mentioned earlier in this submission. The section of the report entitled "delivery of information to consumers and non-government organisations"¹⁶ is relevant to Q12; we draw upon some of the findings and recommendations made therein. We suggest the following measures to promote the price comparator website to small customers.

Information about the price comparator should be delivered through a variety of communication channels and formats to reach as wide an audience as possible. This includes: newsletter articles/inserts, easy English information, mass media information, website links, visual/digital tools, power-point presentations. Non-text sources of information are particularly useful for low literacy or non-English speaking consumers. Specific communications are required for CALD consumers; these include foreign/ethnic language newspapers, radio and television.

As mentioned in the above section on website accessibility, a helpline will be helpful, particularly if it is widely publicised. Helplines are useful in providing information to those with limited literacy including vulnerable consumers. In addition, helplines can be used by case workers, financial counsellors or community workers endeavouring to support their clients with exercising choice.

Community agencies and business representative organisations can play a role in informing consumers about the price comparator and other energy matters. Often in their face-to-face interactions with individual consumers or their constituents, they provide fact sheets to clarify information they have provided verbally. The AER could provide peak bodies, information providers and networks with simple (including non-text based) fact sheets about their price comparator so that these can be passed on to clients and constituents where appropriate. For example: Commonwealth Respite and Carelink Centres, Community Information Victoria, Financial Counsellor Networks, Community Health Centres, Centrelink, local government, Victorian Employers Chamber of Commerce and Industry (VECCI). CALD communities often rely on their children and community workers as sources and mediators of complex information. Therefore, equipping schools with information on the price comparator may be an effective method of providing information to CALD consumers.

Energy information forums can be an effective way to reach specific groups of consumers. For example, the Australian Securities and Investment Commission's (ASIC)'s education and outreach staff provide information to community sector stakeholders. In CUAC's experience, information forums delivered by an independent trusted source is likely to be better received than forums conducted by government or industry. Thus, resourcing and supporting community organisations to deliver energy information forums may be a good way to promote the AER's price comparator. The AER needs to work collaboratively, and in partnership with, community sector organisations to promote the price comparator as well as wider consumer understanding about energy issues.

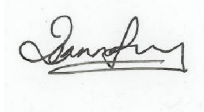
¹⁶ Consumer Utilities Advocacy Centre, Consumers and smart meters: Delivering information to non-governmental organisations, Report to the Department of Primary Industries (October 2010), at 28-41

Thank you for the opportunity to participate in the AER's consultations on the price comparator. If you have any queries on this submission, please contact us at (03)96397600.

Yours sincerely,



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