



EnergyAustralia

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Submitted Electronically to: AERinquiry@aer.gov.au

Dear Ms Proudfoot

Review of the Retail Pricing Information Guidelines

EnergyAustralia appreciates the opportunity to provide input into the review of Retail Pricing Information Guidelines (the Guidelines). We are one of Australia's largest energy companies, providing gas and electricity to over 2.6 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. EnergyAustralia owns and operates a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

EnergyAustralia believe that arming consumers with the information that they need to make informed choices is one of the keys to a vibrant and innovative retail energy market. We understand that the Guidelines seek to ensure that clear and accurate pre-contractual information is provided to consumers, and we believe that this can improve consumer confidence and ensure that energy users can make decisions to maximise their utility. While we are supportive of the aims of the Guidelines, we have concerns that some of the requirements of the draft Guidelines may in fact have a deleterious effect.

We believe dialogue between consumers and their retailer (or prospective retailer) should be encouraged, and feel that the proposed amendments to the Guidelines will instead overwhelm consumers. We also consider that the amendments present a number of practical difficulties for consumers.

Language Requirements

The retail energy industry is rife with technical terminology and concepts which may confuse customers who would otherwise have no exposure to them. EnergyAustralia does not believe however that standardisation of terminology is the solution in the immediate term.

While developing a preferred suite of terminology can reduce confusion initially, it will potentially lead to disputes and uncertainty at a later date as retailer Energy Price Fact Sheets (EPFSs) will not align with contractual documents or marketing collateral. EnergyAustralia does not oppose the intent of the changes, but we feel that the broader impacts of the change have not been considered. In order to truly achieve its desired outcome, any standardised terminology on EPFSs must flow through all retailer collateral and consultant training, a costly and resource intensive process.

The draft Guidelines propose a number of acceptable and unacceptable terms. EnergyAustralia queries the basis for the deciding on these words and phrases. We note that in relation to fees and charges the word "termination" appears to be unacceptable despite being the terminology used in the National Energy Retail Rules (NERR) to describe this type of charge. Given that consistency of approach appears to be a desired outcome of the language requirements, it appears perverse that the term used within the regulatory framework cannot be used. Should EPFS terminology be further standardised, we believe that it be done so on the basis of thorough research into consumer understanding of key terms and be phased in over a period of time to allow retailers to align other materials and processes to minimise the unintended consequences that this change will bring.

We also note an apparent contradiction in Table 1 of the draft guideline. The term "Fixed" in relation to contract length is precluded in all circumstances except where the price is fixed, however no term other than "fixed benefit period" may be used when referring to a fixed benefit period as defined in the NERR. The NERR definition specifically refers to price discount rather than price and is consequently inconsistent with the notion of a 'fixed' as it is used to describe contract length.

Discounts and Incentives

Given the considerable cost associated with the development of Energy Price Fact Sheets, EnergyAustralia is concerned that the requirement to include information on incentives and promotions on EPFSs is limiting innovation in this area. Incentives and promotions can be very short term and the cost of updating EPFSs discourages retailers from offering such benefits, thus reducing consumer choice.

We do not believe that there is any consumer detriment if incentives are not included on EPFS as they are generally minor additions to existing product offerings for a limited period of time. If the customer is not aware of the incentive when they contract with a retailer it is in effect a bonus to them when they receive the additional benefit. The only detriment borne of not providing information on incentives will be felt by the retailer in that they may miss out on potential sales by not presenting the "sweetener" which may have convinced a customer to sign up. For this reason we believe that retailers should have the option of presenting incentives on their EPFSs but should not be compelled to do so if it is not practical to do so.

Presentation of Guaranteed Discounts

Presenting rates net of guaranteed discounts is another area where we believe unintended consequences will occur. EnergyAustralia displays the base rate on the customer's bill with the discounts (both guaranteed and conditional) netted off the sub-total. This allows us to reflect both the value of the energy as well as value of other benefits of their contract. For

example, a higher discount may be applied for a customer who chooses a product that has a longer benefit term or offers terms and conditions which differ from our more common market contracts. We feel this approach is entirely appropriate. The proposed amendments will mean that consumers will not only be denied visibility of these elements prior to contract entry, but will subsequently be faced with bills which are difficult to reconcile with their EPFS as the energy rate shown on the bill will be different. This is likely to result in increased customer confusion and complaints.

The current approach makes it clear what the base rate is and what discount will apply, and the functionality of EnergyMadeEasy (EME) provides an estimate of costs which should be sufficient for customers to compare offers as they are currently presented.

Additional information to be provided

The AER was present at the Affordability Forum convened by the Energy Retailers Association of Australia in August 2014 during which the issue of bill confusion was raised. EnergyAustralia considers that the draft Guidelines risk creating similar levels of confusion around EPFSs as a result of the considerable amounts of information which will be required. As a principle, it is more effective to provide only the information that customers *must have* rather than information that they *may need*, and as such we believe some of the proposed content is unnecessary.

Although some of the information we regard as superfluous is important, it is by no means essential to help the customer make an informed decision. For example, the distribution area that the EPFS applies to is not essential as the customer would have entered the appropriate information (ie post code) into either EME, or the retailer's site on which they accessed the EPFS. In any case, the customer has no choice over their distribution area so it does not play a part in the decision making process. Similarly, the cooling off period is not required as it is dictated by statute and will not change from one EPFS to the next. This information is also provided as soon as practicable after contract entry so that the customer is aware of their rights to cancel without penalty within the prescribed period.

All information required to be included on EPFSs should add value to the consumers or it will add to customer confusion. We do not believe that references to EME or the logo will add value as customers accessing EPFSs will have either done so through EME (in which case they will certainly be aware of its existence) or through the retailer's website indicating that they may have a preferred brand and are looking to compare within that retailer's product offering in which case EME is of no relevance.

Further, given size constraints on EPFSs, the inclusion of non-essential information provides less room for retailers to include information and descriptions which may be of genuine use to consumers.

Solar, GreenPower and Other Options

The presentation of solar offers poses considerable challenges for retailers. All NECF states have a range of current or legacy mandatory feed-in-tariffs with differing eligibility criteria. For example, in some jurisdictions the mandatory tariff is tied to the premises meaning that a consumer moving in to a property which is currently receiving a mandatory tariff will be paid a higher rate than a customer installing PV panels for the first time. The subtleties of the

various schemes are not easily explained, especially when faced with constraints around the size of the document.

EnergyAustralia recommends an approach whereby offers must indicate whether they are compatible with feed-in-tariffs and prompt the consumer to contact the retailer for additional information.

Format of Energy Price Fact Sheets

As outlined above, the considerable content requirements will pose challenges for retailers in keeping EPFSs to two pages. This issue is exacerbated by the formatting requirements. We agree that information must be presented clearly and logically however we are concerned that prescribing 12 point font may cause retailers to provide truncated descriptions of important elements of the offer or risk breaching the guideline by going over the two page limit.

EnergyAustralia supports measures to improve readability however the formatting changes should recognise the challenges faced by retailers in providing all required content within two pages. We recommend either relaxing the two page limit, or as previously suggested, revisiting the content requirements to ensure that only that information which is of most use to the customer is provided.

Mass media and social media

We appreciate that the draft Guidelines recognise the increasing use of technology and social media in energy marketing. We do not believe however that the provisions strike the appropriate balance between commerciality and consumer protection. A requirement to include a statement advising consumers of the availability of EPFSs will render Twitter unusable as a channel due to the character limitations.

In order to obviate the need for retailers to provide the same information relating to EnergyMadeEasy and EPFSs on all marketing materials, which we believe will ultimately lead to customer indifference toward the message, EnergyAustralia believe that government could play a greater role in communicating with consumers. The AER has a voice that is impartial and trusted by consumers and consequently more likely to be effective than retailers promoting these tools.

Summary

EnergyAustralia supports moves to increase consumers' ability to participate in the market and we believe the Guidelines play a vital role in achieving this. We are concerned however that the proposed amendments to the Guideline are not supported by evidence that they will address the concerns of the AER and other stakeholders.

We recommend that the current guideline be maintained in the immediate term to allow time for research on consumer preferences to be conducted, and that once adequate evidence has been gathered, sufficient time be allowed for retailers to make changes to systems and processes in recognition that the EPFSs is just one piece of information that a customer may receive and that their development is inextricably linked to other elements of the customer experience.

We understand the need to fully inform consumers however we do not believe that this can be achieved through the provision of two A4 sheets of paper. Providing excessive information is likely to further confuse and disengage customers and will not lead to the dialogue between consumers and their retailers which we believe is essential to their understanding of how their energy consumption drives costs which will empower consumers to make decisions to lower these costs.

If you require any further information with regard to this submission, please contact me on 86281731 or via email at joe.kremzer@energyaustralia.com.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joe Kremzer', with a long horizontal flourish extending to the right.

Joe Kremzer
Regulatory Manager, Retail