

16 March 2018

Ms Sarah Proudfoot  
General Manager—Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

By email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

## **DRAFT AER RETAIL PRICING INFORMATION GUIDELINES**

Dear Sarah,

Energy Consumers Australia (ECA) appreciates the opportunity to provide comments on the Australian Energy Regulator's (AER) Draft Retail Pricing Information Guidelines of January 2018 (Draft Guidelines).

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) in 2015, our objective is to promote the long-term interests of consumers with respect to price, quality, reliability, safety and security of supply.

As the Notice of Draft Instrument (Notice) sets out, this AER process is taking place against a backdrop of intense focus on the operation of retail energy markets. The Australian Competition and Consumer Commission's (ACCC) Review of the Retail Electricity Market is expected to report in June 2018<sup>1</sup>, while the Prime Minister has already secured agreement with retailers to act to ensure families are not paying more than they need to.<sup>2</sup>

The revised Guidelines implement the retailers' commitment to develop 'simple, plain English, fact sheets with understandable comparison rates.' Retailers are required under the National Energy Retail Law to publish price information in accordance with the requirements of the Retail Pricing Information Guidelines (RPIG). Accordingly, the realisation of that commitment requires the current review.

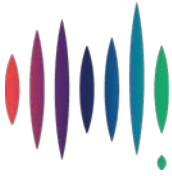
Energy Consumers Australia welcomes these commitments. They are a good first step to improving the outcomes for consumers. However, to achieve the full benefits of retail contestability and to put downward pressure on upstream costs, retail price structures need to become more innovative and retailers must tailor their communications to their customers' circumstances and capabilities. *Energy Made Easy* is an important part of the suite of changes required to improve demand side engagement. In the medium term our effort needs to focus on developing *Energy Made Easy* into a comparison tool capable of obtaining customer consumption data and providing accurate bill estimates rather than relying on simple comparison rates.

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<sup>1</sup> <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry>

<sup>222</sup> <https://www.pm.gov.au/media/better-deal-australian-families> &

<https://www.pm.gov.au/media/turnbull-government-secures-better-power-deal-australian-families>



## Opening remarks regarding approach

We also note that consultation on the issues covered in the Draft Guidelines commenced in September 2017 with the release of a Customer Price Information issues paper.<sup>3</sup>

Accordingly, in this response our comments are focused on the specific proposed changes in the RPIG. In preparing our comments we note that the use of behavioural insights is critical to achieve optimal consumer outcomes. We are concerned that behavioural testing should not focus on stated consumer preference between different information formats, but instead focus on which format in practice best promotes understanding and appropriate consumer action.

Consequently, we welcome the AER's approach to the review of the Draft Guidelines, including through the following:

- Convening a Stakeholder Reference Group which included retailer and consumer representatives, including ECA
- Working with the Behavioural Economics Team of the Australian Government (BETA) to investigate customer preferences between alternative fact sheet concepts
- Engaging with retailers to conduct qualitative research into customers' attitudes and preferences for a range of fact sheet concepts, and follow-up research on actual outcomes (noting that best practice behavioural insights motivated research involves actual market testing.)

## The proposed RPIG changes

The key amendments proposed to the RPIG as highlighted in the Notice are as follows:

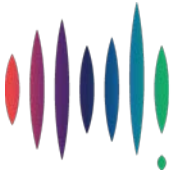
1. Replacing the requirement for retailers to provide an Energy Price Fact Sheet (EPFS) with a requirement that each energy plan have two separate documents – the Basic Plan Information document and the Contract Summary
2. Changes relating to display of plan information on websites, in advertising and marketing material
3. New requirements for the use of clearer and simpler language
4. Clarifying the definition of generally available plans.

Firstly, we welcome the separation of the Basic Plan Information document and the Contract Summary and the automatic generation of the Basic Plan Information document through EME. In relation to the former our specific comments are:

- We agree that further thought must be given to how best to deal with residential energy plans with demand charge components due to the complexity involved in easily comparing these offers for consumers. We assume that this work is being undertaken by the consultant engaged by the AER to work on the broader customer price information review. Until that time, we would not support the display of comparator rates for demand charge plans on the Basic Plan Information

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<sup>3</sup> ECA's submission to the AER's Customer Price Information issues paper is available at <http://energyconsumersaustralia.com.au/publication/aer-customer-price-information-issues-paper-submission/>



document unless accompanied by further consideration of what information should be provided to consumers, including in regard to what assumptions are made for the application of these price structures.

- While we appreciate that the research showed consumers' strong preference for information to be provided as a quarterly bill estimate, we are concerned that the variability between summer and winter consumption in many geographic areas would provide an inaccurate estimate to consumers. This would then require additional explanation to ensure consumers understood the implications of a quarterly bill. We are also concerned that the research measured consumer preference rather than consumer understanding. Our understanding from the Stakeholder Reference Group was that there was broad consensus for an annual bill estimate and we agree with this approach, especially in circumstances where billing periods are becoming more customised (that is, an increasing number of customers are on monthly billing).
- We suggest that the reference to EME at the bottom of the Basic Plan Information document is highlighted to ensure that consumers can easily see this reference.

Secondly, we welcome the commitment to the common lexicon of terminology for energy offers. This is critical particularly with technical terms such as "controlled load" and "off-peak" or contractual terms such as "ongoing contract with benefit period" which have been acknowledged as extremely confusing for many consumers. Furthermore, as stated in our original submission, the "household" types set out in the Basic Plan Information document should be utilised by retailers on their individual websites.

Further, Energy Consumers Australia is attempting to standardise on the use of the word 'tariff' to refer only to the charges retailers pay to networks, and use only the word 'price' to refer to the charges customers pay retailers.

Finally, while we accept that it may not currently be feasible to provide comparison pricing for small business tariffs for the reasons set out in the Notice, we would encourage the AER to have small business as a priority area for future work, particularly in light with the commitments given by energy retailers as part of the retailers' commitments to the Prime Minister.

Should you have any queries in respect of this submission, please contact Sabiene Heindl, Director of Strategic Engagement on [Sabiene.heindl@energyconsumersaustralia.com.au](mailto:Sabiene.heindl@energyconsumersaustralia.com.au) or (02) 9220 5505.

Yours sincerely,

Rosemary Sinclair  
Chief Executive Officer