

5 December 2011

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*By email: AERinquiry@aer.gov.au*

Thank you for the opportunity to comment on the recently released draft documents:

- *Draft Statement of Approach – AER Price Comparator Website*
- *Notice of draft amended instrument – AER Retail Pricing Information Guideline*
- *Draft AER Retail Pricing Information Guideline, November 2011*

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON provided comments on the AER Price Comparator Website Issues Paper, July 2011 as well as submissions to the AER on all the Retail Pricing Information Guideline consultations.

EWON commends the AER's approach to develop an accessible, user friendly, accurate and independent price comparator website for consumers, with secure functionality for retailers to easily input their information. EWON supports the proposed general principles that the website will be independent and impartial, accessible, simple, accurate and current. The plans for a transitional period to allow for the jurisdictional regulators to wind down their websites seems reasonable, especially as customers will continue to visit the regulator sites.

#### *Draft Statement of Approach: AER Price Comparator Website Chapter 4 – Information required from the user*

##### **4.1.4 Mandatory Inputs – Tariff Type – Time of Use Tariffs**

In NSW there are a significant number of customers on Time of Use Tariffs so it is essential that TOU tariffs are included in the tariff types listed on the website. We support the proposed approach to use the similar functionality of the IPART *My Energy Offers* website to accommodate TOU tariffs, with plans to extend this functionality.

#### 4.1.5 Estimated Energy Consumption

The AER proposes to offer customers the option of inputting their billing information or information about their Household Profile. In our earlier submissions, EWON expressed a preference for a combination approach, providing customers with both unit pricing and an indicative dollar amount. We still support this view.

The IPART *My Energy Offers* website allows for a customer to enter their consumption (kWh) from a recent bill or enter a dollar amount spent on each bill. To enter the dollar amount a customer selects from a drop down menu of approximate dollar amounts such as “Around \$540”. As all results are only a guide, and the disclaimer covers this, EWON would recommend the AER consider including the option of a dollar estimate. From a customer perspective this option is simple as it minimises the amount of information needed to input into the website. As well, customers are mostly interested in the quarterly and annual dollar cost of their energy. We note the AER’s view that these results “are not beneficial, or at worst misleading”<sup>1</sup> however we suggest that the same concerns could be applied to the variable nature of the Household Profile inputs.

### *Chapter 5 – Display of offers available to the user*

#### 5.1 Presentation of offer information on the results webpage

If customers are interested in taking up a particular offer they will be directed to contact the relevant retailer and the price comparator website will provide clear links to retailer websites<sup>2</sup>. EWON recommends that the AER also include the retailer phone numbers, as an additional contact option for some customers who may print out the offer and want to take up the offer at a later date, or not be able to pursue the offer online.

#### 5.2 Presentation of individual offer information – key fees, charges, discounts

In previous submissions EWON emphasised the importance of including a breakdown of all network and retail fees and charges (including the fee amounts) that can be passed on to a customer, up front on the price comparator website and in the Energy Pricing Information Fact Sheets.

EWON continues to receive complaints from customers about the application of fees which have not been specifically disclosed upfront, for example special meter reading fees, disconnection fees on closing an account<sup>3</sup> and merchant service fees

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<sup>1</sup> Page 12 Draft Statement of Approach

<sup>2</sup> Page 13-14 Draft Statement of Approach

<sup>3</sup> The disconnection fee on moving (network fee passed on to the customer by the retailer who requests disconnection of the site) is currently \$98.60 in NSW. The large amount of the fee can cancel out any savings the customer might have made on the contract.

on credit card payments. These customers complain that they were not aware of the fee when they signed up with the new retailer, and say they would not have switched if they were aware of charges that cancel out any financial benefit they may have had from switching.

It is EWON's view that all retail and network fees and charges should be separately disclosed to customers in energy offers and in advance of signing a contract. This is particularly true of those fees that may be charged automatically by the retailer, as opposed to fees for services that may have been requested by the customer. As a minimum, EWON would recommend the approach of the IPART website that contains a breakdown of all possible fees and charges that may be passed on to the customer, whether retail or network related.

EWON would appreciate the AER clarifying the level of detail about fees that will be provided to customers when using the AER price comparator website and Energy Pricing Fact Sheets.

## **5.2 Presentation of individual offer information – Solar Panels**

Many customers in NSW have solar panels and may want to explore relevant offers. EWON would appreciate clarification about whether the Solar Feed in Tariff rates will be specified on the AER price comparator website (including where the retailer does not offer a feed in tariff).

We note IPART have recently released *Solar Feed in Tariffs Draft Report, November 2011*. To improve the quality and accessibility of information available to customers on feed in tariffs IPART is recommending amendments to the Retail Price Disclosure Guideline and NSW Marketing Code of Conduct to require the inclusion of the amount of the feed in tariff offered by retailers (even when this amount is equal to zero). IPART will publish these rates on their price comparator website<sup>4</sup>. IPART is also recommending that the NSW Government and the solar industry provide clear information to customers about small scale solar PV, including the potential financial consequences to households and small business customers who choose to install PV units<sup>5</sup>.

## *Chapter 7 – Other functions of the website*

### **7.3 Energy Bill Benchmarking**

The Draft Statement of Approach states that the Bill Benchmarking requirements in the National Energy Retail Rules will be built into the AER price comparator

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<sup>4</sup> Draft Recommendation 6, Solar Feed In Tariffs Draft Report, IPART, November 2011, Page 9

<sup>5</sup> Ibid.

website – allowing retailers to refer to this website as the energy efficient website with information about electricity consumption benchmarks<sup>6</sup>.

EWON has previously raised concerns about whether bill benchmarking would motivate customers to reduce their energy usage, the implementation costs of introducing this benchmarking, and concerns these costs will be passed on to customers (See Attachment One – *EWON Submission on Energy Bill Benchmarking Regulatory Impact Statement*).

EWON continues to be concerned that providing energy benchmarking on bills may not be a cost effective way to achieve the objective of motivating consumers to implement energy efficiency improvements. EWON supports these objectives, but feels that customers will just as likely be prompted to make changes by the dollar amount of their bills and the existing comparative information on their past and present usage, in combination with a range of other public education initiatives.

If the AER price comparator website is to also house the bill benchmarking energy efficiency information then EWON would recommend that the benchmarking information be kept separate from the price comparison information.

### *Draft AER Retail Pricing Information Guideline, November 2011*

The amendments to the Guideline to incorporate the price comparator website and arrangements for retailers to submit their energy offer information in a timely manner appear reasonable. As well the functionality to allow retailers to generate a template Energy Price Fact Sheet via the price comparator website seems practical.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy & Projects on 02 8218 5225.

Yours sincerely



Clare Petre  
Energy & Water Ombudsman NSW

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<sup>6</sup> Rule 170(1)(c), National Energy Retail Rules

## *ATTACHMENT ONE*

25 November 2009

Ms Anne Armstrong  
Chair, NFEE Consumer Information Implementation Committee  
Office of Clean Energy  
Department of Employment, Economic Development and Innovation

[Bill.benchmarking@cleanenergy.qld.gov.au](mailto:Bill.benchmarking@cleanenergy.qld.gov.au)

Thank you for the opportunity to comment on the Energy Bill Benchmarking Regulatory Impact Statement (RIS).

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON supports measures that will assist in reducing greenhouse gas emissions, and in particular that will provide consumers with clear information to assist them to manage their own energy usage.

However, we have found it difficult to consider the question of inclusion of energy benchmarking information on bills as it is not clear whether the potential benefits outweigh what appear to be significant implementation costs. EWON considers that the RIS does not provide sufficient information on either the costs or the benefits to make a realistic assessment at this stage.

We have a number of queries or concerns about this project, which are detailed below.

### *The qualitative research*

The Research Report provided by *Newton Wayman Chong & Associates Pty Ltd*<sup>7</sup> states it was based on feedback from 254 people. The participants were asked for responses on various models of how benchmarking information could be presented.

It does not appear that the participants were advised that the provision of this

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<sup>7</sup> Energy Bill Benchmarking – Market Testing. A Research Report, September 2006

information would come at a cost which would be passed through to them, and that this cost was likely to increase with the level of detail that was provided. Participants do not appear to have been given an opportunity to comment as to whether they would find the benchmarking information useful in the context of these additional costs. Similarly the telephone survey of 1,108 householders in the Final Report prepared by *CRA International (Hong Kong) Limited*<sup>8</sup> did not appear to raise the issue of the cost to the consumer of providing the benchmark.

As such, this research appears to provide only a partial indication of community attitudes to energy benchmarking.

### *How meaningful is a benchmark?*

EWON is concerned that there are too many variables between households, even within the same climate zone, to make any benchmark meaningful for consumers. These variables include:

- whether the house has gas or electricity for heating and hot water
- what appliances are in the home
- whether or not those appliances are energy-efficient
- whether people are home during the day to use the appliances
- the number of people in the household
- whether the household members include young children or teenagers.

EWON's experience of customer complaints indicates that when customers compare their energy bills with a neighbour and find their bills are higher, this often leads them to doubt the accuracy of the meter readings on which their bills were based. If they query this with their retailers and are not satisfied with the response, they can contact EWON for an independent investigation into the accuracy of the billing.

Our investigations often find that the reason for the difference in the billing is directly related to one of the factors listed above. We would therefore anticipate that including benchmarking information on bills may give rise to an increase in complaints about billing accuracy, requiring additional resources for both the retailers' call centres and for the energy ombudsmen in every state.

### *The clearest energy saving message*

Both the research performed by *Newton Wayman Chong & Associates Pty Ltd* and the trial conducted by *Ergon Energy* in Mackay, Queensland, strongly indicated

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<sup>8</sup> Energy Bill Benchmarking Desktop analysis, June 2009

that cost savings would be the prime motivator for any action by customers to reduce their usage.

The recent price increases for electricity in NSW<sup>9</sup> have been a real stimulus for customers to look at ways to reduce their level of energy use. Energy saving information is available in a wide range of formats from all the energy retailers. EWON also regularly directs customers to the NSW Government's *Live Energy Smart* website<sup>10</sup> for both online information and brochures. There is every indication that public education campaigns, prompted by initiatives to combat climate change, will continue to increase and reinforce these energy efficiency messages.

From our experience of customer complaints about billing, EWON believes that the most relevant information to stimulate customers to reduce their energy usage is the dollar amount on their bills, and the comparison of their current usage with their usage at the same time in the previous year. There is insufficient information to suggest that energy benchmarking against other households is a cost effective way to achieve this same outcome.

### *Pass-through of implementation costs*

The RIS did not provide sufficient information on the implementation costs of the various options proposed to give a clear idea of what the impact on customers' bills would be when these costs are passed through.

EWON deals with a large number of customers experiencing financial distress who already find it very difficult to meet their quarterly utility bills. The July 2009 price rise in electricity has put additional strain on these customers, and the foreshadowed increases in gas bills in NSW for July 2010 will add to this.

EWON would have significant concerns about any measures that will further add to increases in customer bills without a clearly demonstrable benefit. This is particularly as the research appears to indicate that a comparative benchmark would only have an initial interest for consumers, and would not be an ongoing stimulus for action, although the costs would still be incurred and passed through.

### *Conclusion*

EWON has concerns that providing energy benchmarking on bills may not be a cost effective way to achieve the objective of motivating consumers to implement

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<sup>9</sup> From 1 July 2009 electricity prices increased around 20% in NSW

<sup>10</sup> www.energysmart.com.au

energy efficiency improvements. EWON supports these objectives, but feels that customers will just as likely be prompted to make changes by the dollar amount of their bills and the existing comparative information on their past and present usage, in combination with a range of other public education initiatives.

Our ability to respond in more detail to this RIS has been constrained by the lack of information on the implementation costs for distributors and retailers, and the likely flow-on effect to customers' bills.

If the current options are to be further narrowed down and some guidelines provided as to the implementation costs and the effect of this on quarterly bills, we would be pleased to provide additional comments at that stage.

If you would like to discuss this matter further, please contact me or Prue McLennan, Investigations Policy Officer on 02 8218 5250.

Yours sincerely



Clare Petre  
Energy & Water Ombudsman NSW