



**EnergyAustralia**

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Ms Sarah Proudfoot  
General Manager,  
Retail Markets Branch  
Australian Energy Regulator  
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Dear Ms Proudfoot

### **Draft AER Retail Pricing Information Guidelines**

EnergyAustralia is pleased to make this submission to AER's Notice of draft instrument: AER Retail Pricing Information Guidelines (the Guidelines). We are one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

We understand that the changes to the Guidelines are being undertaken in the face of significant and increased political and consumer interest in the retail electricity market. The draft Guidelines are one element of a suite of regulatory amendments which are currently being rolled out across the retail market by AER and other State-based regulators. These amendments therefore form part of a much larger initiative to improve customer experiences by reducing complexity, improving affordability and improving the ability of customers to identify and compare all available market offers.

We have limited our comments to key issues contain in the draft Guidelines.

## **1. Generally Available Offers**

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### **1.1. Implications**

EnergyAustralia supports the AER's intention to increase transparency of retail market offers and to assist customers to compare offers with confidence. We see the benefits to customers in making all offers Generally Available and published on Energy Made Easy, except for a defined restricted category.

However, we caution the AER about the short and long-term consequences. Initially, we expect that this change in application of the concept of Generally Available Plans will result in Energy Made Easy (EME) being flooded with thousands of offers, many of which are not currently published. This is not a positive result for customers who are looking for simplicity in comparing energy offers.

While we generally support the changes proposed by AER, we are concerned about the potential for the increased transparency to limit product innovation and the ability for customers to secure the most appropriate energy product for their circumstances. Placing requirements on retailers to disclose all offers on EME will discourage retailers from having a genuine variety of offers. This will limit innovation in ways that hinder competition and drive a worse outcome for customers. In the current market structure, retailers can tailor products to specific customer needs. For example, we can pass cost savings to those who want to have a more complex product or new technology and take control of their energy costs; alternatively, we can make a complex market simpler for customers who want or need simplicity.

Diversity in product design is not currently high but is increasing for electricity offers particularly as retailers trial new types of offers that utilise smart meter data, time-of-use, seasonal and/or demand-based network tariffs, incorporate new technology (e.g. Tesla Power Wall 2 energy storage, Redback Smart Hybrid Inverter energy management system and solar power systems) or demand response offers. Most of these offers rely on smart meters which are only recently starting to be rolled out nationally as standard for all mass-market customers. This allows more scope for retailers to create offers that suit a variety of different customers and for customers to reduce their electricity costs. The AER's work on Network Tariff Reform shows that if enough customers responded to more cost reflective pricing (directly or indirectly), then they could flatten their usage profile and this would reduce network expenditure to the benefit of all customers. Requiring highly diverse and innovative offers to be published on EME would be difficult and would not produce the intended outcomes.

## **1.2. Recommendations**

### **(a) Clarification of Restricted Plans**

The proposed definition of Restricted Plan is open to various interpretations across retailers, and as we have found, even within our business.

Plans that are not generally available to members of the public, and that have eligibility criteria which is exclusive and cannot be met by just any member of the broader public should fall within the Restricted Plans. Also, any reference to a size of customer group should be removed. It would be very impractical to have the definition of a Restricted Plan based on the number of customers on the plan or even expected to sign up to the plan as this is clearly changeable. It would also be easily gamed and more difficult to enforce from a regulatory perspective.

We support a move towards offers that are more personalised and we believe that these should be categorised as Restricted Plans as they will not be available to all customer segments. The suitability criteria will be tailored and not suitable for all mass market segments.

We propose the following definition for the Restricted Plan category (b):

Plans targeted to an exclusive group or individual and tailored to the specific circumstances of the customer(s) and their needs.

We would also like to see the definition of Restricted Plan category (a) clarified. to reflect the intention more clearly. For example: Family and Friends plans includes: staff plans for employees of the retailer AND staff plans for employees of Alliance Partners. Both of these categories are defined by a level of exclusivity, the eligibility criteria does not relate to a characteristic or trait that can be easily acquired by general members of the public.

### **(b) Improvements to EME**

Not only do the definitions need greater clarity, but in order for the future retail market to function fairly, effectively and to the benefit of customers, the AER must invest heavily to ensure EME remains a contemporary and effective comparator tool. We recommend that the AER ensure that it is adequately resourced to improve the capabilities and functionality of EME.

One of the key steps in improving transparency and confidence in the retail market is customers knowing about EME and finding it easy to use. Improvements proposed above should be complimented by significant investment in promoting the website as the only truly independent energy comparison website for customers in NSW, ACT, SA and Queensland. This investment should include search engine optimisation, television, print and radio advertising. In developing this marketing campaign AER should appreciate that it will effectively be competing with commercial comparator sites and AER should consider how commercial comparators will themselves invest in strategies to compete with EME.

### **(c) Compliance and enforcement**

At EnergyAustralia, we believe that if the revised Guideline is to be truly effective in achieving its objective, then AER must ensure that sufficient resources are also allocated to this function. Given the potential for competitive edge being eroded due to disclosure of previously undisclosed offers, the AER must be able to ensure that all parties are applying the Guideline in the same way.

## **2. Use of EME ID number**

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We understand AER's intention is to improve customers' ability to sign up with a retailer after identifying a suitable plan on EME and to ensure greater consistency between the offers on EME and those available through the retailer. Adopting the use of the EME ID number in this way will require significant internal changes to our systems, process and training of contact staff, including those of our third parties. We think the benefit derived by customers being able to cross reference this number as envisioned by AER, will not outweigh the cost to retailers in attempting to change the way our systems identify offers or that it will translate across retailers to third parties. We don't believe customers will use the ID number very often as we already find that the majority of our conversations with customer are based on product name and the customer's needs. In addition, the new requirements to publish many more offers will mean there are significantly more EME IDs required making it operationally more complex for customers, retailers and third parties.

EME IDs for the additional offers need to be added to our systems and this may require some lead time to prepare for. It is likely to require building a new platform to provide this capability and cross-referencing functions to our other systems. It will also require additional training to our contact centre staff and will add to call handling time if there is a long list of EME IDs for them to reference.

### **3. Third parties**

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Our research reveals, that while customers find commercial comparators useful, they hold more trust in government or regulator sites as they are considered to be independent. However, as previously discussed with AER, customers have struggled to make use of the site due to its limited visibility and functionality. Many people only use comparators to conduct an initial narrowing of the field of offers. Many customers will then contact retailers direct or do further research. If done well, EME should be able fulfil this role in an independent way.

### **4. Summary**

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EnergyAustralia welcomes the increased transparency and commits to continue work with AER to improve energy comprehension and accessibility for all customers. We also emphasise the importance of greater clarity as to "Restricted Plans" and to ensure that all retailers are compliant. We want to ensure a level playing field with respect to disclosing offers to customers and ensuring offers that are published on EME are genuine and not attempts to overwhelm and confuse customers.

In committing our support to these significant changes, EnergyAustralia will be required to invest heavily in preparing itself for compliance with new processes, marketing and publishing of its retail offers. These changes are not happening in isolation and will need to be scheduled alongside important customer experience system improvements and other mandatory regulatory changes. Aside from the lead time required, we note that each change adds to retail costs.

Irrespective of the level of commitment from retailers, the success of these proposed Guidelines is highly dependent on the functionality and visibility of Energy Made Easy and AER's ability to "compete" in the comparator market. Accordingly, we expect that the AER will need to commit sufficient resources in the short and longer term to protect the ongoing development of EME and its legitimacy in a market that is dominated by commercial comparators and to protect the investment of retailers in embedding these changes in our own businesses.

EnergyAustralia would be happy to meet with AER to discuss this definition and workshop our thought process and how this delivers the intentions of the AER.

EnergyAustralia looks forward to continuing to work cooperatively with AER in the development and implementation of these guidelines. Should you require further information regarding this submission please call Samantha Nunan on (03) 8628 1516 or Melinda Green on (03) 8628 1242.

Yours sincerely

**Spiz Dimopoulos**

Head of Propositions and Pricing