



**EnergyAustralia**

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Ms Sarah Proudfoot  
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Retail Markets Branch  
Australian Energy Regulator  
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Dear Ms Proudfoot

**Draft Benefit Change Notice guidelines**

EnergyAustralia is pleased to make this submission to Australian Energy Regulator's (AER) draft Benefit Change Notice Guidelines (draft 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.

EnergyAustralia is an advocate for regulatory change that eliminates poor retailer practices; where it will result in better outcomes for customers. EnergyAustralia agreed, as part of the Prime Minister's roundtable with eight retailers last year, to support a number of initiatives to facilitate easier comparison of energy plans, increased customer engagement and ensure that disengaged customers are not penalised. Following this forum we supported the rule change requiring retailers to notify customers when their fixed benefit period is ending, including advising them of the dollar impact of taking no action.

EnergyAustralia continues to support these initiatives. However we do not support giving effect to these changes in ways that we know (based on our extensive experience and market research) will result in increased confusion for customers, or significant and unnecessary additional costs. EnergyAustralia has always provided prior notice of benefit changes and in recent years have always sent advance notice of price changes to customers. Having to send a regulatory notice with forced wording such as: "we are required to tell you that you are going to lose..." will give customers the impression that we can't be trusted to communicate openly and in advance with them when this is not the case. We outline our views further below.

**1. Cost and Complexity**

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In order to meet the content requirements, set out in **Section 4 – Content of the benefit change notice** of the draft Guidelines, EnergyAustralia will need to invest heavily to scope and implement system changes necessary to extract data not previously collected.

We agree that customers benefit from 'consistent and standardised information',<sup>1</sup> particularly given the inherent complexity of energy pricing and offers. It is for this reason we support the AER's upcoming review of language and terminology<sup>2</sup> to improve consistency across retailer communications with customers. Having said that, we do not believe that it is useful to extend consistency and standardisation to the draft guidelines. This would prescribe the precise form of the content and messaging within retailer communications.<sup>3</sup> Allowing retailers flexibility to communicate with customers is important in being able to incorporate customer feedback about their satisfaction or otherwise with our communication strategy and to allow us to continue to develop and improve over time in response to consumer preferences. We believe that retailers should retain the discretion to distinguish themselves and to be competitive in making decisions about branding and customer communications.

Currently, we have the flexibility to run pilot programs before going full scale with any particular communications campaign. The rigidity proposed by the draft guidelines removes this flexibility. We are concerned that the standard format of notices will not suit the purpose in every case and we will receive significant negative responses without the ability to adapt or change to meet our customers' expectations.

A key objective for AER in the draft guidelines is to see increased traffic to Energy Made Easy (EME), given the extensive IT requirements to extract the information required for a customer to use EME,<sup>4</sup> more work needs to be done to determine if the uplift in response rate is worth the cost to retailers (and ultimately customers).

We maintain the view set out in our submission to the benefit change notice guidelines – Issues Paper, that retailers are best placed to understand how to communicate with their customers. This applies to our understanding of our customer preferences and also what is feasible with our systems and resources. Before finalising the Benefit Change Guidelines and the associated data and communications requirements, we recommend that the AER consider undertaking more research through an initial pilot program to test whether it achieves the objectives of the rule change and the draft guidelines.

## **2. Consistency of with RPIG**

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EnergyAustralia has consistently taken a customer-centric approach and we are concerned that the form and content proposed in the benefit change guidelines for the benefit change notice is at odds with the principles and findings which resulted in version 5 of the RPIG. As we previously discussed in our submission to AER on 2 November 2017, there are generally two categories of customers:<sup>5</sup>

1. Category 1: those who are less confident and feel overwhelmed by the complexity of pricing and comparisons and different rates; these customers want to know they are getting the best deal but have little desire to understand the detail and are looking for concise summaries.

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<sup>1</sup> Australian Energy Regulator, Notice of Draft Instrument: Draft AER Benefit Change Notice Guidelines version 1, April 2018, p.16.

<sup>2</sup> Australian Energy Regulator, Notice of Final Instrument: AER Retail Pricing Information Guidelines Version 5, April 2018, p. 27.

<sup>3</sup> Australian Energy Regulator, Draft AER Benefit Change Notice Guidelines Version 1, Appendix A.

<sup>4</sup> Guidelines table 1

<sup>5</sup> EnergyAustralia, Submission to the Australian Energy Regulator, Customer Price Information Issues Paper

2. Category 2: those who feel more confident and want simplification, but also want to be provided with detailed information to assess their own position. They seek clarity and transparency on price composition to do their own analysis.

Understanding the level of detail a customer will seek out in their engagement with the retail energy market was a significant consideration the support from EnergyAustralia, consumer groups and other retailers for the replacement of Energy Price Fact Sheets with the Basic Plan Information Document (BPID) and a more comprehensive Detailed Plan Information Document (DPID). The proposed benefit change notice as proposed will deliver a document to customers that is detailed, complicated and lengthy.

Accordingly, EnergyAustralia proposes that the notice be consistent with the objectives of the review of the Retail Pricing Information Guidelines: a simple document that invites customers to seek out more detailed information where they want and require it.

### **3. Statement of Intent**

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The AER has previously stated that it has *"a responsibility to help make the [regulatory] regime fit for purpose and able to cope with future challenges."*<sup>6</sup> The level of prescription proposed for the content of the notice<sup>7</sup> is intimately linked to the fields for EME. Any slight change to EME could result in unexpected changes to the benefit change notice or retailers' systems, for example, reworkings of data algorithms etc. This is likely to occur where customers receive electronic information and where hyperlinks are involved. Our concern is that the final Benefit Change Notice Guidelines will not be future fit and the cost and effort in complying with what is proposed will become quickly redundant.

Instead, we prefer that the AER revert to a principles-based approach as outlined in the AER Statement of Intent 2017-18. The AER could design the principles and outcomes and allow industry participants and their customers to determine how to meet the objectives of the benefit change notification. That way, retailer communications and notifications to customers can continue to evolve without the need for reworking of regulatory requirements and lengthy consultation process, provided those principles are being met. Principles-based regulation maximises the ability of regulatory frameworks to absorb market and technical developments. This approach is also consistent with the AER's vision to act in accordance with regulatory best practice.<sup>8</sup>

A principles-based approach could require retailers to send notices in advance that are clear and readily understood by a typical customer. Rather than specifying all the fields and wording in the notice and the layout, it would be possible to draft a guideline that specifies the information that customers need to be able to ascertain from reading the notice. For example, that a typical customer quickly understands on reading the notice that:

- their energy plan is about to change;
- they need to act if they are to keep their benefits; and
- they can find more information on EME.

If the AER were to set up this type of regulatory guideline and found that some retailers weren't complying with the requirements, they could require the retailer to provide customer feedback to demonstrate that the communication is effective.

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<sup>6</sup> Australian Energy Regulator, *Statement of Intent 2017-18*, p5.

<sup>7</sup> Australian Energy Regulator, *Draft AER Benefit Change Notice Guidelines Version 1*, section 4, pp 11 – 16.

<sup>8</sup> Australian Energy Regulator, *Statement of Intent 2017-18*, p.5.

#### **4. Specific Comments on Style, Content and Format**

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We agree with the AER that "*keeping information as short and simple as possible is key to ensuring customers have maximal understanding of its content and maximal likelihood of taking action*".<sup>9</sup> This is consistent with what we have learnt from our customers via feedback on targeted mailouts and other campaigns. The prescribed content of the proposed benefit change notice is voluminous, confusing and data heavy. Retailers should be given the discretion to identify how to communicate this message.

##### **Clause 53 and 55:**

We think that the EME site is relatively intuitive to use. If the concern is that EME is too complicated for some customers to use, then AER should consider options to provide an online tutorial to assist those customers with instructions on how to submit and complete an EME search. Addition of these instructions overcomplicates the notice.

Including instruction to use EME in the benefit change notice will not only contribute to additional length to the notice, but any time AER makes change to EME or its functionality, retailers will need to amend the correspondence to reflect the changes. This could easily lead to additional costs in relation to systems, IT, testing, agencies and vendors/FTE resources etc. Even small changes to EME may require complex changes to the benefit change notice at our end.

##### **Clause 72:**

Retailers should have the choice to provide printed communications in black and white if costs are restricted in budgets. Keeping printing requirements simple helps to minimise costs.

##### **Clause 73:**

EnergyAustralia works diligently investing in projects and research to identify ways to distinguish ourselves from our competitors and to ensure we can deliver positive experiences to attract and retain our customers.

We are also concerned about the wording of the notice and the headline statement, we find the language is unduly alarmist. For example: "*you are about to lose your...*" and "*we are required to tell you that you are going to lose.*"<sup>10</sup> Our experience with our customers tells us that this will not result in customer confusion and annoyance. Some customers might ignore the notice. These are difficult communications to get a high response rate to drive the intended outcomes. Negative messaging will be particularly distressing to vulnerable customers, or those with low comprehension.

##### **Clause 85:**

Calculating the "do nothing" cost as proposed will prove difficult during the repricing event when prices are not yet approved. For example, the expiration of the benefit period could overlap the period that network costs are determined. Retailers are restricted in their ability to communicate and the latest and most relevant information during repricing periods.

#### **Appendix A – Benefit Change Notice template**

EnergyAustralia supports including a reference to EME in our communications. EME is a valuable tool for those customers who want to compare offers and shop around. However,

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<sup>9</sup> Australian Energy Regulator, Notice of Draft Instrument: Draft AER Benefit Change Notice Guidelines version 1, April 2018, p.17.

<sup>10</sup> Australian Energy Regulator, Draft AER Benefit Change Notice Guidelines – version 1- April 2018 Appendix A p.19

promoting EME at the top of the page will cause confusion about who the letter is from. Our research shows that customers skim read in the shape of an F, top right, across to the left, down the left hand margin, to see who has signed the letter and then back up and across to see that they have been addressed properly. Some customers are likely to misinterpret who the communication is from and potentially try to contact AER about issues relevant to EnergyAustralia. This would not be a good outcome for customers, the AER or retailers.

The layout does not allow for us to personalise with the account number & supply address which is important so that customers are clear as to which specific account the letter is referring to.

Wording throughout the communication has negative connotations for the retailer. As mentioned previously, we work hard to build trust in our brand and to create positive customer experiences. A letter of this type effectively erodes the investment we are making in our brand and reputation as a retailer. Other issues within the template include:

- The letter is long form body copy which we know from our research that most customers will generally not read.
- "you **will** pay \$x more". At best this is an estimate, there are so many variables impacting a household's usage of energy. It could be very misleading for customers. Any forecast needs to include visible and easy-to-understand disclaimer that it may not be accurate.
- The use of the colour red is associated by customers with a warning or something is wrong, which is why it is used extensively in reminder & follow up payment communications. It is unnecessarily alarmist for customers.
- Section C – The heading "*Summary of your most recent bills*" is misleading. It is information required by the customer to use EME and should be retitled.
- Electricity Bill 1: Start date and end date. This is confusing; energy bills are not for 12 months. We are not clear what is required here or why.

## **5. Conclusion**

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Although we support the high-level objectives of the benefit change notice, we strongly believe that retailers are better placed to develop and deliver communications to their customer base. Retailers should retain the flexibility to communicate with their customers as they determine appropriate. This should be based on customer preference for not only the content, complexity and length of communications, but also in a manner that is supported by the retailer's resources, infrastructure. Given the likelihood customers will not respond to the notice as desired, and are likely to be confused or alarmed, we don't believe the beneficial customer outcomes will be sufficient to outweigh the cost and complexity of implementation.

We do not support retailers withholding information or limiting the choices available to customers. Customers deserve to make choices about how and when they engage with the retail energy market. Providing them with the right information presented in an appropriate way will prompt customers to engage and seek out further information or investigate the market how and when they want. Bombarding customers with volumes of information that they didn't ask for and that some do not want, information and data that many can't use or don't understand will produce poor experiences and does nothing to improve trust in the retail sector.

We request that the AER, reconsider the form and content of these guidelines together with the cumulative impacts of the broader regulatory initiatives that are occurring in the retail market. A principles-based approach would continue to allow retailers to deliver this information in the best way for customers to understand and act on.

Should you require further information regarding this submission please call Samantha Nunan on (03) 8628 1516.

Yours sincerely

**Melinda Green**  
Industry Regulation Leader