

29 May 2015

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

Lodged by email: AERinquiry@aer.gov.au

Dear Ms Proudfoot

Amended retail pricing information guidelines - 2015

Momentum Energy welcomes the opportunity to provide comments in response to the Amended retail pricing information guidelines - 2015 (the draft guidelines).

Momentum Energy is a second tier retailer authorised to sell electricity in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory and gas in Victoria and South Australia. Momentum is fully owned by Hydro Tasmania, the largest clean energy producer in Australia

Momentum has a strong commitment to transparency. One of the ways that we seek to differentiate from our competitors is through making our energy offers simple and clear. The thicket of regulatory obligations that impose requirements and restrictions on the sale of energy to residential and small business customers is sometimes a challenge to this approach.

In attempting to instigate the worthy objective of maximising comparability of retail energy offers, regulators must keep in mind that a conclusion that each individual item in a package of energy sale requirements and restrictions is well founded is not sufficient. The total package of those requirements and restrictions must be of net benefit. The package must be considered as a whole. Small energy customers review energy price fact sheets (EPFSs), along with the various other documentation required and influenced by regulation, as a whole and they want clear, simple information. For them, less is more. We consider that this principle is of broad application and is particularly relevant to the draft guidelines.

Momentum offers the following specific feedback on the draft guidelines.

Momentum is not convinced that the case for enforced consistency of terminology is sufficiently strong to justify the cost of the flow through of that terminology into other sales and contracting documentation. Energy retailers should be free to use terms that they consider to be suitable, and to lose customers to competitors who describe their offers in more simple, clear and engaging ways.

The proposed amendment of section 2.4.3 to require EPFSs to show the Energy Made Easy logo and statement, along with the requirement to display non-price incentives and the new formatting requirements in section 2 of the draft guideline, and the prioritisation of information requirements set out in proposed section 2.4.8, are likely to come into conflict with the requirement to limit EPFSs to two pages.

While Momentum does not otherwise object to the proposed amendment of section 3.2 regarding the most consumer friendly publication and accessibility of energy price fact sheets, we do not consider that it is necessary that the web links to EPFSs must have the long title “Energy Price Fact Sheet”.

We fundamentally disagree that section 3.4 should be extended to marketing via social media. The brevity and stylistic constraints of social media marketing preclude inclusion of the required statement. We suggest that the required statement should be displayed on the first landing page to which the customer is directed by the social media marketing.

Consistent with our commitment to transparency, Momentum believes that a key principle should be that customers have visibility of their effective rates net of guaranteed discounts. This is necessary if EPFSs and Energy Made Easy are to perform their function of providing meaningful information for consumers to compare rates. The exact changes to presentation of guaranteed discounts proposed in the draft guidelines require greater clarification. Whatever is determined by the AER must guard against the risk that, in requiring the post-guaranteed discount tariff to be presented alongside the discount figure, customers could be misled into thinking that the guaranteed discount is still to be applied to the post-guaranteed discount tariff.

In principle, we do not object to a requirement that obsolete offers are removed from Energy Made Easy within two days. We understand that enhancements to Energy Made Easy should make this process even easier. Some retailers sometimes have obsolete offers displayed. In particular during a price variation period in which prices have increased, this has the potential to confer an unfair advantage on the tardy retailer by causing a comparing customer to commence a conversation with the tardy retailer whose out of date offer looks attractive compared to updated rates for other retailers. That customer might not notice the difference between the obsolete rate that triggered them to go to the tardy retailer and what is really on offer or, even if they do notice, might choose to finish the conversation they have started rather than go back to comparing across retailers.

A related matter is the suggestion made to the AER but not incorporated in the draft guidelines to “bring forward the requirement to submit pricing information to Energy Made Easy in advance of the offer becoming available (for example at least two business days).” This would potentially delay retailers pass through of rate changes, including price reductions. A key problem at the moment is the duration and variation in AER processing time before EPFSs are updated on Energy Made Easy. Improved responsiveness and guaranteed AER turnaround time would be required in order to support this. Because the AER’s part of the process of loading new offers into Energy Made Easy is essentially administrative (ie the onus is solely on retailers to have correct offer information) the lead times from retailer approval to appearing on the site are unnecessarily slow. At present, an appropriate balance might be retailer submission on the day the offer becomes available and faster publishing by the AER.

In relation to the question of whether the draft guidelines should be amended to require use of both GST exclusive and GST inclusive unit prices, we note that, while use of both does on one view create complexity, both rates appear on invoices. This is necessary because, for non-business customers the ‘actual cost’ will be GST inclusive, while for business customers it will be GST exclusive.

We believe that the draft guidelines should be amended to accommodate the use of a third element of pricing structures, namely demand charges, which are likely to become commonplace as network tariff reform is implemented from 2017.

If you would like to discuss this submission or any other matter, please contact me on (03) 8612 6437 or luke.brown@momentum.com.au.

Yours sincerely

Luke Brown
Regulatory Manager