



**Notice of Draft
Instrument:**

**DRAFT AER Benefit
Change Notice Guidelines
Version 1**

April 2018

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1 About this document

1.1 Introduction

This Notice of Draft Instrument (Notice)¹ accompanies the Australian Energy Regulator's draft Benefit Change Notice Guidelines (Guidelines).²

The National Energy Retail Rules (Retail Rules) now require a retailer to notify a small customer via a benefit change notice when a benefit provided to them through their market retail contract is expiring or changing.³ The aim of these new rules is to reduce the number of customers⁴ remaining on market retail contracts with expired benefits by requiring a retailer to:

- give the customer advance notice that their benefit is changing or expiring
- prompt the customer to search for available plans on Energy Made Easy⁵, and
- encourage the customer to switch to another plan if appropriate.

We consider a benefit change notice an important tool to encourage customer engagement with the energy market.

1.2 Role of the Guidelines

Retail Rule 48A requires a retailer to notify a small customer within 20-40 business days of each benefit change occurring, with basic information.⁶ Retail Rule 48B requires us to make Guidelines, which build on the requirements of Retail Rule 48A. To assist retailers to meet their obligations under Retail Rule 48A, the Guidelines:

- explain what benefit changes do and do not require the provision of a notice
- specify the information that must be provided in the notice
- specify how the information should be presented
- specify how dollar figures in the notice are to be calculated.

1.3 Definitions and interpretation

In this Notice, key words and phrases have the meaning given to them in the glossary of the Guidelines or, if not defined in the glossary, the National Energy Retail Law (Retail Law) and Retail Rules.

¹ National Energy Retail Rules 173(2)(b)

² The draft Guideline can be accessed at the AER website: <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/benefit-change-notice-guidelines>

³ National Energy Retail Rules 48A(1)

⁴ For the purposes of this document, references to 'small customer/s' or 'customer/s' has the meaning of 'small customer' as defined in the National Energy Retail Law.

⁵ Energy Made Easy, www.energymadeeasy.gov.au is the Australian Government's energy price comparison website. It is run by the Australian Energy Regulator.

⁶ National Energy Retail Rule 48A(3) specifies the basic information a retailer must provide in the benefit change notice.

1.4 Version history and effective date

We are now consulting on a draft version 1 of the Guidelines.

We will use feedback from this consultation to develop the final Guidelines, which we will publish by 1 July 2018.

Retailers must comply with the Guidelines from 1 October 2018.

2 Purpose of this Notice

We are required to explain our development of the draft Guidelines in a Notice.

This Notice provides the context in which the draft Guidelines have been prepared, the issues involved, and the rationale for and effects of the proposed requirements.⁷ The draft Guidelines and Notice have been prepared in accordance with the retail consultation procedure in rule 173 of the Retail Rules.

In the following sections of the Notice, we explain the development and rationale for the proposed requirements of the draft Guidelines:

- in **section 3**, when a benefit change notice must be provided
- in **section 4**, the manner and form of the benefit change notice
- in **section 5**, the proposed content of the benefit change notice
- in **section 6**, how dollar amounts provided in the benefit change notice should be calculated.

Issues paper

To assist us to develop the Guidelines, our February 2018 issues paper⁸ sought stakeholder views on the following questions:

- Should any benefit changes be excluded from the requirement to send a notice?
- Should a historical billing amount or additional comparison figure be included in the benefit change notice?
- What approach should be taken with regards to the provision of energy consumption data?
- How should information in the benefit change notice be ordered and presented?
- What should be the headline statement or ‘call to action’?

We received 10 submissions, which provided valuable feedback and raised a number of issues.⁹ Key themes and our responses are summarised in the following sections as relevant, and in further detail at **Appendix A**.

Behavioural insights research

We are also using behavioural insights research and a literature review, conducted by the Behavioural Insights Team (BIT), to inform the development of the Guidelines. Specifically, the research will help determine what information a retailer should include in the notice and

⁷ National Energy Retail Rules 173(2)(b)(ii)

⁸ AER issues paper – Benefit Change Notice Guidelines – 23 February 2018, https://www.aer.gov.au/system/files/AER%20issues%20paper%20-%20Benefit%20Change%20Notice%20Guidelines%20-%2023%20February%202018_0.pdf

⁹ Stakeholder submissions can be accessed on the AER website: <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/benefit-change-notice-guidelines/initiation>

how a retailer should present the information to effectively prompt a customer to consider their options when their benefits are changing or expiring.

In making Retail Rule 48B, the Australian Energy Market Commission (AEMC) granted us some discretion over the content and presentation of the notice, in part to reflect best practice in behavioural economics. Simulating consumers' real life responses as far as possible, we are testing consumer reactions to the following:

- whether energy plan cost amount/s in addition to the amount a customer would pay if they did nothing after their benefit changes or expires provide a useful reference point, and what cost figures most resonate
- what presentation and ordering of the information in the benefit change notice most effectively encourages a customer to research their options
- whether a clear 'call to action', or headline statement, in the benefit change notice is effective at prompting a customer to research their options.

We consider this research will provide invaluable insights into how a customer would engage with a benefit change notice in the real world. Using the research to develop the Guidelines will help ensure the proposed requirements achieve their aim of customers responding to and engaging with the content of the notice.

The preliminary results of this research have informed the development of the draft Guidelines. We will use the final findings of the research, along with stakeholder submissions to this consultation process, in the development of the final Guidelines.

2.1 How to make submissions

We invite stakeholders' feedback on the draft Guidelines. Interested parties are invited to make written submissions by **Monday 21 May 2018**. **Due to timing constraints, late submissions will not be considered.**

Submissions should be sent electronically to AERInquiry@aer.gov.au with the subject line '*Draft Benefit Change Notice Guidelines*'. We ask that all submissions sent in an electronic format are in Microsoft Word, PDF or other text readable document form.

Alternatively, submissions can be sent to:

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

If interested parties prefer to meet with us in person rather than make a written submission, we will be scheduling meetings with stakeholders in the weeks beginning 30 April 2018 and 7 May 2018. Please email AERInquiry@aer.gov.au by 27 April 2018 if you would like to arrange a meeting.

2.2 Publishing of submissions

To ensure an informed and transparent consultative process we prefer that submissions be publicly available. Unless marked confidential, we will publish all responses on our website, www.aer.gov.au. If you wish to submit confidential information you should:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

For further information about our use and disclosure of information provided to us, see the ACCC/AER Information Policy (June 2014), which is available on our website.¹⁰

If you have any questions about this Notice and the draft Guidelines, or about lodging a submission, please send an email to: [AERInquiry@aer.gov.au](mailto:AERInquiry@ aer.gov.au) with the subject line '*Draft Benefit Change Notice Guidelines*'.

¹⁰ ACCC and AER information policy: collection and disclosure of information, June 2014, <https://www.aer.gov.au/publications/corporate-documents/accc-and-aer-information-policy-collection-and-disclosure-of-information>

3 When is a benefit change notice required?

Section 2 of the draft Guidelines specifies what benefit changes require a retailer to send a benefit change notice to a customer, and what benefit changes are excluded from the requirement to send a notice.

Under Retail Rule 48A(1), a retailer must notify a customer of each benefit change. Under Retail Rule 45A, a ‘benefit change’ is defined in two parts.¹¹ Part (b) of the definition gives us the ability to provide, through the Guidelines, further specification of what constitutes a benefit change. We also have the ability to specify what constitutes an excluded change—that is, a benefit change that would not trigger the sending of a benefit change notice.¹²

In proposing a position on this issue in the draft Guidelines, our overarching consideration is to ensure customers are aware, where they may not otherwise have been, that a benefit they may value is changing or ending and are prompted to consider whether they should look for another plan.

3.1 Issues paper consultation

Our February 2018 issues paper sought stakeholder views on whether certain benefit changes should be excluded from the requirement to send a notice. We were interested in whether stakeholders agreed with our preliminary view that a retailer should send a benefit change notice for each benefit change satisfying part (a) (see footnote 11) of the definition of ‘benefit change’, or whether there should be some limitation.¹³ We sought feedback on whether stakeholders thought situations in addition to those outlined below and in the AEMC’s rule determination¹⁴ would not constitute a benefit change:

1. where a customer’s existing benefits are rolled over without change, or the minimum period for the benefit is extended without a change to the benefit
2. where a one-off physical gift or sign-up credit is provided to a customer on entry into a contract, and
3. where a standing offer plan on which a benefit is based changes (noting Retail Rule 46, which requires retailers to advise a customer of any tariff changes as soon as practicable, and no later than the customer’s next bill).

Stakeholders had a range of views on the types of benefits and changes that should require a retailer to send a benefit change notice.

3.1.1 Types of benefits

We acknowledge the AEMC canvassed the issue of whether changes to non-financial benefits, in addition to financial benefits, should require a retailer to send a benefit change

¹¹ Part (a) of the definition of ‘benefit change’ under Retail Rule 45A states a benefit change means ‘a change to, or the expiry of, a benefit (such as a price discount) provided to a customer for a minimum period or a fixed benefit period under a market retail contract during the term of that contract (whether or not as a result of the variation to the contract).’

¹² Retail Rule 48B(3)(b) provides us with the ability to specify what constitutes an excluded change.

¹³ National Energy Retail Rules 45A

¹⁴ AEMC, Notification of the end of a fixed benefit period, rule determination, 7 November 2017, page 18.

notice in their consultation paper on the rule change.¹⁵ While we did not seek specific feedback on the same issue in the issues paper, we note that stakeholders appear comfortable with the position of capturing changes to both financial benefits (such as a price discount) and non-financial benefits (such as a gift). Stakeholders were more concerned about how the Guidelines' requirements would address the differences between financial and non-financial benefits (for example, the requirement to provide a cost projection where the ending or changing of a non-financial benefit would not affect a plan's cost).

3.1.2 Types of changes

The majority of stakeholders agreed with the examples listed in the AEMC's final determination on what would and would not represent a benefit change. There were, however, some differences of opinion on whether to exclude positive benefit changes from the requirement to send a benefit change notice.

A number of stakeholders agreed customers should be notified of any change in benefits, irrespective of whether the change is beneficial or detrimental to a customer (Consumer Action Law Centre (CALC)¹⁶, Energy and Water Ombudsman Queensland (EWOQ)¹⁷, Public Interest Advocacy Centre (PIAC)¹⁸, Powershop¹⁹, Red and Lumo Energy²⁰). In support of this position Powershop said, "full disclosure in respect of a customer's energy account is a key enabler for the customer to make an informed decision in relation to their energy."²¹ In addition, PIAC said requiring a benefit change notice for any change in benefits "removes the subjectivity of what a retailer considers to be 'beneficial' or 'detrimental' to the customer."²²

EnergyAustralia and Origin Energy considered that only benefit changes that are detrimental to a customer should require a notification. Origin Energy said, "we believe that the objective of the rule change was to prompt customers to assess their options when and if their benefits are withdrawn. This is appropriate where a person's discount may end and not be replaced by another benefit."²³ EnergyAustralia said, "this obligation should only apply where there is a negative impact on the customer—not in cases where there is a positive change. Retailers should have the flexibility to market and communicate positive changes to customers as they see fit."²⁴

In addition to beneficial benefit changes, stakeholders considered the following benefit changes should be excluded from the requirement to send a benefit change notice:

- benefit changes for which retailers are obligated to notify their customers under a different provision of the Retail Rules (Red and Lumo Energy²⁵)

¹⁵ AEMC, Notification of the end of a fixed benefit period, consultation paper, 12 September 2017, page 4.

¹⁶ CALC submission, page 1.

¹⁷ EWOQ submission, page 1.

¹⁸ PIAC submission, page 1.

¹⁹ Powershop submission, page 1.

²⁰ Red and Lumo Energy submission, page 2.

²¹ Powershop submission, page 1.

²² PIAC submission, page 1.

²³ Origin Energy submission, page 1.

²⁴ EnergyAustralia submission, page 1.

²⁵ Red and Lumo Energy submission, page 2.

- benefit changes where the benefit period is less than 12 months' duration, as in this situation, using a historical billing amount for a comparison figure on a notice would not provide a reliable basis for comparison, and customers would have received recent notification of the terms and conditions of their contract (Red and Lumo Energy²⁶)
- immaterial changes based on an AER set threshold (AGL²⁷).

Stakeholders raised additional examples they considered should not be considered a benefit change and therefore not trigger the requirement to send a notice:

- where a retail market offer on which a benefit is based changes (ActewAGL²⁸)
- any upfront incentive, whether this is an immediate credit or one month free energy (AGL²⁹)
- discounts limited by time and often at the commencement of a contract, for example 'first month free' (Origin Energy³⁰).

While the majority of stakeholders agreed that a rollover of benefits on the same terms and conditions would not constitute a benefit change, EWOQ said:³¹

“Although the customer may not be detrimentally affected moving forward, a change has occurred in that the time of the benefit has been extended. Awareness of a benefit rollover to customers is beneficial and reiteration of clear information about ongoing discounts and/or incentives at such a time will only reinforce the Guideline’s aim to empower customers to engage in the market.”

3.2 Proposed requirements in the draft Guidelines

Table 1 highlights relevant clauses in the draft Guidelines discussed in this section of the Notice.

Table 1: Draft Guidelines requirements for when a benefit change notice is required

Clause	Description of requirement
22	Retailers must send a benefit change notice when a benefit change meets the definition of benefit change in the Guidelines.
23	Retailers are exempt from the requirement to send a benefit change notice if: <ol style="list-style-type: none"> a) the benefit change does not meet the definition of a benefit change in the Guidelines; or b) the benefit change has been defined as an excluded change.

²⁶ Red and Lumo Energy submission, page 2.

²⁷ AGL submission, page 2.

²⁸ ActewAGL submission, page 3.

²⁹ AGL submission, page 2.

³⁰ Origin Energy submission, pp. 1-2.

³¹ EWOQ submission, pp 1-2.

24	A benefit change is defined as a change to, or expiry of, a benefit provided to a small customer for a minimum period or fixed benefit period under a market retail contract during the term of the contract.
25	The requirement to send a benefit change notice applies to both financial benefits and non-financial benefits.
29	A benefit change occurring within or at the first 40 days of the commencement of a customer's market retail contract is an excluded change.
30	A benefit change that requires a retailer to notify a customer under Retail Rule 46(3) is an excluded change.

3.3 Proposed position

3.3.1 Types of benefits

We consider that both financial and non-financial benefit changes should require a retailer to send a notice. This is because non-financial benefits may have value for customers and may have influenced a customer's decision to enter into the contract initially. A retailer should therefore notify a customer when these benefits are ending or changing.

3.3.2 Types of changes

In forming a proposed position on this issue, we have first considered what does and does not constitute a benefit change, and then whether any changes meeting the definition of a 'benefit change' should be excluded from notification.

3.3.2.1 *What does and does not constitute a 'benefit change'*

At this stage, we see no need to further define a 'benefit change' as permitted by 45A of the Retail Rules. Rather, we provide our position below on specific examples of changes raised by stakeholders to clarify whether they would constitute a 'benefit change' and therefore trigger a retailer to send a notice. The below list is not exhaustive, and we expect retailers will seek their own advice on whether a change in benefit meets the definition of 'benefit change' under the Retail Rules. Where the AEMC has addressed in their rule determination examples of what they consider do or do not constitute a benefit change, we have not addressed them again here.³²

Where there are underlying changes to a plan on which a benefit is based

We agree with ActewAGL that, similar to the logic applied to standing offer plans that include a benefit, if a market offer plan on which a benefit is based changes, this would not constitute a benefit change. In this case, if the benefit is a discount, we consider the benefit is the discount off, *not* the base rates to which the discount is applied. Therefore, a change to the base rates would not constitute a benefit change, as long as the benefit itself (i.e. the discount off amount or percentage) is unchanged.

³² AEMC, Notification of the end of a fixed benefit period, rule determination, 7 November 2017, pp 14-18.

Conversely, the above would not apply to an example where a customer has entered into a plan with prices fixed at a specific rate for fixed period and a retailer decides to match a price decrease. Because the benefit is tied to a specific rate, we would consider a variation in that rate to be a benefit change. However, we note Red and Lumo Energy's views that a benefit change resulting in a retailer having to notify a customer under a different provision of the Retail Rules should be considered an excluded change. We address this in **section 3.3.2.2**.

One off incentives or gifts

In its rule determination the AEMC noted they did not consider the example of a one off physical gift provided to a customer on entry into a contract as a benefit change. We agree with this view. In addition, we consider any incentive provided as a one off (whether or not upon entry to a contract) would not meet the definition of a benefit change because the benefit is not provided for a minimum or fixed period. This includes provision of a gift after a certain period (for example, provision of frequent flyer points when a customer has been with a retailer for 12 months).

We do however think incentives or gifts provided to a customer upon entry to a contract for a certain period (for example 'first month free') would meet the definition of a benefit change. We address our proposed treatment of these in **section 3.3.2.2**.

Rollover or extension of benefits

While we agree with EWOQ's view that a rollover of benefits represents a change insofar as the time of a benefit has been extended, we do not consider this would represent a change to the benefit itself. We maintain the position that a retailer is not required to send a notice if they continue to give customers the same benefit with the same terms and conditions after the end of a minimum or fixed benefit period.

We also acknowledge concerns about the impact of overwhelming customers with information and consider that a customer may in this case wonder why they have been provided a notice. The draft Guidelines do not prevent a retailer from communicating a rollover of benefits to a customer, should they choose to.

3.3.2.2 What benefit changes should be considered an 'excluded change'

Where a benefit change is positive or beneficial to a customer

Our proposed position is that a retailer should send a notice whenever a benefit changes, irrespective of whether there is a detriment or benefit to the customer. We agree with stakeholders that considered there is utility in providing a notice whenever a benefit changes, as it ensures customers are aware of changes to their energy plan. We also agree that this approach removes retailer subjectivity in deciding what changes are detrimental or beneficial to a customer.

Immaterial benefit changes based on AER set threshold

AGL supported that retailers should only notify customers of benefit changes above a materiality threshold set by the AER. AGL considered an immaterial benefit change may be outweighed by the search costs associated with exploring the market prompted by the

notification.³³ Similar to the reasoning for not considering a positive or beneficial change an excluded change, we do not think it appropriate for us to determine a threshold for notifying a customer of a benefit change. This is because we are not in a position to know what changes a customer would consider material and therefore worthy of notification.

Also, we do not accept that a customer should not be notified of an ‘immaterial’ change because of the costs involved in being prompted to search for another plan. An alternative possible outcome is that the customer switches to a cheaper plan or plan they consider better for their circumstances because of being notified of an ‘immaterial’ change.

Benefit changes where the benefit period is less than 12 months

Red and Lumo Energy consider benefit changes where the benefit period is less than 12 months should be an excluded change. One of the reasons for this is because a customer would have received information about their plan relatively recently and therefore does not need to be notified of changes in the short term.

Other stakeholders thought that incentives or gifts provided over a minimum period at the start of a contract (such as plans with ‘first month free’ incentives) should be an excluded change.

We think there is utility in a retailer providing a customer notice whenever a benefit changes. This approach treats all benefit changes consistently and avoids judgements about whether a customer should be notified of a benefit change because of an assumption they are well-informed about their energy plan, where they may not be.

We do, however, believe there is merit in applying an exclusion for benefit changes where the benefit period is equal to or less than 40 days from the start of the contract. This is because the requirement under Retail Rule 48A(2)(b) to notify a customer 40 to 20 days before a benefit change occurs means that a customer would receive a benefit change notice at the start or near the start of their contract. We consider it would not make sense for a customer to receive a notice at that point in time.

Benefit changes for which retailers are obligated to notify their customers under a different provision of the Retail Rules

Red and Lumo Energy both submitted that, where a benefit change results in a retailer having to notify a customer under a different provision of the Retail Rules, these benefit changes should be excluded from notification through a benefit change notice. At this stage, we are only aware of circumstances where there may be notification requirements under both Retail Rules 46(3) (notification of any variation in tariffs and charges under a market retail contract) and 48A(1).

We consider there is merit in applying an exclusion for benefit changes where a retailer must notify a customer under Retail Rule 46(3) (for example, the scenario discussed in **section 3.3.2.1** of a fixed price plan’s rates being decreased but then remaining fixed). As discussed in **section 3.3.2.1** we do not think underlying changes to a plan on which a benefit is based would require a retailer notify customers under 48A(1). We also note the AEMC will soon

³³ AGL submission, page 2.

consider a rule change request to strengthen notification of variations of tariffs and charges under a market retail contract.³⁴

³⁴ Joint rule change proposal of the Australian and New South Wales Governments to the Australian Energy Market Commission, Advance price change notice, <https://www.aemc.gov.au/sites/default/files/2018-03/RRC0015%20rule%20change%20proposal.pdf>

4 Manner and form of the benefit change notice

Retail Rule 48A(2)(a) specifies that a retailer must provide a benefit change notice in writing, and otherwise in the manner and form required by the Guidelines. Section 3 of the draft Guidelines specifies the manner and form in which a retailer must provide a benefit change notice.³⁵ Section 4 of the draft Guidelines, which deals with the content of the notice, also contains requirements about the form of specific content to be provided on a benefit change notice.

In proposing a position on this issue, we have considered the manner and form that will most likely prompt customers to engage with the content of the notice, and therefore increase the likelihood of achieving its intent. In developing the requirements in the draft Guideline, we have been informed by behavioural insights literature and research testing customer reactions to various formats of a benefit change notice. Our key aim is for the Guidelines to ensure retailers provide a customer with better, rather than more, information to facilitate decision-making.

4.1 Issues paper consultation

Our February 2018 issues paper sought stakeholder views on how a retailer should present and order information on a benefit change notice. We stated we were open to adopting a less prescriptive approach to how the Guidelines deal with manner and form, which would give retailers flexibility in achieving the intent of the notice. At the same time, we noted we saw merit in prescribing some aspects of the way the information in the notice is presented to customers.

Stakeholders had limited comments on the manner and form of the notice. The retailers that provided views were all supportive of a less prescriptive approach allowing retailers flexibility to tailor communications in line with their customers' preferences (ActewAGL³⁶, EnergyAustralia³⁷, Origin Energy³⁸, Red and Lumo Energy³⁹ and Simply Energy⁴⁰). While tentatively supportive of this approach, Powershop supported clear 'ground rules' about what should be in the notice, such as standardised language, a prescribed (and ideally consulted on) 'call to action', prescribed messaging about Energy Made Easy and standardised display of prices in a table format.⁴¹

CALC⁴² and PIAC⁴³ were in favour of a more prescriptive approach to ensure retailers provide consistent and standardised information to customers. CALC and EWOQ⁴⁴ supported the use of behavioural insights to determine the manner and form of the notice.

³⁵ We are required to specify the manner and form of a benefit change notice in the Guidelines under Retail Rules 48B(2)(a)-(b).

³⁶ ActewAGL submission, page 4.

³⁷ EnergyAustralia submission, page 3.

³⁸ Origin Energy submission, page 4.

³⁹ Red and Lumo Energy submission, page 1.

⁴⁰ Simply Energy submission, page 2.

⁴¹ Powershop submission, page 3.

⁴² CALC submission, page 4.

⁴³ PIAC submission, page 1.

⁴⁴ EWOQ submission, page 2.

4.2 Behavioural insights research

Through the behavioural insights research, we have tested or (as at publication of the draft Guidelines) are testing the effect of different forms of parts of a benefit change notice on consumers' intentions to use Energy Made Easy to search for plans. Specifically, two of the three trials being conducted by BIT are testing the impact of:

- different headline statements containing clear calls to action, and
- variations in the presentation and ordering of information in a benefit change notice.

As at publication of the draft Guidelines, we have only received initial findings from this research. However, these, alongside a literature review of relevant research, indicate that specific elements and their presentation may have an impact on the action a customer would take as a result of receiving a notice.

4.2.1 Headline statement

BIT's user testing of mock-up benefit change notices found that even in a research environment where the trial participant was focused purely on the notice they had received, they were not paying full attention to all aspects of the letter. This finding is likely to be exacerbated if communications are delivered online (for example, via email) with the literature showing that comprehension of a communication is worse in an online environment. In such an environment consumers tend to read in an 'F pattern', focusing most on the content at the top and left hand side of an online communication.⁴⁵

Therefore, we consider a headline that makes clear what individuals have to do as a result of receiving a notice crucial to shifting behaviour.

4.2.2 Presentation of information

In general, the literature shows that reducing the amount of information consumers need to process is likely to lead to better outcomes. Keeping information as simple and as short as possible is key to ensuring customers have both maximal understanding of its content and maximal likelihood of taking action. BIT recommends limiting the body of the notice to a single page, by either a single-page limit or a word limit.⁴⁶ This limit does not include the information a retailer must provide to enable a customer to use Energy Made Easy. Retailers should ideally provide that information in a separate part of the notice, to make it as easy as possible for the reader to understand both the notice and the information to use Energy Made Easy.

References to Energy Made Easy on a benefit change notice should be made no less prominent than references to a retailer's website, and should be mentioned first.

⁴⁵ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 26.

⁴⁶ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 25.

4.2.3 Information to compare plans on Energy Made Easy

BIT consider there is significant benefit in including information to use Energy Made Easy in the notice itself, and doing so in a format that clearly explains how a customer should use the information.⁴⁷

The literature review shows that small ‘frictions’ (such as a customer having to ask their retailer for their electricity consumption data) can have substantial impacts on behaviour—one study found that providing people with personalised information about the best healthcare plans for them substantially increased switching rates. Importantly, this information was freely available, but instead of requiring consumers to actively seek it out, the intervention focused on providing it directly. Similarly, past BIT trials have found that even the presence of an extra click in an online process can lead to substantial proportions of participants dropping out. Therefore, reducing the steps involved for consumers to access their information is key to ensuring they take action on receipt of the notice.

Where the information is not available, and only estimates are available, the retailer should be required to provide sufficient instructions for the customer to be able to use Energy Made Easy for as accurate a result as possible.

4.3 Proposed requirements in the draft Guidelines

Table 2 highlights relevant clauses in the draft Guidelines discussed in this section of the Notice.

Table 2: Draft Guidelines requirements for manner and form

Clause	Description of requirement
34	A retailer must structure the benefit change notice in accordance with the zones labelled A, B and C in the Benefit Change Notice Template.
37	The benefit change notice must be sent to the customer in accordance with the customer’s preferences.
53	A retailer must provide the information to enable a customer to compare plans on Energy Made Easy in zone C of the benefit change notice.
71	A retailer must populate zone B on the benefit change notice with the headline statement.
79	A retailer must include in zone A information on the steps a customer must take when using the information in the notice to compare plans on Energy Made Easy.

⁴⁷ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 23.

4.4 Proposed position

4.4.1 Manner

Noting the overarching requirement under Retail Rule 48A(2)(a) for a benefit change notice to be in writing, our proposed position is for a retailer to provide a notice to a customer in a way that aligns with the customer's preferences. For example, if a customer has elected to receive communications by email, then a benefit change notice should be provided in the same manner.

4.4.2 Form

In forming a proposed position on the form of the notice we have been guided primarily by the behavioural insights research. We consider key aspects of the notice warrant prescription of their presentation, specifically a headline statement and information provided about Energy Made Easy. This is because a retailer has an incentive to retain their customers, which does not align with the notice's aim to prompt a customer to research available plans on Energy Made Easy and potentially switch away from their retailer. In addition, many of the benefit change notices sent to customers we have seen to date put an emphasis on the customer not having to take any action because of the benefit change.

We therefore agree with Powershop's views⁴⁸ on this issue—we do not want messaging about what customer should do as a result of a benefit change and that a customer can compare plans on Energy Made Easy to be diluted. Our proposed position is to prescribe the presentation and positioning of the following three elements:

- a callout box with steps to follow to compare plans on Energy Made Easy
- a headline statement about the benefit change
- personalised information to compare plans in Energy Made Easy.

Based on preliminary results of the behavioural insights research we consider the headline statement and callout box are particularly important in prompting behavioural change. We therefore propose to position these elements prominently in the notice. We may refine these elements in the final Guidelines depending on the final findings of the behavioural insights research and stakeholder feedback to this consultation.

Acknowledging that retailers are in a strong position to communicate effectively with their customers, we proposed only prescribing the form of the above three elements. We may revisit this position in subsequent revisions of the Guidelines, if we consider the benefit change notices retailers are sending to customers are not meeting their intended aims.

⁴⁸ Powershop submission, page 3.

5 Content of the benefit change notice

Section 4 of the draft Guidelines specifies what information must be contained in the benefit change notice. It also prescribes requirements for how a retailer must display specific information in a benefit change notice.

As with manner and form, in proposing a position on this issue, we have considered the content (in addition to that required under the Retail Rules) most likely to effect the desired behavioural change upon receipt of the notice. The behavioural insights literature and research testing customer reactions to various content of a benefit change notice have guided the formation of the requirements in the draft Guidelines. As with manner and form, our key aim is for the Guidelines to ensure retailers provide a customer with better, rather than more, information to facilitate decision-making.

5.1 Issues paper consultation

Our February 2018 issues paper sought stakeholder views on various content-related issues. Specifically, we were interested in:

- whether a headline statement or ‘call to action’ is useful and what it should be
- whether retailers should include a historical billing amount or additional comparison figure in the notice
- the approach we should take on the provision of energy consumption data, and
- whether retailers should include information on the nature of the benefit and how the benefit has changed.

Stakeholder views are summarised in the following sections and in more detail at **Appendix A**.

5.1.1 Headline statement

Stakeholders broadly supported the inclusion of a clear, simple and concise call to action in the notice (ActewAGL, AGL⁴⁹, CALC⁵⁰, EWOQ⁵¹, Origin Energy⁵², Powershop⁵³, Simply Energy⁵⁴). However, there were differing perspectives on the content of the call to action and the level of prescription.

Both ActewAGL and AGL favoured a standardised approach to the content of the headline statement, with ActewAGL stating that the benefit change notice, including the ‘call to action’, should “remain a simple message from that retailer that the agreement the customer has been on is approaching expiry, and what the retailer is offering customers next”.⁵⁵ AGL considers that the headline statement should be relevant to all customers and their

⁴⁹ AGL submission, page 3.

⁵⁰ CALC submission, page 4.

⁵¹ EWOQ submission, page 3.

⁵² Origin Energy submission, page 4.

⁵³ Powershop submission, pages 3-4.

⁵⁴ Simply Energy submission, page 2.

⁵⁵ ActewAGL submission, page 5.

circumstances (i.e. your current energy offer is expiring) as opposed to a personalised ‘call to action’ tailored to an individual customer.⁵⁶

Other stakeholders (CALC, EWOQ, Simply Energy and Powershop) had different views regarding the content of the headline statement. EWOQ agreed that the headline statement should be simple and prominent, but considered the ‘call to action’ would need to advise the customer what to do and what happens if they do nothing.⁵⁷ Simply Energy saw the benefit in a headline statement, and considered that “a generic statement could advise customers that their benefit period is expiring and prompt them to evaluate alternative offers. Where applicable the statement could also include the dollar terms effect of ‘doing nothing’ as a headline comparison, so customers are clearly aware of whether they are better or worse off as a result of the benefit change.”⁵⁸

Powershop considered the headline statement to be an effective way to introduce a concept and prompt action, and supported the AER prescribing it.⁵⁹ CALC also considered the inclusion of a headline statement on the benefit change notice to be effective in prompting a customer to take action.⁶⁰

Both CALC and Origin Energy’s submissions referenced behavioural insights research in regards to the inclusion of a headline statement. CALC supported “testing the effectiveness of headline statements with behavioural economics research”⁶¹ and considered having an “emotive name for a change of benefits may elicit more effective outcomes”⁶².

Origin Energy supported additional testing of alternate subject lines and headlines to “improve the chances of customers opening an email notice”⁶³ and considered “it is better to leave this testing and design work to retailers, subject to a requirement that retailers attempt to capture customer attention with a relevant ‘call to action’ statement”.⁶⁴ Origin Energy argued against a prescribed call to action in the notice as “retailers are better placed to determine what will attract customer attention; in any event, there is no precise form of words that can be determined by a regulator to have maximum impact.”⁶⁵

5.1.2 ‘Do nothing’ amount and additional comparison amount

A number of stakeholders (CALC, EWOQ, PIAC, Simply Energy and Powershop) supported the inclusion of a comparison amount on the benefit change notice. However, these stakeholders had a range of views about the type of comparison amount and how this amount should be calculated.

Powershop agreed including a comparison amount on the benefit change notice would be more effective in providing the customer with a clear understanding of their current and new

⁵⁶ AGL submission, page 3.

⁵⁷ EWOQ submission, page 3.

⁵⁸ Simply Energy submission, page 2.

⁵⁹ Powershop submission, page 3.

⁶⁰ CALC submission, page 4.

⁶¹ CALC submission, page 4.

⁶² CALC submission, page 4.

⁶³ Origin Energy submission, page 4

⁶⁴ Origin Energy submission, page 4.

⁶⁵ Origin Energy submission, page 4.

contract amounts, as “providing a single figure means that customer cannot readily compare prices when they are assessing their energy plan”.⁶⁶ Powershop recommended the inclusion of three different amounts: the amount a customer was billed over the last 12 months, the dollar value of the benefit received over the last 12 months and a ‘do nothing’ cost.

EWOQ also considered that including a comparison amount would assist customers in identifying the impact of the benefit change, stating, “providing historical billing information will assist the customer in identifying the effect of the benefit on their bill and may reduce barriers to customer engagement”.⁶⁷

CALC considered displaying the future projected cost of energy use using the Energy Made Easy algorithm with the benefit still applied (if the price structure wasn’t changing) and without the benefit (as will be the case from the benefit change onwards) would be most effective as this would be readily comparable to other offers on Energy Made Easy.⁶⁸ The benefit change notice should also explicitly state in dollar terms the additional projected cost of doing nothing and base this on the projected cost of the cheapest Energy Made Easy offer available to the household from any retailer.⁶⁹

PIAC and Simply Energy supported the inclusion of a comparison amount, but had preferred methods for how the amount should be calculated. PIAC noted it is essential the two amounts are calculated for the same period and same level of consumption,⁷⁰ and Simply Energy considered any comparison should be based on a customer’s historic costs over a 12 month period. Simply Energy also noted a number of assumptions that should underpin the calculation⁷¹ such as that in the previous period all payments were made on time and no concessions were applied.

Some stakeholders (ActewAGL, AGL, EnergyAustralia, Origin Energy and Red and Lumo Energy) opposed the inclusion of an additional comparison amount on the benefit change notice, especially a historical amount. Stakeholders identified a number of risks associated with providing a customer with a comparison amount, including:

- inclusion of a comparison amount would only be estimated savings, and only meaningful if consumption profile and tariffs stay the same (ActewAGL⁷²)
- inclusion of both a ‘do nothing’ amount and an additional comparison amount in the benefit change notice may confuse customers (EnergyAustralia⁷³ and Origin Energy⁷⁴)
- a historical billing amount is more complicated to calculate than a future projected amount (Origin Energy⁷⁵) and historical information is less useful when comparing future offers (Red and Lumo Energy⁷⁶)

⁶⁶ Powershop submission, page 1.

⁶⁷ EWOQ submission, page 2.

⁶⁸ CALC submission, page 3.

⁶⁹ CALC submission, page 3.

⁷⁰ PIAC, page 2.

⁷¹ Simply Energy submission, page 2.

⁷² ActewAGL submission, page 3.

⁷³ EnergyAustralia submission, page 2.

⁷⁴ Origin Energy submission, page 2.

⁷⁵ Origin Energy submission, page 3.

- customers can already access similar information from sources other than the benefit change notice. Customers can access their consumption data or information regarding their previous benefits via online portals or apps or request it from their retailer (Red and Lumo Energy⁷⁷ and EnergyAustralia⁷⁸) and retailers already provide similar information in correspondence with customers (ActewAGL⁷⁹).

Red and Lumo Energy were of the view retailers should have the discretion to determine whether a historical amount is something their customer's value, whether they could easily access this information elsewhere, or whether it will distract from the key message of the notice.⁸⁰ Red and Lumo Energy also considered that a historical billing amount has no relevance to non-financial benefits.⁸¹

Most stakeholders (Origin Energy⁸², CALC⁸³, EWOQ⁸⁴, and PIAC⁸⁵) supported the inclusion of a 'do nothing' amount in the notice.

EnergyAustralia and AGL noted there were limitations associated with the inclusion of the 'do nothing' amount. EnergyAustralia's view was that providing a projected cost based on historical consumption data will "exacerbate the confusion customers experience in comparing offers"⁸⁶ and stated it may not be meaningful or a reflection of the customer's actual 'do nothing' position.⁸⁷ EnergyAustralia provided the example of annual tariff changes that would impact a customer's costs going forward. AGL did not support the inclusion of a 'do nothing' amount in the notice, stating, "if retailers are required to make future predictions, the notice will invariably require a string of terms and conditions or disclaimers to comply with the Australian Consumer Law".⁸⁸

5.1.3 Information to compare plans in Energy Made Easy

Stakeholders were generally supportive of including a customer's usage information in the benefit change notice. A further discussion of stakeholder views regarding the type of consumption data that should be used and how it should be calculated is at **section 6.1.2**.

5.1.4 Information on the nature of the benefit and how the benefit will change

Stakeholders had limited comments on whether the benefit change notice should include information about the nature of the benefit and how the benefit will change. CALC⁸⁹ and

⁷⁶ Red and Lumo Energy submission, page 2.

⁷⁷ Red and Lumo Energy submission, page 3.

⁷⁸ EA submission, page 3.

⁷⁹ ActewAGL submission, page 3.

⁸⁰ Red and Lumo Energy submission, page 3.

⁸¹ Red and Lumo Energy submission, page 2.

⁸² Origin Energy submission, page 2.

⁸³ CALC submission, page 2.

⁸⁴ EWOQ submission, page 2.

⁸⁵ PIAC submission, page 2.

⁸⁶ EA submission, page 2.

⁸⁷ EA submission, page 2.

⁸⁸ AGL submission, page 3.

⁸⁹ CALC submission, page 4.

EWOQ⁹⁰ supported our issues paper position regarding the inclusion of a short statement explaining the nature and change to the benefit.

5.1.5 Other content

Inform customers of best deal

Some stakeholders raised the issue of whether the benefit change notice should contain alternative plans from Energy Made Easy that may be appropriate for the customer. CALC suggested that the benefit change notice should “explicitly state in dollar terms the additional projected cost of doing nothing and base this on the projected cost of the cheapest Energy Made Easy offer available to the household from any retailer.”⁹¹ By contrast, ActewAGL did “not consider it appropriate that a retailer in a competitive market would promote another retailer’s offers.”⁹²

5.2 Behavioural insights research

Through the behavioural insights research, we have tested or (as at publication of the draft Guidelines) are testing the effect of variations in content on a benefit change notice on consumers’ intentions to use Energy Made Easy to search for plans. Two of the three trials conducted by BIT are testing the impact of:

- providing different dollar figures in the notice with and without graphical representation, such as the ‘do nothing’ amount and the value of a benefit that is being lost, and
- different headline statements containing clear calls to action.

As at publication of the draft Guidelines, we have only received headline findings from this research. However, the initial findings, alongside a literature review of relevant research, have given us evidence to support the inclusion of specific content on a notice over others.

5.2.1 Headline statement

The ‘dollar figures’ trial tested variations of a headline statement framed as an increase in bill or a loss of discount:

- “We estimate your electricity bill will increase to \$2,072 next year. Visit www.energymadeeasy.gov.au/offer-search to find the best offer for you”
- “You are about to lose your discount worth \$302 last year. Visit www.energymadeeasy.gov.au/offer-search to find the best offer for you”

Initial results of the trial found when the headline included a clear statement that participants would lose their discounts, there was a higher average comprehension score of, firstly, what would happen to their energy bill the following year if the participant did nothing, and secondly, what the notice was asking the participant to do.⁹³

⁹⁰ EWOQ submission, page 3.

⁹¹ CALC submission, page 3.

⁹² ActewAGL submission, page 5.

⁹³ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 14.

The behavioural insights literature cites that one of the strongest and most consistent effects in behavioural science is the concept of loss aversion—that is, individuals feel losses more keenly than equivalent gains.⁹⁴ Therefore, where messages or outcomes are framed as potential losses, they are more likely to have an impact than when framed as a potential gain. BIT recommends including in the notice the value of the benefit and specific reference to the fact the customer is about to lose the benefit.

In cases where the customer was not able to obtain the benefit, for example conditional discounts such as a pay on time discount, BIT recommends highlighting the potential savings on offer for that customer to motivate their behaviour (for example, “you will lose your discount, which could have saved you \$300 last year”). Importantly, the figure should be as large as possible to have maximum impact and should be framed as an imminent loss.

We discuss the behavioural insights research on the importance of including a headline statement and prescribing its position in the notice in **section 4.2.1**.

5.2.2 ‘Do nothing’ amount and additional comparison amount

The ‘dollar figures’ trial also tested the impact of different dollar figures and graphical representations on participants’ comprehension of the notice and their intentions to use Energy Made Easy. The different treatments⁹⁵ were as follows:

- *Increase, no chart*: ‘do nothing’ amount framed as bill increase in headline statement and in body of notice
- *Increase, chart*: ‘do nothing’ amount framed as bill increase in headline statement, with ‘do nothing’ amount compared against historical billing amount in a bar chart
- *Lose discount, no chart*: dollar value of benefit framed as a loss in the headline statement, with value of benefit and ‘do nothing’ amount referenced in body of notice
- *Lose discount, chart*: dollar value of benefit framed as a loss in the headline statement, with ‘do nothing’ amount and historical billing amount compared in a bar chart

The trial found weak evidence that the third treatment (*lose discount, no chart*) may have led to a smaller proportion of participants stating they would take no action in response to the notice, when compared to the other treatments. As discussed in **section 5.2.1**, comprehension of the notice was higher with the *lose discount, no chart* treatment compared to the other treatments.

The research suggests adding further dollar figures may not provide additional value—user testing of the mock-up benefit change notices used in the trial revealed that participants wanted to know what the value of their bill would be next year, so they could compare this to the bill estimates they saw on Energy Made Easy. The ‘value of bill’ figure will already be in the notice, in the form of the ‘do nothing’ amount.⁹⁶

⁹⁴ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 22.

⁹⁵ ‘Treatment’ means the variations of mock-up benefit change notices tested with trial participants in BIT’s behavioural insights research.

⁹⁶ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 22.

5.2.3 Information to compare plans in Energy Made Easy

We discuss the behavioural insights research on providing information to compare plans in Energy Made Easy in **section 4.2.3**.

5.2.4 Information on the nature of the benefit and how the benefit will change

A key finding from BIT’s user testing of the mock-up benefit change notices was that participants did not always understand why the notice was being sent. A number of participants believed the notice was the standard price increase notice they receive every year.

Findings from the ‘dollar figures’ trial support this. BIT found that comprehension of why the participant’s bill was rising was noticeably higher in comparison to the other treatments when the headline specifically stated “you are about to lose your discount...” In addition, the proportion of participants who believed the notice was about a standard price increase was less than half of those who received the “we estimate your electricity bill will increase to...” headline. Importantly, this effect appears to have also improved comprehension about what the notice was asking the participant to do.

Including a headline and short explanation of the nature of the benefit, and highlighting that the consumer is about to lose the benefit, will help to increase comprehension about why the notice is being sent, and what customers need to do in response.

5.2.5 Callout box with steps to follow to compare plans on Energy Made Easy

In its review of the literature and other relevant work, BIT provided an example of a trial they conducted for Breast Screen Victoria, which tested interventions aimed at increasing the number of women registering for and attending breast screening appointments. BIT tested a letter with a ‘tear off commitment strip’ prompting women to book an appointment, and a callout box drawing attention to the key information required to make an appointment. The callout box was prominently positioned in the letterhead, and was highlighted with colour and shape. More women receiving the letter with the inclusion of these elements attended appointments compared to those who received a letter without these elements.

5.3 Proposed requirements in the draft Guidelines

Table 3 highlights relevant clauses in the draft Guidelines discussed in this section of the Notice.

Table 3: Draft Guidelines requirements for content of the notice

Clause	Description of requirement
51	A retailer must provide a customer with information to enable a customer to compare available energy plans on Energy Made Easy.
62	A retailer must include the amount payable by the customer under its market retail contract now that the benefit is ending or changing.

70	The benefit change notice must include a headline statement.
73	If the benefit change will result in a decrease in the value of the benefit, the headline statement must be expressed as prescribed in the Guidelines.
76	If the benefit change will not result in a decrease in the value of the benefit, a retailer has discretion over the content of the headline statement.
79	A retailer must provide simple information on the steps a customer must take when using the information in the notice to compare plans on Energy Made Easy.

5.4 Proposed position

Our proposed position is to require retailers to provide specific content in the notice (in addition to the basic content required under Retail Rule 48A(3)) where we believe the content will assist the notice achieve its aims and where there is a risk that, in not requiring the content's inclusion, retailers will not include it or dilute the messaging.

In **section 4.4.2**, we discussed our rationale for prescribing the form of:

- a callout box with steps to follow to compare plans on Energy Made Easy
- a headline statement about the benefit change
- personalised information to compare plans in Energy Made Easy.

We provide more detail in this section on our approach to what information should be included within these elements. We also discuss our position on other information to be included in a notice, such as a statement on the nature of the benefit and how the benefit will change.

5.4.1 Headline statement

We propose a headline statement must be included on a benefit change notice. However our approach to the prescription of the headline depends on whether a benefit change results in a decrease in the value of the benefit or not. If it does, we propose prescribing the headline statement as follows: "You are about to lose your [description of the benefit]. Visit www.energymadeeasy.gov.au/offer-search to find the best plan offer for you".

Examples of a headline statement could be:

- "You are about to lose your 15% guaranteed discount off usage rates. Visit www.energymadeeasy.gov.au/offer-search to find the best plan for you"
- "You are about to lose your free monthly movie tickets. Visit www.energymadeeasy.gov.au/offer-search to find the best plan for you".

We consider prescribing a headline statement this way is in line with the behavioural insights research, which found that trial participants who received a notice with a headline framed as a loss had higher comprehension of the notice compared to those who didn't.

We note BIT's recommendation to include the value of the benefit in the headline statement (for example, "you are about to lose your 15% guaranteed discount off usage rate worth \$302 last year"). We think it would be valuable to include the dollar value of the benefit being lost in the notice. However, we consider that in some cases the value of the benefit and its limitations will be difficult to easily explain to a customer, particularly where the customer may not have received the benefit all of the time (for example, a conditional pay on time discount).

We also note the Prime Minister's meetings with retailers in August 2017, where retailers committed to move away from discounts-based marketing towards marketing in dollar terms. More broadly, the AER's review of the Retail Pricing Information Guidelines, the AEMC's consideration of the preventing discounts on inflated energy rates rule change proposal and the Australian Competition and Consumer Commission's Retail Electricity Pricing Inquiry are also considering retailer discounting practices.

We may refine the headline based on the final results of the behavioural insights research and stakeholder submissions to this consultation. While we propose a headline statement must be included on all benefit change notices we do not propose prescribing the wording if the benefit change does not result in a decrease in the value of the benefit.

5.4.2 'Do nothing' amount and additional comparison amount

5.4.2.1 'Do nothing' amount

We note most stakeholders supported the inclusion of a 'do nothing' amount. We consider the Retail Rules are clear that retailers *must* include a 'do nothing' amount on a benefit change notice.⁹⁷

We understand the intention of the 'do nothing' amount is to ensure a customer is aware of what they can expect to pay under the existing market retail contract as a result of their benefit changing or expiring. However, we acknowledge there will be circumstances where the benefit change (for example, the loss of a non-financial benefit) will have no impact on the 'do nothing' amount. While the Retail Rules require the 'do nothing' amount to be provided, we consider the drafting of the draft Guidelines is sufficiently flexible in allowing a retailer to explain the context of what the 'do nothing' amount represents.

We also acknowledge there are circumstances where the 'do nothing' amount may not be very meaningful to a customer because the Energy Made Easy algorithm cannot accurately calculate cost projections for certain tariff types (for example, tariffs with demand charges). In such cases, we propose a retailer must clearly state the limitations of the 'do nothing' amount.

Section 6.3 explains our position on how retailers must calculate the 'do nothing' amount.

5.4.2.2 Additional comparison amount

The issues paper canvassed whether an additional comparison amount would be useful as a reference point against the 'do nothing' amount. We initially thought an additional comparison amount would be of value on a benefit change notice.

⁹⁷ National Energy Retail Rules 48B(2)(c)

In reaching our position in the draft Guidelines we have taken into account feedback from stakeholders on this issue. At this stage, we propose that retailers are not required to provide an additional comparison amount in the notice. This is because we recognise the difficulty in:

- prescribing an additional comparison amount that would be meaningful in every benefit change scenario. For instance, if we were to require a retailer to provide a historical billing amount, this amount, and its comparison to the ‘do nothing’ amount would have no relevance to changes in non-financial benefits.
- requiring a retailer to succinctly and simply explain to a customer what an additional comparison amount, such as a historical billing amount, represents. This is complicated by the fact that there are a number of different ways to calculate a historical billing amount—for example, it could be what the customer was billed (with or without conditional discounts, feed-in tariff credits or concessions) or what the customer paid (which may include achieving a conditional benefit some, but not all, of the time).
- comparing a ‘do nothing’ amount, which is a cost projection, with a backward looking amount (i.e. a historical billing amount). An alternative is to compare a ‘do nothing’ amount to a ‘do nothing’ amount with the benefit. However, this may be unrealistic as a customer may not be able to get a plan representing the ‘do nothing’ amount with the benefit.

In forming a position on this issue we have also considered the behavioural insights research which suggests that adding dollar figures in addition to the ‘do nothing’ amount may not provide additional value. BIT’s user testing of the mock-up benefit change notices used in the trial found that trial participants wanted to know what the value of their bill would be next year, so that they could compare this to the bill estimates they saw on Energy Made Easy. The ‘value of bill’ figure will already be in the notice, in the form of the ‘do nothing’ amount.⁹⁸

CALC suggested that retailers should provide an additional comparison amount in the form of the projected cost of the cheapest Energy Made Easy plan available to the household from any retailer. However, we note the difficulty in providing ‘market best deal’ information accurately to a customer, given the availability of plans change and there is risk in recommending a plan to a customer where it may not be the best plan for them. We therefore propose to not require retailers to include this information in the notice.⁹⁹

5.4.3 Information to compare plans in Energy Made Easy

Consistent with the BIT recommendation to reduce ‘frictions’ as much as possible, we consider there is significant value in a retailer providing clear, easy-to-follow instructions and personalised information to enable a customer to use Energy Made Easy. We therefore propose that a retailer provides in a separate part of a benefit change notice the exact

⁹⁸ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 22.

⁹⁹ We note the Essential Services Commission Victoria is reviewing its regulatory codes to implement recommendations from the Independent Review of the Electricity and Gas Retail Markets in Victoria. This includes requiring retailers to notify a customer of the best offer available by that retailer, and reference the Victorian Energy Compare website, in advance of any price or benefits change, and on customer bills.

information a customer can enter into the 'offer search' page of Energy Made Easy to search for plans with the same characteristics as their existing market retail contract.

This information includes a customer's historical consumption data for 12 months, where it is available. The consumption data provided to the customer must align with the consumption data used by the retailer to calculate the 'do nothing' amount.

The draft Guidelines contain requirements on how this information must be presented to customers—it must be given in a table format, with each piece of information corresponding to the questions a customer must answer on Energy Made Easy to search for available plans. We consider that providing the exact information a customer needs to search for plans will significantly reduce search costs and the 'frictions' referred to in the behavioural insights research.

We also want to reduce 'frictions' by requiring a retailer, if they are sending a benefit change notice by electronic means (such as by email), to provide the Energy Made Easy web address as a URL that pre-fills the kind of offer and postcode for the customer. A retailer is able to do this by tailoring the Energy Made Easy web address with an 'R' or an 'S' for home or small business plans respectively. For example:

- For a residential customer in postcode 2050, the URL is:
www.energymadeeasy.gov.au/offer-search/R/2050
- For a small business customer in postcode 5074, the URL is:
www.energymadeeasy.gov.au/offer-search/S/5074.

We consider this may go some way to reducing comparison frictions which the BIT research has found can have outsized impacts on behaviour.¹⁰⁰

5.4.4 Information on the nature of the benefit and how the benefit will change

We consider information that assists a customer to understand the purpose of the benefit change notice (that a benefit is changing and how it will change) is useful to have in the notice. We therefore think that information on the nature of the benefit and how it will change is useful, particularly in light of the BIT user testing which found many trial participants thought the notice was a standard price increase communication.

5.4.5 Steps to follow to compare plans on Energy Made Easy

We consider there is value in a retailer prominently providing in the notice simple steps for a customer to use Energy Made Easy. This could take the form of a callout box. We propose this information is prominently located in the notice in zone A (above the headline statement). This will help ensure that comparing offers on Energy Made Easy is 'front of mind' for a customer.

¹⁰⁰ Behavioural Insights Team, BIT review of the Benefit Change Notice for the Australian Energy Regulator, Initial Findings, April 2018, slide 23.

6 Generating the required amounts for the notice

Section 5 of the draft Guidelines specifies how a retailer must calculate the amounts required to be included in a benefit change notice. As explained in **section 5.4.2** of this Notice, our proposed position is to only require a retailer to provide the amount that would be payable under its market retail contract following the benefit change date—that is, the amount required to be provided under Retail Rule 48B(2)(c)(ii). For ease of reference, we will refer to this amount as the ‘do nothing’ cost.

The AEMC’s rule determination made clear the importance of projected charges provided to customers within a benefit change notice being directly comparable to the estimated costs of plans displayed in Energy Made Easy.¹⁰¹ We have therefore taken this position as the starting point in our considerations on this issue.

6.1 Issues paper consultation

Our February 2018 issues paper sought views on whether stakeholders agreed that retailers should calculate any cost projections provided in a benefit change notice in line with the methodology for calculating estimated costs of plans in Energy Made Easy. We also outlined our preliminary view that the Guidelines will refer retailers to the Energy Made Easy algorithm to be located in the retailer-only access area of the Energy Made Easy website.

In addition to method of calculation, we were interested in stakeholders’ views on what consumption figures should be used to calculate the ‘do nothing’ cost. We stated our preference for retailers to use a customer’s historical consumption data in the first instance, followed by an estimate of consumption.

We provide a summary of stakeholder feedback on these issues in **sections 6.1.1** and **6.1.2**.

6.1.1 Method of calculation

No stakeholders were opposed to requiring a retailer to use the Energy Made Easy algorithm to calculate cost projections—specifically, the ‘do nothing’ cost—on a benefit change notice. The stakeholders that did comment on this issue were mainly concerned about implementation timeframes. For example, Simply Energy said:¹⁰²

“...the Guidelines will need to allow sufficient time for system testing and integration to take place. To this end, Simply Energy would encourage the AER to provide retailers with training on using Energy Made Easy and its associated algorithm as soon as reasonably practical after the Final Guidelines are released. From Simply Energy’s perspective this training will be essential in ensuring retailers can fulfil the requirements in the Guidelines.”

6.1.2 Consumption

The majority of stakeholders agreed with our preliminary view for retailers to use a customer’s historical consumption data in the first instance, followed by an estimate of

¹⁰¹ AEMC, Notification of the end of a fixed benefit period, rule determination, 7 November 2017, page 24.

¹⁰² Simply Energy submission, page 2.

consumption.¹⁰³ Most agreed that using a customer’s historical consumption data, if available, would provide the most meaningful cost projection to a customer. However, ActewAGL caveated this view, saying “historical data would only [be] meaningful for comparison purposes, however, where consumption and tariffs (if using dollar figures) have remained steady in the past, and expect to do so in the future.”¹⁰⁴

Conversely, AGL considered a cost projection based on a customer’s historical consumption data was not necessary to achieve the purpose of the benefit change notice, which they believe is to indicate what the cost of a change to a benefit would mean to the customer. AGL said:¹⁰⁵

“AGL do not consider that this needs to be customer specific based on actual usage, particularly with difficulties of forecasting future usage based on this rate. AGL believe there are benefits for both customer outcomes and retailer operational efficiencies in using average consumption based on AER benchmark data. This will allow customers to have a consistent rate of comparison if they decide to look at alternative offers on Energy Made Easy (assuming the proposed [Retail Pricing Information Guidelines] changes to the Energy Price Fact Sheets proceed), and allows customers to compare like-for-like rates.”

EnergyAustralia said:¹⁰⁶

“EnergyAustralia is of the view that over-complicating the notices by providing a projected cost of the amount payable based on each historic consumption data will in some cases exacerbate the confusion of customers experience in comparing offers.”

In contrast, ActewAGL said:¹⁰⁷

“...ActewAGL has often received customer feedback that benchmarking data can create confusion and at times, even be considered meaningless. This is because there are too many variable factors that can impact how accurate an estimate or benchmarked figure is to a particular household (including for example, does the customer live in an all-electric home or do they also use gas).”

While we did not specifically seek views on the time period for the calculation, where stakeholders commented on this issue, feedback was overwhelmingly in favour of an annual calculation. Stakeholders considered an annual calculation would align with estimated cost projections of plans on Energy Made Easy, and requirements for a Basic Plan Information Document (BPID) under the AER’s Retail Pricing Information Guidelines, which we are currently developing.¹⁰⁸

¹⁰³ Energy and Water Ombudsman Queensland (EWOQ) submission, page 2; Origin Energy submission, page 3; Powershop submission, page 3-4; Simply Energy submission, page 2.

¹⁰⁴ ActewAGL submission, page 4.

¹⁰⁵ AGL submission, page 2.

¹⁰⁶ EnergyAustralia submission, page 2.

¹⁰⁷ ActewAGL submission, page 4.

¹⁰⁸ The AER Retail Pricing Information Guidelines 2018 consultation documents can accessed at: <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/draft-retail-pricing-information-guidelines-2018>

6.2 Proposed requirements in the draft Guideline

Table 4 highlights relevant clauses of the draft Guidelines discussed in this section of the Notice.

Table 4: Draft Guidelines requirements for generating the amounts required for the notice

Clause	Description of requirement
57	A retailer must use the customer's actual historical consumption data over the preceding 12-month period.
58	If a retailer does not have 12 months of actual historical consumption data, they must provide the available actual historical consumption data and an estimate based on a retailers current bill estimation practices.
59	If a retailer cannot estimate consumption, a retailer can provide the AER benchmark consumption data.
84	A retailer must provide the customer with the estimated amount payable over the next 12 months as a result of the benefit ending or changing.
86	Retailers must use the same methodology as Energy Made Easy to perform the calculation of the 'do nothing' amount.
87	Retailers can access the calculation methodology used by the Energy Made Easy website via the following link: https://retailer.energymadeeasy.gov.au/ .

6.3 Proposed position

6.3.1 Method of calculation

We maintain our preliminary position that the Energy Made Easy algorithm is the most appropriate methodology for calculating any cost projections on a benefit change notice. We also consider the most appropriate location for retailers to access the algorithm is in the retailer-only access area of the Energy Made Easy website.

We agree with Simply Energy's view that training on the Energy Made Easy algorithm will assist retailers to fulfil their obligations under the Guidelines. To that end, we are considering the best time for a workshop to explain the algorithm to retailers, and will contact retailers separately to the draft Guidelines consultation process to make necessary arrangements. We are also considering the options for assisting retailers to calculate the amounts to appear on a benefit change notice. To assist us to form a position we would value retailers' feedback on the question below.

Question for consultation

1. We are scoping the following two options for assisting retailers to calculate the 'do nothing' cost in the retailer-only access area of Energy Made Easy. Broadly, we envisage each option to have the following functionality:

Calculator:

- a new form in the retailer-only access area of Energy Made Easy will be provided where a retailer can upload a CSV/XML/ZIP file containing offer information for which the 'do nothing' calculation needs to be performed
- offer information will be validated as per existing rules in Energy Made Easy
- after uploading the file containing offer information, the retailer is able to input consumption data
- submitting the form gives the retailer a file to download in a CSV file containing the 'do nothing' cost for each offer along with a breakdown of the cost (usage charge/supply charge/fees/discounts/metering costs).

API endpoint:

- an API endpoint will accept a multipart-form POST file in CSV/ZIP/XML as per the retailer-only access area of Energy Made Easy
- the POST body will contain the relevant consumption data and file contents
- an API specification will be provided along with documentation
- the retailer will need to provide authentication information which will be provided in their retailer-only access area of Energy Made Easy
- offer information will be validated as per existing rules in Energy Made Easy
- the POST will respond with a JSON response containing the required 'do nothing' costs for each offer. A specification for the response format will also be provided.

Which option do retailers prefer? Do retailers foresee any barriers to or impacts on their business processes for either of these two options?

6.3.2 Consumption

After considering the issues raised by stakeholders, our proposed position is to require a retailer to use the 12 months of a customer's historical consumption data to calculate the 'do nothing' cost. Where 12 months of historical data are not available, a retailer should use the historical data they do have and estimate the remainder using the methodology they use to estimate consumption for estimated bills. If estimates are not available, then retailers should use the most relevant AER benchmark consumption figure.¹⁰⁹

We acknowledge the position of stakeholders who considered the 'do nothing' cost should align with the reference prices that are likely to appear on a BPID and other retailer

¹⁰⁹ AER electricity and gas bill benchmarks for residential customers 2017: <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/electricity-and-gas-bill-benchmarks-for-residential-customers-2017>

marketing. However, we do not consider alignment with BPID reference prices as necessary or particularly helpful on a benefit change notice, as the purposes of the two communications are markedly different. The former aims for consistency of information across industry and to a broad audience, while the latter is an individual communication from a retailer to a customer. We consider a customer would expect a degree of personalisation when receiving an individual communication from their retailer; indeed, our research found customers expect even general documents such as the BPID to be personalised to some extent.¹¹⁰

Notwithstanding the difficulty a retailer would face in assigning a customer to a reference price category based on household characteristics they may not be privy to, we consider a generalised cost projection (and the associated disclaimers) would create confusion and potential distrust of the validity of the information on a benefit change notice.

Unless a retailer includes plan marketing on a benefit change notice, it is likely a customer will not encounter a BPID as a result of receiving a benefit change notice until they search for available plans on Energy Made Easy. Given the estimated plan costs on Energy Made Easy will be calculated using the information detailed in **section 5.4.3** of this Notice (which specifies a retailer must use a historical consumption figure where available), we therefore think it sensible for the 'do nothing' cost be calculated in a likewise manner.

We do not agree that a cost projection based on historical consumption data will be confusing or meaningless to customers. Energy Made Easy and other government and commercial price comparison websites have longstanding approaches of calculating cost projections in this way. To date we have not received feedback from Energy Made Easy website users indicating that cost projections based on historical consumption are an issue.

We agree cost projections should be calculated for an annual time period. We think this approach is sensible given benefit periods are generally 12 months or longer, and cost projections on Energy Made Easy are also calculated on an annual basis.

¹¹⁰ Behavioural Insights Team, BIT review of Basic Plan Information Document, Final Report, April 2018, slide 32.

Appendix A: Summary of issues paper submissions and AER response

Submissions to AER issues paper – Benefit Change Notice Guidelines – February 2018

Stakeholder	Stakeholder response	AER response
Question 1: Are there any benefit changes that should be excluded from the requirement to send a notice? Why?		
ActewAGL AGL Consumer Action Law Centre (CALC) EnergyAustralia Energy and Water Ombudsman Queensland (EWOQ) Origin Energy Public Interest Advocacy Centre (PIAC) Powershop Red and Lumo Energy	<p>The majority of stakeholders largely agreed with our preliminary position that retailers should have to provide a notice irrespective of whether a benefit change is detrimental or beneficial to the customer. Most stakeholders also agreed with the examples of what is covered by and excludes a benefit change.</p> <p>However, Origin Energy opposed this position, stating that sending a notice only when a benefit is ending and will not be replaced by another benefit is more in line with the intent of the Australian Government’s rule change proposal.</p> <p>EWOQ suggested the definition of a benefit change be expanded to include benefits that are rolled over on the same terms and conditions on the basis that customers should be made aware that a change has occurred.</p> <p>Stakeholders (ActewAGL, AGL, Energy, PIAC, Origin Energy) suggested the definition of an ‘excluded change’ be expanded to include:</p> <ul style="list-style-type: none"> any upfront incentives, such as immediate credit or one-month free energy (AGL, Origin Energy) where a market offer plan on which a benefit is based changes (ActewAGL) 	<p>We agree that both financial and non-financial benefit changes should require a retailer to send a notice on the basis that non-financial benefits may still be of value to customers, and a change to the benefit has occurred.</p> <p>Our proposed position is detailed in section 3.3 of the Notice. In summary, we consider the following does not meet the definition of a benefit change:</p> <ul style="list-style-type: none"> where there are changes to a standing or market plan rates on which a benefit (such as a discount) is based one-off incentives or gifts rollover or extension of benefits on the same terms. <p>We consider the following would constitute an excluded change:</p> <ul style="list-style-type: none"> where a benefit change requires a retailer to notify a customer under Retail Rule 46(3) where a benefit change is equal to or less than 40 days from the commencement of the

- immaterial changes based on an AER set threshold (AGL) contract.
- value-added services where it does not impact the price estimates on the notice (Origin Energy)
- where there is a positive benefit change (EnergyAustralia).

Question 2: Are there other risks or considerations we should be aware of?

ActewAGL

CALC

Origin Energy

Simply Energy

Red and Lumo Energy

Stakeholders raised a number of other issues for consideration, including:

- that Energy Made Easy (EME) should be more widely promoted to encourage greater market engagement (ActewAGL)
- requiring retailers to keep a record of where they have decided not to notify the customer because they do not consider a change to be a benefit change, which can be made available to the customer if a dispute arises (CALC)
- a number of situations that may not fit neatly into the rules (for example embedded networks receiving lower rates, fixed price/capped plan products and pilot programs) (Origin Energy)
- whether a notice advising a customer of a rollover of benefits has to comply with the Benefit Change Notice Guidelines or only the Retail Pricing Information Guidelines (Simply Energy)
- that the Guidelines should apply only to benefit changes where the benefit period is greater than 12 months to account for greater accuracy regarding seasonality and that customers who have been with their retailer for less than 12 months are relatively more engaged (Red and Lumo Energy).

We note the other risks and considerations raised by stakeholders with respect to what and what does not constitute a benefit and excluded change.

We discuss in detail our considerations on what does and does not constitute a benefit change and what benefits changes are excluded changes in **section 3**.

Question 3: Is including a comparison amount in the notice likely to encourage greater customer engagement with the market? What are the advantages or disadvantages of including an additional comparison amount?

ActewAGL AGL CALC EWOQ Origin Energy PIAC Powershop Red and Lumo Energy	<p>Four stakeholders (CALC, EWOQ, PIAC, Powershop) supported the inclusion of an additional comparison amount, agreeing it would encourage customer engagement with the notice.</p> <p>However, five stakeholders (ActewAGL, AGL, EnergyAustralia, Origin Energy, Red and Lumo Energy) opposed the inclusion of an additional comparison amount in the notice, particularly the use of historical information, as there are a number of associated risks, including:</p> <ul style="list-style-type: none"> • meaningful comparison could only occur if consumption profile and tariffs stay the same • the inclusion of multiple dollar amounts could lead to greater customer confusion • inaccuracies due to seasonality • any assumptions that underlie the future predictions will require disclaimers to comply with the Australian Consumer Law. <p>However, three of these stakeholders (Origin Energy, EnergyAustralia, Red and Lumo Energy) considered it would be useful to provide the ‘do nothing’ amount in the notice and encourage customers to compare this figure with the estimates provided via EME, including the reference prices on offer Basic Plan Information Documents (BPIDs).</p>	<p>Section 5.4 discusses our proposed position on additional comparison amounts. Considering stakeholder feedback, we propose that providing an additional figure may not add value in assisting customers in the comparison process. Therefore, the ‘do nothing’ amount will be the only required cost figure in the notice.</p> <p>We acknowledge stakeholders that have considered the ‘do noting’ costs should align with the reference prices on a BPID (and other marketing material). However, we do not consider alignment with BPID comparison price estimates on a benefit change notice would be helpful for the reasons provided in section 6.3.2.</p> <p>See also response to question 7 in relation to information on historical consumption data.</p>
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Question 4: What type of comparison amount is likely to be the most effective?

ActewAGL AGL	Six stakeholders (CALC, EnergyAustralia, EWOQ, Origin Energy, Red and Lumo Energy, Powershop) supported the inclusion of the	See response to question 3.
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CALC	<p>'do nothing' figure in the notice. However, as noted in question 3, three stakeholders supported including this as a standalone figure to encourage customers to compare offers via the BPID on EME.</p> <p>The stakeholders that considered an additional comparison amount useful had a wide range of views on what the amount/s should be:</p> <ul style="list-style-type: none"> • three stakeholders (EWOQ, Powershop, Simply Energy) supported the inclusion of a historical billing amount. Simply Energy supported this position provided the figure assumed all payments were made on time and any concessions were not included • CALC supported the inclusion a future projected cost with the benefit still applied to compare with the future projected cost without the benefit (i.e. the 'do nothing' amount). CALC also supported the inclusion of the cheapest projected offer on EME. • PIAC supported comparing a customer's bill including the benefit for a specific period with the customer's bill excluding the benefit for the same period • Powershop expressed support for including the dollar value of the benefit received over the last 12 months. <p>All stakeholders providing a view on the timeframe for calculating the amounts supported providing annual comparison figures.</p>	
EnergyAustralia		
EWOQ		
Origin Energy		
PIAC		
Powershop		
Simply Energy		
Red and Lumo Energy		

Question 5: What format should a comparison amount be presented in?

CALC	The majority of stakeholders did not comment on the format of the comparison amount.	We note the information submitted on suggestions of how a comparison amount should be presented.
Powershop	However, Powershop supported the inclusion of a simple table format that lists all the non-energy related benefits for the customer	
		More broadly, the behavioural insights research

to assess. They considered presenting the comparison information in this form will allow customers to evaluate the benefits from both a price and non-price perspective, clearly communicating what they expect to pay (reasonable price for energy) versus what they value (ie a magazine subscription).

CALC suggested behavioural insights should be used to assist in the design of format of a comparison amount.

will assist us to determine how best to present information in the notice to ensure it is meaningful and easy to understand.

Question 6: What other risks or considerations should we be aware of?

ActewAGL

AGL

CALC

Origin Energy

Simply Energy

Powershop

Stakeholders raised a number of additional considerations, including:

- providing an additional comparison figure could lead to consumer confusion and disengagement due to information overload (ActewAGL and CALC)
- different customers react differently to different information (ActewAGL)
- comparison figures might not be meaningful as consumption and tariffs rarely stay the same (ActewAGL)
- historical billing information is more problematic and could lead to more customer confusion than providing the projected future costs. There is risk in providing the historical billing information due to assumptions that underlie this figure. Historical billing information needs to be caveated appropriately to specify whether the figure is the sum of bills over 12 months or the amount the customer actually paid (which may include pay on time discounts or have late fees attached) (Origin Energy)
- non-financial benefits may be difficult to quantify. Therefore, the description of the benefit along with the benefit end date should be provided rather than expressing the dollar value of it

We note the other risks and considerations raised by stakeholders regarding providing comparison amounts and have considered these when forming our proposed position on this issue.

See **section 5.4** for details of our proposed position.

(Simply Energy)

- information provided to the customer needs to be clear and concise, and expressed in annual terms for consistency (Powershop).

Question 7: Are there any other challenges retailers may encounter in providing consumption data? Are these specific to electricity or gas?

ActewAGL AGL EnergyAustralia EWOQ Origin Energy Simply Energy Powershop Red and Lumo Energy	<p>Stakeholders (ActewAGL, EWOQ, Origin Energy, Powershop, Red and Lumo Energy, Simply Energy) principally supported our position to use customers' historical consumption data in the first instance, followed by an estimate consumption figure. Support was given on the basis that providing personalised information would be more meaningful for customers.</p> <p>ActewAGL, although supportive of this view, raised concerns that historical consumption data might be less meaningful for customers if their consumption and/or tariffs change.</p> <p>Conversely, EnergyAustralia and AGL did not support the use of historical consumption data, and provided support for the use of AER benchmark data instead, noting:</p> <ul style="list-style-type: none">• the difficulties in forecasting future usage based on this data (AGL),• not all customers are interested in undertaking a detailed assessment of energy plans (EnergyAustralia). <p>However, EnergyAustralia also considered that if historical consumption data must be provided, retailers should be granted discretion to decide whether to provide consumption based on the benchmark profiles or a customer's actual historical usage.</p> <p>Although no views were formally sought on the time period the consumption data was to be provided, stakeholders overwhelming supported providing consumption data over a 12 month period to</p>	<p>We agree with stakeholders that using a customer's historical consumption data over a 12 month period should underpin the comparison amount. We consider the use of historical consumption data is preferable as customers expect a degree of personalisation when receiving individual communications from retailers.</p> <p>We acknowledge any future forecast of the 'do nothing' amount will need to include a clear disclaimer to ensure customers are not misled.</p> <p>Our proposed position is to require a retailer to use 12 months of a customer's historical consumption data to calculate the 'do nothing' cost. Where 12 months of historical data is not available, a retailer should use all available historical data and estimate the remainder using the same methodology used to estimate consumption for estimated bills. If estimates are not available, then retailers should use the most relevant AER benchmark consumption figure.</p> <p>While we acknowledge stakeholders' feedback regarding the challenges that historical consumption data presents, we do not consider that providing this information will be confusing or meaningless to customers, noting that EME has</p>
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ensure greater consistency with EME.

long used this methodology for calculating estimates.

We agree that the cost projections should be calculated for an annual time period.

Question 8: How should assumptions underpinning estimated energy consumption data and the AER benchmark consumption data be disclosed?

CALC
Powershop

Stakeholders provided limited comment in response to this question. CALC and Powershop submitted data assumptions should be disclosed in the simplest form possible. CALC were of the view that disclosure should align with EME and more detailed disclosure information could be made available via an external source (such as a web link) as this would limit the risk of information overload. In addition, CALC submitted accessibility for those unable to access the internet should be considered by the AER.

We agree with stakeholders that data assumptions should be disclosed to customers in the simplest form possible and align with EME. We also note the view of CALC regarding providing detailed disclosure information via a non-digital source.

Question 9: What other risks or considerations should we be aware of?

ActewAGL
AGL
CALC
Origin Energy
PIAC
Powershop

Stakeholders raised a range of additional considerations with regards to the provision of consumption data, including:

- accurate data is preferable as benchmark data could create confusion and prove meaningless to many consumers (ActewAGL);
- forecasting the 'do nothing' amount based on historical consumption data could be misleading as there are a number of variables and consumer behaviour may change (AGL);
- to ensure compliance with the Australian Consumer Law any future forecast will need to include various caveats or disclaimers that forecasts may not reflect future usage (AGL);
- the comparison amount should be calculated for the same

We note the additional risks and considerations regarding the provision of energy consumption data.

See also response to question 7.

period and the same level of consumption (PIAC); and

- it is important to not overload customers with too much information (CALC).

Question 10: Do you agree with our proposed approach? What are the benefits of a more prescriptive or less prescriptive approach to the manner and form of the notice?

ActewAGL

In terms of the level of prescription for the manner and form of the notice, stakeholders could be broadly grouped into the following two groups.

We note the information provided by stakeholders regarding the level of prescription for the manner and form of the notice.

CALC

EnergyAustralia

Less prescriptive approach

In relation to the manner in which a benefit change notice is to be provided, our proposed position is for retailers to provide a notice in writing to a customer in a way that aligns with the customer's communication preferences. For example, if a customer nominates they prefer to receive communications by email, then the retailers should provide the notice in the same manner.

EWOQ

Origin Energy

ActewAGL, EnergyAustralia, Origin Energy, Red and Lumo Energy and Simply Energy supported the AER's position of adopting a less prescriptive approach in relation to the manner and form of the notice. In general, these stakeholders argued the Guidelines should only provide high level direction. In support of this view, stakeholders submitted:

PIAC

Powershop

Simply Energy

Red and Lumo Energy

- retailers are best placed to communicate with their customers and understand their preferences (Origin Energy);
- less prescription provides flexibility with regards to digital adoption (Origin Energy);
- flexibility given to retailers to tailor the notice allows for greater market competition by distinguishing branding and market offers (EnergyAustralia);
- flexibility allows communications to be adapted and tailored to customer preferences (EnergyAustralia; Simply Energy); and
- highly prescriptive information can be costly to implement, provide little benefit, be misleading and confusing to customers (Red and Lumo Energy).

In relation to the form of benefit change notices, our position has been guided primarily by behavioural insights research. We consider certain key aspects of the notice warrant prescription in relation to their presentation and content. In particular, the presentation and content of a headline statement and information provided about EME. We consider retailers have an incentive to retain customers, which does not align with the aim of the notice to encourage a customer to use EME to search for other available offers. We therefore share Powershop's view that messaging around EME could be diluted if not prescribed.

More prescriptive approach

CALC, EWOQ and the PIAC argued in favour of a more prescriptive approach with relation to the content, manner and form of the notice. The principal argument from these stakeholders was that certain elements (informed by behavioural insights) should be prescribed to ensure notices provide a consistent standard of information, which will assist customers in comparing offers and avoid confusion. EWOQ also advocated for the prescription of standardised language and a call to action.

Powershop provided tentative support for the AER's proposal to not be overly prescriptive but encouraged that certain 'ground rules' be established around standardised language, the call to action, the display of prices and references to EME to avoid the message being diluted.

Question 11: Are there additional elements to those described above that should be prescribed by the Guidelines?

AGL
CALC
PIAC

Stakeholders raised a number of additional comments about the information prescribed by the Guidelines, including:

- information in the notice guided by behavioural insights to remind the customers they can compare offers on EME (AGL, CALC);
- a reference to the cheapest available price for customers on EME (CALC); and
- providing retailers with sufficient flexibility to provide customers the notice in another language if required (PIAC).

We note the information provided by stakeholders detailing additional elements that could be prescribed by the Guidelines. These are considered in detail in **section 5** of the Notice.

See also AER response to question 10. We agree that information regarding EME should be prescribed by the Guidelines.

Question 12: Is a headline statement or call to action an effective way to prompt meaningful customer engagement with the content of the notice?

ActewAGL

Broadly, stakeholders supported the inclusion of a clear, simple and concise call to action in the notice. However, there were

We note the considerations raised by stakeholders

AGL	divergent perspectives on the content of the call to action and the level of prescription. For example:	in relation to a headline statement or call to action.
CALC		We agree with the view of some stakeholders that the headline statement or call to action should be prescribed by the Guidelines. This will ensure the call to action is clear, concise and consistent with the intended purpose of a notice.
EWOQ	<ul style="list-style-type: none"> ActewAGL opposed a call to action that promotes a rival retailer's offer; 	
Origin Energy	<ul style="list-style-type: none"> AGL submitted a call to action be relevant to all customers and their circumstances; 	
Simply Energy		The exact wording of the prescribed headline statement of call to action will be based on the results of behavioural insights research. On the basis of the initial findings of this research, our proposed position is the prescribed headline statement will make clear that a customer is losing a benefit. By way of example, the call to action could state:
Powershop	<ul style="list-style-type: none"> Origin Energy argued against a prescribed call to action as they submit retailers are best placed to capture the attention of their customer base; Powershop advocated for the call to action to be prescribed by the Guidelines; and Simply Energy considered a call to action to be beneficial and suggested it could either advise customers their benefit is expiring or include the dollar effect of doing nothing. CALC and EWOQ supported the inclusion of a simple and prominent call to action. 	<p><i>You are about to lose your 15% guaranteed discount. Visit www.energymadeeasy.gov.au/offer-search to find the best plan for you.</i></p> <p>See section 5.4 for details of our proposed position.</p>

Question 13: Are there examples in other industries of effective headline statements or calls to action?

CALC	Stakeholders provided limited comments in response to this question.	We have noted the example calls to action provided by stakeholders. We have considered these, alongside the behavioural insights research, in forming a proposed position on this issue.
Powershop		
Origin Energy	CALC submitted an emotive name for a benefit change may be the most effective call to action. In support of their argument, CALC cited the recommendation from the United Kingdom market investigation to rename Standard Variable Tariffs to 'default', 'emergency' or 'out of contract' tariff.	
	Powershop and Origin Energy provided example notices, which	

included some sample calls to action.

Question 14: Do stakeholders have comments on these additional considerations?

AGL	Most stakeholders did not address the issues raised in the additional considerations section of the issues paper.	We remain of the view the EME algorithm, located in the retailer-only access area of EME, is the appropriate methodology for calculating any cost projections on a benefit change notice. We agree training on the EME algorithm will assist retailers to fulfil their obligations under the Guidelines and we are currently considering arrangements to provide this.
CALC		
EWOQ	CALC and EWOQ supported the AER position regarding the inclusion of a short statement explaining the nature and change to the benefit.	We agree with the view of some stakeholders that a short statement explaining the nature and change to a benefit will be a useful inclusion in a notice.
Origin Energy		
Simply Energy	CALC and EWOQ agreed with the use of the EME algorithm to ensure the dollar figures in the notice align with the EME website. Simply Energy also requested the AER provide retailers with training on using EME and its associated algorithm.	We acknowledge stakeholders' view that the 'do nothing' amount should align with the reference prices that are likely to appear on a BPID and other retailer marketing. However, we do not consider alignment with BPID reference prices as necessary or particularly helpful on a benefit change notice, for the reasons discussed in section 6.3.2 .
Red and Lumo Energy	In addition to the questions raised in the issues paper, a number of retailers requested the Guidelines remain consistent with the Retail Price Information Guidelines (RPIG). They also requested we allow retailers sufficient lead-time to implement the requirements of the new Guidelines.	
		Regarding implementation timeframes, retailers are required by law to comply with the Guidelines by 1 October 2018.