



2 December 2011

Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

Dear Sarah,

RE: STATEMENT OF APPROACH FOR THE AER PRICE COMPARATOR WEBSITE

Origin welcomes the opportunity to respond to the AER's *Statement of Approach: AER Price Comparator Website*. Overall, Origin supports the AER's approach, and we believe that the principles behind the approach are robust and effectively implemented in most of the decisions made by the AER to this point.

We will comment only on two aspects of the approach which we believe require further thought if they are to uphold the AER's principles, particularly the principle of accuracy.

The first issue relates to how the offers will be displayed and ranked by the AER's website. The AER has stated that offers will initially (and prominently) be displayed by lowest to highest estimated annual bill cost exclusive of both conditional and non-conditional discounts. While we agree that ranking by estimated annual bill is sensible (as long as enough data are available to constitute the estimate) we do not agree that offers should be initially displayed exclusive of all discounts.

As we stated at the recent public forum on this topic, an offer with a non-conditional discount will be one price only and the consumer will not need to do anything to achieve that discount other than taking up the offer. If we take the simplest version and assume no additional conditional discounts apply, the offer will, in fact, be *entirely* built around and defined by the one discounted price, not a base price that may apply sometimes and a discount to apply other times. The definition of 'non-conditional' would appear to reflect this.

This means that representation of such an offer by estimated annual cost must reflect the actual discounted rate - to do otherwise misrepresents the offer. While the base rate 'exclusive of all discounts' may exist (say, as the standing offer for that retailer) by definition it does not apply to the non-conditional discounted offer in question. The price is the price irrespective of what the offer is called and how it is marketed. If there are concerns about how these offers are communicated to consumers this is a different matter from how the estimated annual bill is calculated.

The decision to provide a default ranking by price exclusive of non-conditional discounts will be ineffective at best and misleading at worst. It is concerning that customers will



be led to believe that Retailer A's basic offer might be cheaper than Retail B's non-conditional discounted offer when in fact Retailer B's offer would have meant the customer paid less than with Retailer A. The misrepresentation we refer to here thus not only affects retailers' views of their products, it has a real effect on the core objective of the AER's website, which is to provide consumers with accurate, simple and meaningful advice on the best offers available based on price.

The second point we would like to raise relates to how time-of-use (ToU) estimated bills might be calculated. Given the wide range of consumer usage profiles that may apply, we continue to be concerned that there is a high probability that estimated bills will misrepresent a customer's bill size. Profiles used to construct annual bill estimates for ToU offers will almost by definition be wrong in the short to medium term, which will be a problem for retailers, customers and the AER.

This is a perplexing issue and at this stage all we can suggest is that the AER liaises closely with industry to develop a meaningful approach, and in the meantime not show annual bill estimates for ToU offers. Perhaps some linked case studies may be of use instead of a bill estimate, but these will also require intensive work given the need to reduce the complexity to something easily digested but accurate. At least case studies will have a much lower likelihood of being interpreted by a consumer as a quote for an offer. Having said this, it is possible that the complexity of ToU products will always elude easy representation on comparator websites.

If you have any queries about this submission please contact me on the number below.

Yours sincerely

[signed]

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