



16 May 2018

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

Dear Ms Proudfoot,

Re: Draft Benefit Change Notice Guideline

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Regulator's (the AER) Notice of Draft Instrument on the Draft Benefit Change Notice Guidelines.

As one of the seven retailers that signed up to the Prime Minister's commitments this year, Origin supports the requirement to write to customers at the end of their benefit period. Origin already advises all gas and electricity customers in simple and clear language before a discount period ends; we also ask customers to contact us or follow a web link to arrange a new energy plan. As part of this process, we contact customers over 30 calendar days before the benefit period ends by letter or email, depending on the customer's stated communications preference.

Origin supports the AER's decision to require a projected cost of doing nothing on the Benefit Change Notice. However, Origin is concerned with the amount of prescription involved in some aspects of the draft Notice, as well as the inclusion of an additional summary page. In our view, retailers should have the discretion to determine the ordering of the Notice, subject to a compliance check by the AER. We are also of the view that the additional page to the Notice should be tested by the Behavioural Insights Team (BIT) to determine its necessity and effectiveness. These, and other issues, are addressed below.

The cost of doing nothing for certain benefits

As we raised in our submission to the Issues Paper, there are a number of other arrangements that do not fit neatly into the rule change:

- **Fixed price products or capped plans:** there are offers in the market where the customer is given a fixed cost or tariff for their energy use. In Origin's case, Predictable Plan and Rate Freeze are such offers.
In Predictable Plan, each customer receives a tailored price (expressed as an annual amount in dollars) based on at their historical energy use. Predictable Plan is different to ordinary energy plans because it depends on a specific quote for 12 months; a new quote is received before the expiry of the deal or a customer chooses a new plan.
For Rate Freeze, the tariff is frozen for 12 or 24 months, with a new tariff required at the end of the plan. Rate Freeze is different to a discount expiring because the tariff must change, as opposed to a discount ending off the same tariff.
For both Predictable Plan and Rate Freeze, Origin writes to these customers before the end of the plan. We believe that rule 46(3) of the National Retail Rules is the appropriate provision for these plans, but we seek confirmation from the AER.
If Rule 46(3) is not appropriate, does the AER expect these customers to receive the end of benefit Notice with a projected cost of 'doing nothing'?

- Pilot Programs: where a small number of willing participants are offered a trial product. Origin does not object to communicating with these customers at the end of a pilot period but it may not align with the intention of the Notice. Depending on the pilot, the customer may not have lost a financial benefit or one that is easily calculable.

Origin seeks clarification on whether the above examples are meant to be covered by the guideline. As we note above, Origin has no objections to communicating with these customers at the end of their contract. Our concern is that the Notice is premised on traditional energy product offerings based around a tariff and the cost of 'doing nothing' may not neatly align with traditional tariff calculations.

Inclusion of 'Summary of your most recent bills'

The AER's draft guideline has introduced a 'Summary of your most recent bills' (Summary) document into the Notice. This was not canvassed in the Issues Paper. We can understand the AER's reasons for developing this document as a way of overcoming a potential 'friction' to customers engaging with Energy Made Easy (EME). Origin agrees that such frictions are genuine issues with consumer engagement. However, it is unclear whether the Behavioural Insights Team (BIT) tested this Summary document and whether the results suggested that customers would be more likely to use EME as a result.

Origin is concerned that retailers may need to introduce changes to their systems to produce a Summary without evidence of its utility to customers. The BIT's own research suggests that customers may not engage fully with all aspects of a letter such a Notice.¹ This means it is possible that customers will not consider a second page, particularly one that is a summary of their recent bills and is therefore information they have already received. Further, BIT's research indicates that in an online environment, customers will read in an 'F pattern' and focus mainly on the top left of the communication.² This seems to suggest that customers who access this Notice online may not even consider the Summary document.

Origin believes that, if it has not already done so, the BIT should undertake research to test the effectiveness of the Summary document and whether it leads to more customers engaging with EME. This should include the BIT testing the effectiveness of multiple pages of content and whether the Summary page creates a barrier to engagement by creating a friction in the customer's mind. In the absence of this research, Origin is concerned that retailers will need to implement system changes to produce a Summary document when there is not sufficient evidence to demonstrate that customers will use the summary to better engage with EME.

The fundamental insight of the BIT research is that "reducing the steps involved for consumers to access their information is key to ensuring they take action on receipt of the Notice."³ This will mean investments and changes to EME, such as allowing customers to directly upload their own bill and then enabling EME to pick the relevant data for the purpose of comparison. Origin's *Savernator* does this by pulling relevant customer data from their bills and using that to compare their product with Origin's. A similar functionality, which we understand EME may be considering, would remove the need for customers to enter data. This would better respond to the underlying issue of reducing customer steps that was identified by the BIT.

Prescription of information

¹ AER, *Notice of Draft Instrument—Draft AER Benefit Change Notice Guidelines—Version 1*, April 2018, p. 17.

² *Ibid*, p. 17.

³ *Ibid*, p. 18.

The AER has opted for a prescriptive approach to the Notice in its draft determination. This includes allocating certain zones to the Notice, mandating a headline statement (in section 4.4), requiring a Summary document, and prohibiting retailers from making offers until after zone C. Origin believes that a more principle based approach would allow retailers to tailor the Notice more effectively to suit the format of delivery. This would be more flexible and responsive than the AER's current approach.

A less prescriptive approach would provide retailers with the ability, if they choose, to design a digital and print version of the Notice. In Origin's view, the draft guidelines lack a 'digital lens', with the Notice designed on the basis that customers will work through it in a print environment. It appears that the same Notice should then be transferred to a digital environment based on the print version (that is, the Summary page would be an attachment PDF to the email renewal communication). As we note above, the BIT research indicates that customers engage with digital formats differently to paper Notices, with comprehension lower when reading online.⁴ In Origin's experience, we need to be mindful of the fact that our customers interact via other devices (e.g. their mobile phone) when designing Notices. More than half of Origin's market customers now receive their communications via digital means. In the future we expect paper and digital Notices to diverge as retailers cater more to customer preferences. Accordingly, retailers should have more discretion concerning the lay out of their paper and digital Notices.

The AER is concerned that retailers could dilute the message to customers about the steps they can take following the expiry of the benefits period Notice. Their response is to prescribe the three zones on the Notice. The AER's concern is reasonable but the decision to prescribe the three zones is not the only solution. The alternative to the current, prescriptive guideline is a principle based approach that would set requirements on what retailers would have to deliver whilst leaving retailers with discretion on how the Notice is laid out. The guideline could establish clear principles about what a Notice should achieve. For example, the principles could stipulate the following:

- A requirement that there be a call to action that is prominently in the Notice and includes the 'do nothing' amount; the wording is not prescribed.
- Clear direction to EME by a retailer so that a customer knows where they can compare offers.
- A requirement to communicate to customers how they may obtain their data.

The AER can then approve retailer compliance with the Notices to ensure its message is not being diluted. This would leave retailers with some flexibility to design Notices that respond to both a digital and paper environment.

Origin also believes that clause 42 potentially undermines customer engagement with the market by relegating retailer offers to a third page of the Notice. In Origin's view, the intention of the Notice is to provide information to a customer that their benefits are ending and to provide them with the opportunity to engage in the market for a better deal. The draft Notice provides plenty of information on the availability of EME for this purpose. In Origin's view, there is no reason why a retailer should also be prohibited from making customers a retention offer in the text of the letter, rather than relegating it to a third page of the Notice. Origin's experience is that including retention offers in the Notice is a more effective manner of engaging customers; we find that there is a higher conversion rate where there is a retention offer in a Notice. Requiring retailers to place such an offer after the Summary will make it harder for customers to Notice a retention offer. Origin thinks that this may have the impact of reducing engagement, which is contrary to the intention of the Notice. Accordingly, clause 42 ought to be removed from the Guideline.

Multiple usage estimates

⁴ Ibid, p. 17.

Origin believes that retailers should be provided with the choice of calculating the 'do nothing' cost by using either actual usage or AER benchmarking data. The reference price on the Basic Plan Information Document (BPID) is calculated using AER benchmarking data. Customers may refer to BPIDs on retailer's websites or EME results when they receive this Notice. It would provide consistency with the Notice if customers received calculations using the same data.

The Rule requires the Notice to be implemented by 1 October this year. To meet the requirements of clause 57, Origin will need to build a new billing simulation that includes a forward price of 'doing nothing' based on historical customer usage data. The ability to estimate annual amount based on a customer receiving no benefit does not presently exist and we won't commence building this capability until a final decision is made by the AER. Retailers will have approximately three months to make changes to our systems; we would ordinarily need up to six months to scope, design and test a system change of this magnitude. Additionally, as the AER is aware, there are other regulatory changes that are currently absorbing these technical resources, such as the Victorian Payment Difficulties Framework and the changes associated with the Retail Price Information Guideline. Given the AER cannot change the implementation date, providing retailers with the discretion to choose between either usage or AER benchmarking data for the 'do nothing' cost will be a reasonable compromise in the circumstances. This would see clause 57 to 59 removed and replaced with a requirement to use either customer usage or AER benchmarking. We note that this is a matter for AER discretion and Rule 48B(2)(d) of the National Retail Rules do not stipulate that the calculation must be based on actual usage.

Clause 27

Origin seeks confirmation that the AER would consider it acceptable not to send a Notice where a retailer decides to continue providing the customer with a benefit. As an example: a customer signs up to a 20% guaranteed discount for 12 months. After ten months of the agreement, the retailer decides to extend the benefit so it continues after the 12-month period. In these circumstances, we believe a Notice is not required, because a benefit has not ended. Origin seeks confirmation of this from the AER.

In Victoria, Origin is presently applying a 17% rebate to customers on standing offers and customers on Origin Supply (a market contract). These discounts were voluntary and do not represent any term or condition of either the Standing Offer or Origin Supply contract. Whilst these Guidelines do not apply in Victoria, this highlights a broader issue of a retailer voluntarily providing a rebate to customers on market contracts. We seek clarification of whether withdrawal of such a *voluntary* rebate would be considered a benefit change given it was not a term or condition of that contract.

Clause 29

Origin supports the AER's decision to exclude benefits in the first forty days of the contract as this will allow products, such as 'first month free', to continue. However, we seek clarification on two points:

- If a customer receives a benefit in the first forty days of the contract, but is on quarterly billing and does not receive the benefit until after ninety days, does this exemption still apply?
- First month free only applies where a customer has a smart meter and their actual usage for that period can be excluded from the bill. Where a basic meter is used, the technical benefit is 'one month free' on the customer's first bill. This will generally be a quarterly bill with a customer receiving the average of one month (i.e. total usage divided by three). Is this still exempt under clause 29?

Closing

Should you have any questions or wish to discuss this information further, please contact Timothy Wilson on (03) 8665 7155.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'K. Robertson'.

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