

16 March 2018



Sarah Proudfoot
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By email: AERInquiry@aer.gov.au

Dear Ms Proudfoot

AER Draft Retail Pricing Information Guideline

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact on disadvantaged and marginalised people. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in the NSW energy and water markets.

PIAC welcomes the opportunity to comment on the AER's draft version 4.0 of the Retail Pricing Information Guidelines (the Guidelines). PIAC supports the intent of the amendments to the Guideline to facilitate better consumer outcomes through better information provision.

Basic Plan Information Document and Contract Summary

PIAC supports splitting retail pricing information between the Basic Plan Information Document (BPID) and Contract Summary (CS).

In PIAC's oral submission to the AER's Customer Price Information issues paper, we stated that energy price information should be as clear as possible and noted that there is often a trade-off between simplicity and accuracy.¹ The current energy price fact sheets (EPFS) do not effectively address this trade-off. While they are highly detailed and accurate, PIAC concurs with other stakeholders that the amount of information contained in the EPFS makes it difficult to understand.² PIAC concurs with the AER that providing key price comparison information in the BPID and the full EPFS information in the CS, will give consumers access to the price information they need without wading through the complexity of the EPFS.

PIAC also supports ensuring consistency between different retailers' documents by formatting the BPID and CS in a manner determined by the AER. The current system, where businesses can choose how to format their documents, allows for inconsistency and makes it difficult for consumers to compare plans from different retailers. By removing the ability of retailers to create their own formats, the AER will improve consistency and make comparison easier for consumers.

¹ PIAC, [Oral submission to the AER](#), October 2017.

² AER, [Notice of Draft Instrument: AER Retail Pricing Information Guidelines](#), January 2018, 11.

PIAC is concerned about the proposal to use three-month electricity bill estimates and two-month gas bill estimates in the BIPD.

While it will be useful for consumers to be able to compare estimates at shorter periods for the purpose of budgeting for expenditure on energy, an annual estimate is also important as it is a more accurate indication of the overall cost. Because of the variation in energy use – and potentially energy charges - between seasons, ‘average’ bills are seldom close to actual bills. This will increasingly be the case as retailers implement cost reflective tariffs that include a seasonal component.

In PIAC’s view the BIPD should include both annual and sub-annual estimates. If the AER opts to include only one estimate, PIAC contends that it should be the annual estimate.

In this context, PIAC contends that the sub-annual estimate should be a monthly estimate. PIAC appreciates the by using two- and three-month estimates for gas and electricity respectively, the AER has sought to align BIPD information with ‘typical’ billing periods.

However, three-monthly electricity bills and two-monthly gas bills are less ubiquitous, particularly as smart meters are rolled out (enabling more frequent meter reads) and more consumers with accumulation meters opt to receive estimated monthly bills between quarterly meter reads (particularly disadvantaged consumers seeking to manage their energy costs).

Furthermore, only Victorian gas consumers tend to be billed on bimonthly basis, with those in other jurisdictions billed quarterly.

In PIAC’s view, as a month is the lowest common denominator of all the most common billing intervals, using monthly estimates will be easier for more consumers to understand their regular expenditure on energy average bills.

Language requirements

PIAC also supports the AER’s proposal to introduce new requirements for consistent energy plan terminology in the BPID and CS. PIAC concurs with other stakeholders that technical jargon and inconsistent language create a barrier for consumers to meaningfully compare between different retail offers.³ By requiring consistent definition of terms like ‘general usage’ and ‘Separately metered usage’, the AER will help to address this problem.

However, PIAC notes that the AER has not included definitions relating to demand charges in the ‘Language requirements’ section of the Guidelines.⁴ Given that the AER has acknowledged the increasing prevalence of, and consumer confusion about, plans that include demand charges, PIAC contends that there is need for the AER to provide retailers with guidance about how to refer to these charges. There is already considerable confusion within the industry as to what language to use, with kW-based charges variously referred to as ‘demand’, ‘capacity’ or ‘peak’ charges by different market participants. The AER should use the amended Guidelines to require consistent definition of these charges and reduce confusion for consumers as retailers begin to offer more cost reflective pricing options.

Continued engagement

PIAC would welcome the opportunity to meet with the AER and other stakeholders to discuss these issues in more depth.

³ Ibid, 21.

⁴ AER, [Draft AER Retail Pricing Information Guidelines](#), January 2018, 11-12.

Yours sincerely

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