

# Queensland Competition Authority

Submission to the Australian Energy Regulator

---

## Submission to the AER customer price information review

---

October 2017

---

## Contents

---

ABOUT THIS SUBMISSION	II
1 PRINCIPLES	1
1.1 Comprehensive resource	1
1.2 Quality assurance	1
1.3 Comparability	1
2 QCA COMMENTS	3
2.1 Solar feed-in tariffs	3
2.2 Discounts	3
2.3 Fees and charges	4
2.4 GST treatment	5
2.5 Controlled load	5
2.6 Usage	6

---

## ABOUT THIS SUBMISSION

---

The Queensland Competition Authority (QCA) welcomes the opportunity to provide a submission to the Australian Energy Regulator (AER) on its customer price information review. The QCA considers that benefits from competitive markets are best achieved when customers are able to confidently engage in the market, with clear and reliable information. The AER's Energy Made Easy price comparator website and the Energy Price Fact Sheets are critical to supporting customer engagement in the retail electricity market.

The Energy Made Easy website is the single most comprehensive source of data and information regarding electricity retail offers; it therefore offers value to customers engaging in the market and also to jurisdictional regulators undertaking analytical work to inform governments' broader policy objectives.

The QCA has been directed to provide two retail electricity monitoring reports for south east Queensland (SEQ) for the 2016–17 financial year. The first report has already been published and provides information on the solar feed-in tariffs offered to residential and small business customers with solar photovoltaic installations in SEQ, and the electricity prices offered to solar customers.<sup>1</sup> The second report is due to be published at the end of November, and will present the results from monitoring the operation of the SEQ retail electricity market for residential and small business customers. This market monitoring report will provide information on a wide range of matters relating to retail offers (market and standing offers), including prices, discounts and fees, customer switching from standing offers, and prices paid by hardship and concession customers.<sup>2</sup>

The basis for much of the QCA's analysis for the solar feed-in tariff and market monitoring reports is data and information extracted from the Energy Made Easy website. Based on our experiences, we offer the comments in this submission regarding potential improvements to the Energy Made Easy website, with a view to improving the comprehensiveness, comparability and quality of information in retail offers, for the benefit of customers.

### Contact

Enquiries regarding this project should be directed to:

ATTN: Electra Papas

Tel (07) 3222 0517

[www.qca.org.au/Contact-us](http://www.qca.org.au/Contact-us)

---

<sup>1</sup> QCA website, <http://www.qca.org.au/Electricity/Consumer/Solar-Feed-in-Tariffs>

<sup>2</sup> QCA website, <http://www.qca.org.au/Electricity/Consumer/Market-Monitoring>.

---

# 1 PRINCIPLES

---

## 1.1 Comprehensive resource

The Energy Made Easy website is an important and impartial resource for customers seeking to engage in the retail electricity market. Unlike other comparator websites, such as iSelect and Energy Watch, it offers information on retail offers from the full range of retailers participating in the market.

We consider that the Energy Made Easy website is also of great value to jurisdictional regulators, who are able to extract data and information for analysis and reporting. For example, the Essential Services Commission of South Australia uses data and information from the Energy Made Easy Website for its energy retail offer comparison reports, as does the QCA for its solar feed-in tariff and market monitoring reports.<sup>3</sup>

Regulatory bodies, including the QCA, rely on the Energy Made Easy website as a central repository of relevant data and information to analyse the general level of competition and price movements in the retail electricity market.

Should new technology offerings progressively become part of retail offers, the function and performance of the Energy Made Easy website as a comprehensive resource of retail offers may become more vital.

## 1.2 Quality assurance

High quality data and information should underpin the Energy Made Easy website and Energy Price Fact Sheets. The QCA recognises that while retailers are ultimately responsible for the quality of data and information used as an input into the Energy Made Easy website, there are a number of safeguards that the AER can put in place to limit errors or inconsistency.

For example, limiting the range of free text options for retailers to describe their retail offers is one such approach. In place of free text options, the AER could broaden the range of predetermined input fields available to retailers to describe their retail offers. We consider that this approach may also help to automate some error checks.

In this submission, we outline some examples that demonstrate this point, especially in relation to the treatment of GST on fees, charges and solar feed-in tariffs.

## 1.3 Comparability

The value to customers of the Energy Made Easy website lies in its scope to compare all relevant retail offers from retailers participating in the market.<sup>4</sup> Enabling customers to easily compare a range of retail offers, subject to their preferences, should increase their confidence to engage in the market and to pursue competitive retail offers on a more regular basis.

---

<sup>3</sup> See ESCOSA's Energy retail offers comparison reports, published in August each year.

<sup>4</sup> For example, the Australian Energy Market Commission identified 29 flat rate standing offers and 52 flat rate market offers on the Energy Made Easy website as at 5 January 2017. See *2017 AEMC Retail Energy Competition Review*, 25 July 2017 (page 228).

The ease and clarity of comparing retail offers should be a guiding principle to any future enhancements to the Energy Made Easy website, or any other complementary tool the AER develops to support the customer decision making process, as outlined in the AER issues paper.

We have identified a number of ways the Energy Made Easy website could be improved to better support this principle. We also consider that better quality data and information supplied by retailers could also support the comparability of retail offers.

---

## 2 QCA COMMENTS

---

### 2.1 Solar feed-in tariffs

In our 2016–17 solar feed-in tariff report, we found that the highest feed-in tariff did not provide the lowest net overall bill in the scenarios we modelled. In particular, solar customers who import a large amount of electricity and export a relatively small amount of electricity may find that a retail offer with cheaper prices for electricity imports (i.e. variable usage charges) would be best for them, even if it does not offer the highest feed-in tariff.

Solar customers would benefit from the Energy Made Easy website providing an option for them to estimate their net bill, inclusive of revenue from solar exports. At present solar customers must manually calculate this net bill. Given that a solar customer's total bill is the total of fixed, variable and other charges, less the amount received for feed-in tariffs, being able to estimate the net bill inclusive of solar exports is an important consideration in selecting the most suitable retail offer.

We note the Victorian Energy Compare website includes options allowing customers to select the type of feed-in tariff (for example, where the government offers, or sets, a minimum feed-in tariff) as well as the kilowatt capacity of the photovoltaic installation. These inputs are used to calculate the total bill amount for the list of retail offers.<sup>5</sup>

Improving the Energy Made Easy website to include specific solar options, and calculate net electricity bills, would help solar customers to compare and choose the best deal for them.

### 2.2 Discounts

#### 2.2.1 All market offers

We have found that retailers provide different information on their discount benefit periods on the Energy Made Easy website. We consider that all retailers with discounts attached to their market offers should clearly identify on the Energy Made Easy website the benefit periods attached to each market offer, as well as identify where customers can obtain any additional information about the benefit periods. This would improve the comprehensiveness of information on the Energy Made Easy website and the comparability of market offers.

We have found that discounts for market offers in SEQ are clearly stated in terms of what they are based on—usually the variable usage charge. However, the different fixed and usage charges of a retailer could make it difficult and/or time-consuming for customers to determine the value to them of various discounts.

For customers to make an informed choice regarding the most suitable market offer, they would need to consider:

- their current and future consumption levels
- solar feed-in tariffs and their export levels (if applicable)
- discount benefit periods
- incentives (e.g. sign-up incentives)

---

<sup>5</sup> Victorian Energy Compare website, <https://compare.switchon.vic.gov.au/>

- their willingness and ability to meet conditions attached to discounts
- fees and charges attached to offers.

## 2.2.2 Applying discounts to solar market offers

Solar customers would be better placed to compare solar market offers if retailers were required to state more clearly how discounts were applied to solar exports. We have found that retailers do not necessarily apply discounts to solar market offers in the same way. For example, while most retailers apply a discount to the total usage, some retailers apply a discount to the net bill amount after solar credits have been subtracted. The effect of discounts on the total bill is likely to be material, given the variable factors of solar export loads and variable usage.

## 2.3 Fees and charges

### 2.3.1 Review of 'key fees'

We consider that the AER's Retail Pricing Information Guidelines would benefit from providing clearer guidance on how retailers apply 'key fees' that are attached to retail offers.<sup>6</sup> As detailed below, we have found inconsistencies across retailers in how this was applied to retail offers, which we consider makes comparing offers difficult.

We have also found that some retailers include information on their retail offers on the Energy Made Easy website, referring to the potential for retail fees and charges—other than those listed on Energy Made Easy—to be levied on customers. For instance, retailers' fee schedules and/or market offer contracts may include more information about applicable fees and charges. We consider all retailers should clearly and consistently identify on the Energy Made Easy website where customers can obtain information on additional retail fees and charges that apply, or may apply, to their retail offers.

### 2.3.2 Metering charges

Customers would benefit from retailers more clearly stating how distribution non-network charges were recovered from customers. We have found retailers are not consistent, or do not clearly state, how these types of fees will be recovered from customers for both solar and non-solar retail offers.

For example, most retailers do not specify on the Energy Made Easy website whether their fixed charges include metering charges, nor do they identify metering charges as a separate fee type. We contacted retailers directly for the purposes of the 2016–17 market monitoring report to clarify how metering charges were recovered from customers. We found that all retailers included or absorbed metering charges as part of the fixed daily supply charge.

Retailers should also be required to clearly state, or separately list, the metering charges recovered from customers for controlled load and photovoltaic installations. For example, Origin Energy was the only retailer with a separate metering charge for its solar retail offers in 2016–17.

The AER Retail Pricing Information Guidelines do not provide guidance on metering charges. They do, however, identify other distribution non-network charges, such as reconnection and disconnection fees, as a 'key fee' that retailers must specify on the Energy Made Easy website. As

---

<sup>6</sup> AER Retail Pricing Information Guidelines, August 2015 (page 14).

at 30 June 2017, some retailers in SEQ did not include reconnection and/or disconnection fees in their offers on Energy Made Easy.

### 2.3.3 Payment processing options and fees

We have found that retailers do not consistently identify the payment methods available, or not available, on their retail offers. This makes it difficult to compare payment processing options and fees across retail offers and retailers. Customers would benefit from retailers providing clear information on payment options and processing fees. Specifically, we consider that retailers should be required to specify the payment processing options attached to each retail offer, and further, whether any fees are involved for each type of payment.

## 2.4 GST treatment

### 2.4.1 Inconsistent application of GST

The AER's Retail Pricing Information Guidelines only provide guidance on the application of the GST in relation to fees, and state that where applicable, fee levels should show the GST inclusive amount.

Customers would benefit from retailers providing clear information on how the GST is applied to the various components of an electricity bill. Our analysis of retail offers found that the GST is applied inconsistently to fees, charges and solar feed-in tariffs. For example, some fees are GST exempt, or the GST on a specific type of fee may be treated differently between retailers.

The Energy Made Easy website would benefit from relatively simple quality assurance measures. This might include restricting the free text fields available to retailers to describe their fees and charges. Instead, retailers could be required to select from predetermined field types to list fees and charges, and to indicate whether the GST applies. This would also act as an error check for retailers' input data.

## 2.5 Controlled load

### 2.5.1 Selecting controlled load retail offers on Energy Made Easy

Customers in SEQ would benefit from the Energy Made Easy website making clear what type of controlled load tariff is attached to retail offers. For example, the list of retail offers generated on the Energy Made Easy website does not categorise them into 'super economy' and 'economy' controlled load retail offers. This makes it difficult, and/or time-consuming, for customers to compare and choose retail offers with controlled load based on their requirements.

The type of controlled load attached to a retail offer has important consequences for customers, as different controlled load tariffs are suited to different appliances. For example, tariff 31 'super economy' controlled load may be more appropriate for hot water systems that only need to reheat at night, whereas tariff 33 'economy' controlled load may be more appropriate for pool pumps or some heat pump systems.

At present, the Energy Made Easy website advises users with controlled load tariffs to 'add the usage from the two controlled loads and enter the total in the controlled load box', with estimated bills being calculated using the cheapest controlled load option. This aggregates use across different tariffs and does not allow customers to choose their preferred controlled load tariff.

### 2.5.2 Retailers not clearly defining controlled load offers

Our analysis of retail offers found that the naming conventions for controlled load was inconsistent, or not well defined, which made it difficult to compare offers. For example, some retailers distinguished between the two types of controlled load as 'controlled load 1' or 'controlled 2'. Some retailers failed to distinguish between the two types of controlled load completely, and referred to both types as 'controlled load'.

We contacted retailers directly, for the purposes of the market monitoring report, to further clarify which type of controlled load ('super economy' or 'economy') the retailer was referring to in their retail offers.

Greater specificity in describing controlled loads on retailers' behalf would improve the comparability of offers for customers, and also act as a quality assurance measure for retailers' input data.

## 2.6 Usage

The Energy Made Easy website requires users to input their usage (in kWh) from a recent electricity bill via a 'Standard (peak/anytime)' field. We suggest the name of this field could be amended to 'Usage in kilowatt hours (kWh)' for greater clarity.

Where consumers do not have an electricity bill, the Energy Made Easy website asks whether the user would like an estimate to be applied. We note the estimated usage on the Energy Made Easy website is based on a 2014 survey, and these usage figures are inconsistent with actual usage data reported by distributors. We suggest estimated usage could be based on the most recent data from distributors, where available.