

Final Report

BIT review of Basic Plan Information Document
(BPID)

THE
BEHAVIOURAL
INSIGHTS TEAM ♦

Executive Summary

The Behavioural Insights Team (BIT) worked with the Australian Energy Regulator (AER) to conduct an online framed field experiment to test different versions of the proposed Basic Plan Information Document (BPID). 2,289 respondents saw one of five versions of the test, which required them to choose one of four hypothetical energy plans. The key findings included:

- Including the prices table led to higher confidence – however, confidence was not correlated with better decision making
- Almost 90% of consumers were unable to correctly use the pricing table to determine the cost of a single day's usage
- Including the prices table as the first item on the BPID led to consumers being less likely to pick the best energy plan
- Even the best version of the BPID only saw just over half (54%) of consumers choosing the best plan out of four plans.
- More than 1 in 10 consumers (11%) chose a plan that was objectively an inferior option, seemingly because it had a higher discount on usage
- Most consumers thought the BPID was tailored to their situation, at least a little

As a result, BIT recommends **using version 3 of the BPID (with the prices table on the second page) as the standard, but continuing to evaluate.**

1

What we did

2

What we found

3

Caveats and limitations

4

Key recommendations

Background to the project

The policy problem

The AER is updating the guidelines that provide guidance to retailers in the presentation of their standing offer prices and market offer prices. By specifying the manner and form in which information is presented by retailers, the AER aims to create a clear and consistent form of presenting important information to customers, giving them confidence in the accuracy and comparability of this information.

BIT is supporting the AER to understand what the best way of designing the BPID is to maximise consumer confidence and decision-making. Evidence shows that small changes in presentation of information can shift consumer behaviour,¹ and previous work found that changes in presentation of information can affect consumers' confidence.²

Our approach

Ideally, we would conduct a trial in the field to test the impact of these letters on actual behaviour. However, a number of factors made this difficult in this case – in addition to time constraints, it would be difficult to separate the impact of the BPID on a consumer's decision from other factors. Instead, we combined an online randomised controlled trial (RCT) with a brief review of the literature. Findings from the online RCT and the literature review fed into the recommendations.

To conduct the trial, we used Predictiv, BIT's new online rapid research platform. Predictiv quantitatively tests the effectiveness of communications, new products, policies and initiatives using real participants in an online environment. It is designed to provide an alternative method of conducting robust RCTs when a field trial is unfeasible or not possible within the time constraints.

The AER had already developed four alternatives for testing (drawing on previous research), and we were able to design a fifth in the time available. This report covers the results of the trial of these five alternatives.

¹Costa, E., King, K., Dutta, R., & Algate, F. (2016). Applying behavioural insights to regulated markets

²Behavioural Economics Team of the Australian Government (2018) Saying more with less: Simplifying energy fact sheets

Overview of the trial

- A total of 2,289 respondents were asked some basic questions about their household, to allow an estimate of energy consumption using the Energy Made Easy (EME) website methodology.
- Respondents were randomly allocated to one of five treatment groups, and shown 4 plans, each plan using the same format of the BPID.
- Respondents were asked first to choose a plan, or to stick with their own plan. They were then asked to choose the plan they thought would be cheapest for them, and were incentivised to do so. They needed to view at least two plans before they could choose.
- After this, they were asked eight confidence and comprehension questions, both overall and about specific parts of the BPID.
- Finally, they answered some basic numeracy questions and filled out some questions about their demographics.
- Further details of our analysis strategy are provided in the attached technical appendix.

Right: screenshots from the test



Below are four plans for electricity from different providers. Click on the text below the logo to open up the information document (this will open in a new tab). When you're ready, choose between the different providers, or stick with your current provider.



Click here for
information on
Plan 1



Click here for
information on
Plan 2



Click here for
information on
Plan 3



Click here for
information on
Plan 4



I want to stick with
my current
provider



Next

Earlier, you made a choice about what energy provider you would choose.

* Please tell us why you chose the way you did in the first scenario (where you chose between one of the new providers or your current provider).

* Please tell us why you chose the way you did in the second scenario (where you picked the provider that would be cheapest for your household).

Treatment 1

"Price table bottom"










Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more click [here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



My household is most like:

kWh/day					Estimated quarterly bill		
					Base price	With discounts	
	1 to 2 people		1 to 2 bedrooms	 Weekly washing, little heating and cooling	9 kWh/day	\$350	\$290
	3 people		3 bedrooms	 Washing a few times a week, regular heating and cooling	19 kWh/day	\$640	\$520
	4 to 5+ people		4+ bedrooms	 Daily washing, heating and cooling	26 kWh/day	\$820	\$660

Bll estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.

Key facts about this plan

	Need to know	
Contract	<ul style="list-style-type: none"> Ongoing contract with 12 month benefit period Flexible billing available 10 day cooling off period 	<ul style="list-style-type: none"> Discount rates only apply during the benefit period Eligibility criteria apply
Discounts and bonuses	<ul style="list-style-type: none"> Up to 19% discount off usage charges One-off \$50 credit on your first bill 	<ul style="list-style-type: none"> Discount only applies IF you: <ul style="list-style-type: none"> - pay on time (16%) - pay by direct debit (2%) - use e-Billing (1%)
Fees	<ul style="list-style-type: none"> Early exit fee: nil Late payment fee: \$12 	<ul style="list-style-type: none"> Credit card payment fee and paper bill fee apply

Key features

Prices can change	✓ We will advise you of price changes	Solar feed-in tariff	✓ 9 cents per kWh FIT
Off peak savings	✓ Cheaper at night and on weekends	Green power	✓ Up to 100% green energy option available. Fees apply

Prices

(GST exclusive so that you can compare with your bill)

	Summer, 1 Dec - 28 Feb		Other, 1 March - 30 Nov	
Off Peak	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh
Semi-peak	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	37.147 cents per kWh	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	33.24 cents per kWh
Peak	7am-9am Mon-Fri 5pm-8pm Mon-Fri	38.588 cents per kWh	7am-9am Mon-Fri 5pm-8pm Mon-Fri	35.147 cents per kWh
Separate meter 1	8pm-8am - 16.61 cents per kWh		8pm-8am - 16.1 cents per kWh	
Separate meter 2	11pm-5am - 22.572 cents per kWh		11pm-5am - 23.572 cents per kWh	
Supply charge	84 cents per day		84 cents per day	

To compare plans from all energy providers visit the Australian Energy Regulator's independent website www.energymadeeasy.gov.au or call 1300 585 145

Treatment 2

"Price table top"

Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more click [here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



Prices

(GST exclusive so that you can compare with your bill)

	Summer, 1 Dec - 28 Feb		Other, 1 March - 30 Nov	
Off Peak	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh
Semi-peak	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	37.147 cents per kWh	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	33.24 cents per kWh
Peak	7am-9am Mon-Fri 5pm-8pm Mon-Fri	38.588 cents per kWh	7am-9am Mon-Fri 5pm-8pm Mon-Fri	35.147 cents per kWh
Separate meter 1	8pm-8am - 16.61 cents per kWh		8pm-8am - 16.1 cents per kWh	
Separate meter 2	11pm-5am - 22.572 cents per kWh		11pm-5am - 23.572 cents per kWh	
Supply charge	84 cents per day		84 cents per day	










Key facts about this plan

	Need to know	
Contract	<ul style="list-style-type: none"> Ongoing contract with 12 month benefit period Flexible billing available 10 day cooling off period 	<ul style="list-style-type: none"> Discount rates only apply during the benefit period Eligibility criteria apply
Discounts and bonuses	<ul style="list-style-type: none"> Up to 19% discount off usage charges One-off \$50 credit on your first bill 	<ul style="list-style-type: none"> Discount only applies IF you: <ul style="list-style-type: none"> - pay on time (16%) - pay by direct debit (2%) - use e-Billing (1%)
Fees	<ul style="list-style-type: none"> Early exit fee: nil Late payment fee: \$12 	<ul style="list-style-type: none"> Credit card payment fee and paper bill fee apply

Key features

Prices can change	✓ We will advise you of price changes	Solar feed-in tariff	✓ 9 cents per kWh FIT
Off peak savings	✓ Cheaper at night and on weekends	Green power	✓ Up to 100% green energy option available. Fees apply

My household is most like:

kWh/day						Estimated quarterly bill		
						Base price	With all discounts	
	1 to 2 people		1 to 2 bedrooms		Weekly washing, little heating and cooling	9 kWh/day	\$350	\$290
	3 people		3 bedrooms		Washing a few times a week, regular heating and cooling	19 kWh/day	\$640	\$520
	4 to 5+ people		4+ bedrooms		Daily washing, heating and cooling	26 kWh/day	\$820	\$660

Bll estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.

To compare plans from all energy providers visit the Australian Energy Regulator's independent website www.energymadeeasy.gov.au or call 1300 585 145

Treatment 3

"Price table 2nd page"










Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more [click here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



My household is most like:

					kWh/day	Estimated quarterly bill	
						Base price	With discounts
	1 to 2 people		1 to 2 bedrooms	 Weekly washing, little heating and cooling	9 kWh/day	\$350	\$290
	3 people		3 bedrooms	 Washing a few times a week, regular heating and cooling	19 kWh/day	\$640	\$520
	4 to 5+ people		4+ bedrooms	 Daily washing, heating and cooling	26 kWh/day	\$820	\$660

Bill estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.



Key facts about this plan

		Need to know
Contract	<ul style="list-style-type: none"> Ongoing contract with 12 month benefit period Flexible billing available 10 day cooling off period 	<ul style="list-style-type: none"> Discount rates only apply during the benefit period Eligibility criteria apply
Discounts and bonuses	<ul style="list-style-type: none"> Up to 19% discount off usage charges One-off \$50 credit on your first bill 	<ul style="list-style-type: none"> Discount only applies IF you: <ul style="list-style-type: none"> pay on time (16%) pay by direct debit (2%) use e-Billing (1%)
Fees	<ul style="list-style-type: none"> Early exit fee: nil Late payment fee: \$12 	<ul style="list-style-type: none"> Credit card payment fee and paper bill fee apply



Key features

Prices can change	✓ We will advise you of price changes	Solar feed-in tariff	✓ 9 cents per kWh FIT
Off peak savings	✓ Cheaper at night and on weekends	Green power	✓ Up to 100% green energy option available. Fees apply

Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more [click here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



Prices GST exclusive so that you can compare with your bill

	Summer: 1 Dec - 30 Feb		Others: 1 March - 30 Nov	
Off Peak	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh
Should-peak	9am-5pm Mon-Fri 6pm-10pm Mon-Fri	37.147 cents per kWh	9am-5pm Mon-Fri 6pm-10pm Mon-Fri	33.26 cents per kWh
Peak	7am-9am Mon-Fri 5pm-8pm Mon-Fri	38.588 cents per kWh	7am-9am Mon-Fri 5pm-8pm Mon-Fri	35.147 cents per kWh
Separate meter 1	8pm-8am - 14.61 cents per kWh		8pm-8am - 14.1 cents per kWh	
Separate meter 2	11pm-5am - 22.572 cents per kWh		11pm-5am - 23.572 cents per kWh	
Supply charge	84 cents per day		84 cents per day	

To compare plans from all energy providers
visit the Australian Energy Regulator's independent website www.energywatchdog.gov.au or call 1300 585 145


Treatment 4


"No price table"

Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more click [here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au






My household is most like:


			kWh/day	Estimated quarterly bill	
				Base price	With all discounts
1 to 2 people	1 to 2 bedrooms	Weekly washing, little heating and cooling	9 kWh/day	\$350	\$290
3 people	3 bedrooms	Washing a few times a week, regular heating and cooling	19 kWh/day	\$640	\$520
4 to 5+ people	4+ bedrooms	Daily washing, heating and cooling	26 kWh/day	\$820	\$660

Bill estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.




Key facts about this plan

		Need to know
Contract	<ul style="list-style-type: none"> Ongoing contract with 12 month benefit period Flexible billing available 10 day cooling off period 	<ul style="list-style-type: none"> Discount rates only apply during the benefit period Eligibility criteria apply
Discounts and bonuses	<ul style="list-style-type: none"> Up to 19% discount off usage charges One-off \$50 credit on your first bill 	<ul style="list-style-type: none"> Discount only applies IF you: <ul style="list-style-type: none"> pay on time (16%) pay by direct debit (2%) use e-Billing (1%)
Fees	<ul style="list-style-type: none"> Early exit fee: nil Late payment fee: \$12 	<ul style="list-style-type: none"> Credit card payment fee and paper bill fee apply



Key features

Prices can change	We will advise you of price changes	Solar feed-in tariff	9 cents per kWh FIT
Off peak savings	Cheaper at night and on weekends	Green power	Up to 100% green energy option available. Fees apply



Click here to see prices on the Contract Summary

Link: www.energymadeeasy.gov.au/offer/83837/contract-summary/html

To compare plans from all energy providers visit the Australian Energy Regulator's independent website www.energymadeeasy.gov.au or call 1300 585 165


Treatment 5

"Simplified no price table"

Basic Plan Information

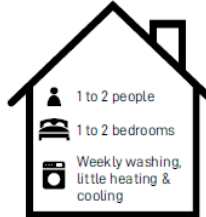
Sunny Day Offer at 1 January 2018

To find out more click [here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



Your estimated quarterly bill

Choose the household most like yours.



1 to 2 people
1 to 2 bedrooms
Weekly washing, little heating & cooling


Estimated quarterly bill with discounts

\$290

Without discounts

\$350

You use 9 kWh/day



3 people
3 bedrooms
Washing a few times a week, regular heating and cooling

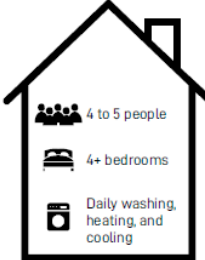
Estimated quarterly bill with discounts

\$520

Without discounts

\$640

You use 19 kWh/day



4 to 5 people
4+ bedrooms
Daily washing, heating, and cooling

Estimated quarterly bill with discounts




\$660


Without discounts

\$820

You use 26 kWh/day

Key features of this plan

 One-off \$50 credit on your first bill
  19% discount for 12 months if you pay on time, pay by direct debit, and use e-Billing
  No early next fee

 To see prices and full details of fees on the contract summary click [here](#).

To compare plans from all energy providers visit the Australian Energy Regulator's independent website www.energymadeeasy.gov.au or call 1300 585 165

The four “plans”



Small	\$345.29
Medium	\$637.45
Large	\$756.62

Other features:

- 15% discount



Small	\$352.05
Medium	\$653.13
Large	\$782.32

Other features:

- 20% discount



Small	\$339.09
Medium	\$626.72
Large	\$757.68

Other features:

- 15% discount



THE
BEHAVIOURAL
INSIGHTS TEAM.

Small	\$329.40
Medium	\$635.40
Large	\$788.40

Other features:

- No discount

- Flat pricing

Key features:

- There is one plan that is the best for each household size (small = 1-2 people; medium = 3 people, large = 4 or more)
- The plans have a mix of discounts, including one plan with no discount (that is the cheapest for small households).
- The plan with highest discount is actually the worst or 2nd worst option for all household types.

1 What we did

2 What we found

3 Caveats and limitations

4 Key recommendations

Prices table

Prices <small>(GST exclusive so that you can compare with your bill)</small>				
	Summer: 1 Dec – 28 Feb		Other: 1 March – 30 Nov	
Off Peak	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh
Semi-peak	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	37.147 cents per kWh	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	33.24 cents per kWh
Peak	7am-9am Mon-Fri 5pm-8pm Mon-Fri	38.588 cents per kWh	7am-9am Mon-Fri 5pm-8pm Mon-Fri	35.147 cents per kWh
Separate meter 1	8pm-8am - 16.61 cents per kWh		8pm-8am - 16.1 cents per kWh	
Separate meter 2	11pm-5am - 22.572 cents per kWh		11pm-5am - 23.572 cents per kWh	
Supply charge	84 cents per day		84 cents per day	

The prices table appears to increase confidence

When analysing the treatments that included the prices table (i.e., treatments 1, 2 and 3 vs treatment 4 and 5), we found a statistically significant increase in the average reported confidence in favour of the treatments that included the prices table.

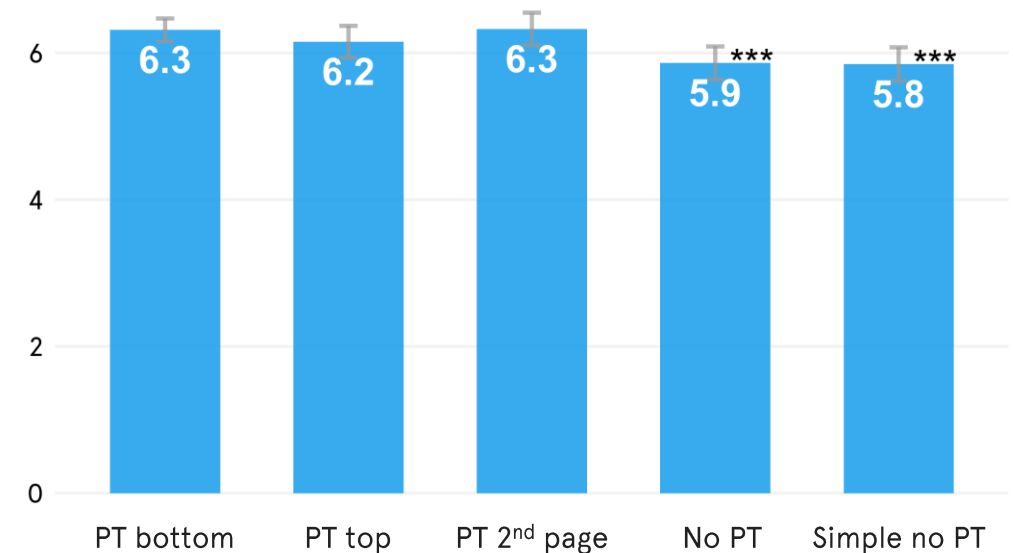
This suggest that consumers prefer to have this information on the document itself, and are more confident in their decisions if it is there. However, we note that we found no correlations between confidence and decision-making – that is, even though consumers are more confident, it does not necessarily lead to better decisions.

How we measured this

We asked three specific questions about confidence in general in relation to the documents they saw (answers on a 1-10 scale), and combined the scales together:

- There is enough information on this document for me to take up a new energy plan, if I wanted to.
- My ability to compare and choose a plan using the information provided in these documents.
- How worried are you that one of the other brands was offering a better deal than the one you chose?

Responses appeared to be consistent across the three measures.



Aggregated confidence score, by treatment
(+= $p<0.1$, *= $p<0.05$, **= $p<0.01$, ***= $p<0.001$)

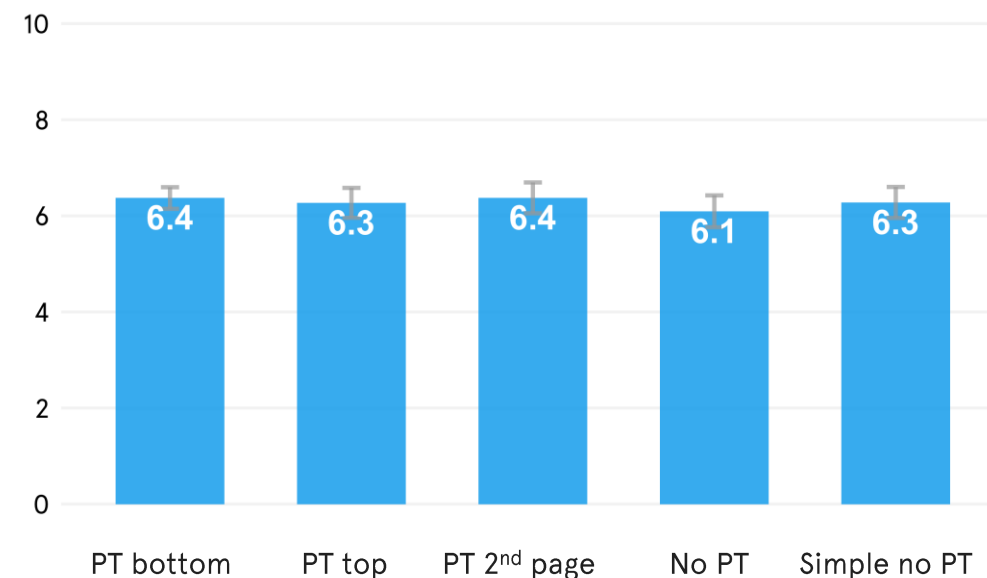
The prices table has limited impact on comparisons to a consumer's own bill...

When analysing consumer responses to their confidence in their ability to compare the prices table to their own bill, consumers reported a moderate level of confidence, an average of approximately 6.3 on a 10 point scale.

How we measured this

Respondents were shown a copy of the prices table alone and were asked to think about the table specifically. We then asked them to answer (on a 1-10 scale):

- How confident to do you feel in your ability to use the information in this table to compare this plan with your current plan?



Confidence score for comparing prices table to a consumers' own bill, by treatment
(+= $p<0.1$, *= $p<0.05$, **= $p<0.01$, ***= $p<0.001$)

... but they don't appear to understand the prices table

We asked consumers to undertake a (relatively) simple calculation exercise, to determine what a consumer would pay for a single day of electricity. The overwhelming majority of respondents – nearly 90% – were unable to identify the correct amount. While this does not directly target using the prices table for comparisons, it highlights that consumers have difficulty using the table more generally.

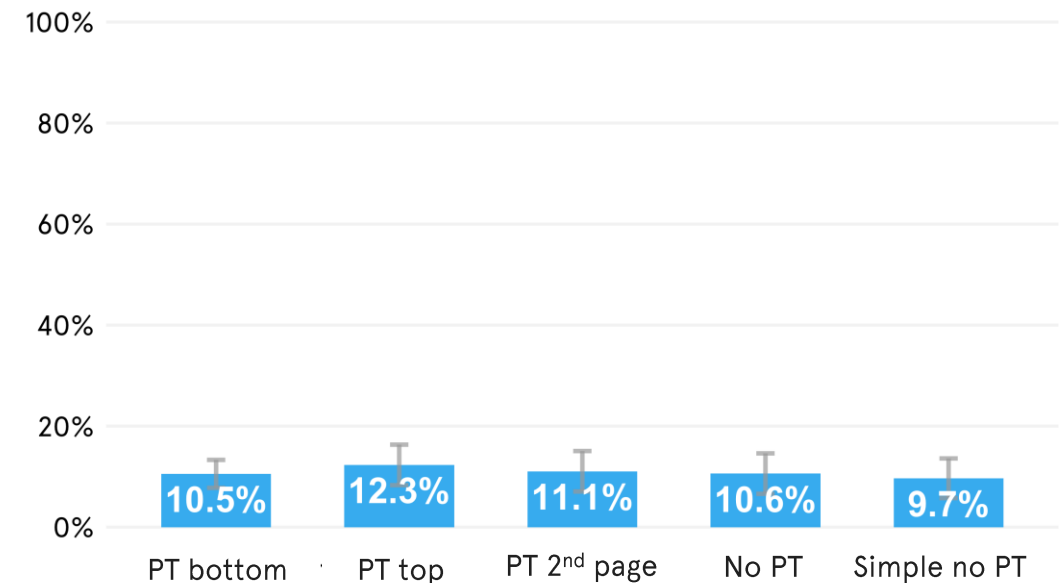
How we measured this

Respondents were shown a copy of the prices table alone and were asked:

- Alex uses 5kWh of electricity on Friday 10 April between 10am and 4pm, and uses no other electricity on that day. How much will he pay for electricity on Friday, according to the table above?

The options were:

- 185.735 cents [uses summer prices, excludes supply charge]
- 269.735 cents [uses summer prices, includes supply charge]
- **250.2 cents [correct answer]**
- 166.2 cents [correct prices, but excludes supply charge]
- Some other amount



Proportion answering comprehension question correctly, by treatment

*(+=p<0.1, *=p<0.05, **=p<0.01, ***=p<0.001)*

Behaviour

Even in a hypothetical scenario, nearly half of consumers chose not to switch

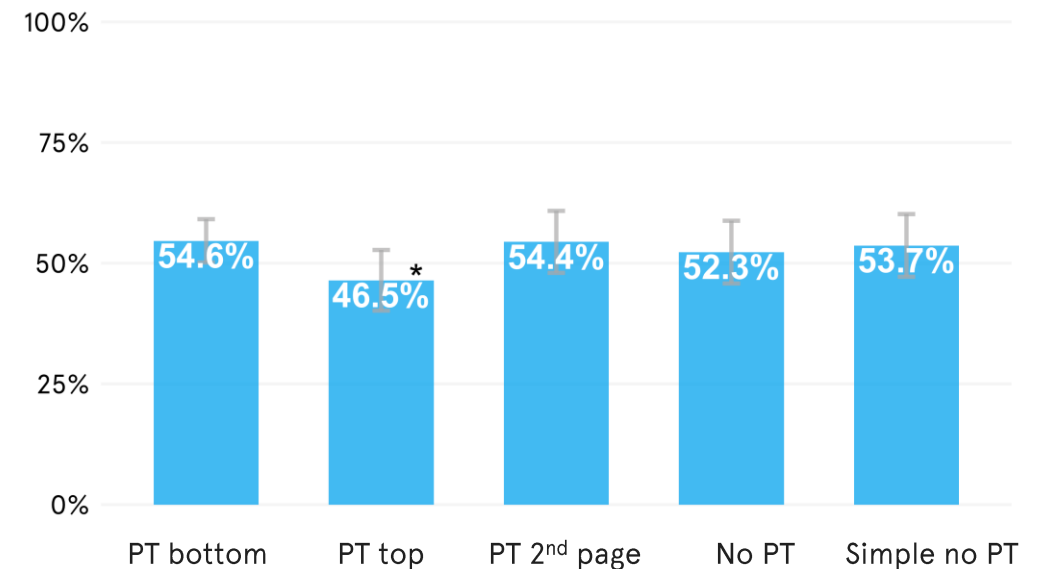
When asked to look at plans and consider choosing a plan, almost half of the respondents chose to remain with their current plan (46.4%). This may overstate non-switching, as it is possible that respondents simply chose this in the belief it would move them through the test faster, or none of the plans suited them. However, it is more likely that it understates non-switching, as we would expect some of those who are open to switching might drop out during the real-world process of switching.

How we measured this

Respondents were asked to choose a plan for their household, from four available plans. They could also elect to stay with their current provider and plan. The cheapest plan varied depending on household size.

We measured:

- How many selected the correct plan based purely on household size
- How many selected the correct plan, using EME estimates
- The “dollars from correct answer” for respondents.
- How many chose to stay with their current provider (reported here)



Proportion choosing to stay with current provider in hypothetical choice, by treatment
(+= $p < 0.1$, *= $p < 0.05$, **= $p < 0.01$, ***= $p < 0.001$)

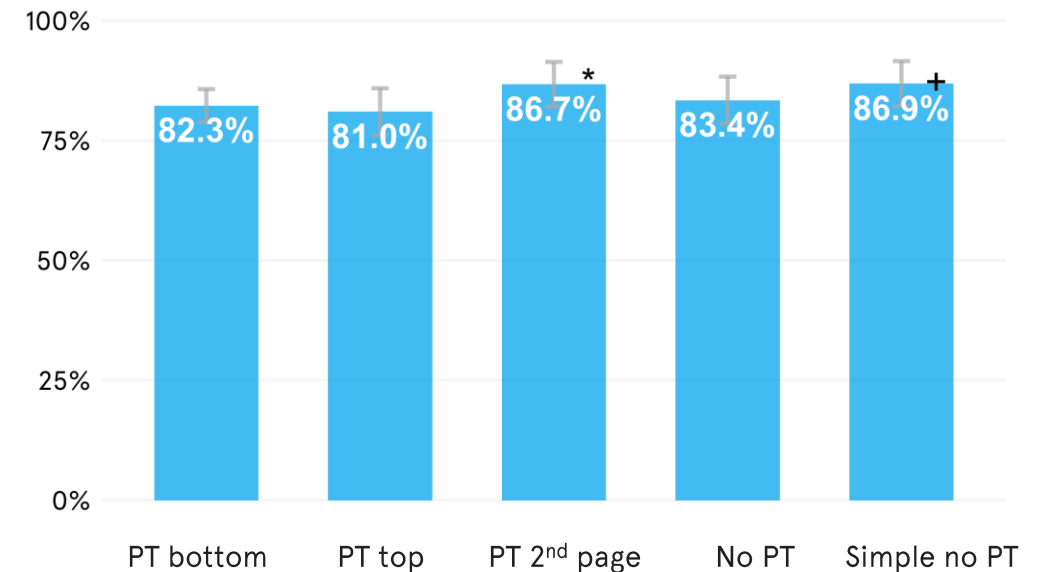
Most respondents, but not all, looked at all four plans

When asked to look at plans to choose the best one for them, we found that some consumers did not attempt to look at all four plans, even when combining their actions across both the hypothetical and the incentivised choice. Interestingly, treatment 3 and 5 were the most likely to lead to respondents looking at all four plans at least once, with marginal statistical significance. We hypothesise that this may be due to the simplified nature of the first page of these two versions of the BPID – however, this effect does not appear to exist for treatment 4, which also did not include the prices table.

While the two versions with the prices table on the first page had the lowest point estimates for the proportion viewing all four plans, it is difficult to draw a clear conclusion – there appears to be some weak evidence that not including the prices table can encourage greater comparisons.

How we measured this

Respondents were asked to choose a plan for their household, from four available plans twice. They had to click on at least two plans each time – we tracked whether a respondent viewed each of the four plans at least once across the two choice scenarios.



Proportion viewing each of the four plans at least once across both choices
(+= $p<0.1$, *= $p<0.05$, **= $p<0.01$, ***= $p<0.001$)

Placing the price table at the top appears to have a negative effect on ability to choose the cheapest plan

THE
BEHAVIOURAL
INSIGHTS TEAM.

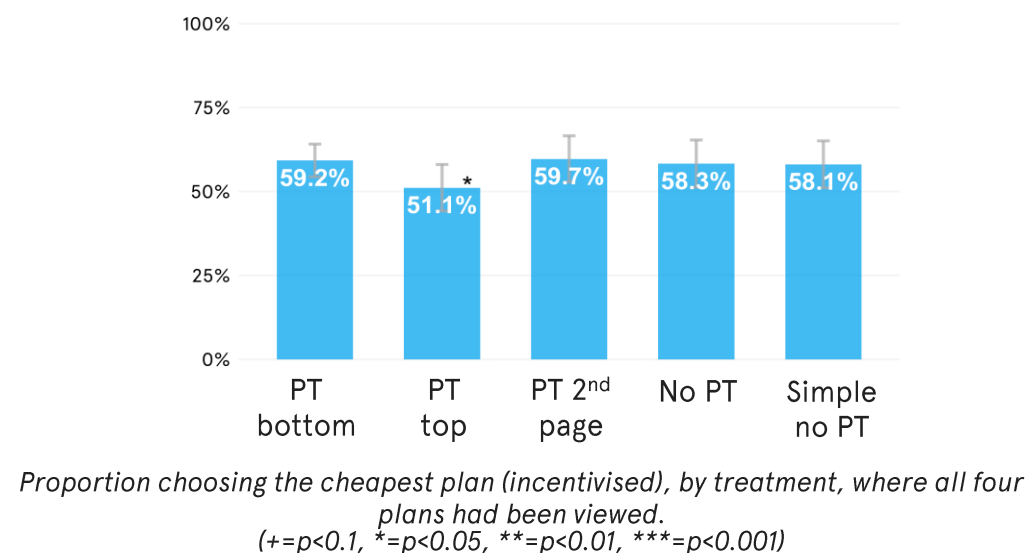
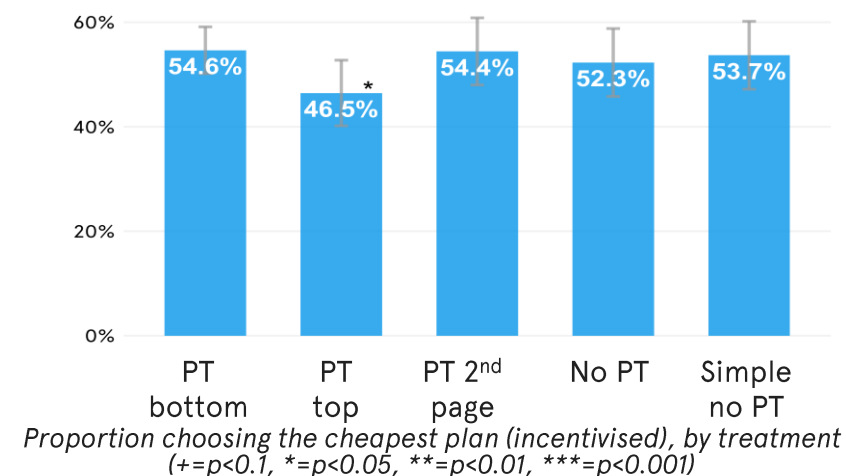
In general, when asked to use the BPIDs to compare plans and select the cheapest, most of the treatments performed similarly to each other. However, treatment 2 (price table at the top) appears to lead to worse outcomes – that is, consumers are less able to select the cheapest option when this format is used. This persists when focusing only on those who looked at all four plans.

How we measured this

Respondents were asked to choose the cheapest plan for their household, from four available plans. The cheapest plan varied depending on household size, and participants were incentivised to choose the cheapest plan for them (they would earn a bonus incentive if they did so).

We measured:

- How many selected the correct plan based purely on household size
- How many selected the correct plan, using EME estimates
- The “dollars from correct answer” for respondents.



Most of these effects appear to be driven by smaller households

In general, smaller households picked the cheapest plan more often, but had statistically worse outcomes under treatment 2. Medium and large households did not show significant treatment effects and overall chose the cheapest plan at slightly lower rates. It is unclear whether this is due to characteristics of small households in particular, or due to the nature of the plan that was cheapest for them in our trial.

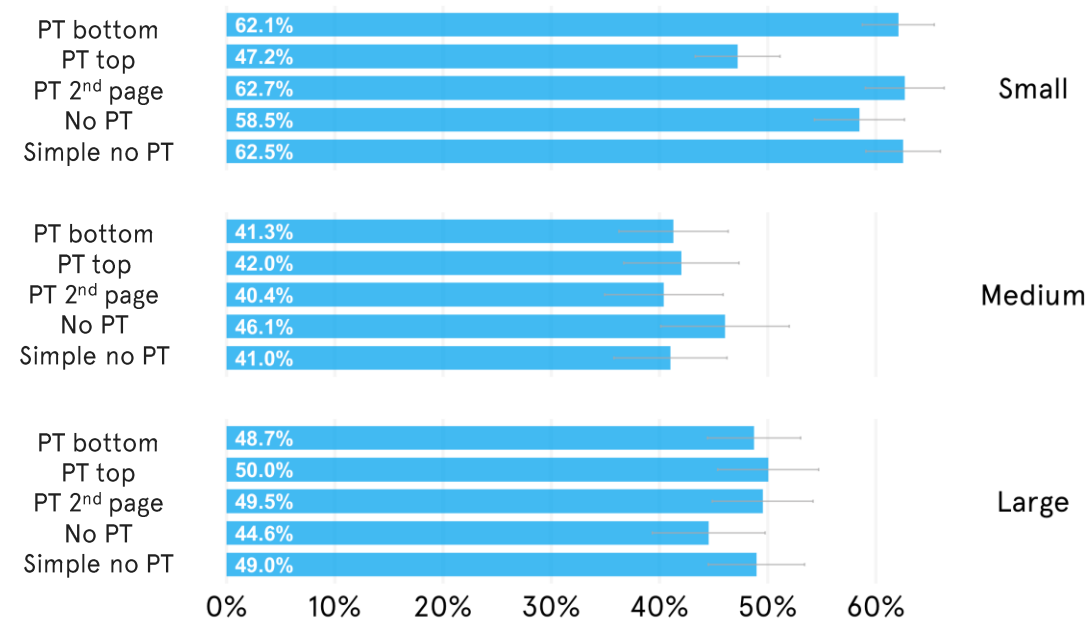
This effect is moderated somewhat when we include demographic characteristics, and the effects appear consistent even when looking at those who looked at all four plans.

How we measured this

Respondents were asked to choose the cheapest plan for their household, from four available plans. The cheapest plan varied depending on household size, and participants were incentivised to choose the cheapest plan for them (they would earn a bonus incentive if they did so).

We measured:

- How many selected the correct plan based purely on household size
- How many selected the correct plan, using EME estimates
- The “dollars from correct answer” for respondents.



Proportion choosing the cheapest plan, by treatment and by household size

Discounts appear to confuse consumers

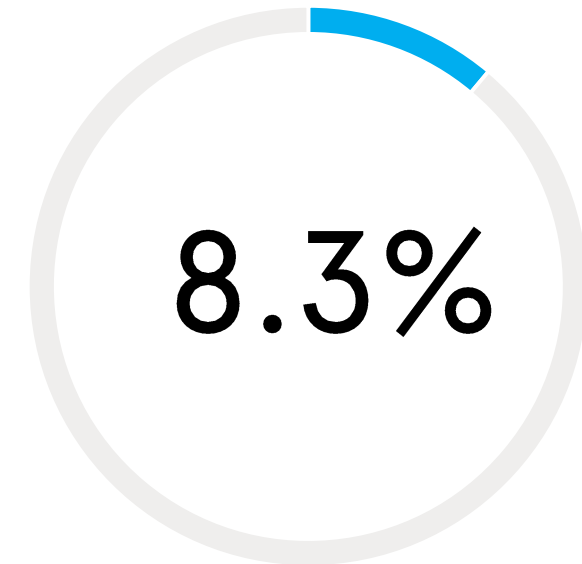
The test was designed such that one plan in particular had the largest usage discount of 20%, but a higher overall cost (even after the discount). The estimated costs for all household sizes meant that it was never the cheapest option – in fact it was the worst or second worst choice for all household sizes.

However, despite this, approximately 8.3% of respondents who viewed all four plans still chose this option. This is particularly pronounced in treatment 4. A number of the comments suggested that respondents chose this plan on the basis that it had the higher discount, and we suspect that the salience of a large discount figure is driving some of this behaviour.

How we measured this

Respondents were asked to choose the cheapest plan for their household, from four available plans (they would earn a bonus incentive if they did so). The cheapest plan varied depending on household size, and we asked them to explain why they selected the plan they chose.










One plan in particular was designed such that it had the largest usage discount of 20%, but the estimated costs for all household sizes meant that it was never the cheapest option.



8.3% of respondents – or 1 in 12 – selected the plan with the 20% discount, despite it being either the worst or second worst option

Comparison price estimates

My household is most like:

						Estimated quarterly bill	
						kWh/day	
							Base price
							With all discounts
	1 to 2 people		1 to 2 bedrooms		Weekly washing, little heating and cooling	9 kWh/day	\$350
	3 people		3 bedrooms		Washing a few times a week, regular heating and cooling	19 kWh/day	\$640
	4 to 5+ people		4+ bedrooms		Daily washing, heating and cooling	26 kWh/day	\$820

Bill estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.

Consumers claim they don't find comparison price estimates confusing...

Consumers generally did not report substantial issues with the comparison price table. There were some minor issues raised – for example, cases where households differed from the examples provided (for example, they had 2 people but four bedrooms). However, the overwhelming majority (76%) of respondents answered “no”, or some variation thereof, in their free text responses.

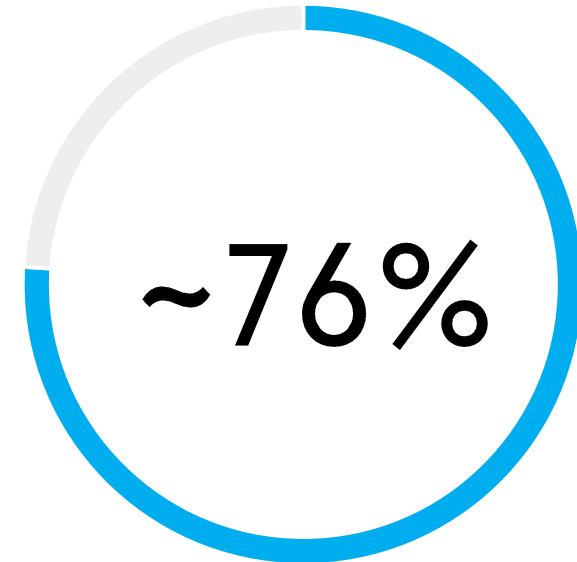
Note, this is not a precise measure – it captured any instance of the phrase “no”. Hence, it would include phrases such as “I have no idea”, but exclude phrases such as “I understood everything”. However, we believe this measure provides a broad indication of the types of response – but should not be taken as a specific metric.

How we measured this

Respondents were provided with just the comparison price table, and asked to think specifically about it. We provided a free text box for them to provide responses, and asked:

- “Are there any elements in the table that are confusing or unclear to you?”

We conducted a simple search to count all instances of the term “no” appearing.



Consumers who had some variation of “no” in their free text response when asked whether they found the comparison price estimate table confusing

... but consumers don't understand what the comparison price estimates represent

Consumers do not fully understand that the information provided in the comparison table is a very high-level estimate. Only 24.5% correctly identified the estimates as high level. A little over 60% thought that the estimates were somewhat accurate, and tailored to their suburb, while a small minority (15%) thought that the table was tailored specifically to them.

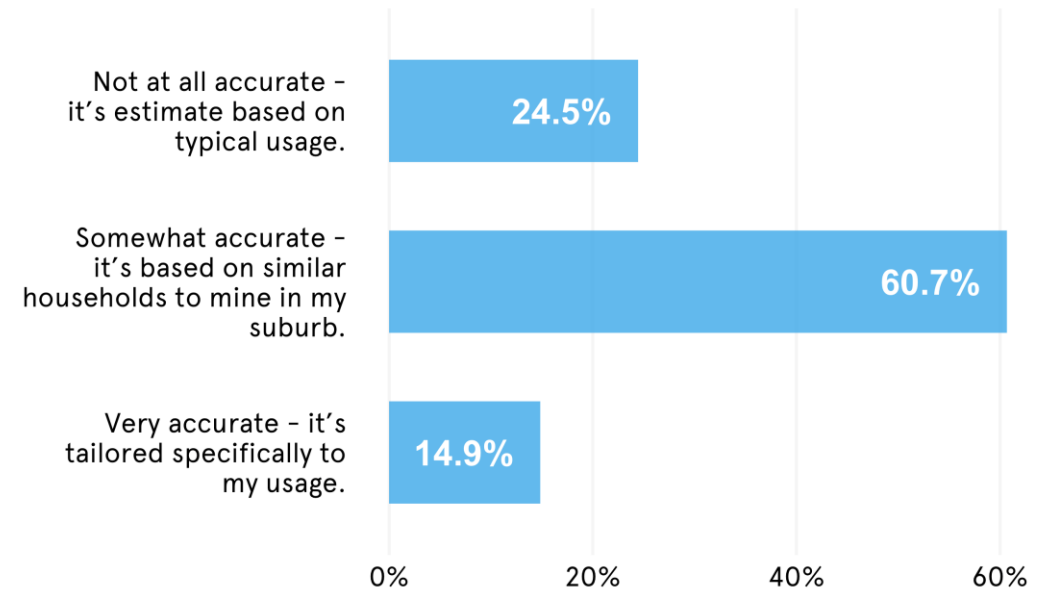
This may have come about partly because we asked for information such as postcode and household size – however, almost all comparison sites and retailers will ask at least for postcode information, which suggests this effect could occur in the field as well.

How we measured this

Respondents were provided with just the comparison price table, and asked to think specifically about it. We asked them:

“The information in the table above is:

- Very accurate – it's tailored specifically to my usage.
- Somewhat accurate – it's based on similar households to mine in my suburb.
- Not at all accurate – it's estimate based on typical usage.”



Responses to a question that asked how accurate consumers thought the comparison price estimate was

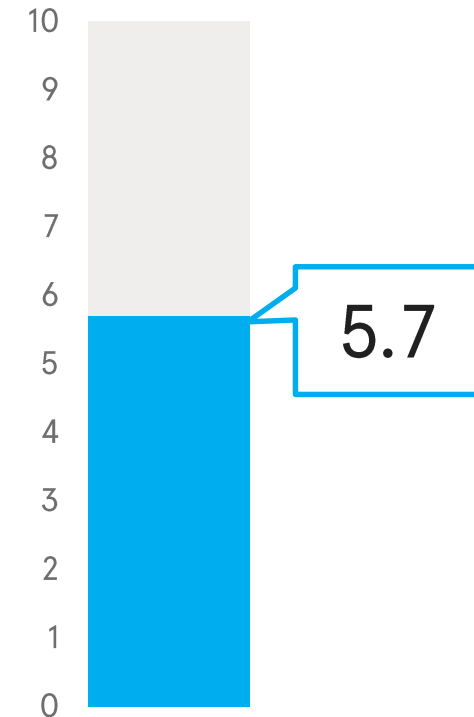
Consumers are somewhat sceptical about the comparison price estimates

Consumers remained sceptical that the comparison prices were designed using consistent assumptions, with an average level of confidence of 5.7 out of 10. This may be due to wider perceptions of the energy industry – free text fields in other parts of the test did occasionally highlight that individuals thought that energy was a “rip-off” and plans were designed to confuse them.

How we measured this

Respondents were provided with just the comparison price table, and asked to think specifically about it. We asked them (1-10 scale; “not at all” to “very much so”):

- How much do you trust that the different retailers used the same assumptions when coming up with these figures?



Average confidence rating of consumers (out of 10) that brands are using consistent assumptions when generating comparison price estimates

1 What we did

2 What we found

3 Caveats and limitations

4 Key recommendations

Framed field experiments will always have limitations

Online behaviour may not match field behaviour

The environment presented to respondents was highly stylised – respondents simply had to open the links to access the BPIDs, with no other information provided. In the real world, we would expect people to have access to much more information prior to seeing the BPID, and potentially make their choice after having also made some phone enquiries.

The key result of this limitation is that the BPID may not even be used by consumers for comparison in the real world – other factors may influence them far more than anything in the BPID.

However, to the extent that we were testing the BPID itself as a comparison tool, there are some reasonable parallels. We only required respondents to view two BPIDs before choosing – evidence suggests that consumers on average look at only a few alternatives before choosing, even when looking on a search engine or comparison website.¹

Moreover, consumers had to click to actually access the BPID – our understanding is that this is likely to reflect how consumers will interact with the BPID in reality.

We were only using estimated usage

At best, we could only use EME estimates to determine usage. This may not have been accurate for all respondents, and hence our analysis of how many picked the “cheapest” answer must be viewed in this light.

We suspect that at least some respondents may have a better sense of their usage (there are indications that this is the case for at least some respondents, based on free text responses). Hence, while we may have determined that they had chosen “incorrectly”, based on their actual household usage (both in terms of amount and pattern of usage), they may have actually been correct.

However, this appears to be a relatively minor group. Many other free text responses suggest that they chose solely on the basis of household size, or on the basis of the discount size, which suggests that this is how the majority of consumers will choose. Moreover, the results were broadly similar regardless of whether we used household size or EME estimated usage as the basis of calculation of the “right” answer.

¹Jerath, K, Ma, L and Park, Y (2014), ‘Consumer Click Behavior at a Search Engine: The Role of Keyword Popularity’, *Journal of Marketing Research*, 51 (4), pp480–486

1 What we did

2 What we found

3 Caveats and limitations

4 Key recommendations

Immediate recommendations

Use BPID treatment 3, but consider continued evaluation...

While behaviour does not appear to change, and consumers do not appear to fully understand what the prices table is conveying, consumers' confidence is lower when the prices table is not included. Therefore, there may be reason to use a treatment of the BPID that includes the prices table (i.e., treatments 1, 2 or 3).

However, since the trial has shown that consumers make substantially worse choices under BPID treatment 2 (where the prices table appears first), we do not recommend using this option.

This leaves treatments 1 and 3 – we believe that treatment 3 is preferable, on the basis that it appears to lead to a slightly higher proportion of respondents viewing all four plans. We hypothesise the initial simplicity of the first page encourages greater comparison behaviour.


However, given that even the best BPID saw at least a third of consumers unable to pick the cheapest plan, there is scope to continue to iterate and evaluate whether the BPID can be improved further (assuming that consumers are using it – see following page). Key changes to test could include:


- Further simplifying the comparison table (for example, leaving just information about number of people, the kW/day figures and the estimated prices).
- Presenting the prices table differently (for example, including more graphical representations).

Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more, click here or contact us on:
Phone: 13 99 99 (you can quote reference number: SUN3827MR)
Web: www.sunenergy.com.au





My household is most like:

	MWh/day	Estimated quarterly bill
1 to 2 people, 1 to 2 bedrooms, Weekly washing, little heating and cooling	9 kWh/day	\$350 \$290
3 people, 3 bedrooms, Washing a few times a week, regular heating and cooling	19 kWh/day	\$640 \$520
4 to 5+ people, 4+ bedrooms, Daily washing, heating and cooling	26 kWh/day	\$820 \$660

BID estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.

Key facts about this plan

	Need to know
Contract	<ul style="list-style-type: none">• Ongoing contract with 12 month benefit period• Flexible billing available• 10 day cooling off period
Discounts and bonuses	<ul style="list-style-type: none">• Up to 15% discount off usage charges• One-off \$50 credit on your first bill
Fees	<ul style="list-style-type: none">• Early exit fee: nil• Late payment fee: \$12

Key features


Prices can change	✓ We will advise you of price changes	Solar feed-in tariff	✓ 7 cents per kWh FIT
Off peak savings	✓ Cheaper at night and on weekends	Green power	✓ Up to 100% green energy option available. Fees apply


1

Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more, click here or contact us on:
Phone: 13 99 99 (you can quote reference number: SUN3827MR)
Web: www.sunenergy.com.au





Prices

GST exclusive so that you can compare with your bill

	Summer, 1 Dec - 30 Feb	Other, 1 March - 30 Nov
Off Peak	10pm - 7am Mon-Fri Sat Sun 21.36 cents per kWh	10pm - 7am Mon-Fri Sat Sun 21.36 cents per kWh
Week-end peak	7am - 9pm Mon-Fri 9pm - 10pm Mon-Fri 37.147 cents per kWh	7am - 9pm Mon-Fri 9pm - 10pm Mon-Fri 39.24 cents per kWh
Peak	7am - 9pm Mon-Fri 9pm - 9pm Mon-Fri 38.588 cents per kWh	7am - 9pm Mon-Fri 9pm - 9pm Mon-Fri 35.147 cents per kWh
Superave meter 1	9pm - 9pm - 16.43 cents per kWh	9pm - 9pm - 16.43 cents per kWh
Superave meter 2	11pm - 9pm - 22.572 cents per kWh	11pm - 9pm - 22.572 cents per kWh
Supply charge	84 cents per day	84 cents per day

To compare plans, from all energy providers, visit the Australian Energy Regulator's independent website www.aer.gov.au or call 1300 595 145

2

... and evaluate the effectiveness of the BPID overall

While there is scope to improve the effectiveness of the BPID itself as a comparison tool, it is worth evaluating whether consumers actually use it in this way. The nature of our online test forced consumers to only use the BPID when comparing plans – in reality, the BPID is likely to be just once piece of information available to consumers, which they may not even access.

For example, we understand that in most instances, consumers will need to click to access the BPID – it will appear as a link among other information. Hence, it is worth evaluating how many consumers actually access the BPID when making a decision.


This evaluation could take several forms – firstly, data from EME should provide an understanding of how often the BPIDs are accessed, as a proportion of overall traffic (and for how long). This could be then used to determine whether many consumers are using the BPID. Secondly, comparison websites will likely be able to provide data about consumer behaviour, and how much (or little) consumers use the BPID when on their websites. Finally, energy retailers will also have information about consumer behaviour.

Combining this information, a decision can then be made as to whether there is merit in putting substantial resources into improving the BPID, or efforts should be focused elsewhere to encourage better comparison behaviour by consumers.










Basic Plan Information

Sunny Day Offer at 1 January 2018

To find out more click [here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number SUN83837MR)
Web: www.sunenergy.com.au



My household is most like:





			kWh/day	Estimated quarterly bill	
				Base price	With all discounts
 1 to 2 people	 1 to 2 bedrooms	 Weekly washing, little heating and cooling	9 kWh/day	\$350	\$290
 3 people	 3 bedrooms	 Washing a few times a week, regular heating and cooling	19 kWh/day	\$640	\$520
 4 to 5+ people	 4+ bedrooms	 Daily washing, heating and cooling	26 kWh/day	\$820	\$660

Bill estimates are GST inclusive and exclude solar payments, concessions and bonuses and are based on an average household. Your household's usage may vary.

Key facts about this plan

	Need to know
Contract	<ul style="list-style-type: none">Ongoing contract with 12 month benefit periodFlexible billing available10 day cooling off period <ul style="list-style-type: none">Discount rates only apply during the benefit periodEligibility criteria apply
Discounts and bonuses	<ul style="list-style-type: none">Up to 19% discount off usage chargesOne-off \$50 credit on your first bill <ul style="list-style-type: none">Discount only applies IF you:<ul style="list-style-type: none">pay on time (16%)pay by direct debit (2%)use e-Billing (1%)
Fees	<ul style="list-style-type: none">Early exit fee: nilLate payment fee: \$12 <ul style="list-style-type: none">Credit card payment fee and paper bill fee apply

Key features

Prices can change	 We will advise you of price changes	Solar feed-in tariff	 9 cents per kWh FIT
Off peak savings	 Cheaper at night and on weekends	Green power	 Up to 100% green energy option available. Fees apply

Prices

(GST exclusive so that you can compare with your bill)

	Summer: 1 Dec - 28 Feb		Other: 1 March - 30 Nov	
Off Peak	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh	10pm-7am Mon-Fri Sat Sun	21.34 cents per kWh
Semi-peak	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	37.147 cents per kWh	9am-5pm Mon-Fri 8pm-10pm Mon-Fri	33.24 cents per kWh
Peak	7am-9am Mon-Fri 5pm-8pm Mon-Fri	38.588 cents per kWh	7am-9am Mon-Fri 5pm-8pm Mon-Fri	35.147 cents per kWh
Separate meter 1	8pm-8am - 16.61 cents per kWh		8pm-8am - 16.1 cents per kWh	
Separate meter 2	11pm-5am - 22.572 cents per kWh		11pm-5am - 23.572 cents per kWh	
Supply charge	84 cents per day		84 cents per day	

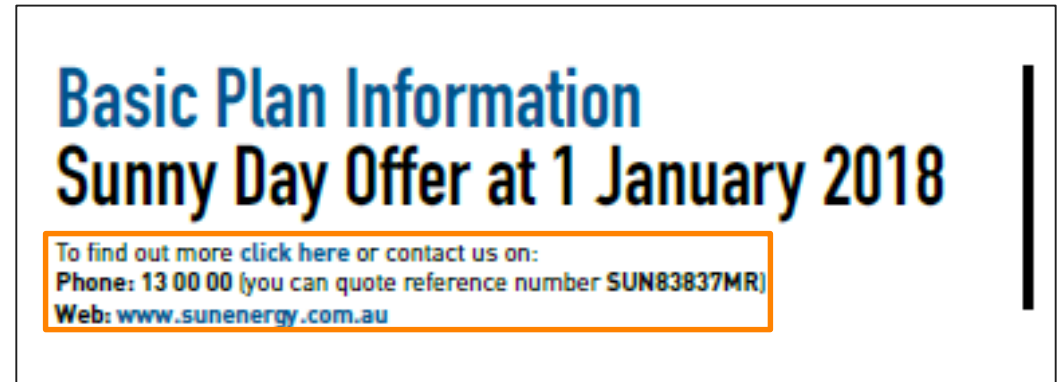
To compare plans from all energy providers visit the Australian Energy Regulator's independent website www.energywatchdog.gov.au or call 1300 585 165

Reduce frictions as much as possible

A key barrier to behaviour change is often small frictions involved in acquiring information, making a decision or taking action. For example, 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.¹

Similarly, past BIT trials have found that even the presence of an extra click in an online process can lead to substantial proportions of individuals dropping out.² Recent work by Ofgem also focused on including direct contact numbers and steps involved in switching in direct communications.³

Hence, as much as possible, the BPID should aim to reduce friction. Links on the BPID should take consumers directly to the page where they can view information specifically about the plan they have selected (rather than the generic website for the retailer).



Basic Plan Information
Sunny Day Offer at 1 January 2018

To find out more [click here](#) or contact us on:
Phone: 13 00 00 (you can quote reference number **SUN83837MR**)
Web: www.sunenergy.com.au

¹Kling, J. R. et al (2012). Comparison friction: Experimental evidence from Medicare drug plans. *The Quarterly Journal of Economics*, 127(1), 199-235.

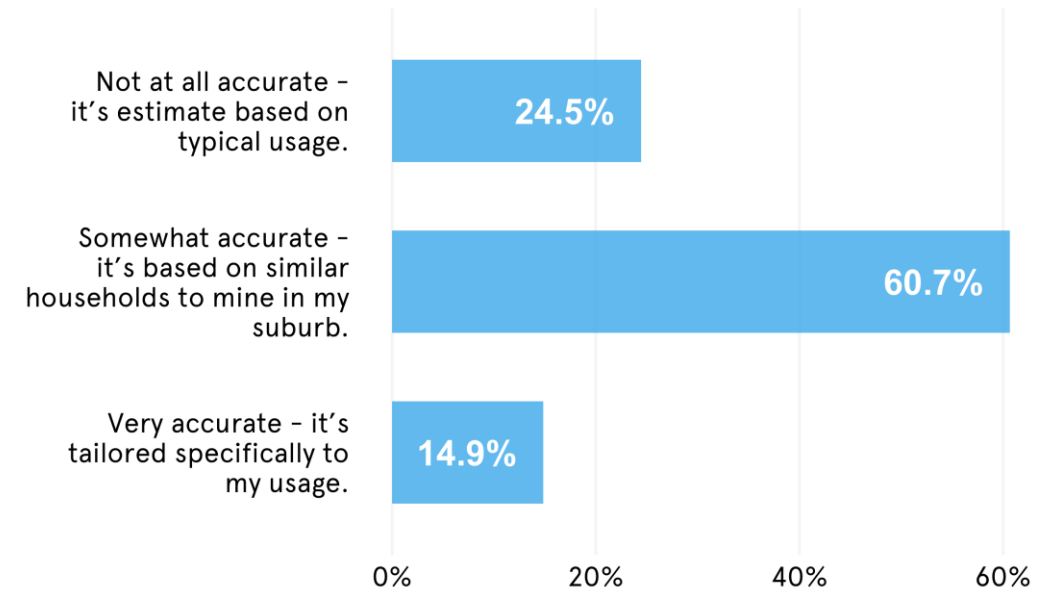
²Behavioural Insights Team (2014). EAST: Four simple ways to apply behavioural insights. *Behavioural Insight Team, London*.

³https://www.ofgem.gov.uk/system/files/docs/2017/11/cm01_report_0.pdf

Personalise where possible

As noted above, most consumers believe that the figures provided are being personalised to them to at least some extent. While this may be driven by the fact that we asked them to enter their postcode and basic information, it is worth noting that they will be required to enter this information in other contexts such as energy retailer websites or comparison websites.

Therefore, requiring that the BPID is personalised at least to the suburb level (using reference usage data that drive the EME estimates) would better meet expectations. Ideally, however, personalising the BPID based on the consumer's own inputted or estimated data would have the biggest impact.



Responses to a question that asked how accurate consumers thought the comparison price estimate was



Long-term recommendations

Simplify and de-emphasise discounts

Despite the substantial emphasis placed on the estimated costs and the costs after all discounts, it appears that a proportion of respondents were still choosing solely on the size of the discount (approximately 11% the plan with a 20% discount). This is despite the plan having the highest or second highest costs after discounts for all household sizes.

Looking at the free text where individuals were able to provide comments on their motivations, many respondents thought it was the cheapest and/or were motivated by the size of the discount. This is particularly problematic when some firms provide discounts on usage, while others provide smaller discounts, but on the whole bill.

Recent lab evidence supports the idea that discounts lead to confusion amongst consumers – one study found that presenting discounts as percentages, as compared to cents-per-unit, led to consumers making worse decisions about which energy plan was best (notably, this study only asked consumers to choose between two plans). It also found that providing information about an estimated annual bill amount increased the likelihood that consumers would pick the best plan, though this effect only appear to be present for larger differences.¹

These results suggest that more intervention may be needed to ensure that the comparison prices are highlighted and made as prominent as possible.

“20% discount! What could be better?”

“It looked like the cheapest”

“20% discount for paying on time is a great incentive”

¹Lunn, P. D., & Bohacek, M. (2017). Price transparency in residential electricity: Experiments for regulatory policy. *Journal of Behavioral Economics for Policy*, 1(2), 31-37.

Reduce complexity and options to improve outcomes

Even in a market with only four providers and simplified information, at best slightly more than half of all consumers were able to select the cheapest plan.

A key driver of this is likely to be the complexity of the options, and the numbers of them. Experimental evidence suggests that as the number of complex tariffs in the market increases, the rates of sub-optimal switching (i.e., choosing an option that is not the best) increases.¹ Similarly, as the presentation of prices becomes complex and non-standardised, the ability to identify the cheapest option decreases significantly.²

This has been supported by field evidence, where analysis of switching behaviour in one academic paper found that as the number of firms in a market increases, the share of potential gains from switching captured by consumers decreases.³ Wider evidence also suggest that providing additional options leads to “choice overload”, where consumers either don’t choose at all or make worse choices.⁴

The impact of this is already recognised by comparison websites – most comparison sites will only show 1 offer per retailer (see image on right).

The screenshot shows the iSelect website interface for electricity and gas comparison. The top navigation bar includes 'iSelect', 'Electricity & Gas Comparison - Always get it right', and a phone number '13 19 20' with 'Opening Hours'. Below this is a progress bar with steps: HOME, YOUR USAGE, YOUR PREFERENCES, COMPARE, and APPLY NOW. The main content area is titled 'I am looking to compare' and includes filters for 'Electricity & Gas', 'Electricity', and 'Gas'. It also has a 'Save Your Search' button and a 'Print' button. The 'YOUR TOP PICKS' section displays four offers from different providers: Origin Saver NSW, Flexi Saver Home - NSW, Living Energy Saver NSW, and Residential. Each offer includes an 'APPLY NOW' button and a 'View Details' button. Below this is a 'YOUR SUMMARY' section with fields for 'Your suburb' (Castle Hill, 2154), 'Property type' (Your Home), and 'Looking for' (Electricity plans). The 'Sort by' section includes 'My Preferences', 'Lowest price including conditional discounts', and 'Lowest price excluding conditional discounts'. The 'DISCOUNTS & BONUSES' section lists various offers like 'Pay on time discount' and 'Solar compatible'. The bottom section shows a list of providers and their offers, including 'red energy' and 'origin', with details like 'Living Energy Saver - Residential', 'BillSaver', and 'Solar Boost Plus'.

Provider	Plan Name	Contract Type	Price	Discount	Benefit
red energy	Living Energy Saver - Residential RED390170MR	No contract term	\$0	25% off	\$1,792
red energy	Living Energy Saver - Residential RED390172MR	No contract term	\$0	25% off	\$1,792
origin	BillSaver ORI458705MR	Ongoing contract with benefit period	\$0	25% off	\$1,795
origin	BillSaver ORI458708MR	Ongoing contract with benefit period	\$0	25% off	\$1,795
origin	Solar Boost Plus ORI458928MR	Ongoing contract with benefit period	\$0	25% off	\$1,806
origin	Solar Boost Plus ORI458931MR	Ongoing contract with benefit period	\$0	25% off	\$1,806

iSelect vs EME results page

¹Sitza, S., Zheng, J., & Zizzo, D. J. (2015). Inattentive consumers in markets for services. *Theory and Decision*, 79(2), 307-332.

²Sugden, R., & Zheng, J. (2017). Do consumers take advantage of common pricing standards? An experimental investigation. *Management Science*.

³Wilson, C.M. & Price, C.W., 2005. Irrationality in Consumers' Switching Decisions: When More Firms May Mean Less Benefit. , (August), pp.1-28.

⁴Chernev, A., Böckenholt, U. & Goodman, J., 2015. Choice overload: A conceptual review and meta-analysis. *Journal of Consumer Psychology*, 25(2), pp.333-358.

Reduce frictions to maximise switching

The nature of the exercise assumed that a consumer would obtain up to four BPIDs for multiple plans, and use them to compare plans and retailers.

However, the process of doing so is likely to involve substantial friction and effort on the part of the consumer – they need to navigate to a website where they can obtain the BPID, enter at least some basic information about themselves, and then click to open multiple documents. If they choose to research retailers individually (as compared to using a comparison website), then this process needs to be repeated multiple times.

There is evidence that even small “comparison frictions”, where consumers need to take action to obtain freely available information to make comparisons, can have outsized impacts on behaviour. For example, by providing senior citizens with the cheapest healthcare plan available for them (vs the control of simply providing the website address where they could compare plans), one study increased switching rates to 28% (vs 17% control).¹

Hence, reducing frictions by providing usage information to easily allow for personalised quotes (as per the UK Midata system), or even providing a personalised option for consumers to switch to (as per recent OfGem trials)² may result in better switching outcomes.

Midata - making comparison better

Midata empowers personal finance comparison choices by giving consumers easier access to their data and helping them use it to choose the right deal.



The government's midata initiative was launched in 2011 as a scheme feeding into the overriding programme of providing better information and protection for consumers.[†]

It aims to encourage consumers to be more aware of their financial habits and to make better choices.

Learn more about specific midata areas:

- Midata and bank account comparison
- Midata and credit card choice

¹Kling, J. R., Mullainathan, S., Shafir, E., Vermeulen, L. C., & Wrobel, M. V. (2012). Comparison friction: Experimental evidence from Medicare drug plans. *The Quarterly Journal of Economics*, 127(1), 199–235.

²https://www.ofgem.gov.uk/system/files/docs/2017/11/cm01_report_0.pdf