

21 May 2018

Ms Sarah Proudfoot  
General Manager, Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

By email: AERInquiry@aer.gov.au

Dear Ms Proudfoot,

### **Draft Benefit Change Notice Guidelines**

Simply Energy welcomes the opportunity to provide feedback on the Draft Australian Energy Regulator's (AER) Benefit Change Notice Guidelines (Draft Guidelines).

Simply Energy is a leading second-tier energy retailer with over 650,000 customer accounts across Victoria, New South Wales, South Australia and Queensland. As a growing retailer, Simply Energy supports competition and customer engagement in the market.

Simply Energy is committed to providing its customers with the information they need to understand their energy contracts and make informed decisions about their energy usage. In exploring these objectives in the context of the Draft Guidelines, Simply Energy's submission evaluates:

- the requirements around calculating the do nothing amount;
- the risks in providing customers with confusing and potentially misleading information; and
- the benefits of the AER providing retailers with greater flexibility to communicate to their customers about upcoming benefits changes.

Simply Energy considers that the requirements outlined in the Draft Guidelines will assist in promoting greater consumer participation in the retail market. However, Simply Energy is strongly of the view that the information provided to customers needs to be kept simple and easy to understand, if it is to have the positive impact on customer outcomes intended.

### **Calculating the Do Nothing Amount**

Simply Energy supports the AER's decision for retailers to calculate the do nothing amount using the Energy Made Easy algorithm. Based on the two options presented in the guidance material, Simply Energy prefers the Application Programming Interface (API) endpoint approach over performing manual file uploads. In saying that, Simply Energy would like to point out that both these options have distinct advantages and disadvantages.

The API endpoint approach will require less ongoing manual input from retailers, as retail systems will be able to communicate directly with the Energy Made Easy interface. While this approach should represent less ongoing costs for retailers, it may take several months to test and implement.

The file upload, on the other hand, will be easier to implement but will require retailers to perform onerous data extractions and manually upload data files on an ongoing basis. This will be a time consuming and costly process for retailers to undertake. In saying that, it may be the only viable option for smaller retailers, which do not have sufficiently advanced information technology capabilities to perform automated calculations.

From this reason, it may be useful to provide retailers with the choice of both options. However, as an interim measure, Simply Energy considers that the AER should also make the Energy Made Easy algorithm available to retailers. This will allow retailers to calculate the do nothing amount internally, while providing time for the API process to be tested and validated. As previously submitted, Simply Energy encourages the AER to avoid any situation where industry is rushed into making substantial system changes in a short timeframe, as any system error could leave customers feeling confused and disenfranchised.

### **Risks of Providing Confusing and Misleading Information**

While the calculation of the do nothing amount should not represent any major difficulties for retailers, Simply Energy is concerned about the risks associated with providing confusing and even potentially misleading information to customers. As a means of addressing this issue, Simply Energy would encourage the AER to undertake a public awareness campaign about how the calculations on Energy Made Easy are performed and require all retailers to use the same methodology for calculating the do nothing amount. Providing retailers with discretion to include or exclude conditional discounts could be confusing, particularly if ill-informed customers compare annualised estimates with their friends and family. It is important to note that different retailers may have a different approach for including or excluding conditional discounts in the do nothing amount

Simply Energy is also concerned about the proposed use of the AER's benchmark data. While Simply Energy initially saw benefit in using the benchmark data, it was on the understanding that high, medium and low cost estimates would be provided to residential customers where no other data was available.

It is important to point out that, in order not to overburden customers and add unnecessary costs, retailers only obtain the minimum information necessary to provide retail services to customers. The size of a customer's household is not part of the information captured by retailers to provide retail services, nor do Simply Energy consider it should be. If retailers do not have access to a customer's historical billing information, there is no feasible way for retailers to predict which size of household would best represent that customer for the purposes of estimating a customer's consumption. Simply Energy, therefore, suggests that the Guidelines should only require retailers to refer customers to the Energy Made Easy website where no historical billing data is available. Customers can then input their relevant details and compare offers based on estimated usage as determined by the Energy Made Easy website.

To ensure this discretion is not misused, retailers should be required to maintain verifying records for up to seven years as proof of compliance with the Guideline's requirements. In saying that, Simply Energy considers that not having access to customer data will only occur in exceptional circumstances, as most customers subject to a benefit change are likely to have been billed based on their actual usage at some stage before their benefit period is due to expire.

## Need for Flexibility in Communicating to Customers

Simply Energy considers that retailers are in the best position to communicate to their customers. In view of this, Simply Energy would encourage the AER to take a less prescriptive approach in setting how retailers should communicate to customers about benefit changes. At the point this notification would be required, the customer would have been receiving written communication from the retailer for at least 1 or 2 years, depending on the length of benefit period. Retailers build a relationship with their customers over time through bills, marketing material and other tailored notices. Simply Energy considers that customers may not engage with the intent and message in the benefit change notice if retailers are required to send the notice in the proposed, highly prescriptive form as per the Draft Guidelines.

Simply Energy acknowledges the benefit in prescribing that retailers include certain information in the notice, such a headline statement. However, mandating that retailer's reference Energy Made Easy before their own details does not seem to serve the best interests of customers. In fact, customers may ignore the notice if they consider it to be a promotional letter for the Australian Government, rather than an important notice about their energy contract.

The current level of prescription in the Guidelines may also lead to some retailers rolling customers over on the same terms and conditions to avoid having to send out a regulated notice. While this will meet the policy intent of ensuring customers do not unwittingly lose their benefits, it could also mean that some customers may miss out on improvements to their offer, particularly if their retailer would have otherwise rolled them over to a better discount under the same tariff structure and terms and conditions.

In light of this, a well-considered balance needs to be struck between providing as much helpful information as possible and the need to provide succinct, easy-to-understand notices to energy consumers. For this reason, Simply Energy would encourage the AER to critically evaluate the information customers need to effectively use Energy Made Easy and update the Guidelines accordingly.

## Concluding Remarks

In closing, Simply Energy would like to take this opportunity to say that it is encouraged by the AER's willingness to provide retailers with training on the use of Energy Made Easy and looks forward to participating at these training sessions once the Final Guidelines are released.

Simply Energy would also welcome any further discussion in relation to this submission and the development of the Energy Made Easy website. To arrange a discussion or if you have any questions please contact Anthony O'Connell, Senior Regulatory and Compliance Officer, on (03) 8807 5134 or at [Anthony.OConnell@simplyenergy.com.au](mailto:Anthony.OConnell@simplyenergy.com.au).

Yours sincerely



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