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**Australian Energy Regulator**

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**23 March 2018**

Submitted: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

### **Benefit Change Notice Guidelines Issues Paper**

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Regulator (AER) issues paper regarding Benefit Change Notice Guidelines.

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. AGL is also a significant retailer of energy, providing energy solutions to over 3.6 million customers accounts throughout eastern Australia. AGL is a customer-focussed business and we endeavour to provide customers with products and services that best meet their diverse wants and needs.

AGL support an approach that provides customers with the clearest information to help them understand the impact of the end of benefit including at a basic level, the cost to of doing nothing and where to find more information. For this reason, AGL consider the AER should seek to harmonise the proposed end of benefit guideline requirements to the Retail Pricing Information Guideline (RPIG) Basic Product Information (BPI) comparison rate. Where the notice provides customers with the cost to do nothing as a comparable rate with Energy Made Easy BPI results, the likelihood of customer action, engagement – and potentially switching – increases. Other proposed approaches are likely to confuse customers and potentially lower their engagement with industry and are likely to impose higher than necessary costs to retailers.

The remainder of the submission provides feedback to the questions raised by the AER in the Issues Paper.

Should you have any questions or comments, please contact Kathryn Burela on (03) 9273 8654 or [kburela@agl.com.au](mailto:kburela@agl.com.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

General Manger Energy Market Regulation



### Exclusions for notice

AGL support the proposed categories in the Issues Paper but recommend the AER consider expanding these to include the following scenarios-

- i. One off physical gift or sign-up credit should be extended to any upfront incentive (whether this is an immediate credit or one-month free energy).
- ii. Immaterial changes based on an AER set threshold.

### *Immaterial changes*

As previously submitted to the Australian Energy Market Commission's Notification of the end of a fixed benefit period Rule change in October 2017, AGL consider that immaterial changes should be included in exemptions and support a materiality threshold exemption for customers who are placed on a new slightly lower or higher benefit.

Customer would have paid \$1,000 if not for a 12% benefit, customer paid \$880 with benefit, customer is placed on a new 10% benefit if they take no action and therefore is informed if they 'do nothing' they will continue to pay \$900.

In such scenario, the immaterial change (\$20) in the new benefit may be out-weighted by the search costs associated with exploring the market that the notification may prompt. AGL considers a materiality threshold could be based on percentage variation or proportion of the discount being reduced.

### Comparison figure

AGL consider that the key purpose of the Notice is to inform customers of material changes to their benefit period is and to indicate what the cost of that change will mean. AGL do not consider that this needs to be customer specific based on actual usage, particularly with difficulties of forecasting future usage based on this rate. AGL believe there are benefits for both customer outcomes and retailer operational efficiencies in using average consumption based on AER benchmark data. This will allow customers to have a consistent rate of comparison if they decide to look at alternative offers on Energy Made Easy (assuming the proposed RPIG changes to the Energy Price Fact Sheets proceed), and allows customers to compare like-for-like rates. The ability for customers to understand the potential impacts of the change, and use that same comparison rate for BPI's on EME is likely to drive greater engagement and consumer confidence in the energy market.

Forecasting based on customer actual historical usage also has the possibility of being misleading, where customer behaviour may change, seasons are variable, there may have been extended stays from their home etc. The key outcome should be to ensure that customers understand what the cost of doing nothing will be.

As AGL noted in the October 2017 consultation on the proposed rule, if retailers are required to predict the future cost of customer's energy bills based on consumption behaviour prediction, this may cause



significant issues for customers – particularly with so many potential variables. This has the potential to impact consumer trust with the industry and is not in line with the National Energy Retail Objective, which requires rules to be in the long-term interests of consumers.

If retailers are required to make future predictions, the notice will invariably require a string of terms and conditions or disclaimers to comply with the Australian Consumer Law. Using the superannuation industry as an example, the Australian Securities and Investments Commission has issued a 29-page guide on superannuation forecasts<sup>1</sup>. AGL's position continues to seek avoidance of such a cumbersome outcome.

AGL also note that previous discussions on the comparison figure was the possibility of including a Standing Offer comparison for market offer customers. AGL do not switch market offer customers to standing offers at the end of their benefit period. While this element is not provided for in the consultation paper, AGL continue to consider this proposal will result in confusion to customers and should not be required in any Notice.

#### **Other comments**

AGL position on other elements of the submission are as follows:

- Supporting a flexible approach regarding the provision of consumption data. AGL consider that requirements set in the Guideline regarding the provision of consumption should not be more onerous than existing requirements on the provision of consumption data (for example under the National Energy Retail Rules section 28 or 56A).
- If the AER is to require a call to action/alert in the Notice, this should be relevant to all customers and their circumstances/preference (i.e. *Your current energy offer benefit is changing*).
- There should be standard reminders on notices to customers to remind them that they can always compare offers through Energy Made Easy. If the historical and future rates for comparison align with the BPI comparison rate to customers, then this prompt can alert them to this fact.

Finally, as the AER is aware, the energy sector is undergoing significant review and reform, particularly in the retail space. AGL encourage the AER to ensure retailers have sufficient lead time to map and implement the requirements in the final Guideline. AGL consider this would be a minimum of three months from issuing the final Guideline, provided that the notification requirements are applicable for notifications being mailed from October (i.e. customers who have a benefit period ending mid-November), as well as the overall level of prescription in the final Guideline.

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<sup>1</sup> <http://download.asic.gov.au/media/2257747/rg229-published-13-november-2014.pdf>