



30 April 2010

**Mr Tom Leuner**  
**General Manager**  
**Markets Branch**  
**Australian Energy Regulator**  
**GPO Box 520**  
**Melbourne VIC 3001**

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

Dear Mr Leuner,

### **Issues Paper – AER Retail Pricing Information Guidelines**

AGL welcomes the opportunity to provide comments on the *Issues paper: AER Retail Pricing Information Guidelines* ('the Paper') published by the Australian Energy Regulator in March 2010.

Section 242 of the proposed National Energy Retail Law ('NERL') empowers the AER to make guidelines 'specifying the manner and form in which standing offers prices and market offer prices are to be presented'. In AGL's view, this section does not give the AER the power to regulate energy advertising. Introducing energy specific law regulating advertising is highly inappropriate and unnecessary in light of the Australian Consumer Law. The purpose of the Pricing Information Guidelines 'is to assist customers to consider and compare standing offer prices and market offer prices offered by retailers'. Prescribing what information a retailer must include in any newspaper, magazine or other print advertisement is more burdensome than current jurisdictional energy law and is unlikely to assist customers to understand and compare energy offers.

Furthermore, Australian energy markets are some of the most competitive energy markets in the world. This suggests that there is no justification for increasing energy regulation in the area of price disclosure. For this reason, the AER should have regard to the need for regulation, the limited purpose of the guidelines, the distinction between the roles of rule-maker (the AEMC) and regulator (the AER) and the objective of the NERL when drafting the Guidelines.

Our responses to the questions for consideration contained in the Paper are provided at Attachment A.

Should you have any questions pertaining to this submission please do not hesitate to contact Angela Gregory, Manager Regulatory Advice & Policy, on (03) 8633 6817 or [angela.gregory@agl.com.au](mailto:angela.gregory@agl.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alex Cruickshank'.

Alex Cruickshank  
**General Manager Energy Regulation**

- > Being Australia's largest private owner and operator of renewable energy assets
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

## Attachment A

***Q 1. What are stakeholder views on the forms of advertising that the AER should target with this Guideline?***

Section 242 of NECF2 allows the AER to make Guidelines 'specifying the manner and form in which standing offers prices and market offer prices are to be presented'. In AGL's view, this section does not give the AER the power to regulate energy advertising. Introducing energy specific law regulating advertising is highly inappropriate and unnecessary in light of the Australian Consumer Law. The purpose of the Pricing Information Guidelines 'is to assist customers to consider and compare standing offer prices and market offer prices offered by retailers'. Prescribing what information a retailer must include in any newspaper, magazine or other print advertisement is more burdensome than current jurisdictional energy law and is unlikely to assist customers to understand and compare energy offers.

***Q 2. To what extent should the AER be less prescriptive in the presentation of pricing information on mass media platforms (such as billboards) as opposed to door-to-door sales, brochures and websites?***

As discussed above, the AER, as regulator, should not be making energy specific advertising law. The Trade Practices Act and state Fair Trading Acts are the appropriate mechanisms for governing advertising.

***Q 3. Should a template be published? Under what circumstances should retailers be required to present prices following that template? What should the template be called (i.e. the Price Disclosure Statement or Price Information Sheet or another name)? Do stakeholders have any views on what type of format?***

A template should only be published if the AER considers that templates are necessary for customers to compare prices. In NSW, Qld, South Australia and the ACT the regulators do not consider a template necessary – in these jurisdictions the content rather than the form of information to be disclosed is regulated.

***Q 4. What are stakeholder views on the effectiveness of using standardised unit pricing as a way of presenting prices?***

Standardised unit pricing is useful when comparing simple products such as standing offer tariffs but less so with products that are more complex or attract discounts or incentives. Consumers are likely to find estimated annual costs more helpful than standardised unit pricing for market offers as standardised unit pricing would require further calculations to enable true comparisons.

***Q 5. What are stakeholder views on discounts/rebates/fees etc. being disclosed separately from the actual price of energy?***

For the purpose of price comparison all monetary discounts, rebates or fees that are not contingent on a certain event occurring should not be separately disclosed. To separate discounts, rebates or fees from actual energy prices would require consumers to undertake their own calculations to make accurate comparisons.

***Q 6. Is standardised unit pricing likely to become too complex when bundled offers/complex tariffs are disclosed in the proposed formats?***

Yes, standardised unit pricing is likely to become too complex to be of any benefit if bundled offers or complex tariffs are disclosed in the proposed formats. Particularly with time of use pricing, seasonal tariffs, different tariff structures and different types of incentives.

***Q 7. What are general views on the formats presented in these tables?***

The formats presented in the tables are suitable for consumption based products. However, a requirement for all products to be published in this format could hinder product innovation and competition. For example, Format 1, 2 & 3 would not be suitable for a flat fee or monthly capped product.

***Q 8. What units might be most effective (i.e. cents/day or \$/week) and what format is likely to be most useful for customers (i.e. c/kwh or “cents per kilowatt hour of electricity”)?***

Industry practice is to express the price of energy as ‘c/kWh’ as this is the base unit used in metering devices to calculate a customer’s consumption. Retailers tend to bill fixed charges, such as network supply charges, in different ways depending on the capability of its billing system and the way they are billed by distributors. For example, some retailers bill supply charges as cents per day, some monthly and others based on a billing cycle. While a cents per day format may be useful for comparative purposes, customers may be confused when their bill and contract prices do not match their information statement.

***Q 9. The AER would like to obtain stakeholder views on the effectiveness of using the annual cost method as a way of standardising the presentation of prices and enabling ease of comparison between offers for small customers.***

An annualised cost method is an effective way of standardising the presentation of prices and enables small customers to easily compare offers.

***Q 10. The AER seeks views on how it might develop consumption bands that would reflect appropriate consumption levels of small customers – both residential and small business – and whether these levels should be differentiated to accommodate differences between NEM jurisdictions?***

Customer’s electricity consumption bands of 2MWh, 5MWh, 8MWh and 2MWh for off peak hot water would reflect appropriate consumption levels for small customers in all states. While a customer’s profile, and therefore how the annualised consumptions are valued, may differ between jurisdictions these consumption bands should cover the majority of residential customers.

AGL does not consider there is any justification to increase energy regulation to cover small business customers. Until recently, no jurisdiction required retailers to publish offer summaries or price fact sheets for business customers. Victoria only required information statements for business customers consuming less than below 40MWh when price deregulation commenced.

***Q 11. Given the significant variations in consumption levels by small businesses (and limited data availability), what would be the best method to determine an approximate range of bands that can be used to reflect consumption of both electricity and gas by small businesses?***

As stated above, AGL does not consider it appropriate to regulate the retailer and small business customer relationship to this extent. In AGL’s view, there is no justification for regulating retailer price information for business customers, particularly, as protection for business customers was not even considered necessary in the new Australian Consumer Law.

***Q 12. The AER seeks views on how discounts should be displayed. For example, is it appropriate that the discounts are disclosed separately from the annual cost of an offer? If not, how else should they be displayed?***

AGL believes that non-conditional monetary discounts should be included in calculating the annualised cost based on an agreed profile.

***Q 13. What assistance or additional guidance in the form of ‘pointer questions’ could be provided to assist customers to place themselves in the appropriate consumption band?***

The most accurate way a customer can estimate their future consumption amounts is to view previous energy bills. Particular consumption bands do not necessarily contain consumers with the same characteristics. House size, family size, the level of energy efficiency of appliances, location and many other variables influence consumption levels. For that reason, ‘pointer questions’ are more likely to be misleading than helpful.



***Q 14. The AER seeks comment on the possible methods put forward for determining how retail offers should be presented given the potential for the development of more time-of-use-tariff offerings from retailers. In particular, what are stakeholder views on using the load profile data as a method for creating an assumed distribution of usage over time to enable comparison using the annual cost approach?***

To ensure consistency and more accurate comparisons it would be appropriate for one agreed national load profile to be used by all retailers.

***Q 15. What other appropriate methods could be considered?***

The most accurate and accessible method for comparing energy offers would be for the AER to develop an internet based comparator that allowed a customer to insert their consumption history to estimate the annualised costs for that particular customer.

***Q 16. Should different load profiles be created for each jurisdiction or season?***

It is not necessary to create seasonal profiles as an annual load profile captures seasonal variation. For the sake of consistency, it would be appropriate for the AER to publish one national load profile relevant to all residential customers.

***Q 17. How often should the load profile be updated?***

Every 3 years the AER should review its published load profiles.

***Q 18. What are stakeholder views on the effectiveness of using a combination of both the annual cost and standardised unit pricing method to present price information?***

A combination of both annual cost and standardised unit pricing is likely to be too much information for a consumer to consider.