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General Manager
Markets Branch
Australian Energy Regulator
By email: AERInquiry@aer.gov.au

Dear sir/madam


AER Retail Pricing Information Position Paper and Draft Guideline

ActewAGL Retail welcomes the opportunity to review and comment on the AER Retail Pricing Information Position Paper and Draft Guideline.

Our submission is attached for your consideration.

If you have any questions regarding our submission please contact Rachael Turner, Manager Business Projects and Compliance, on 02 6248 3655.

Yours faithfully



Ayesha Razzag
General Manager Retail

**AER Retail Pricing Information
Position Paper and Draft Guideline**

ActewAGL Retail Response

Executive summary

ActewAGL Retail (ActewAGL) welcomes the opportunity to review and comment on the AER Retail Pricing Information Position Paper and Draft Guideline.

Consistent with previous comments regarding the AER Retail Pricing Information Guideline, ActewAGL believes that presenting energy prices using the standardised unit pricing approach alone does not allow customers to make an easy comparison between retailers or offers. ActewAGL recommends that the AER adopt a combined approach in the final version of the Guideline utilising both the standardised unit pricing approach as well as an annual cost approach.

While supporting most issues presented by the AER in the Position Paper and in the Draft Guideline, ActewAGL requests that the AER provide clarification in the Guideline regarding the inclusion or exclusion of certain types of offers and tariffs, and provide a more prescriptive approach that remains workable within a light handed regulatory framework regarding the inclusion or exclusion of discounts and rebates in the energy pricing units displayed on an Energy Price Fact Sheet.

Background

As a follow-up to the AER Issues Paper in relation to the proposed Retail Pricing Information Guideline in March 2010, the AER have published a Position Paper and Draft Guideline to provide further opportunity for public consultation prior to the hand-over of retail functions to the AER under the National Energy Customer Framework (NECF).

Response to AER Retail Pricing Information Position Paper

Methods of presenting retail offer information

The AER seeks stakeholder feedback on its preliminary approach to presenting energy prices

ActewAGL retains the same positions held in response to the Issues Paper provided to the AER 4 May 2010:

“Standardised unit pricing used on its own does not help most customers to make a comparison between retailers without performing detailed analysis or calculations. It is too difficult for most customers to compare different fixed charges, variable charges, and block levels. Furthermore, the effect of market offers would have a small or insignificant value proposition on standardised unit pricing in measures such as c/kWh.”¹

“The use of the annual cost method would be the most effective method of standardising the presentation and comparison of prices between retailers for standing offers. In order to be effective, all retailers would need to adhere to the same set of average electricity consumption statistics applicable to the jurisdiction(s) or geographic regions they operate in.

Providing optional regional statistics (state and territory) would assist potential customers to more accurately determine their annual cost due, particularly in regions with significant season variations in weather. Regional statistics should be used as a secondary display option in mediums such as retailer websites or comparison websites. The AER would need to provide clear guidelines and statistics on the presentation of the annual cost method both nationally and regionally.

¹ ActewAGL response to AER Retail Pricing Information Guidelines, 4 May 2010, p. 5

A preferred written media system would provide the customer with a standardised annual cost in conjunction with a per unit cost, so different customers with different needs can make the calculations they require to make an informed purchase decision.”²

“The combined approach allows for the most accurate presentation of prices, by showing the standardised units along with the application of these prices in an easy to understand annual cost approach.”³

Scope of the Guideline

The AER seeks stakeholder views on whether the Guideline should supplement requirements on retailers to notify customers of any variations to their offers.

ActewAGL notes that some jurisdictions already impose requirements on retailers to notify customers of any variations to their offers or contracts via bill message, letter or other means. Imposing an additional requirement on retailers to provide an updated fact sheet or disclosure statement will incur increased administrative expenses and resource commitments to ensure compliance.

ActewAGL supports the preliminary draft Guideline not including any additional requirements for retailers to provide updated pricing information in relation to variations, and supports the requirement to describe how a retailer may vary the tariffs that apply to a contract offer under section 2.7.3.3 of the Draft Guideline.

Additionally, ActewAGL requests that the scope of the Guideline become more detailed in relation to the inclusion or exclusion of certain types of offers and tariffs; namely offers that are not “generally available” (eg: marketed via specific sales channels or to specific groups of customers) and “obsolete tariffs” that are only available to customers presently on the tariff. It is important to consider that any details remain workable within a light handed regulatory framework.

Presentation of information

The AER seeks stakeholder views on this issue. If stakeholders are supportive of mandatory inclusion of such examples, they should provide examples of the types of information that would be most useful for inclusion in the Guideline.

ActewAGL supports the current position of the AER not proposing to make the inclusion of such examples mandatory. ActewAGL notes that assisting customers to understand what a unit of measurement (kWh / MJ) means in a practical context may be useful to some customers; an accurate application of such figures is not possible when considering the variety of appliances, brands and specific models available in the market. Additionally, different usage patterns and styles across customers would result in a wide range of unit consumption variance, rendering any figures provided by retailers useless and inaccurate.

Comments on AER Retail Pricing Information Draft Guideline

1. Overview - Processes for revision and version history

ActewAGL acknowledges the need for the AER to amend or replace the Guideline from time to time in accordance with the Retail Law, and notes the need for an acceptable timeframe to be included in the Guideline for retailers to adhere and comply with any amendments or variations without breaching compliance. The AER must ensure that the timeframe provided does not force retailers to incur any unnecessary increases to administrative costs to remain compliant.

² ActewAGL response to AER Retail Pricing Information Guidelines, 4 May 2010, p. 6

³ ActewAGL response to AER Retail Pricing Information Guidelines, 4 May 2010, p. 9

2.2 Information published on a retailer's website

ActewAGL requests clarification in the Guideline as to which Energy Price Fact Sheets should be made available to customers on a retailer's website. Many offers are made through specific sales channels, door knocking teams or in limited availability based on specific customer criteria such as membership in a community group or activity. ActewAGL recommends that Energy Price Fact Sheets only be made available to applicable or eligible customers, and as such would recommend that Energy Price Fact Sheets relating to products or offers that are not "generally available" not be included on a retailer's website for all of the public to view. Presenting pricing information to customers should not become overly complicated by allowing customers to view information on, and potentially request to sign up for, offers that are not available to them.

2.3 Door-to-door sales and other in person marketing activities

ActewAGL requests the inclusion of a clause in the Guideline to allow for retailers to provide an Energy Price Fact Sheet to a customer approached in person within five business days, in alignment with the telemarketing requirements presented in section 2.4 of the Guideline. This would be in the event that the door to door sales agent is for any reason unable to provide an Energy Price Fact Sheet when marketing a contract offer.

2.5 Mass media

ActewAGL believes the requirement to include the suggested statement ("An Energy Price Fact Sheet is available at [insert retailer website]") in marketing material is possible for print media and collateral. However, exceptions should be made for billboards and radio advertisements, which have space/time restrictions. For example, the addition of these words into a radio ad would require five seconds in the 30-second radio ad, and therefore this is not preferred.

2.6 Price information to be provided in an Energy Price Fact Sheet

The current draft status of the NECF states that:

"The purpose of the AER Retail Pricing Information Guidelines is to... thereby assist small customers to consider and compare standing offer prices and market offer prices offered by retailers."⁴

As previously expressed, ActewAGL believes the current approach used by the AER in the Draft Guideline requiring retailers to show only standardised unit pricing on its own does not help most customers to make a comparison between retailers without performing detailed analysis or calculations. It is too difficult for most customers to compare different fixed charges, variable charges, and block levels. The use of the annual cost or combined method would be the most effective method of standardising the presentation and comparison of prices between retailers for standing and market offers.

The Draft Guideline currently does not specify whether unit prices are to be shown inclusive or exclusive of any discounts. Without a standardised approach to the calculation and display of unit pricing, customers will be unable to easily consider or compare prices between various retailers and offers. ActewAGL recommends that the AER provide specific instructions in the Guideline to avoid various and potentially inconsistent methods of displaying pricing information in regards to the unit pricing information including or excluding discounts and rebates.

ActewAGL supports the descriptions, terms and table formats provided as examples in the Draft Guideline.

⁴ Position Paper - AER Retail Pricing Information Guideline, September 2010, p. v

2.7.2 Discounts and rebates

ActewAGL believes that true and fair representation of the value of a discount or rebate to a customer requires the AER to adopt the annual cost method in the presentation of pricing information through the Guideline, with a separate line item included to show the total value of the discount or rebate being given.

Should the AER proceed with the current unit pricing approach given in the Draft Guideline, ActewAGL recommends that the Guideline specify whether unit prices are to be shown inclusive or exclusive of any discounts. This will reduce the confusion presented to customers in the unit pricing by requiring a standardised approach to the calculation and presentation of unit prices by retailers.

ActewAGL supports the Draft Guideline requirements for explicit information to be provided when a discount is contingent on certain events or eligibility criteria.

2.7.4 Format of Energy Price Fact Sheet

ActewAGL supports the requirements provided in the Draft Guideline in regards to the format of an Energy Price Fact Sheet, yet notes that the Guideline in its final form must not become too prescriptive in describing the format of an Energy Price Fact Sheet so to limit the scope or innovative nature of future offers.

Consistent with previous comments throughout this response, ActewAGL notes that for a customer to make an effective and accurate comparison of offers or retailers, a combined approach to presenting energy prices should be taken. This includes displaying standardised unit prices alongside sample annual cost calculations both pre and post inclusion of any discount or rebate.