

1 July 2011

General Manager – Markets Branch
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Email: AERInquiry@aer.gov.au

Dear Sir or Madam

AER retail pricing information guideline draft instrument – ActewAGL Retail response

ActewAGL Retail (ActewAGL) welcomes the opportunity to review and comment on the AER Retail Pricing Information Guideline Draft Instrument, published in May 2011.

ActewAGL believes the draft Guideline does not support the AER's intention to assist consumers in making informed switching decisions by:

- not prescribing the inclusion or exclusion of a discount within the unit pricing displayed on an Energy Price Fact Sheet.
- not presenting consumers with a clear annual cost comparison between offers.

We have provided further explanation of this position in the attached pages.

If you have any questions regarding this submission please contact Rachael Turner, Manager Business Projects on telephone: (02) 6248 3655 or email: rachael.turner@actewagl.com.au.

Yours sincerely



Ayesha Razzaq
General Manager Retail

Let's power ahead.

Summary

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.

ActewAGL agrees with the AER's claim:

"...for consumers to engage effectively in retail markets, they need to be aware of choices available to them. They also need to be able to access relevant information to be able to make informed switching decisions to find the best offer for their circumstances."¹

However, the draft Guideline does not support the AER's intention to assist consumers in making informed switching decisions by not prescribing the inclusion or exclusion of a discount within the unit pricing displayed on an Energy Price Fact Sheet, and by not presenting consumers a clear annual cost comparison between offers

Price information requirements

ActewAGL retains the same positions as stated in its previous responses to the AER on 4 May 2010 and 29 October 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."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

Sections 2.2 (Price information requirements) and 2.3.2 (Discounts and rebates) of the AER Retail Pricing Information Guideline Draft instrument do not specify if the unit pricing shown on an Energy Price Fact Sheet should be represented inclusive or exclusive of a discount or rebate. ActewAGL insists that the AER not prescribing whether a unit price should be shown inclusive or exclusive of a discount will not allow consumers to make an accurate and informed switching decision. Consumers will struggle to compare offers between retailers when one Energy Price Fact Sheet shows unit pricing inclusive of a discount and another Energy Price Fact Sheet shows unit pricing exclusive of a discount.

¹ AER Retail Pricing Information Guideline - Notice of draft instrument, May 2011, p. 3

² ActewAGL response to AER Retail Pricing Information Position Paper and Draft Guideline, 29 Oct 2010, p. 3

³ ActewAGL response to AER Retail Pricing Information Position Paper and Draft Guideline, 29 Oct 2010, p. 4

An Energy Price Fact Sheet may be misleading if the unit pricing is not clearly labeled as inclusive or exclusive of the discount. If the unit pricing is shown inclusive of a discount, and a discount is later detailed on the Energy Price Fact Sheet in a table shown as Example 4⁴, consumers may believe that a further discount will be applied to the unit prices shown which are already discounted.

ActewAGL believes that the AER should prescribe in the Final Guideline that unit pricing is shown exclusive of a discount or rebate, and an annual calculation of costs is shown after a discount or rebate is applied to allow consumers to easily compare offers between retailers. Consistent with previous comments submitted to the AER:

"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."⁵

ActewAGL does not support the requirement for retailers to define the terms "Daily supply charge", "kWh" and "MJ" on the Energy Price Fact Sheet. Providing these definitions does not assist the customer in understanding the prices on the offer, and restricts the space available on the energy Price Fact Sheet for other more important information that assists consumers to make an informed switching decision.

ActewAGL notes that the price information requirements in section 2.2 do not provide guidance for other charges that may apply such as capacity charges and demand charges. ActewAGL suggests that guidance on the display of these charges should form part of the final guideline.

Additional information to be provided

ActewAGL supports the requirement for retailers to inform consumers of the availability of the AER's price comparator website on Energy Price Fact Sheets, yet disagrees with the prescribed wording:

"For more customised information on the best retail offer for you, please visit *[insert AER comparator website details]*."⁶

ActewAGL believes that the price comparator website offers more information on the available retail offers but not necessarily more customised information. ActewAGL recommends that the prescribed wording be revised to sound more generic and supporting comparison, such as: "Visit *[insert AER comparator website details]* to compare retail offers."

⁴ AER Retail Pricing Information Guideline – Draft instrument, May 2011, p. 9

⁵ ActewAGL response to AER Retail Pricing Information Position Paper and Draft Guideline, 29 Oct 2010, p. 6

⁶ AER Retail Pricing Information Guideline – Draft instrument, May 2011, p. 7