



5 December 2011

Sarah Proudfoot
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By Email: AERInquiry@aer.gov.au

Dear Ms Proudfoot,

STATEMENT OF APPROACH: AER PRICE COMPARATOR WEBSITE AND THE AER RETAIL PRICING INFORMATION GUIDELINE

Alinta Energy (Alinta) appreciates the opportunity to comment upon both the Australian Energy Regulator's (AER) Statement of Approach to the Price Comparator website and the AER Pricing Information Guideline. Comments are provided below in relation to the both the Price Comparator website and the Guideline.

Alinta Energy is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta Energy has over 2500MW of generation facilities in Australia (and New Zealand), and maintains over 670,000 retail energy customers in Western Australia, South Australia and Victoria with a commitment to growing its retail energy business in Australia.

Statement of Approach: AER Price Comparator Website

Alinta considers that the AER's proposed approach to the Price Comparator Website appears to provide an appropriate framework for the development of the website in which customers are able to compare various offers from retailers. Alinta is generally supportive of the proposed draft approach.

Alinta does however have reservations about the AER's decision to automatically rank suitable offers according to price (exclusive of discounts). In particular, the AER has indicated that offers will be initially displayed by lowest to highest estimated annual bill cost, exclusive of all discounts. The principle concern with this approach is that customers may be induced to base their decision upon this initial information. This is despite the fact the initial ranking of information is unlikely to fully take into consideration the actual cost a customer may incur when including conditional or unconditional discounts.

Alinta agrees that the Retail Law provides that the purpose of the price comparator is to assist small customers to compare the energy offer *prices* available to them. However, retailers tend to provide a wide variety of offers that may contain features that are more suited to some consumer's particular needs. The final price for energy that the consumer incurs annually is highly dependent on a number of conditional and non-conditional price discounts that may be contained within market offers.



Alinta suggests that a more suitable approach would be to allow customers, as an initial step, to rank offers according to the criteria that best meets their desired factors. This would require that all offers would initially be “non-ranked”, prompting the consumer to specify the search functions that are most appropriate to their individual circumstances. The risk that initially ranking offers according to base price before requiring search parameters is that consumers may not choose to investigate the impact of additional discounts or benefits. For example, a consumer may be aware that they consistently pay outstanding energy bills on time, yet this initial ranking of offers will not consider the discounts available to customers who pay on time. Prompting consumers to specify their desired search parameters is likely to result in customers being able to better make informed decisions relative to their individual circumstances. It is Alinta’s view that not ranking offers initially with the price comparator website is likely to better meet the objectives of the Retail Law in assisting small customers compare the price of energy offers available to them.

Retail Pricing Information Guideline

While Alinta generally supports the AER’s Draft Retail Pricing Information Guidelines, it does have a number of comments in relation to the specifics of the Guideline.

- Alinta questions the benefit of completing Energy Price Fact Sheets for those market offers that are not generally available. Retailers should be encouraged to provide innovative products that allow customers to select the price/service quality offerings best suited to their individual needs. Retailers may also choose to offer niche products targeted towards small sub-sections of the community, i.e. those products that would not be considered generally available to the general community. Such examples are staff offers, energy products offered in conjunction with other services or market contracts offered as a ‘limited offers’. It is likely that for some ‘non-generally available’ contract offers that an Energy Price Fact Sheet may not provide additional information of value to a customer.
- The AER has indicated that under the guideline, a retailer must submit information to the AER on each generally available contract offer for the Price Comparator Website within two business days of the offer becoming available to customers. Alinta believes that in order to ensure the effectiveness of the price comparator website as a tool for consumers, that it should be as current as possible. However, there may be circumstances in which retailers are unable to meet the 2 business day requirement in submitting the contract offer. Alinta requests that the AER consider that this requirement to provide Energy Price Fact Sheets should be extended to 5 business days, to ensure that retailers, in the event of extenuating circumstances, are able to comply with Guideline.
- The draft Guideline indicates that a customer should not be required to provide technical or personal information in order to obtain an Energy Price Fact Sheet. Alinta however seeks guidance on how this requirement would operate in practice, particularly in relation to those customers who have Time of Use (ToU) meters installed. The AER needs to recognise that providing the right balance of information to a customer so they may make an informed choice is contingent on the retailer being provided with the relevant information so as to provide a customer with product information that best suits their personal circumstance. This is particularly the case where customers have ToU meters and the retailer provides a number of ToU products. Alinta is concerned that in the absence of the customer providing a (balanced) level of technical / customer profile information the relevance of the pricing information provided to the customer may be significantly diminished.



Should you have any questions in relation to Alinta's submission, please contact Adam Lourey, Senior Regulatory Analyst on 08 9486 3406

Yours sincerely

A handwritten signature in black ink, appearing to read "Shaun Ruddy".

Shaun Ruddy
Manager National Retail Regulation