



Australian Power & Gas
Simply smarter energy

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General Manager
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By email: AERInquiry@aer.gov.au

Re: AER Retail Pricing Information Guidelines – Issues Paper

Australian Power & Gas (APG) welcomes the opportunity to provide comment on the Australian Energy Regulator (AER) issues paper on the proposed Retail Pricing Information Guidelines.

APG is concerned that the AER is seeking to introduce unnecessary regulation through the proposed introduction of a Retail Pricing Information Guideline. In the absence of any market failure in the area of pricing information currently being provided to customers, and the fact that legislation already currently exists that prescribes the level of information retailers must disclose to customers APG fails to see any justification for the introduction of the proposed Retail Pricing Information Guidelines.

The introduction of such a guideline will only seek to increase the level of regulatory burden faced by retailers without providing any significant benefit to customers.

Retailers already understand and recognise that it is in their best interests to ensure all relevant information on both pricing and products is provided to customer to ensure they have all available information with which to make an informed choice to switch retailers. Retailers currently provide customers with this information.

We note that in the issues paper the AER is consulting on the issue of setting guidelines for pricing information used in mass media communications. The issue of potential misleading information through mass media is already covered by the Trade Practices Act. As such we fail to see why the AER would be seeking to address this issue.

If the AER is intent on the introduction of a Retail Pricing Information Guideline then we would seek assurances that it will be a "Guideline" only and not seek to prescribe obligations above those that currently exist.

The remainder of our submission provides our responses to the questions raised in the issues paper.



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Should you have any questions or wish to discuss any aspect of our submission I may be contacted on (02) 8908 2714, or via email at: sruddy@auspg.com.au

Yours Sincerely

Shaun Ruddy
Manager Regulatory & Compliance
Australian Power & Gas

Options for the Medium of Presentation	
Question	Comment
Q1. What are stakeholders views on the forms of advertising that the AER should target within the Guideline?	<p>APG holds the view that the AER guideline should not seek to target any forms of advertising. Advertising activities are already governed by other forms of legislation such as the Trade Practices Act.</p> <p>If the AER were to continue to cover advertising in the guideline then we would wish to see the AER's detailed justification for its inclusion.</p> <p>Marketing activities that are undertaken by retailers are already heavily regulated as there has been no market failure that can be attributed to these activities we see no reason for the AER to include these activities in the proposed guideline.</p>
Q2. 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?	<p>APG holds the view that the AER should not seek to prescribe the presentation of information displayed / communicated through mass media platforms.</p> <p>APG fails to see how the AER could effectively prescribe the presentation of information on mass media platforms so that it is presented in a consistent form, especially given the diversity of products offered by retailers.</p>
Q3. 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?	<p>Retailers clearly recognise that it is in their best interests to provide customers with clear accurate easy to understand information regarding products and offers, including pricing, if this information is not provided customers are less likely to change retailers.</p> <p>APG believes there is no requirement for a standard template for the publishing of price information. Current legislation already prescribes the minimum information requirements that retailers must adhere to when providing pricing information to customers.</p> <p>The presentation of how this information is disclosed should be left up to the retailer.</p> <p>Should the AER seek to further investigate publishing a template, then there must be further detailed consultation on this, including a cost benefit analysis showing evidence of the benefit on the inclusion of a template. In the absence of this the AER should not seek to introduce a template.</p>
Standardised Unit Pricing Approach	
Q4. What are stakeholder views on the effectiveness of using standardized unit pricing as a way of presenting prices?	<p>Standard unit pricing can generally be an effective and simple comparison tool where you have simple consistent product offerings being provided by different entities.</p> <p>However the difficulty with standardised pricing units is that it becomes quite complex when discounts/rebates/fees and non price benefits are added.</p> <p>As a retailer offers prices (or products) including discounts in vastly different forms a standardised unit approach may not be the most</p>

		<p>effective way to provide comparative information</p> <p>Standardised unit pricing would only work where it was confined to common elements (i.e. tariff) this would then however require a customer to make their own assessment of the total product offering after separately factoring in other benefits such as rebates/ discounts and other non price benefits.</p>
Q5	What are stakeholder views on discounts/rebates/fees etc. being disclosed separately from the actual price of energy?	Variations on pricing such as discounts, rebates and fees should be disclosed separately.
Q6	Is standardised unit pricing likely to become too complex when bundled offers/complex tariffs are disclosed in the proposed formats?	The use of standardised pricing units would become too complex for bundled offers and tariff structure changes.
Q7	What are general views on the formats presented in these tables?	As stated previously our view is for a less prescriptive approach to how the information is presented to the customer. This includes the formatting of tables. We would point to our previous comment that we believe the guideline should set a minimum requirement for the type and level of information, whether this information is presented in tabular format or not should be up to the discretion of the retailer.
Q8	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")?	<p>Whatever unit of measure is chosen it should be one that is easily understood by the customer, this may point to cents/day or \$/week. However this type of representation would not allow customers to calculate their own direct costs.</p> <p>For a customer to calculate their own direct cost the information would need to be presented in cents /kwh. This way they may apply their individual level of usage (kwh) against the cost (cents/kwh) to determine the viability of the available product offers.</p>
Annual Cost Approach		
Q9	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.	<p>This method will only provide indicative estimated costs and will not enable customers to determine their own direct costs. Further if customers chose the wrong annual estimated cost they risk over or under estimating their annual costs.</p> <p>Annual estimated cost will vary based on region, consumption patterns, appliance mix, etc. Given this we fail to see how an annual cost method can be effective.</p>
Q10	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?	<p>As previously stated consumption bands and annual costs will only provide indicative estimated costs and will not provide a true representation to customers of their own direct costs.</p> <p>If consumption bands are to be used they should be national rather than jurisdictional in order to reduce the administrative burden.</p>
Q11	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?	<p>The AER should not seek to regulate pricing information for small business.</p> <p>The variation in data and profile information for small business is far too complex to determine meaningful consumption bands.</p>
Q12	The AER seeks views on how discounts	Discounts should be displayed separately for the pricing information.

	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?	
Q13	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?	<p>It is difficult to sum up different customer characteristics into a limited number of pointer questions.</p> <p>Some generic questions such as, State, Fuel if the customer has off peak. Anything greater than this may result in customer confusion and become to complex for customers to use.</p>
Time of Use Tariffs		
Q14	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 <i>time-of-use-tariff</i> 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?	A load profile will not necessarily give a consumer a good idea of their energy consumption patterns over a period as many customers do not know which periods they consume most of their energy in. If it is to be implemented, there should be a uniform profile for simplicity and ease of use.
Q15	What other appropriate methods could be considered?	We are at this time unable to identify any other simple or appropriate methods for doing this.
Q16	Should different load profiles be created for each jurisdiction or season?	APG could not support the use of the Net System Load Profile (NSLP) as the basis for comparison of consumption. The NSLP includes customers much larger than domestic and small electricity users and as such, any reliance on it to reflect an average customer's behaviour will be misleading. To illustrate, the NSLP is likely to include greater off peak consumption than that of a typical residential customer. Furthermore, the NSLP may eventually be abandoned if the Australian Energy Market Operator (AEMO) moves to global settlement in a node of the National Energy Market that has significant interval meter penetration, rendering it unnecessary. The appropriate consumption data that should be used for comparison purposes should be the interval stream of a median residential customer in a relevant jurisdiction. Distribution businesses will have access to such data as the Meter Data Provider.
Q17	How often should the load profile be updated?	A load profile should be reviewed but not necessarily updated regularly. If it is to be updated then this should be done no more often than once every few years.
Combination Approach		
Q18	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?	The assessment/evaluation of an energy product needs to encompass all components of the product to determine the true value for a particular customer. Standardised pricing using both annual cost and unit pricing may lead the customer into a price only consideration. For example a retailer could have a very low unit price and a low annual cost but a very high contract exit fee. APG is of the view that the case has not been substantiated for this level of price disclosure to be introduced, particularly as it would also require changes to retailers' systems to implement.