



**SUBMISSION TO THE
AUSTRALIAN ENERGY REGULATOR (AER)
DRAFT RETAIL PRICING INFORMATION GUIDELINE**

**Prepared by
National Policy Office**

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COTA Australia

GPO Box 1583
Adelaide SA 5001
08 8232 0422

www.cotaaustralia.org.au

Authorised by:

Ian Yates AM
Chief Executive
iyates@seniorsvoice.org.au
(08) 8224 5510

Prepared by:

Tom Stead
Policy Officer
tstead@seniorsvoice.org.au
(08) 8224 5515

INTRODUCTION

COTA Australia - Council on the Ageing - is the national policy arm of the eight State and Territory Councils on the Ageing in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory. COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia.

COTA believes that providing sufficient information to energy customers is key to ensuring that they make the right decisions regarding energy offers. Electricity and gas are essential services, the rising costs of which are significantly impacting upon the ability of older people to meet both these and other costs of living. It is therefore vital that energy retailers are required to provide the necessary information at every relevant point of contact with customers and potential customers.

GENERAL COMMENTS

COTA is generally supportive of the AER's approach to retail pricing information through the Draft Guideline¹ and notes that it is largely consistent with the requirements of existing jurisdictional codes.

However the development of the Guideline is an opportunity to learn from and improve upon current best practice. This provides the context for COTA's comments below.

ISSUES INVOLVED IN THE PREPARATION OF THE GUIDELINE

Method of presenting prices

COTA supports the use of standardised unit pricing to convey information on energy pricing. However due to complex tariff structures, standardised unit pricing alone does not provide older people with sufficient information to make informed decisions regarding energy retail offers. COTA believes that annual cost estimates based on a limited range of consumption scenarios should also be included in a combination approach.

COTA also has concerns regarding a key plank in the AER's argument against an estimated annual cost (or hybrid) approach. At page 9 of its 'Notice of draft instrument' ('Notice'), the AER states:

In light of the on-line price comparison service, the AER considers that there is unlikely to be significant additional benefit in developing annual cost estimates for fact sheets that are high level approximations only and may lead to customer confusion.²

COTA concedes that annual estimates will be high level estimates only, but that they will still provide greater guidance to actual costs than can be provided by unit pricing alone.

Many older people have had a lifetime of experience in household budgeting and are perfectly capable of making a reasonable estimate of their annual energy use based on previous bills. By using the combination approach not taken in the Draft Guideline, the AER can ensure that the best available information is provided for older people to make informed decisions.

¹ AER (2011), 'Draft instrument: AER Retail pricing Information Guideline', May 2011

² AER (2011), 'Notice of draft instrument: AER Retail Pricing Information Guideline', ('Notice') May 2011, p. 9.

COTA believes that the example of the Essential Services Commission of SA (ESCOSA) Energy Price Disclosure Code (EPDC) would be instructive in this regard. The EPDC³ requires energy retailers to include an 'estimated annual price' for the following scenarios:

- 2MWh (excluding off peak hot water)
- 5MWh (excluding off peak hot water)
- 8.5MWh (excluding off peak hot water)
- 1.5MWh of off peak hot water

COTA notes that the AER is currently developing an online price comparison service and that the intention is to include additional information such as individualised annual cost estimates. It is significant in this context that in 2008-9 69 per cent of people 65 years or above did not use the internet from any location compared with only 6 per cent of people aged from 15 to 17 years.⁴ COTA considers that this will need to be an important consideration for the AER in its price comparison role.

COTA also notes the following from page 9 of the Notice:

Consumers that do not have access to the internet **will most likely** be able to call an information line and request for the information to be printed and mailed to them [emphasis added].⁵

The intent of the AER to ensure that energy customers are provided with adequate information is not disputed. However in the absence of detailed information regarding the online price comparison service or any additional telephone services that may be appended to it, COTA strongly recommends that annual cost estimates be included in retail pricing information requirements.

Presentation of other retail offer information

COTA supports the AER approach to the presentation of additional retail offer information but recommends the inclusion of basic information regarding the availability of energy bill concessions and rebates. COTA does not consider it too onerous for retailers to include a brief sentence referring to their availability and the contact phone number and website for relevant government agencies.

It is particularly important that electricity and gas offers are presented on different fact sheets and that only dual fuel offers are presented together on one fact sheet. COTA agrees that presenting different offers on one fact sheet risks confusion for customers.

In jurisdictions with different distribution areas, it is also important that this is indicated on pricing information. Given the variance in retail offers across areas, COTA considers this to be as important as ensuring that jurisdictional offers are clearly identified.

CONCLUSION

COTA believes that the provision of simple and comparable pricing information is vital in providing real consumer choice for older people. The approach taken by the AER in the Guideline is therefore supported, with the addition of annual price estimates and information on jurisdictional concessions and rebates.

³ ESCOSA (2011), 'Energy Price Disclosure Code: EPDC/02', updated May 2011, p. 2

⁴ ABS (2009), 'Household Use of Information Technology', Cat No. 8146.0.

⁵ Notice, p. 9.