

30 April 2010

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Thank you for the opportunity to comment on the *AER Retail Pricing Information Guidelines Issues Paper March 2010*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. Our aim is to provide fair, equitable and independent investigation and resolution of customer complaints. We work with all the key stakeholders – providers, community, government, regulators – to improve the standard of service delivery for the benefit of NSW consumers.

EWON strongly supports the principle of these AER guidelines – to regulate price disclosure by retailers to ensure customers can freely access pricing information and be well equipped to compare energy retail offers. As well, EWON agrees that one standardised price disclosure model is critical, so that customers can easily compare products and offers. This may also encourage greater competition. We note that the proposed National Energy Retail Law states that the purpose of these guidelines is to ‘assist customers to consider and compare standing offer prices and market offer prices offered by retailers’.

We have responded to those issues raised that are relevant to EWON’s work, and for ease of reference we have adopted the same numbered questions as in the Issues Paper. We have also provided comment on an additional related matter. For some time EWON has been concerned about the lack of accurate and independent information in NSW for energy customers about market offers, in particular independent price comparison tools for customers.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy & Projects on 02 8218 5250.

Yours sincerely



Clare Petre  
Energy & Water Ombudsman NSW



Energy & Water  
Ombudsman NSW

*Response to*

AER Retail Pricing Information Guidelines  
Issues Paper

*March 2010*

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*Submitted by the*

Energy & Water Ombudsman NSW

*30 April 2010*

EWON's Response to selected questions in the AER Retail Pricing Information Guidelines Issues Paper, March 2010.

### *Scope of the Guideline and options for the medium of presentation*

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**Q1. What are stakeholder views on the forms of advertising that the AER should target with this guideline?**

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The Issues Paper suggests that there are two main channels of direct advertising of energy prices that this guideline should cover:

- internet presentation of energy offers and
- any leaflets or written information that is given to customers (including potential customers and door to door sales)

EWON supports this assessment; however we would also suggest that the AER should include reference to information given to customers by phone, as telemarketing is a significant marketing method and also a source of customer complaints. Customers often complain to EWON that they told a telemarketer they were not sure about transferring retailers and asked the marketer to send them information for further consideration, only to find that their account has been transferred on the basis that they agreed to a contract.

The current Victorian approach seems to be general enough to capture all relevant marketing situations. In Victoria retailers must provide written offers:

- on request by the customer
- when providing the customer the terms or information about the terms of any new retail contract, including when engaging in any marketing activity.<sup>1</sup>

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**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?**

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The AER suggests that if TV, billboard, radio, newspaper/print advertisements were used by retailers for general energy marketing then there could be a requirement for a statement such as '*a full Price Disclosure Statement is available at [website]*' to appear with the energy deal. EWON supports this suggestion as it gives customers the option to find out more information about the product on offer, if they wish.

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<sup>1</sup> ESCV Guideline No.19 Energy Price and Product Disclosure, pg4

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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?

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To ensure clear, standardised and comparable information for customers EWON recommends that the AER develop a *Price and Product Information Statement* template for retailers to use when presenting any energy pricing information and offers to customers. For example, the Essential Services Commission in Victoria has a clear and simple template which retailers are required to use<sup>2</sup>.

EWON would recommend that the template and the related statements be called *Price and Product Information Statement* as we believe this title clearly suggests what the statement refers to i.e. the pricing information and all the details about the product on offer. Words such as ‘disclosure’ are not commonly used by the general public and could confuse customers.

As well, we believe these statements should be available on retailers’ websites (via a direct link from the homepage, that allows a person to ‘easily and logically’ access the information<sup>3</sup>), and given to customers on request or when retailers engage in any marketing activity. The statements must also be written in plain English and designed to be ‘readily understandable by customers’<sup>4</sup>. We would encourage the AER to consider adopting these Victorian requirements so that the statements are as accessible as possible for customers.

Has the AER considered what requirements should be in place for customers who cannot read English or have limited literacy levels? Most retailers in NSW offer customers access to translating and interpreting services and will provide information in Braille for customers, if needed.

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Q5. What are stakeholder views on discounts/rebates/fees etc. being disclosed separately from the actual price of energy?

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Whichever pricing method is settled on EWON strongly recommends the separate upfront disclosure of all fees, charges, rebates, discounts etc from the actual price of energy. Some offers are sign up bonuses which can mislead a customer as to the long term price of supply and can disguise a higher tariff.

EWON receives many complaints from customers who have been charged fees

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<sup>2</sup> ESCV Energy Price and Product Disclosure Guideline No.19 <http://www.esc.vic.gov.au>

<sup>3</sup> ESCV, Guideline No.19 Energy Price and Product Disclosure, pg2

<sup>4</sup> ESCV Guideline No.19 Energy Price and Product Disclosure, pg5

such as disconnection fees and special meter reading fees when they have closed or transferred their accounts. A common feature of these complaints is confusion about the fee among customers. However the strongest common theme is that the customers were not told about the fee in advance – either by the marketer with whom they agreed to a contract, or in the documents/information provided by the retailer. A number of customers state that they would not have agreed to a contract if they had been aware of such fees on closing their account/ moving premises. We note that retailers respond that these are network fees that are passed on to customers. However, it is EWON’s position that if a retailer is to apply any additional fees during the life of a contract, whether retail or network, all fees should be disclosed up front so that a customer can make an informed decision about accepting a contract.

The following online complaint to EWON from a customer reflects a common customer view:

*When I vacated premises Retailer A sent me a bill for \$90.00 disconnection fee. When I decided to use Retailer A, it was because they told me they had no fees....turns out they have no connection fees, but they do charge a massive disconnection fee. This is completely unfair as the consumer is not provided with the information about the disconnection fee up front. I am happy to pay the bill of \$24.82 in electricity account charges but not to pay the disconnection fee. I spoke to a Retailer A operator who told me it is not their policy to disclose the fee upfront....nice.*

A significant network disconnection fee of \$90 passed on to a customer could cancel out any savings on a contract with a retailer.

Customers also complain to EWON that the bonus or discount they were offered has terms which they were unaware of, and sometimes time limits or restrictions/penalties they consider unfair. Customers can also be confused about whether a particular discount applies for the first 12 months or for the term of the contract. In one instance the bonus that is a feature of an offer to customers is cancelled if a customer is late in paying even one bill. For these reasons EWON recommends that all rebates, discounts, fees and charges (network or retail) are disclosed up front with the key terms of the discount or deal clearly spelt out.

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## Q7. What are general views on the formats presented in these tables?

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The AER seeks feedback on the following table formats for presenting unit prices and further price details such as fees and charges:<sup>5</sup>

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<sup>5</sup> AER Retail Pricing Information Guidelines Issues Paper, pg13-14

**Format 1 – single rate tariff**

<b>Electricity – All prices inclusive of GST</b>	
Fixed charges	\$/day
Energy	c/kWh

**Format 2 – two rate tariff (electric hot water)**

<b>Electricity – All prices inclusive of GST</b>	
Fixed charges	\$/day
General usage units	c/kWh
Hot water heating (off peak) units	c/kWh

**Figure 1**

<b>Further price details</b>	
<b>Rebate</b>	<i>Details</i>
<b>Discount</b>	<i>Details</i>
<b>Pay on time discount</b>	<i>Details</i>
<b>Product voucher</b>	<i>Details</i>
<b>Loyalty scheme</b>	<i>Details</i>
<b>Fees</b>	
<b>Exit fees</b>	<i>Details</i>
<b>Late payment fee</b>	<i>Details</i>
<b>Reconnection fee</b>	<i>Details</i>

These formats appear to present information clearly and simply. As noted elsewhere in our response to the issues paper, EWON’s preference is for a combined approach, so these table formats could be used to present the unit pricing information and disclosure of related fees and charges, in conjunction with the indicative annual figures (see EWON response to Q18). As well EWON strongly supports the separate disclosure of all related fees, charges, rebates etc (see EWON response to Q5).

**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”)?**

EWON believes that cents/day seems the effective unit to use, as it gives

customers the ability to simply calculate greater periods of time. As well, we recommend that c/kWh is spelt out in full the first time it is referred to in the Guidelines and templates, followed by the abbreviation. For example: *cents per kilowatt hour of electricity (c/kWh)*.

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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?

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Where possible, information requirements for small business customers should be based on the same principles as residential customers - as accessible and easily comparable and understandable as possible. In EWON's experience of customer complaints, small business operators are often as confused as residential customers when it comes to contract offers, terms and costs. Many small businesses need the same plain English, standardised information and support as residential customers.

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Q12. The AER seeks views on how discounts 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?

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EWON supports the full upfront disclosure of all costs to the customer – tariff, as well as fees, charges, and other pricing information (See EWON response to Q5). Full disclosure will provide customers with clear understanding of what their standing or market offer will cost, allow them to consider and compare offers, and ultimately prevent complaints, confusion and unforeseen costs for customers down the track, as well as difficulties for retailers.

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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?

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EWON supports the idea of information descriptors and pointer questions concerning appliances and household types to assist customers develop an indicative understanding of their annual usage costs.

### *Time of use tariffs*

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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 *time-of-use-tariff* 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?

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In relation to presenting Time of Use pricing information EWON would argue that where possible the same principles of accessible and comprehensive information should apply to maintain consistency across offers and tariff types.

EWON would appreciate the opportunity to discuss these issues further with the AER and stakeholders via the working group.

### *Combination approach*

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Q18. What are stakeholder views on the effectiveness of using a combination of both the annual cost and standardized unit pricing method to present price information?

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EWON supports the combination approach to presenting pricing information, so that customers are provided with both standard unit pricing and an indicative annual dollar amount. We would argue that it would also be beneficial for customers to have an indicative daily dollar amount, along with the annual amount and the unit prices.

From our experience with NSW energy customers price is the key factor for most customers when choosing their retailer, and will increasingly be a driver as prices rise and many customers struggle to afford their essential services. As the AER states in the Issues Paper '*transparency of pricing is critical in facilitating customer choice and reducing information asymmetry*'<sup>6</sup>. The international research presented also supports this view.

Many customers are not readily familiar with the terms kWh or Mj. As well, customers are often not familiar with their household consumption levels or appliance usage in these terms. As the AER suggests, an annual amount against consumption bands would have to be presented as only an indicative amount, and it would be necessary to include descriptors and pointer questions to help customers pick their appropriate consumption band.

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<sup>6</sup> AER Retail Pricing Information Guidelines Issues Paper, pg2



We feel that presenting customers with both an annual consumption amount and the unit pricing amount provides the most tangible and meaningful information.

The Issues Paper raises concerns that the combination approach could require a greater volume of information which

*can cause confusion and reduce the ability of customers to interpret information...this could be counterproductive to the goal of the Guideline particularly if the information is presented in a cumbersome way<sup>7</sup>.*

EWON disagrees that the combination approach would cause confusion. We believe it is beneficial to customers and retailers to provide as much comprehensive relevant information as possible to customers choosing an energy offer. By providing both the annual amount and the unit pricing information customers' understanding of the pricing information will be increased and they will have the greatest chance of making the best decision suited to their circumstances. As long as information is presented clearly and in plain language, then customers can pick which pricing model suits them better, or use both to make the most informed decision possible and potentially compare products.

This is not only about providing accessible and meaningful information to customers, but also a process of educating customers. There will be huge benefits to customers in providing accessible, easily understood and comprehensive information. This in turn benefits the industry as complaints and customers issues will be reduced, and effective customer choice enhances competition.

Another potential concern raised was the cost to retailers of systems to accommodate the combination approach. EWON believes that there can be significant costs to retailers in not providing this information to customers – for example the cost of customer confusion and misinformation can lead to increased complaints to retailers and an Ombudsman. These other types of costs need to be considered in relation to potential costs for administering a combination approach.

### *Related issue for AER consideration – independent price and product comparison resources*

While not considered in this issues paper EWON would like to raise a complementary issue to the guidelines. NSW is currently developing a price comparison website and telephone service (administered by regulators and government) to ensure customers can independently compare energy offers. We understand Victoria, South Australia and Queensland already have these resources available for customers.

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<sup>7</sup> AER Retail Pricing Information Guidelines Issues Paper, pg18-19

Has the AER considered what resources and information will be needed to complement the pricing guidelines? For the AER's objectives in this area to be met, in line with the intent of the NERL, we believe it is imperative for consumers to continue to have access to independent, accurate and accessible comparative information to assist them make informed decisions about their energy contracts – either via state jurisdictional information or via a nationally coordinated approach.

Essential to this is a regulated requirement on retailers to provide pricing information in a standardised format which invites easy and simple comparison. If this is not a requirement then the end result is that consumers will have limited access to clear information on which to make an informed decision when choosing a retailer.