

27 April 2010

Mr Tom Leuner
Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

By email: AERInquiry@aer.gov.au

Dear Mr Leuner

Re: Australian Energy Regulator Retail Pricing Information Guidelines

Thank you for the opportunity to provide comment on the Australian Energy Regulator (AER)'s Issues Paper on *Retail Pricing Information Guidelines* (the Issues Paper).

The Energy and Water Ombudsman (Victoria) (EWOV)'s interest in making comments is based on its extensive experience in handling customer complaints.

Section 242 of the *National Energy Retail Law* sets out that the purpose of the pricing guidelines is 'to assist customers to consider and compare standing offer prices and market offer prices offered by retailers'. EWOV agrees with the AER's view that standardisation is a key aspect of any pricing disclosure model as it will allow a 'like for like' comparison.

Options for the medium of presentation

EWOV supports the AER's proposal that the *Retail Pricing Information Guidelines* should apply to internet presentation of energy offers and any written information that is provided to (potential) customers. Not only will customers be able to review the information on websites and in brochures in their own time, it is also easier to keep these sources of information updated more swiftly compared to billboards and television advertising. While it can be argued that allowing retailers some freedom in the way prices are presented might lead to competition and improve the way the information is presented, a template similar to the one used by Victorian retailers for their 'Price and Product Information Statement' is the simplest way of ensuring that the comparison is really 'like for like'.

Options for the presentation of prices

After considering the different models in the Issues Paper, it is EWOV's opinion that the combination approach will best serve the purpose of helping customers compare standing offer and market offer prices.

EWOV acknowledges customers are likely to prefer a price disclosure model that is easy to understand and does not require a lot of complicated calculations on their part. However, the combination approach would allow customers who want a simpler option to base their comparison on the annual cost, while customers who would like more detailed information can readily obtain this. This way, customers can choose how much information they would like to access before deciding which offer best meets their needs.

At the same time, it is also important to consider that any of the models will only be really useful to customers who have information about their consumption. This means that the usefulness will to some extent depend on the information on customers' bills. The advanced metering rollout will bring more complex tariff structures and will make it even more important for customers to be aware of their usage patterns when comparing different offers. In its paper 'Billing - Good Practice', a European Union Working Group suggested that "An option to consider to improve market transparency and comparability of offers is the inclusion of key elements in a 'Comparability Box'. This box would include all necessary information for consumers about their energy company, tariff and contract...base price and price €cent (or other currencies) /KWh, including any variable tariffs and any min/max price variations, other discounts"¹.

Given that many customers seem to prefer the simpler models, it is likely that they will use a comparison website rather than looking at individual retailers' websites. The Victorian Essential Services Commission currently offers such an online comparison service². There are privately run comparison websites but these do not always show prices of all retailers participating in the market, therefore EWOV suggests that the AER considers offering a similar service to customers.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Kerrie Milburn-Clark, Manager Public Affairs and Policy, on (03) 9649 7599 or at Kerrie.Milburn-Clark@ewov.com.au.

Yours sincerely



Fiona McLeod
Energy and Water Ombudsman (Victoria)

¹ Page 11 at http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm

² www.yourchoice.vic.gov.au