



EnergyAustralia

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Ms Michelle Looi
Assistant Director
Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

EnergyAustralia Pty Ltd

ABN 99 086 014 968
Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Lodged electronically: AERInquiry@aer.gov.au

Dear Ms Looi

Benefit Change Notice Guidelines – Issues Paper

EnergyAustralia is pleased to make this submission to AER's Benefit Change Notice Guidelines (Benefit Change Guidelines), Issues Paper. We are one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

We understand the Benefit Change Guidelines are being developed in response to the Australian Energy Market Commission's (AEMC) rule change in August 2017 (new rule). We appreciate that the objective of the new rule is to ensure that customers are aware that benefits under their energy contract are about to end or change and to provide them with sufficient information to understand the impacts and to compare with other offers in market.

The rule change and Benefit Changes Guidelines form part of a much larger national initiative to improve customer experiences by reducing complexity and improving affordability as well as the ability of customers to identify and compare all available market offers. For this reason, it is important that the Benefit Change Guidelines ensure that information provided to customers under the benefit change notice is consistent and complementary to other initiatives underway.

1. Definition of change in benefit

EnergyAustralia supported the AEMC's new rule to ensure customers are informed about changes to their energy plans and the potential impacts to household budgets. It is a practice we currently undertake to ensure that our customers informed about their energy plan and features.

We consider that this obligation should only apply where there is a negative impact on the customer – not in cases where there is a positive change. Retailers should have the flexibility to market and communicate positive changes to customers as they see fit. Changes to energy plans that result in a benefit to customers are typically the result of proactive marketing

campaigns designed to attract and retain customers through the promotion of positive benefits under their contracts. In a competitive market we should have creative control over when and how we communicate to our customers as well as the language used in these types of communications. Prescriptive rules about how this is done would be an unwarranted regulatory burden at a time when market participants already face extensive obligations.

2. Notification of amount of benefit change and provision of consumption data

We support the intention of AEMC's rule change to assist customers by presenting the benefit change amount in dollar terms and to provide them with information necessary to use Energy Made Easy.¹ We also agree with the AER that any dollar amounts provided in the notice must be consistent with EME calculations so as to allow customers to easily compare dollar amounts provided on the notice with other plans in the market.²

Amount payable under the benefit change:

EnergyAustralia is of the view that over-complicating the notices by providing a projected cost of the amount payable based on each historic consumption data will in some cases exacerbate the confusion customers experience in comparing offers. This will be yet another different comparison figure provided to customers (along with benchmarks under bills and reference prices published on Basic Plan Information Documents (BPIDs)). Further, a projected cost based on historic data may not be relevant or meaningful in terms of the customer's consumption going forward and the actual "do nothing" position (for example, because of an annual tariff change).

We believe that the reference price will generally be a useful way to communicate the required information to customers, but that the Guidelines should also allow retailers to use actual consumption history to calculate the projected cost if this is more suitable in some cases.

Inclusion of a comparison figure:

We also appreciate that in order to understand the impact of the amount payable under the benefit change, having a point of comparison is useful. However, we do not think providing the historical billing information, or the value of the benefit (as defined by AER in comparison to a 'do nothing' scenario) are necessarily the best reference points. We say this for a number of reasons including:

- Historical billing amounts will include discounts, concessions, rebates, one-off rewards or other credits applied to bills for any number of reasons.
- The comparison will be meaningless where the consumption or tariff of the customer is expected to change into the future (for example, a new child).
- Energy consumption data over the benefit period (usually 12 months – 2 years) is likely to contain anomalies as a result of outages, or where we do not have access to their complete energy consumption data – so in many cases we will have to include a note that the consumption data is an estimate only. Customers do not trust such disclaimers and are less likely to rely on that information.

Accordingly, in order for a customer to attribute meaning to the benefit change amount, we recommend that the AER align benefit change notice requirements with proposed amendments to the RPIG and specifically, the reference price consumption benchmarks on the BPID. Not only will this provide customers with a consistent basis for comparison of offers provided by a retailer, but also across retailers. Providing information in the benefit change notice consistent with how information is presented in BPIDs, will allow for easy and meaningful comparisons by

¹ Rule 48B(2)(c) of the Retail Rules.

² Australian Energy Regulator 'Benefit Change Notice Guidelines – Issues Paper' February 2018, p 10.

customers across the range of tools available to them from retailers and the AER. As part of the notification, retailers should indicate to the customer which consumption band they sit in.

There are some cases where a customer may benefit from the provision of a projected cost that is specific to them. For that reason, we recommend the AER consider allowing retailers the flexibility to decide whether to provide the benchmark reference price (using the same process as for the BPID) or a figure based on the customer's actual consumption data.

Provision of consumption data:

As we know from much of the work industry, consumers groups and the AER have done over the last 12 months, not all customers are interested in undertaking a detailed assessment of energy plans, and this is the very reason why Energy Price Facts Sheets are being revised and likely to be replaced with the simpler BPID and consumption profile reference prices.

If consumption data is to be provided in the benefit change notice, then retailers should have the flexibility to decide whether to provide consumption based on the BPID consumption profiles or the customers' actual historical usage.

Those customers who do not receive their actual usage data in their benefit change notice and want access to it in order to undertake more detailed comparison can obtain that data from their historic bills or request it from their retailer (many retailers have online portals that allow this, including EnergyAustralia).

In summary, we support the AER work has done in establishing the reference rates and see value in keeping end of benefit notices consistent to make it simpler for customers, however there may be some circumstances where retailers feel it is more appropriate to use individualised usage profiles.

3. Presentation and layout

EnergyAustralia does not support overly-prescriptive regulation of the form and layout of the end of benefit notices, and recommend that retailers be given flexibility to tailor notices according to their individual operational and brand needs (whilst meeting the intent of the Guidelines). As part of our marketing campaigns, we are always considering new opportunities to set ourselves apart from our competitors both in our branding and our market offers.

EnergyAustralia seeks to maintain as much creative flexibility as we can when communicating with our customers. We want to take a customer centric approach and to remain competitive. We need to be able to distinguish our offers and our brand, rather than being constrained by overly rigid regulatory notification requirements that may not be meaningful to our customers. In particular, we want the flexibility to ensure that we can adapt our modes and style of communication as we learn from our interactions with our customers.

4. Summary

EnergyAustralia supports efforts to prevent poor behaviour of negatively changing customer benefits without notifying the customer. In operationalising the New Rule the AER has an opportunity to align the notice requirements with the changes to the RPIG and to maximise the benefits of the significant work that has already been done to understand customer preferences and their engagement in the market. We consider that the Benefit Change

Guidelines have a complimentary role together with the RPIG, the BPID and other regulatory initiatives which aim to facilitate customers' ability to engage in the energy market.

EnergyAustralia welcomes the increased transparency and commits to continue work with AER to improve energy comprehension and accessibility for all customers.

These changes are not happening in isolation and will need to be carefully planned and considered alongside other important regulatory initiatives which are underway to ensure consistency and avoid duplication. Our concern is to ensure we maximise the value of our efforts in delivering regulatory change and that we derive the best outcomes for customers.

EnergyAustralia looks forward to continuing to work cooperatively with AER in the development and implementation of these guidelines. Should you require further information regarding this submission please call Samantha Nunan on (03) 8628 1516.

Yours sincerely

Melinda Green
Industry Regulation Leader