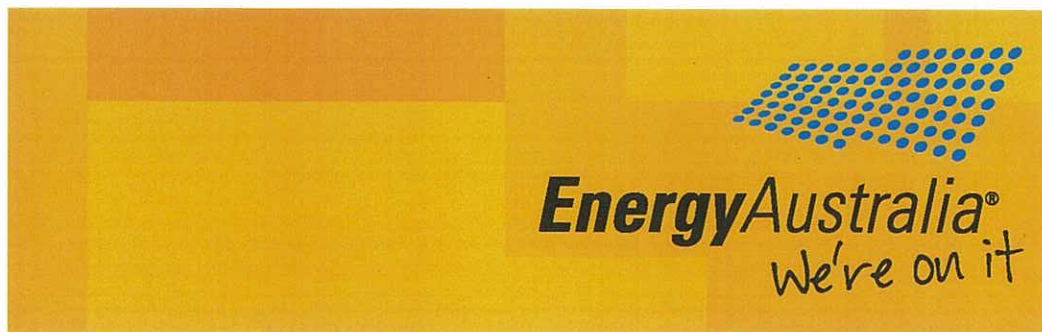


570 George Street  
Sydney NSW 2000

Address all mail to  
GPO Box 4009 Sydney  
NSW 2001 Australia

[www.energy.com.au](http://www.energy.com.au)



30 April 2010

Tom Leuner  
General Manager  
Markets Branch  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Mr. Leuner,

### **Re: AER Retail Pricing Information Guidelines**

EnergyAustralia welcomes the opportunity to comment on the AER Retail Pricing Information Guidelines.

EnergyAustralia notes that an AER Pricing Information Guideline (Guideline) is likely to be required under the Retail Law currently being drafted as part of the National Energy Customer Framework and that the AER Issues Paper states that "Retailers are required, without limitation, to present offers in that way when "publishing, advertising or varying those prices". While EnergyAustralia supports an approach that promotes national consistency and assumes that any Guidelines will replace the current requirements that have been put in place on a State by State basis we have some concerns about the potential scope.

One of the goals of any Guideline should be to simplify the information that is provided to customers rather than requiring information that is presented elsewhere to be duplicated in yet another document. To that end it is appropriate for any resultant Guideline to be focussed on providing customers information when they are either actively seeking information (for example, looking on retailers' websites for information) or at the time they are making an energy purchasing decision rather than presenting it via wider mass market advertising approaches. We believe that requirements under the Guideline should not require retailers to present information in the format under any Guideline when tariffs are varied in accordance with a customer's agreement.

As part of the Issues Paper the AER has sought stakeholder comment on a number of specific questions. Please find below EnergyAustralia's response to these questions.

#### **What are stakeholder views on the forms of advertising that the AER should target with this Guideline?**

The Pricing Information Guideline should not be targeting mass market advertising. In order to be most effective any Guideline should be limited to information supplied to customers at times when they are focussed on price, for example, when they are considering offers or actively seeking information on offers. The appropriate target for any guidelines should therefore be offer information provided to customers either at the point of sale for door to door or as part of offer information for direct mail/telesales as well as being readily available on a retailer's website.

**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?**

EnergyAustralia does not consider that the presentation of pricing information on mass market media platforms requires any specific regulation from the AER. Mass market approaches typically point the customer to another medium (eg web or call centre) and it is the secondary points that are the appropriate place for any Guideline to apply not the mass market platform.

**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?**

The Guideline should be a guideline rather than a prescriptive template and therefore should indicate the information that needs to be included rather than stipulating a specific template that has to be followed.

As previously stated EnergyAustralia considers the most appropriate circumstance to present prices following any Guideline is at the point of sale or when specific price information is being sought.

EnergyAustralia does not have a view as to what the output of the Guideline should be called.

Once broader issues regarding the application of any Guideline are determined, further stakeholder consultation is required on what type of format should be followed (to the extent such decision need to be made).

**What are stakeholder views on the effectiveness of using standardised unit pricing as a way of presenting prices?**

The unit prices give customers the necessary information to make an accurate assessment tailored to their specific situation, however, we recognise that some customers may find the information complex to follow.

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

In order for customers to make an easy comparison across multiple offers EnergyAustralia considers that information regarding both non-conditional and conditional discounts and rebates as well as non-financial benefits should be disclosed separately from the actual price of energy.

**Is standardised unit pricing likely to become too complex when bundled offers/complex tariffs are disclosed in the proposed formats?**

There is the potential for standardised unit pricing to become complex particularly when retailers structure their offers in a different manner or where the structure of the tariff is complicated, for example under a seasonal time of user tariff. However, the tariff information is relevant to any customer offer and therefore despite its complexity it is appropriate for the information to be included in any product/price information sheet.

**What are general views on the formats presented in these tables?**

For a consumption based product the format presented in the tables works. EnergyAustralia would be concerned if the requirements of the Guideline were so prescriptive that product innovation was to be limited.

**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”)?**

EnergyAustralia considers presentation of information that is consistent with the manner in which the information is presented in the bill is most effective format to be used. To this end we consider c/day and c/kWh (or c/MJ) to be most appropriate.

**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.**

While the annual cost method is a simple way of presenting information that allows customers to easily compare offers, the information provided is not necessarily relevant to the particular customer circumstances which may lead the customer to making an incorrect decision.

**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?**

Any Guidelines should be limited to cover residential customers. EnergyAustralia considers that the variation in consumption for small business customers is too great for consumption bands to have any meaning. Given the variation in consumption levels across the different jurisdictions due to both weather and fuel mix, we believe that for the consumption levels to be appropriate they should be set on a jurisdictional basis. One way in which the appropriate consumption levels could be set is by determining the “average” residential consumption and then calculating a small and large customer size based on the average size.

**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?**

As stated above EnergyAustralia considers that the variation in consumption for small business customers is too great for consumption bands to have any real meaning.

**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?**

If the annual cost method is to be applied then any non-conditional financial benefit to customers should be included as part of the annual cost. No value should be assigned to non-monetary benefits (eg magazine subscriptions) or conditional discounts/rebates.

**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?**

While we note there are methods using various assumptions that enable consumption to be estimated, we consider the most accurate and effective way for a customer to place themselves in an appropriate consumption band is through consulting a recent bill.



**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?**

The use of a simplified load profile to allocate consumption to time bands (or seasons where seasonal prices apply) is most appropriate. The effects of seasonality on block prices should not be factored in to any annual cost approach. An average approach is most applicable as it should be the best approximation for most customers. Attempting to apply a more sophisticated profile may result in a more accurate outcome for some customers but in doing so is likely to result in a less accurate estimate for the majority.

**What other appropriate methods could be considered?**

At this time EnergyAustralia doesn't consider any other methods appropriate.

**Should different load profiles be created for each jurisdiction or season?**

While EnergyAustralia is in favour of a national approach, different profiles should be created for each jurisdiction. This ensures that the information given to customers is most applicable for their situation. The same profile should be used for all seasons.

**How often should the load profile be updated?**

The load profiles should be reviewed on no more than an annual basis and only updated when the profiles has changed by more than an agreed tolerance.

**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?**

A combination of both annual cost and standardised unit pricing, similar to that currently applying in Queensland, is a good compromise solution which overcomes the drawbacks of the individual approaches. Customers have sufficient information in the unit pricing to enable them to calculate the specifics for their case as well as having a high level summary though the annual cost approach. The inclusion of the unit pricing as well as the annual cost enables customers to easily work out what rates apply to the specified annual cost.

I trust this submission will assist the AER in preparing any Retail Pricing Information Guidelines.. Please contact EnergyAustralia's Executive Manager – Energy Pricing, Catherine Marshall on (02) 9269 7256 should you have any questions.

Yours sincerely,



Jane Mills

General Manager Sales & Marketing