



Ref. CP

29 October 2010

Mr Tom Leuner
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Dear Mr Leuner

Position Paper – AER Retail Pricing Information Guideline

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd (together "Ergon Energy") welcome the opportunity to provide a submission to the Australian Energy Regulator (AER) in response to its *Position Paper: AER Retail Pricing Information Guideline* (Position Paper).

Ergon Energy has provided a response to each of the questions raised in the Position Paper as well as general comment on the Position Paper and the associated draft Guideline.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "C. A. Price".

Carmel Price
Group Manager Regulatory Affairs

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**Ergon Energy Corporation Limited
and
Ergon Energy Queensland Pty Ltd**

**AER Retail Pricing Information Guideline –
Position Paper**

Australian Energy Regulator

29 October 2010

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Position Paper
Australian Energy Regulator
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This submission, which is available for publication, is made by:

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1 INTRODUCTION

Ergon Energy Corporation Ltd (EECL) and Ergon Energy Queensland Pty Ltd (EEQ) welcome the opportunity to provide comment to the Australian Energy Regulator's (AER) *Position Paper - AER Retail Pricing Information Guideline* (Position Paper) and the *Draft for Consultation – AER Retail Pricing Information Guideline* (Guideline), annexed to the Position Paper.

This submission is provided by:

- EECL, in its capacity as a distribution network service provider in Queensland; and
- EEQ, in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'. Ergon Energy has addressed each of the issues for consideration separately below and responded to specific questions raised by the AER.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AER require.

2 GENERAL COMMENTS

Ergon Energy supports in principle the AER producing a Guideline to assist retailers in uniformly complying with their legislative obligations outlined as part of the National Energy Customer Framework (NECF) package. However, it is Ergon Energy's view that the Guideline (along with other guidelines produced by the AER in relation to its new retail functions under the NECF) should only reflect the requirements on retailers that are contained in the National Energy Retail Law (NERL) and National Energy Retail Rules (NERR).

To impose additional requirements in the Guideline which are additional to those specified in the NERL or NERR would result in a compliance obligation which may not have the necessary legislative authority and which could involve significant additional and unnecessary costs for retailers that are ultimately borne by customers.

It should be noted that the standardised retail offer information proposed in the Guideline is only one form of communication that currently exists between retailers and their customers. Many retailers already offer extensive and useful information and assistance to customers regarding their electricity consumption and payment options which can be requested over the phone or accessed via retailers' websites.

Ergon Energy repeats our comments made to the AER's *Retail Pricing Information Guideline: Issues Paper* released on March 2010 that the Guideline's pricing information requirements should only apply to market offers that are made to customers defined as 'small' under the NECF (i.e. all residential customers and, for electricity, business customers consuming less than 100 MWhs per annum). That is, regulated standing offers should be excluded for the disclosure requirements. This is consistent with the existing price disclosure models in South Australia and Queensland.

3 METHODS OF PRESENTING RETAIL OFFER INFORMATION

The AER seeks stakeholder feedback on its preliminary approach to presenting energy prices.

Ergon Energy supports the AER's conclusion that, of the three pricing methods presented, the standardised unit pricing approach is the most likely to provide consumers with a useful and effective method for comparing electricity pricing information.

Ergon Energy also notes that this approach should hopefully assist in mitigating the costs to retailers of producing and maintaining price disclosure data.

4 SCOPE OF THE GUIDELINE

Ergon Energy supports the AER's proposal to limit the application of the Guideline to information that is provided to customers during in-person marketing activities, telemarketing activities, and the internet.

The AER seeks stakeholder views on whether the Guideline should supplement requirements on retailers to notify customers of any variations to their offers. The AER also seeks views on how the Guidelines could supplement the requirements in the Retail Law/Rules.

Ergon Energy believes the Guideline should not impose supplementary requirements on retailers to notify customers of variations to offers for the following reasons:

- Section 205(3) of the NERL already contains comprehensive requirements for retailers to inform customers of changes to standing offer prices. Specifically, when there is a variation to standing offer prices, a retailer must:
 - (a) publish the variation (or the standing offer prices as varied) on their website;
 - (b) publish a notice about the variation in a newspaper circulating in the participating jurisdictions in which the retailer has customers; and
 - (c) inform each affected customer of the variation when the retailer sends the next bill to the customer.

The above requirements not only inform customers of changes to standing offer tariffs in an effective and timely manner, but do so at a reasonable cost to retailers;

- The inclusion of supplementary requirements related to variations in tariffs may exceed the Guideline's authority with respect to both standing offers and market offers, noting that the stated purpose of the Guideline under section 242(b) of the NERL is to:

...assist customers to consider and compare standing offer prices and market offer prices offered by retailers.

Ergon Energy believes that the Guideline is intended to address issues of information asymmetry that exist at the time that a customer is choosing a contract or in circumstances of a direct sales approach by a retailer.

The provision of notice of subsequent variations to the contract price (and the content of such notice) for:

- market offers, should be identified in the terms of the contract; and
- standing offers, is already proposed to be regulated through section 205 of the NERL.

To the extent that there is a policy view amongst the participating jurisdictions that additional notification safeguards are required, these should be specified in the NERL or NERR, not through the Guideline; and

- Ergon Energy currently complies with the proposed section 205(3)(c) in the NERL by noting in a free format space on customers' bills, variations to standing offer prices. The cost to do this is minimal.

However, should the Guideline ultimately mandate that variations to tariffs be presented in a table, whether on the customer's bill or via a bill insert, this will result in significant information technology system and production costs.

This would be particularly onerous in circumstances where the variation is to a standing offer tariff as these are typically varied at a frequency and timing that is largely outside the retailer's control.

Ergon Energy also wishes to draw the AER's attention to the following inconsistency in the Position Paper and Guideline - the last sentence in second last paragraph on page 15 of the Position Paper states:

*The attached draft Guideline proposes that the disclosure statement must be **received** by the customer within 5 working days.*

However, the last sentence in section "2.4 Telemarketing and telephone queries" in the Guideline states:

*Where a small customer requests an Energy Price Fact Sheet, the retailer must **supply** (either via post or email) the Energy Price Fact Sheet to the small customer within five business days.*

Ergon Energy would like to confirm that the proposal is for the retailer to 'send' the Energy Price Fact Sheet within five business days. In particular:

- given Ergon Energy's geographically dispersed customer base and the number of customers located in isolated and remote areas, it would be impossible to guarantee that a customer will 'receive' this information within the timeframe;
- 'receipt' is outside the retailer's control and would be impossible to monitor from a compliance perspective; and
- the use of 'send' would be consistent with the requirements of NECF with respect to the issuing of notices and bills.

5 PRESENTATION OF INFORMATION

With regards to the presentation of information:

- While Ergon Energy notes that the AER will undertake further consumer research in relation to the preferred titles for the price fact sheet templates, Ergon Energy believes the terms: “Electricity Price Fact Sheet”, “Gas Price Fact Sheet” and, for dual fuel offers, “Electricity and Gas Price Fact Sheet” are preferable to the all encompassing term “Energy Price Fact Sheet”; and
- Discounts, rebates and fees should be presented separately in a separate section of the Price Fact Sheet to the ‘applicable charges’. Given that these are likely to be contingent and therefore will not be applicable to all customers, incorporation into the charges section would complicate customers’ ability to undertake a ‘like-for-like’ comparison of the retailer tariff offerings.

The AER seeks stakeholder views on this issue. If stakeholders are supportive of mandatory inclusion of such examples, they should provide examples of the types of information that would be most useful for inclusion in the Guideline.

Ergon Energy supports the AER’s position that appliance usage examples should not be mandated for inclusion in the Price Fact Sheet. Ergon Energy believes that this may result in customers focussing on total costs (rather than the unit prices) when comparing offers. This may lead to a de facto annual cost approach (the application of which is not supported in the Position Paper).

This may be misleading for customers due to the number of variables impacting calculations. For example, in the case of the approximate kilowatt hour usage of an electric kettle, the variables include:

- the starting temperature of the water (e.g. room temperature or tap water);
- the power rating of the appliance (e.g. 2,000 watts vs 2,400 watts); and
- the time period of the calculation (e.g. week, month or year).

Unless carefully managed, the inclusion of appliance usage examples may therefore impede a customer’s ability to easily and accurately compare offers between retailers.

Ergon Energy currently provides, and supports the continued provision, of this information through appropriate mediums such as on retailers’ websites.