

29 October 2010

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

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

Dear Mr Leuner

### **Retail pricing information guidelines position paper**

Integral Energy welcomes the opportunity to comment on the retail pricing information guidelines position paper (the Position Paper) released by the AER in September 2010.

Integral Energy is the second largest state owned energy corporation in New South Wales, serving some of Australia's largest and fastest growing regional economies. It provides distribution network services to almost 860,000 customers or 2.1 million people and has a significant retail presence in New South Wales and Queensland.

As indicated in our submission on the Issues Paper, Integral Energy supports the basic principle that retailers should transparently disclose their prices to small market customers. However, it remains concerned with elements of the package proposed in the Position Paper.

#### *Rationale*

As a preliminary comment, Integral Energy notes that it has not seen any detailed analysis conducted to determine whether mandating a national pricing information scheme would be likely to result in tangible net benefits to customers or the wider economy. An industry developed and voluntary scheme may provide a more cost effective alternative.

The analysis of the scheme proposed in the Position Paper should take into consideration the range of government policies either already established, in development or being considered. The energy sector is currently an intensely active policy space. Market participants, including retailers and customers, face a plethora of schemes and incentives. Their interactions may not be fully understood and every scheme comes at a cost, with retailers already bearing significant compliance burdens. This acts as a barrier to competition which favours incumbent participants and reduces both product innovation and customer choice.

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### *Duplication*

The proposed scheme also appears to duplicate many elements of existing State-based schemes. While a single national approach is preferable in principle, there has been no indication of an agreement to, or timetable for, removing that duplication. Again, this leaves retailers bearing the burden of complying with multiple schemes. Integral Energy submits that the AER's proposed scheme should not proceed until a timetable has been agreed to remove the existing State schemes.

### *Co-ordination*

Integral Energy understands there is a prospect that the AER will also rollout a national price comparator website but that this will not occur until funding arrangements have been finalised. This means that the content and design of the website will be undertaken after the AER applies the Pricing Information Guidelines including the obligations regarding the proposed Energy Price Fact Sheet.

It is important that the Fact Sheet and the website interact seamlessly and that any unnecessary duplication of content is avoided. The current consultation process provides no confidence that a holistic design approach will be taken with the risk being that retailers may need to retool their systems a second time. Integral Energy suggests that the current process be delayed until both aspects can be considered together.

### *Formatting*

While recognising the benefits of consistency, Integral Energy cautions against mandating Fact Sheet formatting. Mandatory formatting materially restricts innovation. The only circumstance in which doing so may be relevant is where a customer compares two printed Fact Sheets. This is relatively rare since customers intent on making a thorough comparison will normally do so using the information contained on retailers' websites.

### *Additional matters*

Finally, Integral Energy notes that:

- standing charges are often charged on an other-than per diem basis (for example, monthly) and accordingly suggests that the proposed requirement in the Pricing Guideline that they be displayed on a "cents per kWh" basis be removed; and
- it may be helpful to include additional wording in section 2.4 of the proposed Guideline to make it clear that telephone contacts to discuss the content of existing customers' bills do not attract the obligation to provide an Energy Price Fact Sheet.

Integral Energy looks forward to further participating in the remainder of the AER's process for settling the guidelines. If you have any questions with respect to this matter, please contact Mr Anthony Englund, Regulatory Policy Manager, on telephone number (02) 9853 6511.

Yours faithfully



Michael Martinson  
Manager Network Regulation