



Whatever makes you shine.

26 August 2011

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Lumo Energy, (Lumo), welcomes the opportunity to comment on the Australian Energy Regulator, (AER), Price Comparator Website issues paper, July 2011. We believe that that the concepts associated with price comparison, often can be difficult to achieve with the considerable number of values per offer and non-standardised terminology that complicate matters across jurisdictions.

Lumo is supportive of the approach used by the AER in terms of structure, simplicity and functionality for both use and input however has some concerns regarding the purpose and intent of the site that are seemingly inconsistent with the market objectives.

We, having been exposed to a variety of comparator sites hosted by both regulators and those commercially available, believe that a comparison in principle is used by consumers to determine the best price and/or product to suit their individual needs. Some consumers would prefer more information than others and some will seek simplicity and filter by the lowest price available.

Understanding that the AER must cater for the broader community in terms of energy literacy, consistent messaging, simplicity and educational information, Lumo suggest that the initial search functionality cater for the various levels of understanding.

To achieve this we recommend a simple 'quick search and comparison' function verses an 'in depth' assessment of usage and estimated annual costs be established as the initial screen. This could monitor user behaviour based on traffic between the two pages and gauge the level of general understanding of users, allowing for the user to either input a post code and get every offer available in that area, 'quick search and comparison' or input consumption, location and a variety of different pieces of information to achieve a fairly accurate estimated annual cost. This concept also allows for the Terms of Use or disclaimer to be modified or simplified suiting the user level of energy literacy and understanding between the two purposes or outputs.

Consistent information is crucial to producing any comparison and as such prices should be displayed in cents per unit rate, not alternating between cents per unit and dollar per day prices. Additionally comparisons between some retailer offers on some tariffs will be impossible, such as the South Australian residential tariffs, where some retailers may price according to the steps and summer and winter, which equates to nine lines of rates to compare, verses retailers that offer a fixed rate throughout the year based on the same steps, which equates to five lines of rates.

The various pricing structures will also make it difficult to filter products by price, using the above example, without excluding some aspects of the pricing structure for the filter to function. We would expect that same complication to be encountered for time of use pricing given the multitude of combinations.

Conversely, retailers offer such a wide variety of products, features, conditional and unconditional prices and discounts that any comparison would be difficult. However, as

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suggested in the AER public forum, prices and estimates should be displayed inclusive and exclusive of discounts regardless of the conditional nature of such discounts being applied.

Consumers need to be informed and make the most appropriate decisions on price value and terms and encouraged to participate in the competitive market rather than deterred from participation because the prices are only calculated and displayed as a worst case scenario. Encouraging consumers to participate involves highlighting the potential benefits, conditional or not, to demonstrate the added value of the product.

The same issue could equally be applied to product features, how they are displayed and whether there are any limitations or mandatory requirements that the AER are expected to display. The Essential Services Commission (ESC) experienced the same issue when developing its YourChoice website as it limited the features displayed under products to three items, two of which were limited to the Contract Period and the value of any Termination Fees which left only one key feature that a consumer could compare with against other offers.

The ESC's limitation meant that retailers had to consider which if the features of each product were the most enticing and or best represented the product. In our situation the discount became hidden because our overall offer was seen to be of greater value to consumers.

We ask that the AER consider, in detail, what the objective of the website is and whether restricting broader product offerings, the ability to see clearly comparable prices, estimated costs and savings is going to effectively meet that objective and stand out against all of the other so called comparators available in the market.

Lumo recommends that products be listed in a manner, similar to the Essential Service Commission of South Australia's (ESCOSA) Price Comparator, where the price and discounted price are side by side and the conditional prices are highlighted by a (*) or (+) or with a pop-up message explaining that the discount is conditional on loyalty or prompt payment.

We also suggest that product features, including term and termination fees, are not restricted, like the YourChoice site, too a small number of features, given that products generally have upwards of three features in addition to the contract term and termination fees.

Overall we see this as a good opportunity for the AER to produce a functional, transparent and easy to use website that is not simply there because it was included in the law. While the only limitation is to retailer products that are 'generally available' if this becomes an effective tool for consumers retailers will respond and provide a wider variety of products which should be not discouraged.

If there are any questions regarding this matter please contact Ross Evans on 03 8680 6426 or via email at Ross.Evans@lumoenergy.com.au

Regards,

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