



Minister for Energy and Resources

Our Ref: SU600742

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Dear Mr Leuner,

THE AUSTRALIAN ENERGY REGULATOR PRICE COMPARATOR ISSUES PAPER

Thank you for the opportunity to be consulted on the development of the Australian Energy Regulator's (AER) price comparator service and website. Giving the community access to free, unbiased and accurate information on available market offers for electricity and gas is important to maintain effective competition in the energy retail market, deliver efficient investment in the energy sector and help consumers control cost of living pressures.

As you would know, Victoria has provided energy consumers with such a service through the Essential Services Commission (Victoria) (ESC)'s YourChoice website (<http://www.yourchoice.vic.gov.au/>) since 2009. This site provides customers with a range of information to enable them to compare energy suppliers, including listings of available market offers, a bill comparison function, and information on customer rights and dispute resolution services.

The development of the AER's own website in preparation for the commencement of the National Energy Customer Framework (NECF) is an opportunity to offer these services at a national level, reflecting the increasingly national retail market for energy. The AER should be in a position to take the work that has already been done by the ESC and other State regulators and improve on it. The development of an effective and easy to use price comparator service is the most technically complex element of these services, but one of the most critical. If implemented successfully, it should provide an important information tool to facilitate competition in the retail sector.

I note that the National Energy Retail Law (NERL) sets out a number of requirements for the AER's price comparator website, and the AER is using these to guide its approach. While this is appropriate, I believe the AER should take into account the broader context which has given rise to regulators performing this function, which does not appear to be evident in the issues paper.

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Governments across Australia are committed to a competitive market for energy, which should drive efficient investment and hold down pricing pressure. Customers, however, face relatively high transaction costs in engaging with the market for these services, with available savings of around \$300 per year on average. Clear, unbiased, accessible and usable information on available market offers helps to make choosing a retailer easy and ensure that customers realise real benefits from doing so.

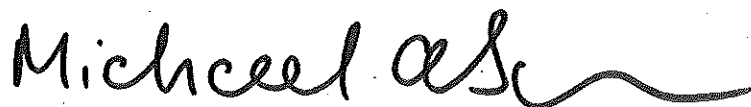
The AER's website and comparator service therefore should be designed from a user's point of view - not merely to attain compliance with the NERL - in order to stimulate competition. The issues paper does not appear to put usability front and centre of the AER's considerations, and nor does it provide a clear pathway to arrive at a usable service. Further, it is not clear from the issues paper how the AER proposes to promote the price comparator website to consumers and small businesses. For the website to be successful in promoting choice and competition, careful consideration needs to be given to how the AER will promote its use and also its accessibility (e.g. through search engines).

I believe that the AER needs to begin its consideration of the issues related to price comparator tools is by studying the needs of representative end users. One way to do this is to generate a statement of user needs based on user research. To assist the AER, the Department of Primary Industries (DPI) will commission an initial study of Victorian user needs and provide it to the AER for consideration in its process. I trust that the AER will find such a study useful.

Victoria currently has the most competitive market in Australia, and has already phased out retail price regulation. It is critical that the AER's service is fit for use in Victoria when the NECF commences. In addition, given the prospect of the introduction of variable pricing (ie. Time-of-Use pricing) as a tariff option for Victorian consumers in the future, the AER's comparator needs to be able to accommodate a broad range of potential market offer tariffs that will be available in Victoria's increasingly diverse market.

If you have any questions regarding this submission please contact Raif Sarcich, Principal Policy Officer in DPI on 03 9658 4160.

Yours faithfully,



HON. MICHAEL O'BRIEN MP
Minister for Energy and Resources

30 / 8 / 2011