23 March 2018

Michelle Looi,
Assistant Director, Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001
By electronic lodgement

Dear Ms Looi,

Ref: Benefit Change Notice Guidelines issues paper

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Regulator's (the AER) Issues Paper on Benefit Change Notice Guidelines.

As one of the seven retailers that signed up to the Prime Minister's commitments this year, Origin supports the requirement to write to customers. Origin already advises all gas and electricity customers in simple and clear language before a discount period ends; we also ask customers to contact us or follow a web link to arrange a new energy plan. As part of this process, we contact customers over 30 calendar days before the benefit period ends by letter or email, depending on the customer's stated communications preference. Our communication is clear that a customer's current discount will not continue if they do not choose a new plan. We also advise customers of the expiry date of their fixed benefit on each of their bills.

Origin supports writing to customers with a projected cost of doing nothing, along with a consumption amount, to prompt engagement in the market. However, we do not support multiple figures being used, as we believe that too much information will create a barrier to engagement. It is important that the AER align the intent of this Guideline with the changes to the Retail Price Information Guideline (RPIG) that it is currently consulting on; the creation of an annual reference price in the latter Guideline will assist with this. We believe that the content and ordering of the notice should be left to retailer discretion, with requirements around the kind of information that must be disclosed by the retailer set by the AER.

We provide answers to the questions below.

3.1 Should any benefit changes be excluded from the requirement to send a notice? 1. Are there any benefit changes that should be excluded from the requirement to send a notice? Why? 2. Are there other risks or considerations should we be aware of?

Origin disagrees with the AER's initial view that the end of any benefit should trigger a notice to customers to assess their options, even where a customer is not financially worse off. We believe that the objective of the rule change was to prompt customers to assess their options when and if their benefits are withdrawn. This is appropriate where a person's discount may end and not be replaced by another benefit. However, Origin believes that there are several cases where a notice is not required or justified given the nature of the benefit ending. These include:

- A benefit is extended and there is either no decrease to benefits or benefits are made evergreen. The AER acknowledges this in its Issues Paper.
- Discounts that are limited by time and often at the commencement of a contract. The AER acknowledges that sign up credits and other incentives (like vouchers or subscriptions) will not be

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a benefit for the purposes of the Guideline. Origin agrees with this. We believe that the key factor is that these benefits are not on-going, like discounts are, for the contract period. Another example might be ‘first month free’, where the benefit is not ongoing throughout a contract term.

- Value-added service, such as an in-home display. It does not seem consistent with the intent of the rule to require retailers to write to customers to advise them of the end of a value-added service, particularly where it does not impact on the price estimates on the notice.

The AER should also consider a number of other arrangements that do not fit neatly into the rule change:

- Residential embedded networks: a retailer, such as Origin, might act as an embedded network operator to sites. These offers do not necessarily have discounts that apply but are at a much lower cost than on-market offers.
- Fixed price products or capped plans: there are offers in the market where the customer is given a fixed cost for their energy use. In Origin’s case, Predictable Plan is such an offer. Each customer receives a tailored price (expressed as an annual amount in dollars) based on at their historical energy use. Predictable Plan is different to ordinary energy plans because it depends on a specific quote for 12 months; a new quote is received before the expiry of the deal or a customer chooses a new plan. Origin does write to these customers before the end of the plan and do not object to doing so; rather, it is the Notice with dollar terms that may not align with the AER’s intention to have projected costs. Should a projected cost be based on Predictable Plan or a tariff? We note that a tariff may not be the basis for estimating the cost of Predictable Plan.
- Pilot Programs: where a small number of willing participants are offered a trial product. Origin does not object to communicating with these customers at the end of a pilot period but it may not align with the intention of the notice. Depending on the pilot, the customer may not have lost a financial benefit or one that is easily calculable.

3.2 Should a historical billing amount or additional comparison figure be included in the benefit change notice?

3. Is including a comparison amount in the notice likely to encourage greater customer engagement with the market? What are the advantages or disadvantages of including an additional comparison amount?

4. What type of comparison amount is likely to be the most effective?

5. What format should a comparison amount be presented in?

  - We welcome any examples and/or case studies of effective comparison amounts from other sectors or jurisdictions, as well as self-generated mock-up samples, to illustrate stakeholders’ suggestions.

6. What other risks or considerations should we be aware of?

Origin supports a comparison amount being on the notice. We agree that it will assist customers to get engaged and to act on the notice. However, we do not support multiple dollar amounts and believe that the AER needs to align this with their reforms to the RPIG. For these reasons, a future projected cost is the most appropriate form of notice.

This rule change is meant to increase customer engagement when their benefits expire. At face value, it makes sense for both historical and future earnings because this presents a contrast for the customer. Origin’s experience, however, is that ‘less is more’ when communicating with customers. In practice, it is best not to overwhelm customers with multiple figures in a notice. Origin is concerned that having too many figures on a renewal notice will overwhelm customers and trigger disengagement rather than action.

Origin believes that a renewal notice has three key goals: to tell a customer their plan is ending; to give an indication of the cost if they do not renew; and to give clear instructions on what they can do to obtain a new plan. In Origin's view, to meet these objectives without overwhelming a customer, the most important piece of cost information is a projected future cost if the customer does not renew its plan. This aligns with another important piece of information: the reference price that will be available to customers on the Basic Plan Information Document (BPID).[1] Origin believes that customers can effectively use the annual projected 'do-nothing' figure as a comparison with an annual price on BPIDs.

The historical billing information proposed by the AER raises some problems. We understand that the AER wants to communicate to customers that their plan is ending by contrasting two figures. As we note above, Origin believes that multiple figures can sometimes have the unintended consequence of confusing customers, creating a barrier to engagement. The historical billing information is also more complicated than a projected future figure. Firstly, the AER will need to specify whether the historical billing is the sum of bills to date or 12 months. The former could be anywhere from around nine months to 11 months and will be less than a projected 12 month period. A projected amount can be used between the last bill and 12 months, as long as there are appropriate caveats attached that the figure is an estimate. The AER will also need to be clear whether the historical billing period is the amount a customer was billed (which could include pay on time discounts) or the amount a customer paid (which in some cases will not include a pay-on-time discount or may have a late fee attached to it).

Regardless of which figure the AER requires, they should be for a 12 month period for the purpose of producing consistent numbers. Different numbers will undermine the ability of customers to compare past and future prices with reference prices.

With respect to the 'do nothing' figure, Origin believes that the figure should be based on the tariffs in effect at the time. Projected price rises should not be included.

3.3 What approach should be taken on the provision of energy consumption data?
7. Are there any other challenges retailers may encounter in providing consumption data (in addition to those described above)? Are these specific to electricity or gas?
8. How should assumptions underpinning estimated energy consumption data and the AER benchmark consumption data be disclosed?
9. What other risks or considerations should we be aware of?

The AER should clarify whether they want retailers to provide consumption data for 12 months (which may predate the customer's plan) or data from the commencement of the contact to when the notice is sent (likely to be nine or ten months). If it is 12 months of data, and the customer has not been with Origin for that period of time, then an estimate of the remaining time will be necessary. If a retailer has 12 months of historical data, then this can be supplied to a customer.

Ultimately it is preferable that the data provided to customers is the same that is used to calculate a projected future cost of doing nothing. That way a customer is using common data to compare the cost of doing nothing with reference prices on Energy Made Easy. For this reason it should be 12 months.

The biggest issue with respect to data is the fact that most data in the applicable jurisdictions will be from type six accumulation meters for electricity; all gas customers will be on accumulation meters. This means that it will not be uncommon for customers to have projections or data based on estimates. Where there are estimates being made, or no data available, Origin agrees that the AER benchmark is appropriate.

With respect to customers on demand charges, the customer will need both their usage in kWh and their monthly kW/KVA demand. This will enable an accurate comparison for these tariffs.

[1] Origin has argued in its submission to the AER on the Retail Price Information Guideline that an annual reference price is preferable to a quarterly or bi-monthly reference price for this very reason.

3.4 How should information in the notice be ordered and presented?
10. Do you agree with our proposed approach? What are the benefits of a more prescriptive or less prescriptive approach to the manner and form of the notice?
11. Are there additional elements to those described above that should be prescribed by the Guidelines?

Origin believes a less prescriptive approach is preferable. It is reasonable for the AER to set requirements around what information a retailer must disclose and the underlying basis for calculating dollar figures and consumption data. The ordering and presentation of information should be left to the discretion of retailers, who know their customers and are best placed to determine how to effectively communicate with them. Retailers are also at different stages of digital adoption, making their design and formatting specific to their billing systems.

3.5 What should be the headline statement or 'call to action'?
12. Is a headline statement or call to action an effective way to prompt meaningful customer engagement with the content of the notice?
13. Are there examples in other industries of effective headline statements or calls to action?

- We welcome any examples and/or case studies of effective headline statements from other sectors or jurisdictions, as well as self-generated mockup samples, to illustrate stakeholders' suggestions.

Origin's call to action on its renewal letter is generally "It's time to renew your [natural gas/electricity] plan". We do not support the AER prescribing a specific call to action in the notice. We believe that retailers are better placed to determine what will attract customer attention; in any event, there is no precise form of words that can be determined by a regulator to have maximum impact.

To improve the chances of customers opening an email notice it is necessary to test and optimise alternate subject lines and headlines. Origin performs testing on certain communications in order to maximise the chances of customers opening their emails and acting on the call to arms. The AER would need to undertake its own testing if it were to design and prescribe a specific call to action. We believe it is better to leave this testing and design work to retailers, subject to a requirement that retailers attempt to capture customer attention with a relevant 'call to action' statement.

We attach a copy of our renewal notice for the AER's reference.

Closing

Should you wish to discuss the contents of this response, please contact Timothy Wilson, Manager, Regulatory Policy, on (03) 8665-7155 in the first instance.

Yours sincerely

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