



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

September 2010

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# 1 Background

A National Energy Customer Framework for gas and electricity retail/distribution regulation is being developed. Under the proposed framework, the AER will assume responsibility for the enforcement of the proposed National Energy Retail Law (Retail Law) and National Energy Retail Rules (Retail Rules). This will likely include responsibility for the regulation of electricity and gas retail markets (other than retail pricing) in most jurisdictions. It is currently understood that the Australian Energy Regulator (AER) will not undertake this role in Western Australia, the retail electricity market in the Northern Territory and some retail gas markets.

The Retail Law requires the AER to make and amend Retail Pricing Information Guidelines (Guideline). The aim of this Guideline is to assist small customers (residential and small business customers) in comparing standing offer prices and market offer prices offered by retailers, by specifying the manner and form in which details of standing offer prices and market offer prices are to be presented by retailers.

Standing offers are available to small customers for the sale and supply of energy under a standard retail contract.<sup>1</sup> Standing offers protect small customers who are able to choose their energy retailer but have not exercised that choice. Model terms and conditions for standing offer contracts are set out in the Retail Rules.

In jurisdictions with full retail competition, customers can negotiate the terms and conditions of their contract with their retailer of choice. These contracts are market offers made under a market retail contract.<sup>2</sup> The terms and conditions of these contracts must be consistent with the requirements of the Retail Rules.

The Retail Law includes a provision which allows this Guideline to specify additional matters to assist customers to compare prices of offers. This Guideline is therefore not restricted to the presentation of prices alone, and includes requirements in relation to all aspects of retail offers. For example, retailers may offer other products and services as part of a retail offer, like a tie-in with a mobile phone contract or a magazine subscription. The Guideline will make provisions for presenting other elements of an energy retail offer to provide small customers with a complete understanding of the offers being made.

The Guideline specifies how it applies to the presentation of standing offers and market offers in various forms, including via:

- the internet
- door to door sales
- telemarketing
- billboards

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<sup>1</sup> Section 102 of the National Energy Retail Law (second exposure draft).

<sup>2</sup> Section 102 of the National Energy Retail Law (second exposure draft).

- newspapers and;
- any other print advertising.

The AER's preliminary view is that it is unlikely radio or television advertising would be used to provide detailed information about retail offer prices and therefore the Guideline will not apply to these forms of advertising.

### **Draft National Energy Customer Framework**

The AER has been informed by the Retail Policy Working Group (RPWG) that the sections relating to the proposed Guideline have been changed since the Second Exposure Draft of the National Energy Customer Framework, released in late November 2009. While the sections are still in draft form and subject to possible further changes, the RPWG has informed the AER that the current draft states that:

The AER may, in accordance with the retail consultation procedure, make and amend guidelines (AER Retail Pricing Information Guidelines).

The purpose of the AER Retail Pricing Information Guidelines is to provide guidance to retailers in the presentation of standing offer prices and market offer prices, and thereby assist small customers to consider and compare standing offer prices and market offer prices offered by retailers.

The current draft also states that:

Without limitation, the AER Retail Pricing Information Guidelines may specify any or all of the following:

- (a) the manner and form in which details of standing offer prices and market offer prices are to be presented when publishing, advertising or notifying the AER of those prices or any variation;
- (b) the types of market offers to be provided for the purposes of the price comparator, including without limitation, by reference to areas, classes of small customers or tariff classes;
- (c) any additional matters that the AER considers necessary or convenient to assist customers to consider and compare standing offer prices and market offer prices offered by retailers.

The AER has prepared the Guideline on this basis.

### **Consultation process**

In March 2010, the AER published an issues paper in relation to the proposed Guideline and received 22 submissions in response.<sup>3</sup>

This position paper and draft Guideline have been published to provide further opportunity for preliminary consultation in preparation for the hand-over of retail functions to the AER. This paper responds to submissions on the earlier issues paper and presents a preliminary draft of the Guideline for consultation.

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<sup>3</sup> Available at <http://www.aer.gov.au/content/index.phtml/itemId/734869>

The AER invites comments on the position paper and draft Guideline. There are a number of specific issues highlighted through the paper where the AER is seeking input from stakeholders.

Submissions can be sent electronically to: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au) or by mail to:

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

The closing date for submissions is **29 October 2010**.

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will therefore be treated as public documents unless otherwise requested, and will be placed on the AER's website ([www.aer.gov.au](http://www.aer.gov.au)). Parties wishing to submit confidential information are requested to:

- clearly identify the information that is subject of the confidentiality claim
- provide a non-confidential version of the submission, in addition to the confidential one.

The AER does not generally accept blanket claims for confidentiality over the entirety of the information provided and such claims should not be made unless all information is truly regarded as confidential. The identified information should genuinely be of a confidential nature and not otherwise publicly available.

In addition to this, parties must identify the specific documents or relevant parts of those documents which contain confidential information. The AER does not accept documents or parts of documents which are redacted or 'blacked out'.

For further information regarding the AER's use and disclosure of information provided to it, please refer to the *ACCC–AER information policy: the collection, use and disclosure of information* on the AER website under 'Publications'.

### **Next steps**

The AER invites stakeholders to participate in a stakeholder forum to discuss issues surrounding the AER's proposed approach to the Guideline.

A half-day forum will be held on the afternoon of **6 October from 2pm to 5pm (AEST)** in Melbourne. The Melbourne-based forum will have video conference links to Canberra, Brisbane, Adelaide, Sydney and Hobart.

To register your attendance at one of the forums, please send an email to [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au) by **24 September 2010**. The subject of the email should state '*Registration for Retail Pricing Information Guidelines Forum - attention Dominique Chivers.*'

In your email, please specify the city in which you will be attending. Attendance to the forums will be limited, and registration is essential. We ask that stakeholders nominate no more than one participant each.

After the passage of the Retail Law, the AER will consult on the Guideline under the prescribed consultation process, allowing a further opportunity for consultation on the development of the Guideline.

## 2 Introduction

The AER released an issues paper on the Guideline in March 2010. The paper discussed the purpose of the Guideline, the areas that it should cover and the level of prescription that it should contain.

The issues paper put forward three main methods for presenting retail price information and suggested ways in which other elements of retail offers could be presented. Comments were sought from interested parties on these issues, in addition to any other issues that stakeholders thought relevant.

The AER also commissioned the Wallis Consulting Group to undertake qualitative market research to obtain consumer feedback on a range of areas relating to retail price disclosure. A summary of the key findings and recommendations from this research is discussed below. Together with submissions received on the issues paper, these findings and recommendations have been used to develop the AER's thinking and inform the development of the Guideline.

This paper forms part of the second round of preliminary consultation in relation to the proposed Guideline and sets out the AER's preliminary preferred position on a range of issues.

This paper is structured as follows:

- Section 2: provides an overview of the submissions received on the issues paper as well as an outline of the consumer research commissioned by the AER. It also sets out issues raised in submissions on the requirement in the Retail Law to publish the Guideline, as well as the AER's response to those submissions
- Section 3: sets out the AER's proposed methods of energy retail price presentation, stakeholder views on these methods and the AER's response to those views
- Section 4: sets out stakeholder submissions on the scope of the Guideline and the AER's response to issues raised in stakeholder submissions
- Section 5: sets out stakeholder views on how retail offer information should be presented, as well as the AER's response to these views.

A draft Guideline is attached at Appendix B of this position paper. The draft Guideline is the AER's preliminary view of how the views set out in this paper would apply under the National Energy Customer Framework. The AER seeks stakeholder views/comments on the Guideline.



## **AER Issues Paper**

The AER received 22 submissions<sup>4</sup> to its issues paper. Submissions were received from energy retailers, consumer groups, industry groups and state government departments.

This paper uses abbreviated forms to refer to some organisations. Full names of all the organisations which provided submissions are listed in Appendix A. Issues raised in submissions broadly covered the following four areas:

- the introduction and purpose of the Guideline
- forms of advertising that the Guideline should cover
- the content of the Guideline and the extent to which it should be prescriptive
- methods for presenting retail offer information, including the price and non-price elements of an offer.

The AER also hosted a public forum on 14 May 2010 to discuss the questions raised in the issues paper. It was attended by many representatives from retail businesses and consumer organisations.

## **Consumer Research**

As noted above, in April 2010, the AER commissioned the Wallis Consulting Group (Wallis) to undertake qualitative market research to help inform the development of the Guideline. The aim of the consumer research was to:

- understand how consumers currently compare energy offers
- develop an awareness of the accessibility of information on energy retail offers
- obtain consumer views on existing price disclosure models/guidelines
- obtain consumer feedback on various methods of presenting retail price/offer information, including on a number of possible options (templates) designed by the AER.

The research consisted of 8 mini-group workshop discussions with residential energy customers; 6 in-depth interviews with residential customers with low literacy or numeracy skills; and 8 in-depth interviews with small business customers. A total of 48 respondents took part in this research which was carried out in Melbourne, Benalla, Canberra and Parramatta.

To ensure that the market research captured the range of retail market stages and complexities, the research was conducted in states that have different energy retail market profiles. The following three states were selected based on the number of

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<sup>4</sup> Appendix A lists those organisations that provided submissions in response to the issues paper. All submissions received are available on the AER's website:  
<http://www.aer.gov.au/content/index.phtml/itemId/734869>

retailers that are active in the retail market and the level of customer switching activity:

- ACT (Canberra) which has relatively low rates of switching
- NSW (Parramatta) which has moderate switching rates
- Victoria (Melbourne and Benalla) which has high switching rates<sup>5</sup>.

To ensure that the material that retailers are required to produce as a result of the AER's Guideline is comprehensible to all consumers, the market research was designed to capture as broad a range of input as possible, including any differences in opinion that might exist on the basis of<sup>6</sup>:

- Gender
- Age
- Socioeconomic standing
- Switching experience
- Educational ability (particularly with different levels of numeracy or literacy).

### **Findings of consumer research**

Wallis found that in most instances where respondents had switched retailers, the switching occurred as a result of a direct sales contact from a retailer, either by telephone or in person. However, some respondents had been motivated to “shop around” for a new supplier if they received a particularly high bill, they moved premises or if they had a billing or service problem. Wallis also found that the most important reason behind customer switching was price, although improved service, flexible payment options and the ownership of the company were important factors for some respondents.

When seeking information on retail offers, consumer research revealed that most respondents made contact with retailers and gathered price information verbally. Those customers who received a face-to-face sales approach were generally given a quote comparing their current bill with a projected bill. None of the respondents in Victoria (where retailers are obliged to publish a pricing disclosure statement on their website) had been given or were referred to a pricing disclosure statement<sup>7</sup>.

As part of the research, respondents were asked to provide their views on the disclosure statements adopted in both Victoria and South Australia. Respondents felt

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<sup>5</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.7.

<sup>6</sup> Ibid, p.8.

<sup>7</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, pp. 1-2.

that the Victorian price and product information statement was comprehensive, but possibly too detailed. They considered that the South Australian price fact sheets allowed for easier comparisons across the offers because the amount of information presented was reduced and the statements were easier to read and understand. However, Wallis found that businesses, in particular, found it hard to know which energy band they would fit into.

More generally, the research revealed that respondents favoured the use of colour, simple language, tabulated data and appealing visuals on the pricing disclosure statements<sup>8</sup>.

With the exception of the respondents with low literacy and numeracy levels, other respondents wanted to see the following information in a pricing disclosure statement:

- the price per unit of energy with an easy of converting this to potential annualised costs for their home or business
- the terms and conditions that apply (in particular any penalties or discounts that might apply and anything that locks them into a contract)
- the contact details for the retailer and details of its location information available in different forms, not just on websites.<sup>9</sup>

Wallis also found that most respondents demonstrated a poor understanding of their energy usage and were unable to imagine the size and energy value of a kilowatt hour of electricity or a megajoule of gas<sup>10</sup>.

## **Recommendations**

Based on the above findings, Wallis made number of recommendations for the AER to consider in developing the Guideline.

Wallis considered that the AER should give careful consideration to the medium in which pricing disclosure statements are published. In particular, it recommended that pricing disclosure statements should be made more widely available than on websites alone. For instance, given that many customers switch retailers as a result of direct sales contact from a retailer, Wallis recommended that the AER should consider requiring retailers to make information available on retail offers to consumers when they make switching enquiries or when a direct sales approach is made to them.

Wallis also recommended that the AER create a proforma for the presentation of retail offer information. The research found that respondents were very positive to the pricing disclosure statements shown to them, and particularly to the South Australian

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<sup>8</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p. 2.

<sup>9</sup> Ibid p. 3.

<sup>10</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010 p.1.

template approach because consistent information was presented, allowing comparisons to be made easily.

Finally, Wallis recommended that consumers would benefit from including the following information in a pricing disclosure statement:

- information on price (both unit prices and annualised costs)
- examples to put context to energy usage
- key terms and conditions – especially any that relate to penalties that may be applicable
- full contact details for the retailer.<sup>11</sup>

A full report outlining the detail of this qualitative research program, including the recruitment specification, methodology, materials used, analysis undertaken, key findings and recommendations has been published alongside this paper<sup>12</sup>. This paper highlights where the findings of this research have been used to shape the AER's views on the proposed Guideline.

### **Requirement to create the Guideline**

A number of stakeholders have argued that the AER has provided insufficient justification of the need for a Guideline, with some retailers arguing the Guideline should not be established until the AER finds evidence of a market failure.

Whilst the AER notes that the Retail Law is likely to require the publication of a Guideline in this area, it considers it important to re-examine the policy and economic basis for the Guideline. The AER understands that the rationale for regulating price disclosure is to address market failure caused by information asymmetry.

The AER is of the view that information asymmetry can cause customers to spend significant time trying to understand complex retail product offers, creating a cost to those customers and society more generally and lessening the competitive tension in the market.<sup>13</sup>

This may lead to consumers choosing contract that is not suitable for their circumstances. In particular, a customer may select a contract that is more expensive than competitors' offers, leading to losses for that consumer and inefficiencies in the overall market.

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<sup>11</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, pp.3-4.

<sup>12</sup> Available at <http://www.aer.gov.au/content/index.phtml/itemId/734869>

<sup>13</sup> For some discussion of this issue see, Smith, Rhonda L, Duke, Arlen, Round, David K, *Signalling, collusion and s 45 of the Trade Practices Act*, Competition & Consumer Law Journal, vol. 17(1) 22-49, August 2009, p.5.

The information asymmetry in energy retail markets is substantiated by consumer research undertaken by the Wallis Consulting Group research report, which states that:

“[t]here is evidence that trying to compare prices is difficult for customers and this is likely to become more complicated as innovations such as Smart Meters are introduced.<sup>14</sup>”

The AER considers that in order to maintain retail market competitiveness and promote economic efficiency, consumers need to understand the types of energy retail products available to them. Where consumers are able to understand the price and non-price elements of the products available in energy retail markets, they can more effectively engage in the markets and select products that are most suitable for them, thereby promoting economic efficiency.

The AER considers that this Guideline will assist consumers in understanding the price and non-price elements of energy products in the market, particularly in a market where the product offerings are becoming increasingly complex and difficult to compare.

This view is supported by the Essential Services Commission of South Australia (ESCOSA) which states — in its draft decision report on “Consumer Information Requirements for the Energy Retail Market in South Australia”— that it is important for a regulatory framework to establish and maintain:

“a market environment in which consumers are not only aware of their ability to choose their electricity and/or gas retailers; they must also be confident to actively engage with and participate in those markets. Consumers who have a greater understanding of the product they are buying will be better able to assess the offers that are being presented to them. This will, in turn, promote greater economic efficiency within the retail sector.<sup>15</sup>”

### **Possible AER price comparator service**

The RPWG has informed the AER that the most recent draft of the Retail Law allows for the AER to develop an on-line price comparator service for States and Territories that ‘opt in.’

Therefore, the Guideline may need to be updated to reflect information required by the AER to carry out its obligations in relation to the price comparator. It is anticipated that any amendments to the Guideline (to accommodate this additional function) will be consulted on as part of the development of the price comparator.

The AER will consider the implications of the price comparator for the Guideline when undertaking formal consultation under the Retail Rules.

Some possible changes to the Guideline might include:

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<sup>14</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.6

<sup>15</sup> ESCOSA, *Consumer Information Requirements for the Energy Retail Market in South Australia – Draft Decision*, September 2010, p.5.

- a requirement that the a disclosure statement refer to the price comparator
- a requirement that certain forms of advertising relating to price refer to the comparator
- a requirement that notifications to customers relating to changes in their tariffs contain a reference to the comparator service
- a requirement that retailers provide some of the information contained in disclosure statements to the AER in a certain format (i.e. via a secure website or spreadsheet) so that the information can be incorporated into the comparator service.

## **3 Methods of presenting retail offer information**

### **3.1 Issues paper**

In the issues paper, the AER discussed a spectrum of approaches that could be used to facilitate the disclosure of energy retail prices. These approaches include:

- standardised unit pricing
- an annual cost estimate
- a combination of the unit pricing and annual cost approaches.

#### **3.1.1 Standardised unit pricing method**

The standardised unit pricing method would require retailers to display the price of energy and fixed charges by their unit of measure – i.e. in kWh (electricity) or in MJ (gas) and in a standard table format. This approach is currently being used in Victoria.

The issues paper noted that standardised unit pricing is a clear and transparent method of price disclosure as it provides an accurate breakdown of prices. It also reduces uncertainty when comparing different types of offers. For instance, where offers are broadly similar, it would be relatively simple to compare unit prices between different offers, and could encourage a meaningful price search, potentially resulting in the purchase of the most economical offer<sup>16</sup>.

However, the issues paper also noted that complex tariff structures (particularly time-of-use-pricing) may complicate the presentation of offers under this method and may require customers to make complex calculations based on their usage. Furthermore, the unit pricing method does not give customers a sense of their overall energy costs unless they have the willingness and ability to undertake calculations. This could act as a barrier to the effectiveness of the standardised unit pricing method.

#### **3.1.2 Annual cost method**

The annual cost method would require retailers to present an annual cost for each retail offer against certain bands of consumption. This method is currently being used in South Australia and Queensland. The consumption levels would reflect typical usage bands for small customers. This method enables customers to easily compare offers as they will only need to compare one figure against another. This method is potentially simpler than standardised unit pricing as it reduces the amount of information that customers are required to interpret.

However, the issues paper noted that this approach only provides an indicative cost of an offer, as the displayed prices cover specific consumption levels that are not reflective of an individual customer's consumption. The approach also relies on customers being broadly aware of their annual consumption and being able to place

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<sup>16</sup> AER, *Issues Paper: AER Retail Pricing Information Guidelines*, March 2010, p.14.

themselves in the appropriate consumption band, so that the comparison they make is relevant to their circumstances.

### **3.1.3 Combination method**

The combination method would require retailers to present both the standardised unit prices and estimated annual cost of a retail offer. In the issues paper, the AER considered that this approach could be effective as it would improve transparency by giving customers detailed information on offers. It allows customers to choose whether they want simplistic offer information or the actual unit rates with which they can make calculations.

However, as discussed in the issues paper, using this approach could mean that customers might be provided with a greater volume of information than necessary, which can create confusion. The approach would also impose greater compliance costs on retailers, which could then be passed onto consumers in the form of higher prices.

### **3.1.4 Time of use tariffs**

The issues paper indicated that the introduction of smart meters and the potential for time-of-use pricing is likely to create complexities around the presentation of pricing information.

The issues paper noted the AER's preliminary view that standardised unit pricing would be an effective method of presenting prices when tariff structures are simple/similar. However, it was recognised that time-of-use pricing could significantly complicate the process of comparing between offers, particularly because tariff structures would be more complex. This would require customers to have the willingness and ability to calculate the cost of an offer to assess the offer that would be most suitable to their circumstances.

In the issues paper, the AER also considered the complexities that are likely to be associated with the annual cost method when time-of-use-tariffs are introduced. Under time-of-use pricing, the annual costs of customers are likely to vary widely, depending upon a customer's daily consumption profile rather than the annual volume of consumption.

The issues paper identified the need to develop a way in which customer consumption patterns can be appropriately reflected when time-of-use-tariffs are introduced. In the issues paper, the AER suggested creating 'deemed load profiles' which would prescribe a consumption profile for a small customer. 'Deemed load profiles' are currently used in NEM settlements for customers of retailers who do not have interval meters. The AER considered that these 'deemed load profiles' could potentially prescribe the consumption that is to be assumed for each period of the day to arrive at an approximate annual cost figure.



## **3.2 Issues raised in submissions**

### **3.2.1 Standardised unit pricing method**

The majority of submissions agreed that standardised unit pricing could be an effective way of presenting prices, as it is more likely to result in informed customer decision making and does not misrepresent prices. For example, CALC and COTA stated that unit pricing should be the building block of pricing information presented by retailers.

However, a number of stakeholders also considered that standardised unit pricing could become complex for customers when used to present retail offers containing time-of-use pricing structures.

Most retailers and consumer groups supported disclosing discounts, fees, rebates etc separately from the price of energy. However, ERAA, AGL and Australian Power and Gas were of the view that the Guideline should not require contingent or future discounts to be displayed in a disclosure statement.

### **3.2.2 Annual cost method**

The majority of stakeholders raised concerns about using the annual cost approach to present retail offer prices. These included that:

- the approach may significantly compromise the accuracy of retail offer prices, which risks misleading customers
- differences in climate and demographic characteristics which create different demand profiles, would affect the accuracy of prices under each annual consumption band.

Stakeholders were particularly concerned about the usefulness of the annual cost approach under time-of-use pricing. Many argued that in the future, the shape of demand will become more important than the annual volume of energy consumed. They argued that an annual cost method requires assumptions about a customer's consumption profile and the method is likely to be very sensitive to these assumptions. As a result, it would be difficult for the annual cost approach to provide meaningful information to the customer about the cost of time-of-use-tariff offers.

Further to these concerns, stakeholders including Origin Energy, Simply Energy, ERAA, the Ethnic Communities Council of NSW and EnergyAustralia, argued that the annual cost is not suitable for small business because their energy consumption is too varied to produce appropriate consumption bands.

However, a small number of stakeholders supported the method, stating that it is a simpler method of comparison for small customers.

### **3.2.3 Combination method**

A number of stakeholders supported the combination approach, stating that it provides customers with a choice on the type of information they want to use to inform their decision making.

However, others did not support it. For example, some retailers, including ERAA, Australian Power and Gas and Origin Energy argued that this method may lead customers to a consideration of price only.

Other stakeholders were concerned that the method would create higher compliance costs for retailers which could be passed on to customers.

CALC provided qualified support, stating that unit pricing should be the building block of presenting pricing information, with annual cost information as a supplement.

### **Time of use tariffs — Load profile**

Most retailers did not support using a load profile for presenting time-of-use prices under the annual cost method. They were of the view that the load profile will increase administrative and compliance costs, with limited benefit for customers.

Views were mixed among consumer groups about the effectiveness of using a load profile. For example, COTA argued that load profiles will not provide customers with accurate information when time-of-use-tariffs are introduced. Alternatively, VCOSS supported the annual cost and load profile method, but submitted that a load profile would be required for each season and in each climatic zone.

If a load profile were to be created, most retailers were of the view that a uniform/national profile should be used. Some also argued that a load profile should not account for seasonal variations, particularly because greater complexity in data will increase costs for retailers. Alternatively, Ergon Energy and EnergyAustralia agreed with VCOSS that a different load profile would need to exist for each jurisdiction to account for climate variations.

Some retailers, including ERAA, Australian Power and Gas and Origin Energy did not support the AER's preliminary suggestion of using Net System Load Profile (NSLP) data (provided by AEMO) to create a load profile. This is because the NSLP includes customers much larger than residential and small business customers and it could therefore be misleading. Instead, they put forward alternate suggestions for a central data set that could be used to develop a load profile.

## **3.3 AER Response**

The AER notes the findings of the consumer research that respondents generally preferred the annual cost approach adopted by South Australia to the unit pricing model in place in Victoria. For example, the Wallis report states that

“respondents generally preferred the annual cost approach adopted by South Australia because...there is consistency in the cost data presented — therefore allowing comparisons to be made more easily....there is less information so the layout seems clearer...”<sup>17</sup>”

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<sup>17</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.21.

Additionally, most respondents also demonstrated a poor understanding of their energy usage. For example, the AER notes quotes such as:

“You’ve got a much better chance of comparing the data. . .I have no idea how many kilowatt hours I’d use. This gives you an example. 0.00072 of a cent doesn’t mean much.”<sup>18</sup>”

The AER acknowledges that the annual cost method is simpler and potentially easier for customers to make comparisons between offers, assuming that they can correctly place themselves in the appropriate consumption band. However, the AER shares concerns of stakeholders that there is a risk that an estimated annual cost has the potential to mislead consumers where their usage differs from the averages presented. Specifically, the AER is concerned that the presentation of an estimated annual cost raises expectations that customer bills will be the same as the average estimate. Despite the caveats that any annual estimate may be presented with, the risk of misleading some consumers remains.

Further, while respondents of the consumer research found the annual cost method easier to compare data, they also felt that the key weakness of the approach was showing annualised cost data without the underlying unit price information, limiting their ability to have an understanding of what that means for an individual household or business<sup>19</sup>.

In addition, the AER considers that there are a range of complexities around developing estimated annual cost bands that will need to be assessed carefully.

For instance, the AER would need to consider:

- whether the annual cost consumption bands should be set at a national, jurisdictional or at a more narrowly defined level, together with the cost implications for retailers and customers
- how to create consumption bands that appropriately reflect the range of customer consumption levels and the type of data that could be used to facilitate this
- the viability of obtaining data and creating consumption bands for small business customers, particularly given that consumption levels of small businesses vary significantly.

The AER also agrees with stakeholder concerns about the viability of using load profiles to represent the annual cost of a retail offer when smart meters (or time-of-use pricing) are introduced. For example, the AER recognises that although the annual usage of a single stay-at-home parent and a working couple may be similar, their daily consumption profile will be very different and therefore, their annual costs are likely to vary significantly. Therefore, determining a representative average may not be possible.

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<sup>18</sup> *ibid*

<sup>19</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.22.

It is also likely that time-of-use tariffs will lead to some degree of ‘load shifting’ that will not be accounted for in the assumed load profile (which will necessarily be backward looking).

Therefore, the AER’s preliminary view is that the disadvantages arising from adopting the annual cost approach outweigh the advantages. While the approach does provide customers with a ‘one figure’ comparison tool, it has significant potential to mislead customers because their own costs may be quite different to the estimated annual costs. Attempting to address this through more specific estimated load profiles is likely to lessen the simplicity of the approach and potentially cause confusion and significant regulatory burden.

Therefore, the AER’s preliminary view is that it is not appropriate for the annual cost approach to be used, either as a standalone method of comparison, or as part of a combination approach.

In preference, the AER considers that the standardised unit pricing is the approach that is most likely to provide consumers with sufficient information to enable informed customer decision making, without the risk of misleading customers.

Whilst noting that the standardised unit pricing approach does require a higher degree of involvement from the customer, it is a clear and transparent method of price disclosure. Standardisation of this information is discussed in section 5 below.

This view is substantiated by consumer research, which revealed that all respondents wanted to see the price per unit of energy on a disclosure statement<sup>20</sup>.

The AER accepts that the standardised unit pricing method does require the consumer to be presented with a more complex array of pricing information. Further, this array of pricing information will become increasingly complex when time-of-use pricing is introduced. However, the AER considers that this increase in complexity (when compared to the estimated annual cost approach) is justified on the basis of ensuring that customers are fully informed about retail offers, whilst minimising the risk that they will be misled. While time-of-use-tariffs could be complicated, the standardised approach proposed below will assist in ensuring this information is presented as clearly as possible.

Therefore, on balance, the AER’s preliminary position is that only the standardised unit pricing method should be adopted.

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

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<sup>20</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.32.

## 4 Scope of the Guideline

The issues paper outlined the AER's views on the forms of advertising to which the Guideline should apply. The AER proposed that the Guideline be applicable to:

- the internet presentation of energy offers
- any leaflets or other written information that is given to customers (including potential customers) that relates to the prices and/or the terms of a proposed or existing energy offer (including during door to door sales).

The AER considered that if prices are given for energy offers in magazines or newspapers, there could be a requirement to have a statement such as “further information is available at [*insert website details*].”

The AER's preliminary view was that it is unlikely that billboard, radio or television advertising would be used to provide detailed information about retail offer prices. Therefore, it considered that the Guideline should not apply to those forms of advertising, particularly because any such advertising is subject to the Australian Consumer Law/Trade Practices Act.

The AER sought stakeholder views on the forms of advertising that the Guideline should target and the extent to which price presentation should be prescribed on mass media platforms.

### 4.1 Issues raised in submissions

Most retailers agreed that the Australian Consumer Law/Trade Practices Act adequately regulates advertising in energy retail markets. Some retailers therefore do not support the Guideline targeting any forms of advertising. In particular, most retailers argued that the AER should not prescribe how prices are presented on mass media platforms.

Origin Energy and ActewAGL submitted that the AER should consider the following factors in deciding which types of advertising the Guideline should regulate:

- customer awareness of competitive energy markets and willingness to read through information
- the amount of time it takes a customer to study a particular type of advertising medium to decide how prescriptive the Guideline should be in relation to that medium.

However, most stakeholders were generally comfortable with applying the Guideline to internet offers, door to door sales and written information provided to customers.

Some stakeholders also considered that the Guideline should target telemarketing, with EWON commenting that telemarketing is a significant marketing method and also a source of customer complaints. Additionally, CALC, CUAC and the Ethnic Communities Council of NSW suggested that the Guideline should target any medium where pricing information is presented, including mass media advertising.

However, CALC and COTA submitted that while there should be requirements on mass media advertising, the requirements should be less prescriptive than on other forms of advertising. For example, COTA supported the AER's suggestion to refer to the location of more detailed pricing information when prices are advertised on mass media platforms.

## 4.2 AER Response

The AER considers that the Guideline should capture information on retail offers that is provided to customers during:

- in person marketing activities, such as door to door sales
- telemarketing activity
- and the internet.

This is supported by consumer research, which revealed that door to door sales and telemarketing are very common methods through which customers are approached about switching retailers/retail offers. The report by Wallis revealed that:

“[C]ustomers who switched retailers had been mostly motivated to do so because of a direct contact from a retailer...currently they are accepting verbal information either over the phone or in person from a salesman.”<sup>21</sup>

Given that this is a main method by which customers switch retailers, the AER considers it important that customers have access to the information at these times to allow them to compare offers and make more effective switching decisions. For this, reason, the AER considers that the Guideline should impose requirements on retailers to provide information on retail offers to customers when they are prompted to switch through these mediums.

For door to door sales or other in person marketing, the AER is of the view that retailers should be required to provide a disclosure statement to customers on the offer that they are marketing. They should also be required to advise customers that further information is available on the retailer's website.

For telemarketing, the AER considers that all telemarketers should advise customers that they can access a disclosure statement on the retailer's website or can request a copy directly from the retailer. The AER considers that there should be a timeframe within which a retailer must provide this statement. The attached draft Guideline proposes that the disclosure statement must be received by the customer within 5 working days.

The AER agrees with stakeholders that the Guideline should apply to pricing information on retailer websites and that a disclosure statement should be made available on retailer websites. The AER considers that websites are a common

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<sup>21</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.31.

source of information and therefore, customers should be able to access information on retail offers from retailer websites.

Further, the AER considers that retailers should provide a link from their website homepage to offer information, without the need for consumers to submit detailed personal or technical information. The AER considers that this is important to ensure ease of accessibility to retail offer information.

The AER largely accepts that the Australian Consumer Law/Trade Practices Act adequately regulates energy retail advertising on mass media platforms. The AER also notes that it would be unusual for detailed tariff information to be displayed on these platforms. Accordingly, the AER is proposing a less prescriptive approach for the presentation of prices on some mass media platforms, including newspapers, magazines, billboards and other print advertising. The AER's preliminary view is that where retailers use this platforms to promote specific offers or products, retailers should be required to provide a reference to where consumers are able to obtain more information. For instance, retailers may be required to include a statement such as "a full written disclosure statement is available at [*insert website details*]". Such a statement would not be required where advertising simply refers to the branding of the retailer without reference to the price, discounts or the value of specific products or services.

### **Changes in tariffs**

The AER understands that the Retail Law and Rules will likely include requirements that retailers inform customers of any variation to standing and market offers. The AER is considering whether these requirements should be supplemented by a requirement to present a disclosure statement in accordance with the Guideline when presenting the revised prices to customers.

Whilst acknowledging the potential for increased compliance and administrative costs on retailers, the AER also considers it important that customers be notified of any changes in a clear manner. For example, the Guideline could require that a disclosure statement on a retail offer be included with the next bill following a variation

Given that the Retail Law and Rules already contain disclosure requirements, the preliminary draft Guideline does not include any additional requirements in relation to variations. However, the AER will consider this issue further in light of stakeholder views.

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 Guideline could supplement the requirements in the Retail Law/Rules.

## 5 Presentation of information

The issues paper sought stakeholder views on whether a prescriptive approach should be taken in requiring retailers to present information on energy retail offers. The AER sought stakeholder views on whether a template would be appropriate, or whether it should adopt a less prescriptive approach, such as stipulating minimum information requirements to be provided in a disclosure statement.

### 5.1 Issues raised in submissions

Consumer groups agreed that the Guideline should aim to create standardisation in the way retailers present offer information to customers. Consumer groups generally argued that the most appropriate way to achieve standardisation was for the AER to develop a template. Some consumer groups, including CALC, EWON and PIAC, also emphasised that disclosure statements should be clear, easily accessible and simple to understand.

In contrast, most retailers did not support the development of a standard template. Many retailers suggested that the Guideline could stipulate minimum information requirements as an alternative to a template. For example, AGL and Australian Power and Gas noted that some existing jurisdictional regulators only specify the content to be provided while the style is left to the retailers' discretion. AGL also noted that templates are not required in New South Wales, South Australia, Queensland and the ACT, and expressed a view that the AER should only create a template if deemed necessary.

There was also a general concern among retailers that a template could constrain the development of pricing products and stifle the innovation of offers. ActewAGL suggested that a differentiated approach and level of standardisation be adopted for the presentation of information between standing and market offer tariffs. It argued that a differentiated approach would be beneficial to reflect the diversity of market offer tariffs and avoid stifling innovation by imposing rigid restrictions on how market offers are structured and presented<sup>22</sup>.

Most stakeholders were of the view that c/kWh or c/MJ is an appropriate way to display usage charges for both electricity and gas. Simply Energy also suggested that it could be useful to provide an indicative description of what a given number of kilowatt hours represents in terms of appliance use to aid customer understanding of the term 'kilowatt hour.'

### 5.2 AER Response

The AER considers that standardisation is an important goal in developing a price disclosure regime, as it enables customers to make a like for like comparison between different retail offers and therefore assists in addressing information asymmetries. The AER's preliminary view is that this goal would be best achieved by creating a template in which retailers provide pricing and other information relating to an energy retail offer.

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<sup>22</sup> ActewAGL, *AER Retail Pricing Information Guidelines ActewAGL Retail Response*, May 2010, p.4.



This is supported by consumer research conducted by Wallis which suggested that:

“There is ... a need to produce a suitable proforma or template which all retailers would be required to follow for this purpose. This would ensure that the same content and information was provided in the same order and format to enable customers to compare offers from energy retailers more easily<sup>23</sup>.”

Further, the consumer research indicated that there was general agreement across respondents that a standard template is important, because it would enable comparisons to be made more easily. For instance, respondents felt that

“It would be helpful if they could all complete the sample template...”

“The template is a good idea and the same format...”

“To compare you need the same kind of format.<sup>24</sup>”

The AER is aware that requiring retailers to adhere to a template may increase compliance costs. In addition, the AER is mindful of the risk that a highly prescriptive template may limit product innovation and that this may not be in the best interests of consumers.

However, the AER also considers that the key reason for this Guideline is to ensure that consumers are able to readily compare different energy retail offers. The AER is concerned that, in the absence of some form of standardisation, the objectives of the Guideline will not be met. That is, consumers may not be any better placed to compare product offerings if there is no standardisation in the presentation of various product offerings.

Accordingly, the AER has taken the preliminary view it is appropriate to create a simple template that retailers must follow when presenting pricing information. The AER considers that the template should cover:

- the tariff details and price elements of the offer
- fees, rebates, discounts and other elements (such as green energy options and non-price incentives).

In the attached draft Guideline, the AER has proposed that:

- a template/disclosure statement have the title “Energy Price Fact Sheet”
- price and other information relating to a retail offer should be presented in table formats (examples provided in the draft Guideline).

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<sup>23</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.31.

<sup>24</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, pp. 20, 29.

The AER considers that a common title for a template/disclosure statement would assist customers in knowing that a disclosure statement is a source of information on retail offers, across all retailers.

The AER notes concerns raised by some retailers that labelling a disclosure statement as a 'price fact sheet' may lead customers into a price only consideration. However, the AER considers that this is consistent with the phrasing of the relevant provisions of the draft Retail Law which refer heavily to the term "price." Further, consumer research reveals that price is one of the main considerations for customers in switching offers/retailers.

In addition, the AER notes that the title of the disclosure statement is simply a way to standardise the disclosure statements and enable ease of comparison for customers. It does not limit the type of information that retailers provide in the statement. The draft Guideline allows retailers to provide information on the overall retail product offer. This includes a requirement to detail other information such as fees, rebates and discounts applicable to the offer, in addition to any non-price incentives such as magazine subscriptions.

While the AER considers that the term "Energy Price Fact Sheet" is an appropriate title for disclosure statements, it seeks stakeholder views/suggestions on this matter. For example, given that not all consumers would associate the word "energy" with gas and electricity, it might appropriate to use the terms: "Electricity Price Fact Sheet"; "Gas Price Fact Sheet" and, for dual fuel offers, "Electricity and Gas Price Fact Sheet." The AER notes that it will run further consumer research in relation to this draft Guideline and the title for the template may be tested as part of this consumer research.

In regard to the possibility of different levels of prescription for standing and market offers, the AER considers that the Guideline should apply equally to both types of offers. The Retail Law will likely state that the aim of the Guideline is to assist small customers in readily comparing standing offer prices and market offer prices. Accordingly, the AER maintains that to ensure that customers are able to compare between the two types of offers and select an offer that is most suited to their situation, the Guideline will apply equally to standing and market offers.

### **5.2.1 Price information to be presented in table format**

The AER considers that a table for the presentation of both pricing and other information is a clear, structured way to present information.

This is substantiated by consumer research which revealed that respondents favoured information provided in tables.<sup>25</sup> For instance, using tables to display unit pricing information was considered to be simple and easy to understand by most respondents<sup>26</sup>.

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<sup>25</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.2.

<sup>26</sup> Ibid, p.19.

Further, when respondents were asked to create their own ‘ideal’ pricing disclosure statements, many took ideas from concept pricing disclosure statements developed by the AER, and the clear preference was for price and other information to be provided in a table format.

The proposed table formats are set out in the attached draft Guideline. The AER notes that the information used to populate the proposed template is indicative only and does not exhaustively cover the variety of offers that are likely to be available. The intent of the templates is to allow the presentation of standardised product offerings to consumers, whilst retaining flexibility for retailers in developing these offers.

In the attached Guideline, the AER has also stipulated requirements around the general layout of information in an Energy Price Fact Sheet.

The AER considers that it is important to ensure that the fact sheet is set out in a way that makes it simple for customers to understand the information. For instance, the requirement on retailers to ensure that tables with tariff/price information commence within the top half of the page is to ensure that this information is clearly and obviously presented to customers, particularly given that price is the main reason for customer switching<sup>27</sup>.

Further, the attached Guideline stipulates that retailers must ensure that font size in tables is of a sufficient size. This requirement is aimed at ensuring that the information presented to customers is clearly legible and is suited for a range of customers. This is supported by consumer research which revealed that many customers had a preference for large, clear typeface in the pricing disclosure statements that were tested as part of the research<sup>28</sup>.

Further, the attached Guideline requires retailers, where possible, to ensure that the length of an Energy Price Fact Sheet is no longer than 2 standard A4 pages. This is to ensure that customers are not required to read lengthy documents to obtain information to compare between different retail offers.

### **5.2.2 Disclosure of other elements of a retail offer**

In addition to price information, consumer research found that customers wanted information on:

- the terms and conditions that apply to an offer (in particular, any penalties or discounts that might apply and anything that locks them into a contract)
- a number of means of contacting the organisation and details of its locations.

The Guideline requires a focus on prices and assisting consumers to compare prices, however, as noted earlier, the Guideline can specify any additional matters that the AER considers necessary or convenient to assist customers to consider and compare prices and offers available from retailers. The AER considers that contract terms such

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<sup>27</sup> Wallis Consulting Group, *Australian Energy Regulator – Retail Pricing Information Guidelines*, June 2010, p.2.

<sup>28</sup> Ibid p.31.

as discounts, fees, rebates and contract length do pertain to price and may influence a customer's decision to switch. Furthermore, the AER considers that information about non-price elements of offers, such as magazine subscriptions or product vouchers, will assist customers to compare prices and the relative value of retailers' offers. On this basis, the AER considers that it is important for the Guideline to stipulate requirements in relation to non-price matters to assist customers in comparing retailers' offers.

The AER considers it important to inform customers about all key elements that constitute a retail offer, so that customers are fully informed about a retail offer and are potentially more likely to make an effective switching decision. Examples of such key elements may include (as a minimum, but not limited to):

- discounts, fees and rebates
- contract details
- green energy options
- non-price incentives such as magazine subscriptions or product vouchers.

With regards to presenting the above information, the AER considers that retailers should present that information in the example format, provided in the attached draft Guideline.

The key reason for providing this information in the example format is to ensure that customers are provided with this information in a clear, simple way so that they are able to understand it. For instance, consumer research found that respondents found the Victorian price and product information statements complex. The key reasons for this were that each company provided its pricing information and terms and conditions in a different way and in a different part of the document. This meant that respondents needed to read the "fine print" to understand the basis on which the prices had been given. For example, one PDS drew attention to the offer of a month's free energy and respondents could not tell easily whether this was included in the stated unit price.

To reduce this confusion, the AER considers that other information relating to a retail offer should be clearly presented in the example proposed in the Guideline, and also clearly explained.

For instance, the AER considers that discounts should be appropriately identified and explained. For instance, if retailers are providing customers with a "loyalty discount," retailers must clearly describe the discount and explain its applicability in the 'details' section of the above table. The AER also considers that any discounts which are contingent on certain events occurring must also be clearly stated in the above 'details' section. For example, if retailers offer a pay on time discount to customers, they must provide an explanation on when the discount applies and whether the discount rate varies in certain circumstances.

The AER considers that this approach addresses the concerns of retailers regarding the potential of stifling the innovation of retail offers. These requirements still enable customers to access critical information that they have identified as important in their switching decision, but do not interfere with how retailers create the offers or the diversity of offers.

### **5.2.3 How to present energy prices**

The AER notes that most stakeholders prefer usage charges for energy to be expressed as c/kWh or c/MJ. However, the AER considers that prices for energy usage should be expressed as “cents per kWh” (electricity) or “cents per MJ” (gas), while the supply charge should be expressed as “cents per day”.

The AER is of the preliminary view that this is a clearer way to express price information and is potentially easier for customers to understand. The AER also agrees with Simply Energy that customers may find it useful to have a description of what a given number of kilowatt hours represents in terms of appliance usage. The AER therefore encourages retailers to include additional information to help customers understand their energy consumption and how that may relate to common household appliances. For example, retailers could provide a picture of an appliance and approximately how many kilowatt hours (or megajoules) it uses on a daily/weekly/yearly basis. This will assist consumers to understand what the units of measurement mean in a practical sense.

At this stage, the AER is not proposing to make the inclusion of such examples mandatory.

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.

Further, for the presentation of gas prices, it may be that “\$ per GJ” is a more meaningful measure for consumers than “cents per MJ”. This is because consumers are more likely to relate to a measure such as “\$13.45 per gJ” as compared to “1.345 cents per MJ”. However, given bills generally use “cents per MJ”, the AER considers there is some benefit in maintaining the megajoule measure.

In addition, the AER agrees with suggestions put forward by CALC and EWON to present prices as both GST exclusive and inclusive. This is because customers are typically presented with GST exclusive unit prices in their bills. Therefore, to enable an effective comparison between an Energy Price Fact Sheet and a customer’s current bill, the AER considers that prices should be expressed as both GST exclusive and inclusive.

## Appendix A — List of stakeholders

Submissions were received from the following parties:

- ActewAGL
- AGL Energy
- Australian Power and Gas
- Brotherhood of St Lawrence
- Consumer Action Law Centre (CALC)
- Consumer Utilities Advocacy Centre (CUAC)
- Council of the Ageing (COTA)
- Department of Employment, Economic Development and Innovation (Qld)
- Energex
- EnergyAustralia
- Energy Retailers Association of Australia (ERAA)
- Energy and Water Ombudsman of NSW (EWON)
- Energy and Water Ombudsman of Victoria (EWOV)
- Ergon Energy
- Ethnic Communities Council of NSW
- Integral Energy
- Origin Energy
- Public Interest Advocacy Centre (PIAC)
- Simply Energy
- South Australia Council of Social Services (SACOSS)
- TRUenergy
- Victorian Council of Social Service (VCOSS)

## **Appendix B — Draft Guideline**



Draft for consultation

## **AER Retail Pricing Information Guideline**

September 2010



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### **Amendment record**

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<b>Version</b>	<b>Date</b>	<b>Pages</b>
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# 1 Overview

The National Energy Retail Law (Retail Law) allows the AER to make and amend Retail Pricing Information Guidelines (Guideline). The aim of this Guideline is to assist *small customers* in readily comparing *standing offer* prices and *market offer* prices offered by *retailers*, by specifying the manner and form in which details of *standing offer* prices and *market offer* prices are to be presented by *retailers*.

*Standing offers* are available to *small customers* for the sale and supply of energy under a standard retail contract. *Standing offers* protect *small customers* who are able to choose their energy *retailer* but have not exercised that choice. Model terms and conditions for *standing offer* contracts are set out in the National Energy Retail Rules (Retail Rules).

In jurisdictions with full retail competition, customers can negotiate the terms and conditions of their contract with their *retailer* of choice. These contracts are *market offers* made under a market retail contract. The terms and conditions of these contracts must be consistent with the requirements of the Retail Rules.

The Retail Law includes a provision which allows this Guideline to specify additional matters that the AER considers necessary or convenient to assist customers to compare prices of offers. Therefore, this Guideline is not restricted to the presentation of prices alone and includes requirements in relation to other aspects of retail offers.

This Guideline mandates the use of a template to present tariffs and other product information when *retailers* present or otherwise market or advertise pricing information to consumers.

## **Definitions and interpretation**

In this Guideline the words and phrases presented in italics have the meaning given to them in either the glossary, or if not defined in the glossary, the Retail Law.

## **Processes for revision and version history**

The AER may amend or replace the Guideline from time to time in accordance with the Retail Law.

A version number and an effective date of issue will identify every version of this Guideline.

## **2 Energy Price Fact Sheets**

### **2.1 General requirements**

For each *standing offer* and *market offer* (contract offer) that a *retailer* offers to a *small customer*, the *retailer* must make available an *Energy Price Fact Sheet* that provides information on each *contract offer*.<sup>1</sup>

*Retailers* must provide current *Energy Price Fact Sheets* and refer to current *Energy Price Fact Sheets* in accordance with the requirements below. *Energy Price Fact Sheets* must contain the required information and be in the format set out below.

### **2.2 Information published on a retailer's website**

A *retailer* must ensure that *Energy Price Fact Sheets* are easily accessible from the homepage of its website.

Generally, a *small customer* should not be required to provide technical or personal information in order to obtain an *Energy Price Fact Sheet*. In cases where a *small customer* may be required to provide their address or meter type to determine whether a *contract offer* is applicable, the *retailer* must provide plain English explanations to assist the *small customer* to obtain and enter this information.

Where a *retailer* includes information or marketing materials on its website about a *contract offer*, the *retailer* must also include, on that same webpage, a clear and obvious link to the relevant *Energy Price Fact Sheet*. No link is required if the webpage itself contains the information and appears in the format required by this Guideline. When customers are signing up to an offer through an online sign up process, a *retailer* must refer to and provide a clear link to the relevant *Energy Price Fact Sheet(s)*.

### **2.3 Door-to-door sales and other in person marketing activities**

During any door-to-door sales or in person marketing activity to a *small customer* a *retailer*, or its agent, must provide an *Energy Price Fact Sheet* for each *contract offer* that is being marketed.

For avoidance of doubt, an *Energy Price Fact Sheet* does not need to be provided if the door-to-door sales or other marketing activity ends promptly without any conversation in relation to prices or offers. For example, if the *small customer* refuses to engage with the *retailer*, or its agent.

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<sup>1</sup> For the avoidance of doubt, the *Energy Price Fact Sheet* must be available contemporaneously with the *retailer* offering a *contract offer* to a *small customer*.

## 2.4 Telemarketing and telephone queries

During any telemarketing activity or telephone queries that relate directly or indirectly to either:

- a *retailer* marketing *contract offers*
- a *retailer* explaining *contract offers*, where the discussion relates to prices or discounts
- attempting to retain *small customers*
- attempting to gain further *small customers*
- attempting to offer an additional energy type to *small customers* (i.e. marketing or discussions relating to dual fuel offers with *small customers* that the *retailer* currently supplies with one fuel).

a *retailer* must advise each *small customer* that *Energy Price Fact Sheets* are available on the *retailer's* website or upon request. 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*.

## 2.5 Mass media

For any mass media marketing, including (without limitation), magazines, the internet, newspapers or billboards, which references prices, discounts, or the value of existing or potential *contract offers* for *small customers*, *retailers* must include the following statement in those advertisements in clear and easily readable text:

- “An *Energy Price Fact Sheet* is available at [insert *retailer* website]” or
- “*Energy Price Fact Sheets* are available at [insert *retailer* website].”

## 2.6 Price information to be provided in an *Energy Price Fact Sheet*

In an *Energy Price Fact Sheet*, *retailers* must present the following information:

1. the unit price for electricity and/or gas applicable under the *contract offer* in ‘cents per kWh’ and ‘cents per MJ’ (respectively) in the manner that they would apply to customers.

The charge must be described using the word “consumption” and include sufficient detail to explain how the charge applies. For example, if consumption charges vary at different periods throughout the day, the times at which different rates apply should be clearly specified. See example 2 for guidance.

2. any fixed or standing charge that is applicable under the *contract offer* in “cents per day”. A fixed or supply charge must be expressed as “supply charge” (examples are provided below).

All of the above prices must be expressed on a GST inclusive and GST exclusive basis.

All of the above information must be provided in a table format, as outlined in the examples below.

### Example 1

Applicable charges	Price (Excl GST)	Price (Incl GST)
Consumption	cents per kWh	cents per kWh
Supply charge	cents per day	cents per day

### Example 2

Applicable charges	Price (Excl GST)	Price (Incl GST)
Peak consumption (Mon-Fri 7am to 11pm)	cents per kWh	cents per kWh
Off-Peak consumption (All other times)	cents per kWh	cents per kWh
Supply charge	cents per day	cents per day

### Example 3

Electricity – applicable charges	Price (Excl GST)	Price (Incl GST)
Consumption of first 1020 kWh per quarter	cents per kWh	cents per kWh
Remaining consumption per quarter	cents per kWh	cents per kWh
Supply charge	cents per day	cents per day
Gas – applicable charges	Price (Excl GST)	Price (Incl GST)
Consumption of first 100MJ per quarter	cents per MJ	cents per MJ
Remaining consumption per quarter	cents per MJ	cents per MJ
Supply charge	cents per day	cents per day

These examples are indicative only and do not exhaustively cover the different types of tariff structures and retail product offers which may be offered by *retailers*.

## 2.7 Other information requirements

### 2.7.1 Fees

*Retailers* must provide information on key fees that are applicable to a *contract offer* in the table format presented in example 4. Key fees include (but are not limited to):

- account establishment fees
- exit fees/early termination fees (applicable to *market offer* contracts only)
- late payment fees
- disconnection fees
- reconnection fees.

If *retailers* apply any further fees that are not considered key fees to a *contract offer*, the *Energy Price Fact Sheet* must include a reference to where additional information on these fees is available. An example of a further fee, which the AER does not consider to be a key fee, is a fee/charge that relates to a special meter read or a meter inspection fee.

*Retailers* must title any fees relating to the disconnection or reconnection of a customer as “disconnection fees” and “reconnection fees” respectively.

## **2.7.2 Discounts and rebates**

*Retailers* must provide information on the discounts and rebates which apply to a *contract offer*, using the table format presented in example 4 as a guide.

Examples of discounts and rebates include (but are not limited to):

- loyalty rebates or discounts
- one-off discounts
- pay on time (or other contingent discounts)
- dual fuel discounts
- direct debit rebates
- entry rebates.

Each discount/rebate must be appropriately and accurately named and described. For example, a loyalty discount must contain information on how the *small customer* qualifies for the discount when it applies and the types of *small customers* who would be eligible to receive the discount.

Any discounts which are contingent on a certain event occurring must contain explicit information to assist the customer to understand when and under what circumstances the discount or rebate will be applied or when the customer will become eligible for the discount/rebate.

In addition, *retailers* may choose to list other products that form part of the overall product offering. This may include such things as vouchers for use in energy retail stores, magazine subscriptions, cinema tickets or tickets to sporting events.

### 2.7.3 Additional information to be provided

An *Energy Price Fact Sheet* must include information on:

1. the distribution area applicable to the *contract offer* and an explanation of whether this affects customer eligibility for the offer
2. the length of the contract, in the table format presented in example 4
3. how a *retailer* may vary the tariffs that apply to a *contract offer*, if applicable (for example, frequency of changes to price or other terms and conditions of an offer and how customers will be notified of these changes).
4. how and where *small customers* can access information on the full terms and conditions of the *contract offer*
5. additional options that the *small customer* may select, such as “green power” options. Information on options must be clearly explained and displayed (for example, there must be a clear explanation of the amount of the energy mix to be sourced from green power providers and a reference to further information on costs for these options ). The AER encourages *retailers* to have separate *Energy Price Fact Sheets*, rather than having many options contained within a single *Energy Price Fact Sheet*.

#### Example 4

<b>Fees</b>	
Dishonoured payment fee (direct debit)	\$15.00, applicable if payment is not received via direct debit before the due date.
Dishonoured payment fee (cheque)	\$25.00, applicable if payment is not honoured by your bank.
Payment processing fee for credit card payment	2% of total bill amount, applicable to customers who make payment using credit card.
Additional fees	For information on additional fees, please see the full contract terms and conditions available on our website or contact us on 12 34 56.
<b>Options</b>	
Go Green – EnergyCo’s 25% Green Option	A 25% green power option is available on this account. For details regarding pricing and green power, please see our website or contact us on 12 34 56.
<b>Other details</b>	
Contract length	24 months



The above example is indicative only and does not exhaustively cover the different types retail product offers which are offered by *retailers*.

#### **2.7.4 Format of *Energy Price Fact Sheet***

The AER has provided two examples of an acceptable Energy Price Fact Sheet at attachments A and B.

Whilst a *retailer* can amend the layout of the *Energy Price Fact Sheet*, the *retailer* must:

1. title and refer to the document setting out the information as established by this guideline as an “*Energy Price Fact Sheet*”
2. identify each *Energy Price Fact Sheet* with a unique name (tariff name) or reference code or both
3. provide written information on contract offers in plain English to ensure that it can be understood by a *small customer*
4. set out the *Energy Price Fact Sheet* in a manner that is simple to follow for *small customers* and ensure that it does not contain excessive shading or is set out in a way that would make it difficult for *small customers* to read the information
5. ensure that the font size in the tables is of a sufficient size that it is easy to read
6. ensure that tables are prominent and centred on the page and the table with the tariffs commences at least within the top half of the first page and appears above any other tables
7. where possible, ensure that the *Energy Price Fact Sheet* is no longer than 2 standard A4 pages.

# Glossary

**Business days** means any other day other than a Saturday, Sunday or a public holiday.

**Contract offer** means *standing offer* or *market offer* that a *retailer* offers to *small customers*

**Customer** has the meaning given in the National Energy Retail Law.

**Energy Price Fact Sheet** means a statement prepared by a *retailer* that contains information on its *standing offer* contracts and *market offer* contracts in the form specified by this Guideline.

**Market offer** is an offer that is provided to a *small customer*, for or in connection with the sale and supply of energy, under a market retail contract<sup>2</sup>.

**Retailer** has the meaning given in the National Energy Retail Law.

**Small customer** has the meaning given the National Energy Retail Law.

**Standing offer** is an offer that is provided to a *small customer*, for or in connection with the sale and supply of energy, under a standard retail contract<sup>3</sup>.

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<sup>2</sup> A market retail contract is a customer retail contract as referred to in the National Energy Retail Law

<sup>3</sup> A standard retail contract is a customer retail contract that as defined in the National Energy Retail Law.

# Attachment A

EnergyCo [Logo/page-header]

## Energy Price Fact Sheet

### EnergyCo Victorian New Starter Special - Tariff Ref #8576

This fact sheet presents the rates and fees that you will be charged for the electricity you consume under our Victorian New Starter Special Deal.

Applicable charges	Cost (GST Excl)	Cost (GST Incl)
Peak consumption (7am to 11 pm Mon- Fri)	17.70 cents per kWh	19.47 cents per kWh
Off peak consumption (all other times)	12.92 cents per kWh	14.21 cents per kWh
Supply charge	53.00 cents per day	58.30 cents per

<b>Fees</b>	
Early termination fee	\$50.00, applicable if customer terminates the contract prior to the contract end date.
Account establishment fee	\$36.00, applicable when customer signs onto an offer to establish an account.
Payment processing fee for credit card payment	2% of total bill amount, applicable to customers who make payment using a VISA or MasterCard.
Additional fees	For information on additional fees, please see the full contract terms and conditions available on our website or contact us on 123456.
<b>Discounts</b>	
Pay on time discount	5% discount on bill when paid by the due date shown on the bill.

<b>Options</b>	
Green power options	EnergyCo offers you the ability to offset up to 100% of your electricity with green energy. For example, you can elect to pay 10% extra for 25% green power. For more details regarding pricing and green power, please see our website or contact us on 12 34 56.
<b>Contract details</b>	
Contract length	24 months
Cooling off-period	10 days

### **Eligibility for this plan**

The details in this Energy Price Fact Sheet apply to you if you are a residential customer in the Citipower network area which covers inner Melbourne (see [www.citipower.com.au](http://www.citipower.com.au) or contact us to see if you are in this network area).

### **Price Changes**

EnergyCo may increase your charges on this offer. EnergyCo will notify you 1 month prior to the change taking effect along with your next bill.

### **Further Information**

For further details on the information presented in this fact sheet, or the terms and conditions of the contract, please visit [www.energyco.com.au](http://www.energyco.com.au) or call EnergyCo on 12 34 56.

# Attachment B

OzzieGas&Electric [Logo/page-header]

## Energy Price Fact Sheet

### OzzieG&E's Dual Fuel Super Deal (Tariff Ref #1234)

This fact sheet presents the amounts you will be charged for your consumption of electricity and gas.

<b>GAS</b> Applicable charges	<b>Cost(GST Excl)</b>	<b>Cost (GST Incl)</b>
<b>Consumption</b>	1.35 cents per MJ	1.49 cents per MJ
<b>Supply charge</b>	31.00 cents per day	34.10 cents per day

<b>Electricity</b> Applicable charges	<b>Cost (GST Excl)</b>	<b>Cost (GST Incl)</b>
<b>1 December to 31 March</b> Consumption of first 1020kWh per quarter	21.00 cents per kWh	23.10 cents per kWh
<b>1 December to 31 March</b> Remaining consumption per quarter	18.00 cents per kWh	19.80 cents per kWh
<b>1 April to 30 November</b> Consumption of first 1020kWh per quarter	19.00 cents per kWh	20.90 cents per kWh
<b>1 April to 30 November</b> Remaining consumption per quarter	17.50 cents per kWh	19.25 cents per kWh
<b>Hot water controlled load</b> Off-peak usage	10.00 cents per kWh	11.00 cents per kWh
<b>Supply charge</b>	54.00 cents per day	59.40 cents per day

<b>Contract details</b>	
Contract length	24 months
Cooling off-period	10 days

**Other information:**

<b>Fees</b>	
Early termination fee	\$50 applicable if customer terminates the contract prior to the contract end date.
Payment processing fee for credit card payment	2% of total bill amount, applicable if customer pays bills through credit card.
Dishonoured payment fee (direct debit)	\$15.00, applicable if there are insufficient funds in your nominated account on the due date.
Dishonoured payment fee (cheque)	\$25.00, applicable if payment is not honoured by your bank.
Additional fees	For information on additional fees, please see the full contract terms and conditions available on our website or contact us on 12 34 56.
<b>Discounts/Rebates</b>	
Direct debit rebate	When you establish a direct debit facility with your nominated account, you will receive a 5% discount.
Ozzie's 1 month's free electricity after a year if you pay on time	If you have paid all your bills by the due date for 12 months, you will receive one month's free electricity. This will be calculated based on how much electricity you have used over the previous year and divided by 12. This amount will then be credited to your electricity bill after your 12 month 'qualifying period'.
Magazine subscription	Customers who sign a 24 month contract will receive a 24 month subscription to a magazine of your choice, valued at up to \$200. See ozzieG&e.com.au or call us for more details.

**Eligibility for this plan:**

The details in this Energy Price Fact Sheet apply to you if you are a residential customer in South Australia within the ETSA Utilities electricity and Envestra gas distribution network areas.

**Price Changes**

This OzzieE&G deal locks in your prices for 12 months. If we change your tariffs after that, we will notify you 20 days prior to the change taking effect.

**Further Information**

For further details on the information presented in this fact sheet, or for more information on the terms and conditions of the contract, please visit our website at [www.ozziege.com.au](http://www.ozziege.com.au) or call us on 13 37 52.