



28 October 2010

## **SUBMISSION ON AER POSITION PAPER ON RETAIL PRICING INFORMATION GUIDELINE**

### **BACKGROUND**

The Queensland Consumers' Association (QCA) is a non-profit organisation which exists to advance the interests of Queensland consumers. QCA's members work in a voluntary capacity. QCA is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups.

QCA's members specialise in particular policy areas, including energy.

QCA is represented on a range of energy related bodies including the Queensland Competition Authority's Consumer Consultative Committee and the Energy Ombudsman of Queensland's Advisory Council.

Subject to resource availability, QCA participates in consultations, etc. on public energy policy issues in Queensland and nationally. Where relevant and possible, QCA also participates in interstate consultations.

In this regard, because of the relevance to this consultation, QCA advises that recently it made two submissions to ESCOSA's draft decision on consumer information requirements for the energy retail market in South Australia available at [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

QCA has considerable experience in issues associated with the provision of information to assist consumers choose between alternative offers. This is as a result of its research on, and advocacy for, the provision of a high quality grocery unit pricing system in Australia.

This work is relevant to this consultation and contributed to the establishment by the federal government of a compulsory industry code of conduct under the Trade Practices Act. The objectives of the compulsory code included facilitating consumer use by ensuring suitable levels of uniformity/consistency of provision between retailers. Aspects of the code relevant to this consultation include prescription of the specific units of measure (for example per kg or per 100g) which must be used to indicate the unit price of particular grocery items and the requirements that unit prices be displayed prominently and legibly.

However, contrary to the views of consumer organisations, the code does not contain any objective specifications, for example minimum print size, to assist the regulator or retailers to

assess whether unit prices comply with the code's prominence and legibility requirements<sup>1</sup>. As a result, there are major differences between retailers in how easy it is for consumers to easily notice and read many unit prices. This is a major problem with the scheme and is substantially reducing consumer awareness and use of the information. The scheme has also suffered from a lack of consumer education by the regulator and retailers which is also reducing consumer awareness and use of the information.

QCA makes these observations on the grocery unit pricing code to illustrate the need to carefully consider the consequences of legislating for the provision of information for consumers and not achieving sufficiently high levels of uniformity/consistency and quality of presentation of the information.

QCA is pleased to make this submission because the availability, and quality, of information for energy consumers is crucially important for the development of efficient energy markets throughout Australia, including Queensland.

The contact person regarding this submission is: Ian Jarratt (email: [ijarratt@australiainmail.com](mailto:ijarratt@australiainmail.com))

## **GENERAL COMMENTS**

QCA welcomes AER's:

- Recognition of the vital role that information for consumers can play in the development and operation of an efficient energy market
- Decision to consult extensively on this matter
- Decision to commission consumer based research.

QCA looks forward to participating in further consultations on this vitally important matter.

## **SPECIFIC COMMENTS**

### **1. Consumer Research**

QCA strongly supports AER's decision to commission consumer research. Together with that undertaken for ESCOSA, it adds considerably to the information available to assist decision-making by all stakeholders.

However, QCA is concerned that the research commissioned by the AER:

- does not include any Queensland consumers
- involved only 48 consumers yet attempted to obtain information about several sub groups of consumers
- did not involve actual decision making situations faced by consumers, for example when contacted unannounced by a door to door marketer.

QCA recommends that further research be undertaken to provide better information on consumer needs which can inform decision-making by stakeholders and that such research focus on the needs of key consumer groups and take full account of behavioural economics theory and research.

### **2. Scope of the Guideline**

#### *Types of marketing*

---

<sup>1</sup> Also, unlike some overseas legislation the code does not specify where the unit price should be displayed on a label, etc or any background colour it should be printed on. As result, there is considerable variation between retailers in how the information is presented to consumers.

QCA supports the AER's focus on applying the guideline to in-person marketing activities, telemarketing, and the internet.

However, QCA considers that the proposed less prescriptive approach for other marketing avenues, must still ensure that consumers are provided with sufficient information.

QCA also notes that the AER's preliminary view is that TV and radio advertising is unlikely to be used to provide detailed information about prices etc. QCA does not share this view and considers that such advertisements could contain specific price or discount information and if so it is essential to provide consumers with appropriate additional information.

QCA also notes that the scope could be significantly influenced by future decisions on a possible AER price comparator service, and requirements to include references to it in advertisements, etc.

QCA also notes that the paper is silent on the question of how to make consumers aware of state price comparator services if the AER does not provide such a service.

#### *Changes in tariffs*

QCA considers that retailers should be required to inform customers of variations to standard (standing) and market contracts and that such notifications can be important triggers for consumers to consider whether their current arrangement<sup>2</sup> is best meeting their needs.

Accordingly, QCA considers that in addition to any requirements regarding the precise variations to the current contract, should be supplemented by a requirement to also provide a disclosure statement.

### **3. Presentation of Information**

As indicated earlier in this submission, QCA considers that further in-depth research with consumers is required on this matter.

#### *Format, etc*

At this stage QCA considers that consumers definitely require as much information as possible to be in tables and for all information be easy for consumers with only 20/30 vision (mild vision loss) to read easily. QCA further considers that there could be significant benefits from standardisation of key aspects of presentation and the specification of minimum print sizes.

#### *Content*

At this stage QCA considers that consumers require annual cost estimates for various consumption levels as well as the actual prices per unit of electricity and supply charges.

Providing both types of price information caters for the needs of many types of consumers. This approach also exposes all consumers to the per unit price and the supply charge

---

<sup>2</sup> These arrangements are not only in relation to what might be on offer from other retailers but also alternative contracts with their existing retailer. Indeed, as indicated in our submission to ESCOSA, we consider that insufficient attention is paid in public policy analysis to the benefits some consumers may obtain by choosing between contracts offered by their existing retailer. Apart from possible price and other advantages, such changes will reduce the risk of things going wrong with a transfer to, and the quality of service provided by another retailer. In this regard, it is also important to recognise that in currently in Queensland all retailers are required, when requested, to offer a standard contract to any existing customer. We understand that this will be required also by the NECL.

concepts and over time will increase consumer familiarity and use of this information and facilitate use of and understanding of information on bills.

QCA does not accept that because the estimated annual cost may rarely equate exactly to what the customer will pay is not a valid reason for not providing such estimates. These are currently provided in Queensland and we are unaware of any problems which have arisen.

QCA also considers it essential to provide consumers with adequate information about other charges, fees etc. as well as contact phone numbers etc, and the existence of a relevant official price comparator service.

QCA also recommends that the disclosure document be required to state prominently and legibly the name of the contract and whether it is a standard (standing) contract or a market contract. This is needed to increase consumer awareness of the existence of these different types of contracts and of the type of contracts and they currently have, and because the names of some market contracts may be similar to or can be easily confused with the standard (standing) contract.

QCA also recommends the AER to consider how the guidelines can be set so that the many consumers in Queensland, NSW and South Australia on now standard (standing) contracts have sufficient information about the cost of and conditions associated with such contracts to enable them to make informed decisions about whether or not to move a market contract. One option could be to require each retailer to have a disclosure document for the standard (standing) contract and to be required to provide this to any consumer contacted who is on a standard (standing) contract.

QCA notes that the consumer research indicated a high level of consumer interest in information about the retailer, including whether Australian owned. Accordingly, QCA considers that serious consideration should be given to requiring disclosure documents to indicate whether or not the retailer is Australian owned. The provision of country of origin etc information is now required for many products and QCA can see no reason why in a market economy expected to respond to consumer preferences, retailer ownership information should not be provided if required by a significant number of consumers.

#### **4. Other matters**

QCA emphasises the need for the AER to satisfactorily monitor and enforce compliance with any requirements and for the AER and retailers to undertake sufficient consumer education.

QCA notes that pages 6 and 7 of the Wallis report indicates that Great Britain is about to implement regulations that will require retailers to provide information about annual consumption etc to assist consumers wishing to switch retailer<sup>3</sup>. QCA considers that AER should undertake further investigations into this proposal and any research upon which it is based and consider whether such a requirement might be beneficial for Australian consumers.

---

<sup>3</sup> We presume that it will also assist consumers wishing to compare other contracts offered by their existing retailer.