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

Submitted electronically

Dear Ms Looi,

Re: Benefit Change Notice Guidelines

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to contribute to the Australian Energy Regulator's (AER's) Issues Paper on the Benefit Change Notice Guideline (the Guideline). This Guideline follows a rule change in late 2017 to enact commitments given at the Prime Minister's roundtable meetings. We are pleased to continue to work with the AER and other stakeholders to implement these commitments that deliver better outcomes for energy consumers.

This consultation coincides with numerous other initiatives, including those currently in development by the AER, to encourage consumers to actively participate and more specifically in this case, compare competing energy plans. Notification at the end of a fixed benefit period is important but the more significant objective should be to encourage participation in the market. Within this context, we encourage the AER to promote consistency across its various initiatives and to keep this overarching objective in mind.

As an example, the AER is consulting on revisions to the Retail Pricing Information Guideline (RPIG), while also considering further changes to Energy Made Easy (EME) later this year. We understand the AER (and its consultants) are undertaking further analysis to understand consumer preferences and how best to present information. We emphasise the importance of a coordinated approach across these activities to ensure consumers receive consistent messages. Retailers also want to avoid having to make system changes to implement and comply with revised obligations but then make further system changes in line with additional or different findings.

Red and Lumo pride ourselves on our award-winning customer service and our ongoing communications with our customers. As such, we implore the AER to ensure the mandatory amount of information to be included in communications with customers is brief, thereby allowing retailers to provide more targeted information to customers where necessary.

The optimal volume and form of customer communications can differ significantly across customer segments. There is a trade-off between overloading consumers with every possible piece of information, and providing accurate and relevant information. Over prescribed information can be irrelevant and costly to implement for little benefit at best and misleading or confusing at worst. As the AER also notes in its review of the RPIG, more information is not always better.

For example, some consumers may be interested in the precise amount they have saved over a fixed benefit period, others might want to receive information on what they have spent. Allowing retailers to provide information to their customers, instead of mandating it, provides the flexibility for retailers to have more targeted and relevant communication with their customers. As such, we urge the AER to focus clearly on the objectives of this notice, that is to ensure consumers are encouraged to understand the impact of inaction, and to encourage consumers to look forward and make comparisons.

In terms of timing, we recognise the AER is required to implement a Guideline with which retailers must comply from 1 October 2018. This obligation, combined with the required lead time for implementation, means the AER will be seeking to finalise the Guideline as quickly as possible.

However, consultation on the RPIG has revealed numerous unresolved issues. We also know the AER is continuing to consult and undertake research to determine how best to encourage market

participation. Therefore, we recommend the AER take the time to consult with industry and complete its research before finalising regulatory guidance that may subsequently be found to be misguided or unhelpful. This relates not only to this Guideline but also the RPIG. We also note the proposed timeframe for implementation following finalisation is relatively short, particularly in light of numerous other initiatives to implement flowing from the PM commitments, proposed changes to reporting obligations and the revised RPIG.

Red and Lumo would welcome the opportunity to work directly with the AER during this process, drawing on our insights to offer our views on effective communication tools and other mechanisms for promoting customer engagement. This includes possible versions of a benefit change notice.

Specific aspects of the Guideline

Section 3.1 - Coverage

We agree with the AER that consumers should receive a notice when a benefit changes, irrespective of whether there is a financial detriment or benefit to the consumer. AER believes there is utility in sending a notice whenever a benefit changes, as it ensures consumers are aware of changes to their energy plan (even if they are positive).

However, we are also aware the Australian Energy Market Commission (the Commission) will shortly commence consultation on a rule change proposal to mandate that retailers provide consumers with advance notice of changes to energy prices. This raises the potential for duplication of regulatory effort but more importantly, confusion for consumers who receive notification under the proposed rule in addition to notification under the proposed Guideline (especially if the form, content and timing of those notices is different).

As noted above, too much information is likely to confuse consumers. Anecdotally, our customers tell us they disengage when faced with overly frequent communications. This is unsurprising and makes the need for targeted and clear information, crucial in achieving the overall objective.

Therefore, we strongly recommend this Guideline expressly excludes benefit changes for which retailers are obligated to notify their customers under a different provision of the National Energy Retail Rules.

In addition, the Guideline should only apply to benefit periods of greater than 12 months. Otherwise, any historical information on bills will not capture seasonal factors and will not provide a reliable basis for comparison. Furthermore, consumers on retail products with short benefit periods or who have been with a retailer for a period shorter than 12 months will have received recent notification of the terms and conditions of their contract. These consumers are actively participating in the market and are not the primary target of a benefit change notice.

Section 3.2 – Inclusion of historical billing amount

The notice will alert consumers to the end of their benefit period but in our view, its primary purpose should be to encourage them to compare plans across the market. We think this is consistent with the AEMC's final rule determination, which stated:

In order to maximise competitive benefits it is critical that the projected charges provided to customers in the notice are directly comparable to projected charges for competing offers available from the Energy Made Easy website [emphasis added]. This minimises the effort customers would have to expend to determine whether they are on the best offer available to them and so increases the likelihood of their engagement with the market.

The AER suggests that retailers should include historical data on the benefit change notice. However, historical information (either previous billing or the value of the benefit during the benefit period) is less useful for comparing future offers. Previous bills could reflect changes in consumption profile, significant changes in underlying rates or variations in electricity and gas consumption across seasons, for example. This may not provide a basis for meaningful comparisons and reinforces the rationale for limiting the application of this Guideline to benefit periods of greater than 12 months.

In the case of non-financial benefits, historical billing is of no relevance at all.

Information about previous consumption or benefits that consumers have enjoyed during a fixed period is readily available to those who are interested (either through bills that retailers have issued or through other mechanisms, such as web portals and apps). The AER should carefully consider the value of mandating the inclusion of historical data. Rather, we recommend the AER grant retailers the discretion to determine whether this is something their customers value, whether they could easily access this information elsewhere, or whether it might distract from the key message of the notice.

We note that this process coincides with numerous consultations to facilitate greater access to metering and other data by consumers and their authorised representatives. This includes the Commonwealth Treasury's Open Banking Review, which envisages extension of the Consumer Data Right to the energy sector, and the Department of the Environment and Energy's *Facilitating Access to Consumer Energy Data* workstream. One of the key objectives of these projects is to encourage consumers to access and analyse their historical data for the purpose of comparing market offers.

Section 3.3 – Provision of energy consumption data

AER states a preference for retailers to use historical consumption data in the calculation of the 'do nothing' cost. This has the obvious advantage of personalising the notice to reflect their customer's actual circumstances (provided it applies only to benefit periods of greater than 12 months).

However, the AER is currently revising the RPIG and proposes to include a Basic Plan Information Document (BPID) with the cost of energy under different plans for representative consumption categories. We are mindful of the limitations of the BPID in its proposed form and have outlined these in our submission to the AER's consultation process. For example, the AER proposes that cost estimates are presented as quarterly rather than annual figures, which will not reflect seasonal considerations.

The alignment of this Guideline with the BPID is unclear. Historic consumption data will make benefit change notices more tangible for most consumers but the AER envisages the BPID (and its use of benchmark data) will likely become a common comparator tool for many consumers. Therefore, the BPID will need to prominently display that it uses benchmark consumption profiles and that consumers should note these limitations when they compare. Furthermore, the comparison table output must be based on an annual price, as we argued in our submission to the RPIG consultation.

Section 3.4 – Order and presentation

We support the AER's proposal to grant discretion to retailers to provide the notice to their customers in a way that aligns with their preferences, i.e. via email where a customer typically receives other communication from their retailer via email.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to approximately 1 million customers.

Red and Lumo thank the AER for the opportunity to respond to this Issues Paper. Should you have any further enquiries regarding this submission, please call Geoff Hargreaves, Regulatory Manager on 0438 671 750.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd