

23 March 2018

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

By email: AERInquiry@aer.gov.au

Dear Ms Looi,

Benefit Change Notice Guidelines Issue Paper

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Regulator's (AER) Change of Benefit Guidelines Issues Paper.

Simply Energy is a leading second-tier energy retailer with over 660,000 customer accounts across Victoria, New South Wales, South Australia and Queensland. As a growing retailer, Simply Energy recognises and supports competition and customer engagement in the market.

With these objectives in mind, the following submission seeks to broadly address the questions raised in the Issues Paper by evaluating the proposed content of the Guidelines in the context of:

- their scope and application;
- the benefit of including comparison information to assist customers in making informed decisions; and
- the proposed prescription around the form of change of benefit notices.

Overall Simply Energy believes that the requirements in the proposed Guidelines will assist in promoting greater consumer participation in the retail market. In saying that, Simply Energy would encourage the AER to actively engage with energy retailers throughout the consultation process to ensure system and procedural changes can be made in advance of the Guidelines coming into effect.

Scope and Application

Simply Energy acknowledges the change of benefit notices are an effective means of keeping customers informed and prompting them to engage in the market. For this reason, it has been Simply Energy's business policy for several years to notify customers that their fixed benefit period is ending. This is despite the fact that Simply Energy rolls customers on to equivalent, if not better financial discounts, when their benefit period ends.

That being said, the Issues Paper is not clear about the requirements associated with marketing new offers to customers who are rolled on to equivalent offers. This, in turn, raises the question: should any associated marketing material about alternative offers included in an end of benefit period notice that is sent as a courtesy to customers be expressed in dollar-terms? Alternatively, if there has been no benefit change, are retailers only required to conform to the requirements in the Retail Pricing Information Guidelines? On a strict reading of the requirements it would appear to be the latter; however, Simply Energy considers that the AER needs to clearly outline its position on this matter to avoid any doubt.

Comparison Information

Including a pricing comparison in the notice should reasonably encourage customer engagement. Simply Energy considers that comparisons should be based on historic costs over a 12-month period. In saying that, all assumptions underpinning the calculation of historic costs will need to be set out in the Guidelines.

Simply Energy considers that the calculation should assume all payments in the previous period were made on time and no concessions were applied (essentially a similar calculation as the estimated bill with all discounts as presented to customers on the Energy Made Easy Website). Simply Energy also considers feed-in dollar amounts should be factored in, where 12 months of feed-in tariff data is available. Further, network tariff calculations applying to historical price comparisons should be based on the current rates to provide a meaningful point of comparison. Simply Energy is also of the view that the AER's benchmark consumption profiles are an appropriate proxy for usage where no customer data is available.

Nonetheless, it is important to point out that the value of non-financial benefits may be difficult to quantify. For this reason, Simply Energy considers that retailers should only be required to advise customers that they will no longer receive a non-financial benefit, such as movie tickets or frequent flyer points, from the date that their fixed benefit period expires rather than attempting to provide an express dollar quantification.

Simply Energy is also of the view that the Guidelines will need to allow sufficient time for system testing and integration to take place. To this end, Simply Energy would encourage the AER to provide retailers with training on using Energy Made Easy and its associated algorithm as soon as reasonably practicable after the Final Guidelines are released. From Simply Energy's perspective this training will be essential in ensuring retailers can fulfil the requirements in the Guidelines.

A minimum six month transitional period may be required to ensure all amounts shown in the change of benefit notice align with Energy Made Easy where applicable. The AER should attempt to avoid any situation where industry is rushed into making substantial system changes, as any system error could leave customers feeling confused and disenfranchised.

Form and Content

Simply Energy considers a less prescriptive approach is preferable to give retailers flexibility to tailor their communications to customers. The Guidelines should only provide high-level direction on the content that needs to be included in the benefit change notices.

Simply Energy also sees the benefit in a headline statement. Nevertheless, careful consideration will need to be given to how the statement will be expressed. A generic statement could advise customers that their benefits period is expiring and prompt them to evaluate alternative offers. Where applicable the statement could also include the dollar terms effect of 'doing nothing' as a headline comparison, so customers are clearly aware of whether they are better or worse off as a result of the benefit change.

Concluding Remarks

Simply Energy trusts this submission provides the AER with some useful information and looks forward to continuing to engage on the development of the Benefit Change Notice Guidelines. If you have any questions in relation to Simply Energy's submission, please contact Anthony O'Connell, Senior Regulatory and Compliance Officer on (03) 8807 5134 or by email at Anthony.OConnell@simplyenergy.com.au.

Yours sincerely



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Simply Energy