



Level 14 Como Office Tower  
644 Chapel Street  
South Yarra, Victoria 3141  
Fax +61 3 8807 1199  
simplyenergy.com.au

9 April 2010

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

Attention: Mr Tom Leuner

Dear Mr Leuner

### **AER Retail Pricing Information Guidelines – Issues Paper**

Simply Energy welcomes the opportunity to comment on the AER's *Retail Pricing Information Guidelines – Issues Paper* (the Issues Paper), released on 16 March 2010.

As an electricity and gas retailer operating in the Victorian and South Australian markets, Simply Energy currently publishes pricing information for customers in separate formats for each state. The move to standardise pricing information requirements under the National Energy Customer Framework will not only reduce the regulatory burden on retailers; it presents an opportunity to incorporate best practice price disclosure approaches from Australia and internationally, both from within and outside the energy industry.

Simply Energy considers there are trade-offs involved in selecting from one of the two predominant approaches to displaying pricing information. The standardised unit pricing approach – displaying fixed charges as c/day and consumption charges as c/kWh – allows a customer to make direct comparisons with a current bill, however involves some level of calculation on the customer's part. Meanwhile, the annual cost approach – displaying projected bill amounts based on given levels of consumption – allows for quick comparison between competing retail offers, but may not be applicable to the individual consumption levels of customers.

Given there are costs and benefits in each approach, we would caution attempts to integrate the two to capture the benefits of both. This may lead to an over-abundance of information presented to customers, leading to confusion and ultimately undermining the objective to support informed decision-making.

On balance, we consider a standardised unit pricing approach would allow customers to more accurately compare competing retailers' offers, particularly where time-of-use (TOU) tariffs are widely deployed. However, it will be important to ensure that retailers are involved in refining the detailed requirements, so that any practical issues can be addressed.

In response to the specific questions in the Issues Paper, we provide more detailed comments in the attachment.

Please contact me on (03) 8807 1171 if you would like to discuss this submission further.

Kind regards

Andy Cole  
**Compliance Analyst**

- 1. What are stakeholder views on the forms of advertising that the AER should target with this Guideline?**
- 2. To what extent should the AER be less prescriptive in the presentation of pricing information on mass media platforms (such as billboards) as opposed to door-to-door sales, brochures and websites?**

Simply Energy supports the AER's preliminary view that the Pricing Information Guideline (the Guideline) should not apply to advertising. As the AER notes in the Issues Paper, advertising is a distinct activity from price disclosure, and is subject to the Trade Practices Act. This is the appropriate extent of regulation for advertising. Further, Simply Energy would support adoption of the current model in Victoria, in which price disclosure documents are required for only one generally available product offer.

- 3. Should a template be published? Under what circumstances should retailers be required to present prices following that template? What should the template be called (i.e. the Price Disclosure Statement or Price Information Sheet or another name)? Do stakeholders have any views on what type of format?**

If the AER is to design a template, this should occur in consultation with retailers. To the extent possible, any template should focus on minimum information and presentation standards, rather than over-prescribing the format.

- 4. What are stakeholder views on the effectiveness of using standardised unit pricing as a way of presenting prices?**

As noted above, the standardised unit pricing approach allows customers to make direct comparisons of prices available in the market with their bills. While this involves some level of calculation on the customer's part, the end result will be more accurate and relevant price comparisons, and therefore more informed customer decision-making than may be the case under an annual cost approach.

- 5. What are stakeholder views on discounts/rebates/fees etc. being disclosed separately from the actual price of energy?**

Under a standardised unit pricing approach, it would be more transparent for retailers to display discounts separately to energy charges, given a number of discounts offered are contingent on the customer meeting certain requirements (e.g. paying on time). This, however, would require the customer to perform further calculations to arrive at a final amount that they could then use to compare against their bills.

However, the additional calculation required of customers is preferable to the annual cost approach. Where the annual cost approach requires discounts to be built in, there is a potential lack of transparency around contingent discounting (that is, retailers could provide a figure assuming all contingent discounts are applicable, when in practice this may not be the case). For an annual cost approach in which discounts are disclosed separately from the annual figure, customer confusion is likely to arise for the many retail products available for which discounts apply only to consumption, not fixed charges.

Overall, therefore, a standardised unit pricing approach with discounts disclosed separately would appear to better support presentation of transparent information to customers and informed decision-making.

- 6. Is standardised unit pricing likely to become too complex when bundled offers/complex tariffs are disclosed in the proposed formats?**

The key is whether customers can use the information to make relevant calculations that assist comparison with their current tariffs. Greater complexity in tariff design, as is conceivable under TOU tariffs, may mean additional calculations, but this is preferable to an annual cost approach in which a figure is presented that may not be relevant to a customer's particular consumption levels.

**7. What are general views on the formats presented in these tables?**

The formats presented are generally clear; however, it will be important to establish which fields are required for non-tariff information in consultation with retailers.

**8. What units might be most effective (i.e. cents/day or \$/week) and what format is likely to be most useful for customers (i.e. c/kwh or "cents per kilowatt hour of electricity")?**

One of the key benefits of the standardised unit pricing approach is that it is transparent and provides for accurate comparisons; Simply Energy would therefore support a c/kWh disclosure requirement. In addition, it may be useful to provide an indicative description of what a given number of kilowatt hours actually represents in terms of appliance use (e.g. a refrigerator of a particular size used for 6 hours). This will provide practical supplementary information to customers in understanding the tariffs presented.

**9. The AER would like to obtain stakeholder views on the effectiveness of using the annual cost method as a way of standardising the presentation of prices and enabling ease of comparison between offers for small customers.**

In Simply Energy's view, an annual cost approach allows simple comparisons to be made, but these comparisons may not be particularly relevant to a customer's actual consumption levels. It is therefore preferable to adopt a standardised unit pricing approach, and include straightforward instructions for customers on how to make calculations using the tariff and discount information provided.

**10. The AER seeks views on how it might develop consumption bands that would reflect appropriate consumption levels of small customers – both residential and small business – and whether these levels should be differentiated to accommodate differences between NEM jurisdictions?**

Preferably, consumption levels would be standardised across jurisdictions to the greatest extent possible.

**11. Given the significant variations in consumption levels by small businesses (and limited data availability), what would be the best method to determine an approximate range of bands that can be used to reflect consumption of both electricity and gas by small businesses?**

Simply Energy considers that small businesses will benefit even less than residential customers from an annual cost approach; there is arguably greater capacity and inclination among this class of customers to perform the calculations possible under the standardised unit pricing approach.

**12. The AER seeks views on how discounts should be displayed. For example, is it appropriate that the discounts are disclosed separately from the annual cost of an offer? If not, how else should they be displayed?**

As noted above, the annual cost approach arguably becomes less transparent where discounts are built-in, and potentially misleading where discounts are required to be calculated separately (because the discounts may only apply to the consumption aspect of the annual cost).

**13. What assistance or additional guidance in the form of 'pointer questions' could be provided to assist customers to place themselves in the appropriate consumption band?**

Simply Energy does not offer comment in response to this question.

**14. The AER seeks comment on the possible methods put forward for determining how retail offers should be presented given the potential for the development of more time-of-use-tariff offerings from retailers. In particular, what are stakeholder views on using the load profile data as a method for creating an assumed distribution of usage over time to enable comparison using the annual cost approach?**

**15. What other appropriate methods could be considered?**

**16. Should different load profiles be created for each jurisdiction or season?**

For TOU pricing structures, a standardised load profile will need to be used to calculate the annual cost. Simply Energy supports in principle the use of relevant load profile data from the market, but notes the complexity of any such data used for price disclosure purposes should be limited to the extent possible. Greater complexity (e.g. detailed seasonal variations) will increase retailers' administrative costs, and may over-complicate customer calculations.

**17. How often should the load profile be updated?**

While Simply Energy recognises there may be a need to update load profile data from time to time, frequent updating of this information will increase administrative costs for retailers.

**18. What are stakeholder views on the effectiveness of using a combination of both the annual cost and standardised unit pricing method to present price information?**

As noted above, combining the annual cost and standardised unit pricing approaches may over-complicate the information provided to customers, limiting their ability to make meaningful comparisons between competing retailer offers.