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Via email to: AERinquiry@aer.gov.au

30 April 2010

ABN 93 197 662 296

Dear General Manager,

Re: AER Retail Pricing Guidelines

SACOSS is pleased to contribute to the consultation process around the creation of Retail Pricing Guidelines under s 242 of the National Energy Retail Law. We strongly believe that the Guidelines are an important step in creating a workable National Energy Customer Framework (NECF).

As the peak non-government representative body for the health and community services sector in SA, SACOSS believes in justice, opportunity and shared wealth for all South Australians. We have a strong membership base representing a broad range of interests in the social services arena. Our core activities include analysing social policy and advocacy on behalf of vulnerable and disadvantaged South Australians; providing independent information and commentary; and assisting the on-going development of the health and community services sector. SACOSS has a key interest in the protection of low income and vulnerable consumers, extending to the interaction between essential service providers and consumers.

This submission will not provide a detailed analysis of the issues involved in informing customer choice or of the AER Issues Paper broadly. It will, however, outline a number of principles involved in the provision of information to customers, and suggest further action in terms of the consultative process. These principles will be arranged under 4 main headings: information disparity; clarity and effectiveness of information; customer consultation; and unbundling.

1. Information Disparity

Energy markets are complex and there is a clear disparity between the information available to energy businesses and customers. Moreover, there are wide disparities in the ability of consumers to analyse available information and to make informed choices.

The ability to source information is key to participating in open markets and, as a matter of principle, energy retailers need to be transparent in the information used by them to inform their decision-making, specifically their retail offers to customers. As a matter of logic, markets can only operate competitively when the information disparity is minimised to the extent that consumer choice is maximised.

In order to operate in markets that have been deemed effectively competitive, retailers are obliged to provide as much information as possible (at a basic level and at increasingly complex levels at request) to consumers and consumer advocates alike.

2. Clarity and Effectiveness of Information

In addition to providing easily accessible information, it is important that the information provided is clear and in a format and language that consumers can easily understand.

The AER Retail Pricing Guidelines Paper clearly highlights issues around consumer perceptions of different formats for the provision of pricing information identified in earlier work by Ofgem in the UK. It is clear that these issues need to be considered in the Australian context, with information provided needing to be clear and effective to allow for retail energy product comparison and ultimately informed consumer decision-making.

SACOSS understands that the AER is also considering current models of price disclosure requirements in Australian jurisdictions, and believes that any such existing work informed by customer consultation should be given weight during the current retail pricing development process.

3. Customer Consultation

SACOSS considers it vital that consultation on retail price disclosure requirements be extended beyond formal submission and working group processes. As previous work identified in the appendices to the Issues Paper has highlighted, different pricing display methods have different levels of consumer understanding. While high-level principles as identified in the Issues Paper are useful, there is a need to ensure that the understanding of consumers affected directly by the display method are adequately considered through consultation.

Previous work undertaken by the Essential Services Commission of SA (ESCOSA) has used customer surveys and focus groups representative of different types of consumers (including low-income) to inform decisions. SACOSS believes the AER should utilise these methods to ensure a robust consultation process.

4. Unbundling

The issue of retailer bundling is one area of concern for SACOSS and our membership. The provision of simple information about the 'price stack' that makes up the retail bill represents an important step in allowing customers to know where their money is going. Additionally, bill smoothing has the potential to dilute price signals as they are passed through by distributors, and this will water-down the signals emerging from carbon-costing of any form.

SACOSS believes that retailers should not be allowed to bundle costs as it dilutes price signals and tariff structures. Simple graphical representation of the 'price stack' should be made available on retailer websites.

A principled approach needs to be taken in order to ensure that customers are provided with adequate information that is readily digestible in order to make informed decisions. While some basic information should be provided on customer

bills, further information should be readily available on websites, in the form of fact sheets.

Ultimately, SACOSS believes it is necessary for the AER to undertake a wider and 'deeper' consultation than currently identified; with the Retail Pricing Information Guidelines Working Group working alongside the AER to clearly identify and act on the needs of all consumers.

Please do not hesitate to contact me on (08)8305 4222 or email ross@sacoss.org.au if you have any questions regarding this submission.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Ross Womersley', with a large, stylized flourish at the end.

Ross Womersley
Executive Director