

# **VCOSS Submission to AER Retail Pricing Information Guideline Issues Paper**

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## **1. Introduction**

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, with members ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

VCOSS welcomes the opportunity to comment on the Australian Energy Regulator's Issues paper on the Retail Pricing Information Guideline.

VCOSS believes that clear, easily comparable and consistent product information is essential to assist consumers to make informed choices about their energy services.

## **2. Scope**

The Pricing Information Guideline should broadly cover all communications with customers regarding energy products and prices that may result in the sale of energy. Consumers should readily be able to compare product offers, whether made online, over the phone, or door to door. This means that the Guideline should cover:

- information provided on retailer websites; and
- the required information to be provided under the NECF in door to door sales and telemarketing.

We do not believe that it is necessary to prescribe product information requirements for advertising purposes. It is our understanding that any deceptive presentation of prices in this format would be governed by rules on misleading advertising.

Given the increasingly complex nature of energy products and pricing structures, the Guideline should consider the kinds of information that should be disclosed with regard to energy services, such as direct load control, particularly where these are related to the price of energy.

## **3. Comparability**

Price and product disclosure information is required to assist consumers in making informed choices about energy products and services. If consumers are unable to compare products between retailers because of inconsistent presentation and calculation of prices they will be unable to effectively drive competition by exercising informed choice.

Guideline 19 in Victoria governs the presentation of information in *Price and Product Information Statements*. This guideline was reviewed in 2008 and found that the less prescriptive approach taken in the previous guideline had led to widely divergent

practice amongst retailers. This practice was both confusing and did not allow for the presentation of these offers to be easily compared between retailers.

The Retail Pricing Information Guideline should prescribe the format of price disclosure and encompass other products and services provided under that offer.

To ensure that consumers are able to easily locate and understand the purpose of the information statement, it should be clearly entitled "Price and product information".

#### **4. Presentation**

In order to enter into a contract for energy services, a customer must be provided with information as to the actual cost of the service being purchased. To this end, minimum requirements for product information would be:

- cost per unit of energy (i.e. cents per Kilowatt hour);
- standing charge in dollars per day; and
- discounts, rebates or incentives.

However, this approach does not necessarily assist consumers in understanding the implications for their bills over time, and should be combined with other information that would provide indicative costs.

#### **5. Time of use tariffs**

Providing customers with clear and understandable information in a 'time of use' pricing environment is particularly challenging. As discussed above, customers must be provided with basic information on the cost per unit of energy used. Where these costs vary, this should include the cost per unit during the varying periods.

The annualised approach proposed by the AER provides a good mechanism for households to be able to compare both flat and 'time of use' tariffs, if this cost is based on a clearly articulated basic load profile common to all retailers.

Due to seasonal variation, a quarterly bill breakdown would be more effective than the annualised cost approach suggested by the AER. Annual or quarterly costs should be shown on two levels, based on tariffs alone and then inclusive of discounts and rebates.

It is particularly important with 'time of use' tariffs that customers be advised that the annualised figures are indicative only and that cost could vary significantly should their usage patterns vary from the basic load profile provided.

Because energy usage varies significantly from season to season and region to region, basic load profiles would be required for each season and also in each climatic zone. The load profile even within jurisdictions can vary significantly, with Ballarat, Mildura and metropolitan Melbourne in Victoria experiencing extremely different climatic conditions throughout the year.

The climate zones being developed for the National Energy Bill Benchmarking project would form an appropriate basis for this basic load profile.

The complexity of developing a unit price, within a 'time of use' environment, means that the range of assumptions around usage and behaviour which underlie the unit price may well undermine its accuracy and usefulness as a tool to compare products.

The annualised cost approach provides similar information in a format that is more transparent, understandable and more easily communicated to consumers. A combination of real tariff information and an annualised (or quarterly) cost approach would provide consumers with basic adequate information about the products being offered.

## **Contact details**

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