

28 October 2010

Mr Tom Leuner
Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

By email: AERInquiry@aer.gov.au

Dear Mr Leuner

Re: Australian Energy Regulator Retail Pricing Information Guidelines

Thank you for the opportunity to provide comment on the Australian Energy Regulator (AER)'s Position Paper on *Retail Pricing Information Guidelines* (the Position Paper).

The Energy and Water Ombudsman (Victoria) (EWOV) agrees that it is important to assist consumers in understanding the price and non-price elements of energy products in the market in order to maintain competitiveness. However, it is also necessary to weigh up the potential compliance costs for retailers with the usefulness of the proposed energy price fact sheets for customers. In order to do so it is essential that there is a clear understanding of the circumstances in which customers are likely to review energy price fact sheets and where they can access them.

Clause 2.1 of the Draft Guideline requires retailers to have an energy price fact sheet for each standing and market offer made available to small customers. In Victoria, the Essential Services Commission's Guideline No 19 - Energy Price and Product Disclosure, requires retailers to not only make a Price and Product Information Statement (PPIS) available but to also provide an offer summary. This offer summary has to be handed out on the customer's request or when providing customers with the terms and conditions of any new retail contract. While some of the information contained in the offer summary is the same as in the PPIS, the offer summary can be more specific as it is most likely provided after a discussion with the customer where such relevant information as the metering configuration has been gathered.

Rule 245 (2) of the National Energy Rules (2nd Exposure Draft) requires retailers to provide customers with a single written disclosure statement after formation of a contract. It is not entirely clear from the Position Paper and the Draft Guideline whether the energy price fact sheet is meant to fulfill the purpose of a PPIS or a disclosure statement after formation of the contract or both. Given that the offer summary or written disclosure statement is likely to contain more specific information, it appears to be difficult for one document to serve both purposes.

Methods of representing retail offer information

In our previous submission EWOV supported the combination approach. Research conducted by the Wallis Consulting Group on behalf of the AER indicates that customers had mixed views on whether they prefer the estimated annual cost approach or the standardised unit approach. Given the results of the Wallis Consulting Group research, EWOV still supports the combination approach. EWOV agrees with the AER's concerns about the potential of the estimated annual cost figure to mislead customers where their usage does not fit into any of the averages presented. However, its potential to mislead is lessened if customers also have the opportunity to make their own calculations based on their actual usage and the standardised unit price.

Presentation of information

EWOV supports the AER's view that a template for retailers to use when providing pricing information is the best way to ensure that customers will be able to make like for like comparisons. Any discounts, fees and rebates that form part of the offer should also be presented to customers. It is important to make it clear what will be discounted, i.e. the usage charges or the full amount of the bill including supply charges.

With regard to the question of how energy prices are to be presented, EWOV agrees that customers may find it interesting and useful to know what a given number of kilowatt hours means in terms of appliance usage. However, this information would be more helpful to customers if it was provided separately, for example as part of an education campaign about energy usage, rather than on the energy price fact sheet. The purpose of the energy price fact sheet is to specifically help customers understand energy products better and to make informed decisions in a competitive market.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Kristina Schmiege, Policy and Research Officer, on (03) 9649 7599 or at Kristina.Schmiege@ewov.com.au.

Yours sincerely



Fiona McLeod
Energy and Water Ombudsman (Victoria)