



Listen Assist Resolve

25 August 2011

Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

Lodged online at www.aemc.gov.au – project number EPR 0022

Dear Australian Energy Market Commission

Re: Australian Energy Market Commission (AEMC) Issues Paper - Power of choice - giving consumers options in the way they use electricity.

Thank you for the opportunity to comment on the Australian Energy Market Commission (AEMC)'s *Issues Paper - Power of choice - giving consumers options in the way they use electricity*.

The Energy and Water Ombudsman (Victoria) (EWOV) will respond to *Chapter 5 – Information (questions 17 -19)* only, as these questions are relevant to our extensive case handling experience.

17. To what extent do consumers understand how they can reduce their electricity bill? What information do consumers need in order to increase their understanding of how they can reduce and manage their electricity consumption and hence bills?

EWOV's case handling experience suggests that more education is needed for customers to understand how they use electricity. From 1 July 2010 to 31 December 2010, billing related issues accounted for 43% of all the issues customers raised with EWOV. Of these billing issues, 'high bills' was the most common sub-issue – 22% of all billing issues¹.

EWOV receives a significant numbers of complaints from customers who have received a higher than expected bill, and often our investigation finds that the retailer's billing of a customer's account is correct. This suggests a lack of customer understanding about household energy use. A customer's belief that their bill is high is sometimes compounded by a lack of understanding about how much energy their household appliances use, and an inadequate level of customer service from their retailer.

EWOV normally has a post-winter increase in high bill complaints. It is evident from the complaints we investigate that some customers do not understand the effect that using heating during a cold winter will have on their subsequent energy bill. The case study below illustrates this point:

¹ See page 9, of EWOV's publication, *Resolution 29* -

http://www.ewov.com.au/site/DefaultSite/filesystem/documents/PDF/Resolution/Res29/EWOV_Resolution29.pdf

A customer's high bill was found to be correct (C/2010/24648)

Received on 29 September 2010 and closed on 24 January 2011

A customer was dissatisfied with receiving a higher than expected electricity bill for \$535.16 for the period of June 2010 to August 2010, when his usual quarterly bills were about \$250.00. He said that he lives by himself in a unit and conservatively uses an electric heater in winter. He spoke to his retailer about his billing concerns, but he felt that they were not properly investigated. He contacted EWOV and an Assisted Referral² was raised to a higher level contact at the retailer. He was told during the referral that his meter would be tested and the retailer would call him back with the test results. He waited for a month without hearing anything, so contacted EWOV again and an investigation was commenced.

EWOV's investigation found that:

- the meter was tested and found to be operating within Australian Standards
- the customer's account was billed based on actual meter reads
- the correct network and retail tariff were applied to the account
- there was no retailer billing error
- the customer's billing and payments made were accurately reflected in an account reconciliation.

EWOV engaged an independent technical advisor to conduct an energy audit at the customer's property to help identify possible reasons why his electricity use had increased. The advisor found that the customer's higher than expected bill was an accurate reflection of the electricity being used during the winter billing period. The advisor highlighted the use of a 2.2 kW electric heater and the poor condition of a hot water service, as factors that contributed to the high bill. The advisor also remarked that the annual increase in the retail tariff rate contributed to the customer's perception that he received an incorrect bill.

The customer was satisfied with EWOV's investigation. He had a greater understanding about how to efficiently use his heater, and arranged for his hot water system to be serviced. The retailer apologised for its customer service and to recognise this, credited \$50.00 to the customer's account. It also offered the customer a six month payment plan for the account balance of \$580.07.

² An Assisted Referral is when EWOV refers a customer to a higher level complaint resolution officer at their energy or water company. This is offered when a customer has had one contact with their company about their complaint but it remains unresolved or, after more than one contact, they have chosen to give the company a final opportunity for direct resolution rather than an investigation by EWOV.

EWOV is aware that customers rely on a range of information from a variety of sources to help them understand how they use electricity and how their energy use may be reduced. Information resources include:

- star ratings on electrical appliances
- annual consumption information listed under the star rating
- energy efficiency advice on energy retailer websites, government websites (e.g. Sustainability Victoria's 'Resource Smart' website³, the Department of Climate Change and Energy Efficiency 'energy rating' website⁴)
- information on customer bills, which includes usage graphs and daily average usage calculations.

There may however be different and better ways to inform customers about their energy use and raise awareness about efficiency and savings measures. Consideration should be given to the following:

- Information about time-of-use tariffs, so that where possible, energy use may be shifted to cheaper off-peak times
- Encouraging in-home display units for properties with smart meters so that customers have real time information about their energy use. There are a few products on the market currently costing less than \$100, and it would typically take an electrician on average one hour to install the unit⁵. The possibility of subsidies to low income groups to help purchase an in-home display could also be considered
- Delivering information on available government rebates, grants and incentives to those who need it most
- Greater customer awareness of the potential waste of electricity when an appliance is in standby mode. For example, using a water analogy, the standby mode is comparable to a dripping tap.

EWOV believes that the AEMC should consider ways to overcome some significant and fairly entrenched barriers to changing a customer's energy use:

- Various characteristics of a property can inhibit energy saving, such as poor insulation and drafts
- A resident's housing status can be a barrier to change, especially when they are a rental or an Office of Housing tenant. A landlord may be reluctant to invest in making the property

³ See <http://www.resourcesmart.vic.gov.au/>

⁴ See <http://www.energyrating.gov.au/>

⁵ See the Clipsal Cent-a-Meter - <http://www.clipsal.com/homeowner/products> and the Efergy Meter - <http://www.efergy.com/>

more energy efficient as they may perceive no direct and immediate financial return for this capital⁶

- Taking steps to save energy often requires some financial outlay that may not be affordable to many people
- The more energy efficient appliances are often more expensive. Customers may be concerned by the up-front costs of an energy efficient appliance, even when over time greater savings could be made
- Time-of-use tariffs may disproportionately impact customers who may be at home during more expensive peak times
- Customers may not understand technical information or industry jargon.

18. What issues are associated with provision of existing information in the market? Are there arrangements that could improve delivery of such information? If so, how and by whom?

Customers receive information about energy services from a variety of different sources. Based on EWOV case handling experience, we identify the following areas where there are problems with the provision of clear and correct information:

Price comparison websites

EWOV receives enquiries and complaints from customers about price comparison websites and energy brokers, such as GoSwitch, Switchwise and EnergyWatch. These websites cause problems for customers because they do not provide an objective and accurate comparison between all available energy contracts⁷.

From 1 July 2010 to 30 June 2011, 88 customers contacted EWOV about EnergyWatch. Most of these customers were seeking general information, but a significant number were expressing dissatisfaction with the information provided to them by EnergyWatch. The majority of customers were referred to Consumer Affairs Victoria and the Australian Competition and Consumer Commission (ACCC).

EWOV welcomes the AER's development of an independent price comparison website as a key customer component of its regulation of the retail energy market, expected on 1 July 2012.

⁶ However, the Council of Australian Governments recently made a commitment to investigate the benefits and costs of implementing legislation which would require that energy, water and greenhouse gas performance information be disclosed when a property is placed on the market for sale or rent. This may encourage a landlord to invest in energy efficiency measures. See <http://www.ret.gov.au/Documents/mce/documents/2011bulletins/AttachmentA1-RBMDC-RIS-Bulletin194.pdf>

⁷ The Consumer Utilities Advocacy Centre recently produced a paper titled *Energy Switching Websites – A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites* (May 2011). See <http://www.cuac.org.au/database-files/view-file/5554/>

The marketing experience

Many customers do not actively seek out information about energy services. Often, such information is provided to them during a marketing experience, either by door-to-door marketing or telephone sales. There is a risk that this information may be intentionally or inadvertently misleading. From 1 July 2010 to 30 June 2011, EWOV received the following number of marketing cases by type of issue:

| Marketing issue | Number of cases |
|------------------------------------|------------------------|
| Misleading marketing | 2,052 |
| Transfers without customer consent | 1,346 |
| Pressure sales tactics | 664 |

This suggests that customers are not receiving the correct information about a retailer's energy products. To improve the delivery of this information, regulators should take enforcement action for any non-compliance with the relevant law. This may include action by the ACCC under the *Australian Consumer Law*.

Understanding contract terms

Customers have difficulty understanding the terms of their energy contract, especially at the point of sale. A marketer should give a customer an offer summary every time they market the terms of a new contract, or at the customer's request⁸. The offer summary is very similar, and in practice, fundamentally the same as a retailer's Price and Product Information Statement (PPIS). It is therefore extremely useful information for a customer to possess when deciding whether to change retailers. A PPIS must include information about:

- all fees, tariffs, early termination fees and other charges
- the term of the contract
- an explanation of how tariffs change
- a scripted statement referring a customer to the Essential Services Commission's 'Your Choice' website
- if applicable, rebates, incentives, the times that different tariffs apply and how to get further information.

From 1 July 2010 to 30 June 2011, EWOV received 11 cases about the details within, or non-provision of, an offer summary. EWOV has historically received very few cases because:

- customers do not know what an offer summary is
- customers do not know that a marketing retailer is required to give them an offer summary

⁸ *Essential Services Commission Guideline 19 – Energy Price and Product Disclosure*

- customers infrequently complain about specific regulatory compliance. Rather they complain about an unpleasant marketing experience where they felt misled or pressured.

Customers often contact EWOV to question the terms of a contract. A failure for a marketer to draw attention to some contract terms can lead to allegations that there was not explicit and informed customer consent. From 1 July 2010 to 30 June 2011, EWOV received 3,396 cases that included a concern about contract terms, the majority of which involved termination fees (74%).

To improve delivery of this information, energy retailers should ensure that their marketing staff provide offer summaries to potential new customers, and regulators should ensure that compliance is adhered to, as well as take appropriate actions where regulatory breaches are identified.

Inadequate customer service

On a daily basis, information is frequently delivered to customers by their energy retailer, usually over the telephone. It is therefore important that this information is correct and presented in a clear and easily understandable way.

In many cases that EWOV receives, a customer service deficiency often creates the need for a person to contact us. Although all cases we receive have some element of a customer service failing, we also record customer service as a distinct issue. From 1 July 2010 to 30 June 2011, customer service dissatisfaction as a distinct issue was registered against 17,103 cases, predominantly as a secondary issue.

EWOV suggests that call centre staff become better equipped to deal with customer queries through better training both in processes and in building customer relationships. It is equally important however, that customers get easy access to specialised staff. This would reduce calls to EWOV, increase customer awareness of new issues (such as solar or smart meters issues) and improve the customer's relationship with their provider. Getting good information at the first attempt will increase public education and combat a customer's reliance on misinformation from unreliable sources.

Victorian advanced electricity meter infrastructure roll-out

It is EWOV's experience that customers call us about advanced meters (smart meters) because they are confused about the need for a new meter, don't understand the meter capabilities or are unhappy with the costs of the roll-out being passed on to them. This confusion is compounded by mixed media messages and government communications activity.

From 1 July 2010 to 30 June 2011, EWOV received 923 cases about the smart meter exchange. Accordingly, EWOV sees a clear need for greater customer awareness about smart meters, informed by unified, and consistent communications from government and industry. The communications activities should begin before a roll-out in the targeted area and involve

community information sessions through meetings and forums advertised locally. This approach would benefit people in regional and rural areas. We suggest that sufficient time before a customer's area is scheduled for a meter exchange, they should be educated about the following:

- How to read the different meter registers
- How to buy and use an in-home display
- How to shift electricity use to cheaper, off-peak times
- The end of physical meter reads and the start of remote reads
- The environmental benefits and potential reduction in greenhouse emissions
- Why the roll-out has taken place - given that over time the costs of the roll-out will be passed to customers.

This information will better prepare a customer for their new meter. However, it should again be provided at the time of installation.

19. Could better information be provided to consumers regarding the actual consumption of individual appliances and pieces of equipment? If so, what information could be provided and in what form?

Customers potentially receive information about the energy consumption of appliances from the following sources:

- Star ratings on individual appliances
- Wattage rating on individual appliances
- Retail outlets that sell electrical appliances – mostly through sales staff
- Discussions with technicians, such as electricians
- Government and regulator websites - Sustainability Victoria's 'Resource Smart' website⁹, Department of Primary Industries website¹⁰, Australian Energy Regulator's 'Information Sheets'¹¹
- EWOV – website information and factsheets
- Energy retailers – through call centre staff and their websites
- Not-for-profit organisations, such as the Moreland Energy Foundation¹²
- Workers and financial counsellors from community organisations – for example, Kildonan Uniting Care, Good Shepherd
- Government initiatives, such as the now closed 'Greens Loans program'¹³
- Online product review websites – such as 'Choice'¹⁴ and 'Product Review'¹⁵

⁹ See footnote 1

¹⁰ See <http://new.dpi.vic.gov.au/energy/consumer-info>

¹¹ See <http://www.aer.gov.au/content/index.phtml/itemId/741665>

¹² See <http://www.mefl.com.au/>

¹³ See <http://www.climatechange.gov.au/government/programs-and-rebates/green-loans.aspx>

¹⁴ See <http://www.choice.com.au/>

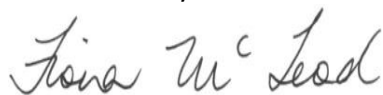
- Consumer blogs and forums – such as ‘Not Good Enough’.¹⁶

While there are a variety of different means for a customer to gather information about how their appliances use electricity, the AEMC should also consider the following initiatives:

- Establish a specialised working group from a cross-section of industry (energy businesses, communications specialists), government and regulators (commonwealth and state bodies) and energy efficiency bodies to look at ways to improve government policy and communications about energy efficiency – through newspapers, television, radio, websites, social media, new media, smart phone applications and online videos.
- Provide information on new appliances about the average cost per hour of using the appliance. This would involve a calculation using the kWh power rating of the appliance and the average gazetted tariff rate for a location (for example, Melbourne) and referenced to date. While this would be an imperfect method, it would offer some real financial guidance.
- As stated above in question 17, the use of in-home display units could be encouraged and government subsidies to low income groups considered.

We trust that the above comments are helpful. Should you require further information or have any queries, please contact Justin Stokes, Senior Research and Communications Officer on (03) 8672 4272.

Yours sincerely



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¹⁵ See <http://www.productreview.com.au/c/appliances.html>

¹⁶ See <http://www.notgoodenough.org/>