



29 July 2013

Energy Networks Association
Level 1
110 Giles Street
KINGSTON ACT 2604

Emailed to: ewatts@ena.asn.au

Dear Ms Watts

Re: Energy Networks Association (ENA) Discussion Paper June 2013 – Smart Reform: People, Power, Price

Thank you for the opportunity to comment on the *Energy Networks Association (ENA) Discussion Paper June 2013 – Smart Reform: People, Power, Price* (the Paper).

The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that helps Victorian energy and water consumers by receiving, investigating and facilitating the resolution of their complaints. EWOV's interest in responding to the Paper is based on our extensive experience in handling customer complaints. Our experience means that we can reasonably anticipate when industry changes will impact customers and generate complaints to energy companies and energy Ombudsman schemes.

The ENA invited responses to a range of questions posed in the Paper. We will only comment on the question about supporting consumers:

How should we support consumers, and particularly vulnerable consumers, during the transition to more widespread cost-reflective pricing?

EWOV welcomes cost-reflective pricing as a way for consumers to pay less for the electricity they use. However, we expect that the introduction of cost-reflective pricing, such as flexible pricing, will cause some customers to contact EWOV for assistance, either because of confusion about the new price regime or to help with the resolution of a complaint. We anticipate that most complaints will concern energy retailers, rather than distribution companies. Nevertheless, we would welcome the ENA's consideration of our comments set out below.

Energy and Water Ombudsman
(Victoria) Limited
ABN 57 070 516 175
GPO Box 469
Melbourne VIC 3001

Administration
Melbourne VIC 3000
Telephone 03 8672 4460
Facsimile 03 8672 4461

Enquiries and Complaints
Freecall 1800 500 509
Freefax 1800 500 549
TIS 131 450
NRS 133 677
Email ewovinfo@ewov.com.au
Web www.ewov.com.au

Flexible pricing in Victoria

The Victorian government recently announced that flexible pricing is due to be introduced in Victoria in mid-September 2013¹. In 2011 and 2012, the Victorian Government commissioned two independent studies to examine the impacts of flexible pricing on vulnerable consumers². It found that most customers will experience a financial benefit under a flexible pricing plan, however, for some customers it may lead to a possible increase in their bills. It is therefore important that consumers respond to flexible pricing by making changes to their patterns of electricity use in the home.

This poses a communications challenge in educating consumers about the need to shift electricity use to cheaper times of the day to obtain the benefits of flexible pricing. In response to this challenge the Victorian Government has created its Flexible Pricing Information Campaign, which includes the 'Switch On' initiative - an online information resource about energy matters for consumers. It contains a section about flexible pricing³. Also, the government formed an Energy Information Fund, to be administered by the Consumer Utilities Advocacy Centre (CUAC) to target information directly towards community agencies and vulnerable consumers⁴.

Clear and simple communications

The ENA should consider working with energy retailers, government and regulators in the development of consumer education programs which provide targeted advice and assistance about a move to cost-reflective flexible pricing. A communications strategy should be focused on the delivery of simple information using a variety of methods to reach all demographics, such as website content, information videos, written materials and traditional advertising campaigns⁵. To reach vulnerable consumers, the ENA should work directly with consumer advocacy groups and community agencies that work closely with the more disadvantaged people in our community to develop collaborative and targeted consumer information strategies. In Victoria, the government has worked closely with community groups, such as CUAC, in the development of its communications campaign. The government recognises that

¹ See the media release by The Hon Nicholas Kotsiras MP, Minister for Energy and Resources on 26 June 2013 <http://www.premier.vic.gov.au/media-centre/media-releases/7175-new-flexible-pricing-options-give-power-to-consumers.html>

² See <http://www.dpi.vic.gov.au/smart-meters/resources/reports-and-consultations>

³ See the 'Switch On' website - <http://www.switchon.vic.gov.au/flexible-pricing>

⁴ See the campaign launch presentation of 15 July 2013 - http://www.cuac.org.au/index.php?Itemid=34&option=com_docman

⁵ See the Victorian government's television commercial about flexible pricing - <http://www.youtube.com/watch?v=LqOio2FKk0U>

many consumers do not use the internet. It proposes to produce an information brochure to send to consumers who contact it with flexible pricing enquiries. The brochure will detail how the online flexible pricing tools work and will suggest how to access the internet.

In Victoria, when a Smart Meter is installed at a property, the distribution company leaves an information pack at the property. EWOV suggests that distribution companies could include information about a switch to flexible pricing in a similar pack should Smart Meters be rolled out in other states.

More complex pricing structures create a greater need for energy companies to ensure that their staff provide clear and simple information to consumers. Distribution companies should consider developing call centre 'scripts' so that consumers are given consistent information about flexible pricing and are directed to the available online and print information resources.

The benefits of technology

EWOV would like industry to encourage the use of web portals and in-home display units. This will help consumers to better understand their energy consumption patterns and maximise the potential financial benefits of flexible pricing. They will be able to monitor their electricity use in 'real time' and observe the cost savings that are potentially available with flexible pricing. This will help consumers make a more informed decision about whether flexible pricing is suitable for their circumstances.

The benefits of cost-reflective pricing are dependent on consumers having a remotely-read Smart Meter installed at their property. During the rollout in Victoria, many installed Smart Meters were still reliant on manual meter reads and not activated to be remotely read. This led to complaints to EWOV from customers questioning the advantages of having a Smart Meter. For flexible pricing to work, it is important that distribution companies ensure that when installing a new Smart Meter, all its associated systems are in place so that meter reads can be received remotely rather than manually.

Switching back without penalty

EWOV would like ENA to consider the scenario where consumers switch to a flexible price and later find that it disadvantages them. It may not be the right tariff option, especially for those who use most of their electricity during peak times. Also, a switch to a flexible tariff may adversely affect consumers who have an off-peak tariff established for a dedicated load, such as a hot water system, either by the loss of an off-peak government concession or by the load being charged at a higher flexible rate.

In handling customer complaints, EWOV has found that the inability for a customer to change back to a pre-existing contractual arrangement may create customer dissatisfaction and a barrier to a speedy resolution. Therefore, as will be the case in Victoria, we support an initial period where consumers can easily revert to their original flat tariff rate without financial penalty, such as an exit fee. The Victorian Government's Switch On website states:

'Households can try a new flexible pricing plan with their current retailer and change back to their previous plan without incurring an administrative fee (until March 2015).'⁶

Accordingly, if this approach is adopted, distribution companies should establish processes and mechanisms to allow a quick and easy reversion to the original flat network tariff when requested by an energy retailer.

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

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)

⁶ See the 'Switch On' website - <http://www.switchon.vic.gov.au/flexible-pricing>