

30 June 2017

Eva Wong and Rebecca Holland
Australian Competition & Consumer Commission
Level 35, 360 Elizabeth Street
Melbourne VIC 3000

By email: retailelectricityinquiry@acc.gov.au

Dear Eva and Rebecca,

Re: The Australian Competition and Consumer Commission (ACCC) Inquiry into Retail Electricity Supply and Pricing (Issues Paper).

Thank you for the opportunity to comment on the *Australian Competition and Consumer Commission (ACCC) Inquiry into Retail Electricity Supply and Pricing (Issues Paper)*.

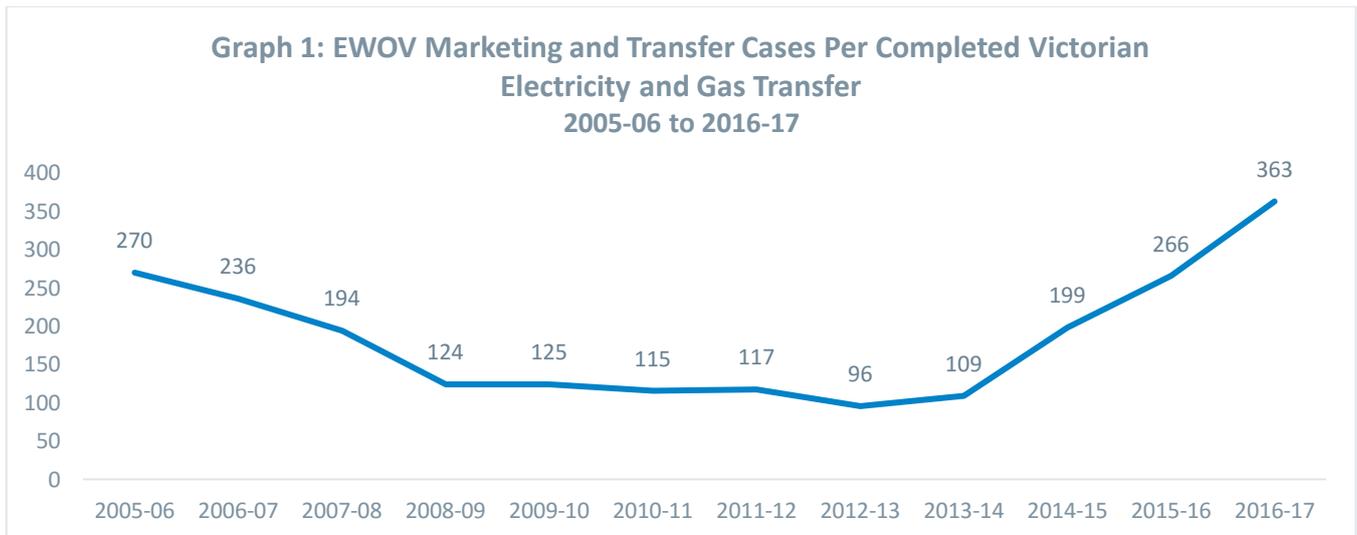
As an industry-based external dispute resolution scheme, the Energy and Water Ombudsman (Victoria) (EWOV) provides alternative dispute resolution services to Victorian energy and water consumers by receiving, investigating and facilitating the resolution of complaints. In responding to the Issues Paper, EWOV has provided a general submission which outlines, based on our experience in handling customer complaints, the impediments to consumer engagement in the electricity market in Victoria.

EWOV marketing and transfer cases

For EWOV, the complaint issues that most represent customer choice in the energy retail market are transfer and marketing cases. Marketing cases relate to customer issues about how energy retailers seek new customers, for example, door-to-door and telemarketing sales. Transfer cases are about customer complaints with the process of switching an account between retailers. For example, changing retailers at a current property or establishing a new account for a new property.

EWOV's case receipt of complaints about marketing and transfer issues has significantly declined since 2014. As highlighted in Graph 1, EWOV has not experienced such a small amount of transfer and marketing cases, compared with the number of completed transfers (for both electricity and gas) in Victoria, since before the 2005-06 financial year. In the 2016-17 financial year, EWOV will receive one case about a marketing or transfer issue for every 363 completed energy transfers (electricity and gas).

EWOV believes that there have been a number of factors causing this decline in these types of customer complaints. Certainly the change in marketing strategies by the big three energy retailers in Victoria through the ceasing of door-to-door marketing activity had a significant impact on the number of marketing cases received by EWOV. But in addition, improved customer service and internal dispute resolution processes by energy retailers has resulted in an overall 72% drop in EWOV cases since 2012-13.



It is however important to note that while marketing and transfer case numbers have significantly reduced, the proportion of these cases compared with all EWOV cases has remained steady. EWOV continues to receive complaints from Victorian consumers about the marketing¹ received from energy companies and the transfer² process.

As a total portion of all of EWOV cases, marketing and transfer has consistently represented between 12% and 15% of our case load since 2013-14³ with the majority of these cases being about the transfer process. Marketing cases make up only 1 to 2% of all EWOV cases for the last five quarters (1 January 2016 to 31 March 2017), while transfer cases have made up between 10 and 12% of all EWOV cases during the same period.

The consistency of these case levels does suggest that although EWOV experience relatively low numbers of marketing complaints, the complaint issues remain and customers continue to experience problems navigating the transfer process creating impediments to customers engaging in the market.

Customer type

As noted in the Issues Paper, levels of engagement, understanding and awareness of the market differs between customer types (business and residential) and within categories (vulnerable and non-vulnerable residential). This is something that EWOV has also encountered anecdotally through our community outreach visits. Between October 2016 and June 2017, EWOV conducted a state-wide community roadshow, where we visited over 100 community organisations to discuss our services and common energy and water issues. In deciding on which community organisations we would meet with, we targeted those that worked with vulnerable community sectors including refugees and non-English speakers (new and older migrants). These discussions consistently revealed that vulnerability due to

¹ EWOV categorises Marketing cases under the following issues: misleading, pressure sales, information, non-account holder and other.

² EWOV categorises Transfer cases under the following issues: contract terms, delay, in error, site ownership, without consent, billing, cooling off rights and objection.

³ 13% of EWOV cases received this financial year (2016-17) up to 16 June 2017 were about marketing and transfer issues – with the majority of these cases about the transfer process (11%) and 2% of these cases about marketing issues.

language, literacy, age, disability or being a recent migrant created boundaries for engaging in the energy market, and that this type of customer was:

- less likely to be able to use energy retail comparative websites and/or their historical data to compare available offers
- more likely to be confused and misled by energy marketing
- less likely to fix a problem themselves should a transfer go wrong⁴.

The below case study illustrates that when English is not the first language of a customer, they can find it difficult to understand their right to choose an energy retailer and the transfer process.

EWOV Case Study

Ms C contacted EWOV dissatisfied that her electricity account had been transfer without her consent, after a door-to-door sales person attended her property. She was concerned about the sales person's conduct and she wanted to transfer back to her original retailer. She also wanted the new retailer to waive the account arrears and confirm her credit rating had not been impacted. EWOV lodged the complaint as an Assisted Referral, and the customer was contacted by the retailer directly to resolve the matter. **2016/2857**

Comparative websites and offers available

The Issues Paper sought feedback about why more customers do not consider switching energy retailers. As noted above, EWOV regularly conducts community outreach and when we do, we always promote the Victorian Government's [Victorian Energy Compare](#) website as an essential tool for customers to exercise their right to find the best energy deal.

During our most recent community roadshow, we encountered a general lack of community awareness about this website. We also became aware that vulnerable customers have limited understanding about:

- contract structures – for example how long a contract applies for, if rates can be changed during this period and how this might occur
- the details of the offer – for example how discounts are applied to a bill (off usage rates or total bill amount, for a limited period during the contract) and how the pricing is represented (whether the figure includes or excludes GST, and/or already has the discount applied).

Undoubtedly increased simplicity of information would assist vulnerable customers to navigate their right to choose an energy retailer.

Contract variations and discounts

The Issues Paper also sought feedback about the way offers are marketed to customers (for example, the use of discounts to attract customers and the way limited discount offers are presented) and how this might impact a customer's ability to make informed choices about their electricity contract options.

⁴ See pages 5, 6 and 7 of EWOV comments on the [Australian Energy Market Commission \(AEMC\)'s Approach Paper – 2016 Retail Competition Review](#).

In the 2016-17 financial year (to 19 June 2017), EWOV received 429 cases about energy contract terms. These cases involve complaints about price increasing during fixed-term periods, different discounts being applied compared to those offered and/or a loss of discounts (e.g. pay on time).

Many customers advised EWOV that they were not aware that prices could increase during fixed-term contracts or that discounts and other benefits could cease after a period of time. Sometimes this confusion was caused by incorrect or inadequate communication during the marketing interaction or with the terms and conditions of the contract⁵. These issues are highlighted in the below case studies.

EWOV Case Studies

Mr A contacted EWOV about his business's energy supply because he was dissatisfied with the variation of his contract terms without his consent. He had used a commercial comparator website to organise the transfer of the account and advised EWOV that the rates discussed with the marketer were different to those outlined in the welcome pack. Mr A said that the offer included a pay on time discount and the terms of the contract included fixed pricing for 24 months, but his rates had increased. He had attempted to resolve the matter directly with the energy retailer, but when he did not receive a returned call, he contacted EWOV for help. In order to resolve the complaint Mr A wanted the energy retailer to honour the rates originally offered by the comparator website (and its marketer).

When EWOV started its Investigation, it discussed Mr A's concerns with the energy retailer and it agreed to review the rates offered and how this compared with what was outlined in the welcome pack sent. As a result, the retailer confirmed that it would amend the rates to those offered initially – including that they were fixed for the two year term of the contract. The customer was satisfied that the retailer was willing to honour the initial quote and the case was closed. **2017/5008 and 2017/5009**

Ms M contacted EWOV dissatisfied that her electricity retailer had not provided discounts to her account as promised. In August 2016, she agreed to transfer to a new retailer – but then received contact from her original retailer offering a large discount of 42%. Based on this offer she agreed to transfer her electricity account back. However, Ms M then received bills which only showed a 25% discount. She contacted the retailer and was advised that the larger discount could not be applied retrospectively (to August 2016) but would start from January 2017. Dissatisfied with this information she contacted EWOV.

EWOV initially raised an Assisted Referral, during which the retailer offered Ms M a refund for the difference between the discount offered and what was applied. She requested that this discussion be confirmed via mail but she did not receive either a confirmation or the refund. Dissatisfied, she re-contacted EWOV and an Investigation was raised.

In order to resolve the complaint EWOV liaised with the retailer to work out why the refund had not been sent. It advised that it was waiting on information from Ms M as to how she wanted the refund sent (e.g. by cheque or electronic transfer). The retailer apologised for the inconvenience caused and applied a \$50 credit to Ms M's gas account balance. It also confirmed it would send a cheque refunding

⁵ See page 4 of [the Department of Environment, Land, Water and Planning Review of electricity and gas retail markets in Victoria – Discussion Paper](#).

\$188.20. Ms M was satisfied that the new higher discount was now in place and that her refund would be sent. The case was closed. **2017/1742**

Bill content

The structure and content of retailer bills was another area noted for comment in the Issues Paper. EWOV has received 2,229 cases about this since the 2012-13 year, with 217 of these cases being received in the 2016-17 financial year.

As illustrated in the case study below, when customers call EWOV about not understanding their bill, they are frustrated that the information is not always easy to follow, and in particular, how the meter read information is outlined. It is EWOV's view that when customers are not able to understand their billing they are less likely to know whether their bills are correct and if they are on the best energy deal.

EWOV Case Studies

Ms W contacted EWOV dissatisfied with the format of her electricity billing. She said that after transferring to a new electricity retailer, her discounts (including concessions) had not been itemised on the bill – making it difficult for her to check that her entitlements had been applied. In order to fix the issue she wanted the retailer to show these discounts as a separate item so the bill was clearer for her to read and understand. EWOV lodged the complaint as an Assisted Referral, which meant the retailer would contact Ms W directly to resolve the complaint. When Ms W recontacted EWOV she said that the retailer would not change the format of the bills but that she did not want to pursue the matter further. **2016/26953**

Mr C contacted EWOV dissatisfied that the meter reads on his bill did not correlate with the consumption used, making it difficult for him to check if his bill was correct. In order to resolve the complaint he wanted his electricity retailer to confirm the reads on the bills were actual meter reads and to provide an explanation as to why they did not correlate with his consumption. EWOV lodged the complaint as an Assisted Referral, instructing the energy retailer to resolve the complaint directly with Mr C. **2017/11782**

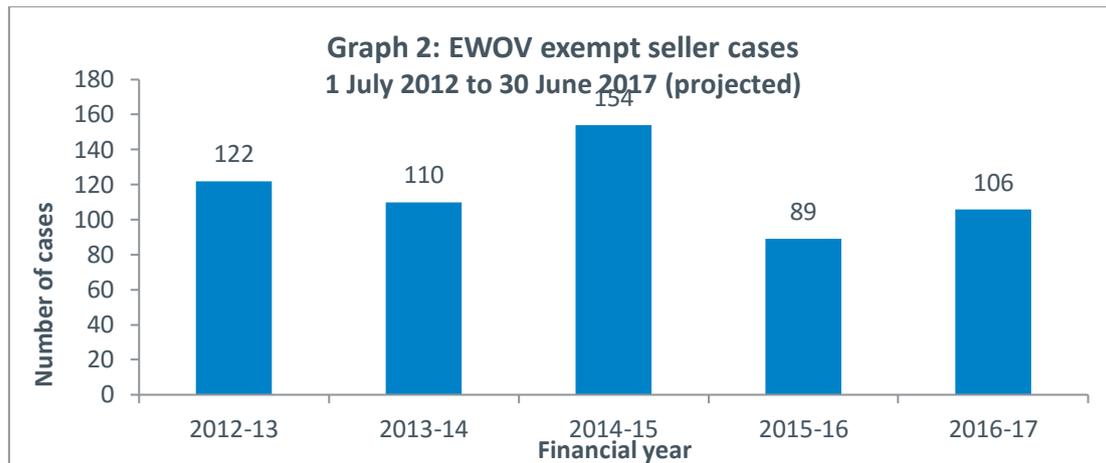
Embedded Networks

As noted in the Issues Paper, there are energy customers that cannot choose their energy retailer. An obvious customer group that falls into this category are customers who live in embedded networks. While for the majority of these customers their complaints are outside of EWOV's jurisdiction, as shown in Graph 2 below, since 2012-13 EWOV has received 581 calls from embedded network customers⁶.

Our analysis of these out of jurisdiction cases reveals that these customers mostly complain about billing and the inability to change to a licensed energy retailer⁷. Sometimes these complaints are coupled with the fact that the customer did not consent to being with an embedded network, or when they have explored how they may be able to choose their retailer, they faced prohibitive costs to connect to the local distributor's network.

⁶ This figure includes the projected case receipt of 106 for the 2016-17 financial year.

⁷ See page 3, EWOV comments on the [Department of Economic Development, Jobs, Transport and Resources Review of General Exemption Order - Issues Paper](#).



Below are two case studies that are typical of the contact we receive from embedded network customers⁸.

EWOV Case Studies

The customer moved into an apartment in Melbourne's CBD and was surprised to find that she did not have the option to choose an electricity retailer. She wanted to know if this was genuine information and if the embedded network was an 'approved electricity retailer'. **2017/5434**

The customer only realised his power was being supplied by an embedded network, in the inner-east of Melbourne, after moving into a property. He was dissatisfied he could not choose his retailer as he felt the embedded network had higher rates and fees compared to his previous retailer of choice. **2017/7322**

We trust the above comments are helpful. Should you require further information or have any queries, please contact Belinda Sandilands, Senior Research and Communications Advisor, on (03) 8672 4460 or at Belinda.Sandilands@ewov.com.au. We would also be happy to participate in upcoming forums and meetings with the ACCC to discuss our comments further.

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)

⁸ As these complaints were out of EWOV's jurisdiction, we referred customers to Consumer Affairs Victoria (CAV) and provided customers with general information about embedded networks and our jurisdiction.