

22 May 2018

Australian Energy Market Commission
PO BOX A2449
SYDNEY SOUTH NSW 1235

By email to submissions@aemc.gov.au

Dear Sir/Madam

Re: Australian Energy Market Commission (AEMC) National Energy Retail Amendment (Advance notice of price changes) Rule 2018 (Consultation Paper)

Thank you for the opportunity to comment on the National Energy Retail Amendment (Advance notice of price changes) Rule 2018 (Consultation Paper).

The Energy and Water Ombudsman (Victoria) (EWOV) is an independent industry-based external dispute resolution scheme. We help Victorian energy and water customers by receiving, investigating and resolving complaints about their company. We resolve complaints on a 'fair and reasonable' basis and are guided by the principles in the Commonwealth Government's Benchmarks for Industry-based Customer Dispute Resolution.¹

While the proposed rule change will not be applicable in Victoria in the short term, EWOV makes this submission in anticipation of the Essential Services Commission (ESC) considering whether to harmonise the Energy Retail Code with the proposed rule. The prevalence of price changes in Victoria was highlighted in the most recent Victorian Energy Market Report, where the ESC noted that some retailers in Victoria change their prices several times during the year. The report provided an example where a retailer changed the listed price of one of its market offers eight times between July 2016 and June 2017.²

EWOV welcomes the proposed rule change to provide advance notice of price changes to customers. Our data and case handling experience indicate an increasing level of complaints and customer misunderstanding about how retailers may vary prices without prior notice. In some cases the delay in notice of price changes have also impacted customers negatively by exposing them to a higher risk of bill shock. In this submission, we share and analyse relevant EWOV case data, explain the common complaint issues where customers may have been affected by an increase of tariffs during a fixed-term contract, and provide some case studies to illustrate customer experiences.

¹ EWOV Charter, https://www.ewov.com.au/files/ewov_charter_140318.pdf

² Victorian Energy Market Report 2016-17, page 33, <https://www.esc.vic.gov.au/wp-content/uploads/2017/11/victorian-energy-market-report-2016-17-20171121.pdf>

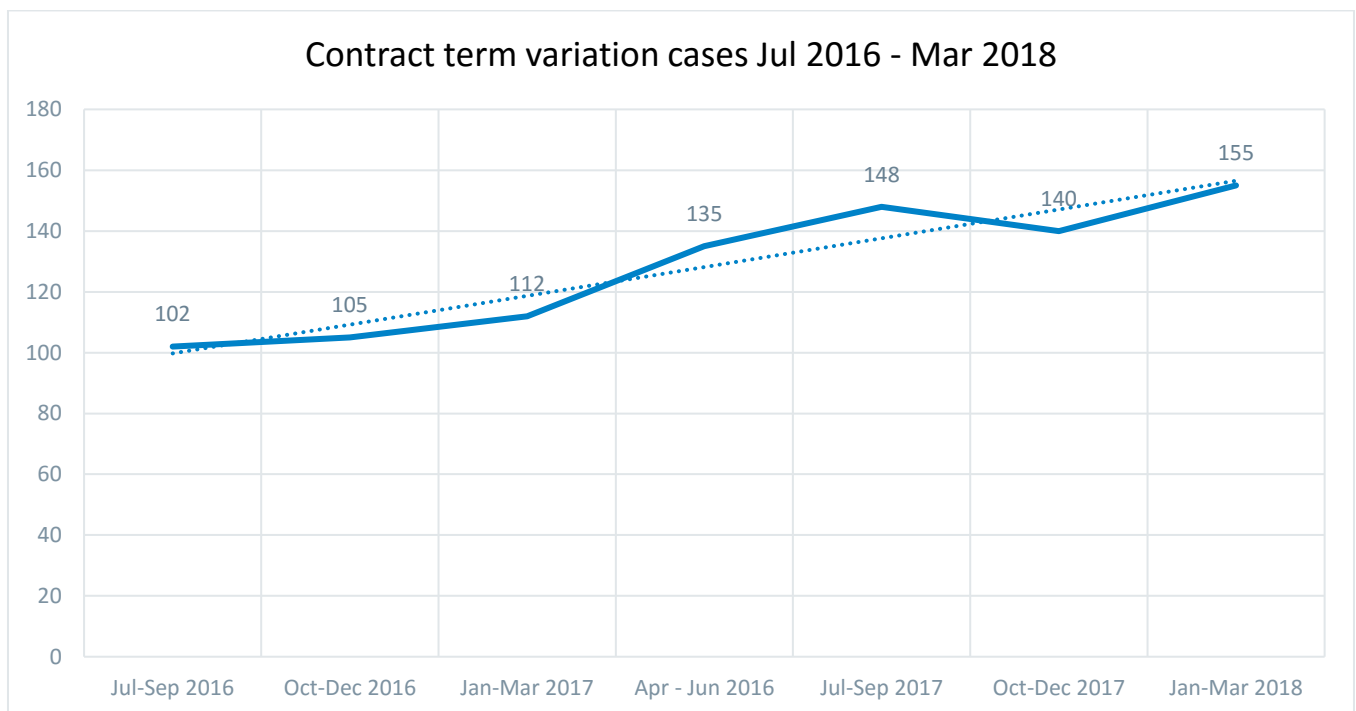


Increase in cases about contract term variations

EWOV receives complaints from Victorian energy customers who enter a market, or fixed-term, contract under the belief that the tariffs and charges quoted during the marketing contact would be fixed for the period of the contract. These customers typically make a complaint after noticing higher charges resulting from the change of tariff in their most recent bills.

We categorise these types of complaints under the issue Transfer > Contract Terms > Variation - Price/Terms. Although cases categorised under this issue do not always include an issue about companies increasing prices during fixed-term contracts, we find that most cases in these categories involve customers who are concerned that the tariff and/or discount had changed or was not the same as they believed when they entered the contract.

The graph below shows the number of EWOV cases received each quarter since 1 July 2016, where customers contacted us because they were concerned about a change to their contract, either to the price or terms. Between 1 July 2017 and 31 March 2018, EWOV received 443 cases about contract term variations. This represents an increase of 38.8% in comparison to the same period in 2016-17. To add context to this trend, EWOV's overall case volumes across the same period only increased by 3.8%.



EWOV case handling experience

The following case studies provide an overview of common issues reported to EWOV by customers who experienced price changes during fixed-term contracts. These case studies support our finding that many customers in Victoria believe that the price they agreed to at the start of the contract is fixed for the duration of the contract. In our experience, this confusion is often caused by poor communication between retailers and customers about contract terms, conditions, and pricing at the start and during their contractual relationships.

CASE STUDY 1 – 2018/2989

The customer signed up on a 12 month contract with her gas retailer in November 2017. The retailer advised her over the phone that she would receive a 22% on-time payment discount on her account with no price increases guaranteed for the duration of the contract. She asked for the offer to be provided in writing, but was told not to worry as the call was recorded. When she received her first bill she found that her usage was charged at a higher rate. The customer was dissatisfied with the retailer's response when she spoke to them about the disputed bill and contacted EWOV to register a complaint in February 2018. As the matter was unresolved after the Assisted Referral process, it was further investigated by EWOV.

During the Investigation the retailer acknowledged that it applied a new tariff to the account from 1 January 2018. The new tariff was around 20% higher than the initial tariff provided to the customer in November 2017. The retailer pointed out that it notified the customer of the tariff increase on her first bill in February 2018 under the heading "*useful information*". However, we observed that the new tariff was not spelled out explicitly under the notice. Instead, the retailer provided a link to a section of its website where customers could check the applicable tariff for their accounts.

As a goodwill gesture, the retailer agreed to provide a \$200 credit to the customer. To maintain the contractual relationship, the retailer also offered to increase the on-time payment discount to 24% to offset some of the impact of the increase. The customer was satisfied with the outcome.

CASE STUDY 2 – 2017/28065

At the end of his initial contract in November 2017 the customer decided to keep his account with the same retailer under a new 12 month contract. He was advised that his usage would be charged at 34.4 cents per kWh. When he received his first bill under the new contract he found that the total charges was unusually high. He also noticed that his usage had been charged at 48.9 cents per kWh. When he contacted his retailer about the disputed bill, he disagreed with their explanation which attributed the high bill solely to his usage. The customer contacted EWOV to register his complaint in December 2017. As he remained dissatisfied after the Assisted Referral process, we commenced an Investigation in January 2018.

During the Investigation we found that while higher usage contributed to the unusually high bill, the tariff used to calculate the charges on the disputed bill was more than 40% higher than what the customer agreed to. The retailer pointed out to EWOV that it notified the customer of the increase on the disputed bill. The retailer also referred to the provision of section 46(4) the Energy Retail Code which does not require them to provide advance notice in the event of tariff changes. As a goodwill



gesture, the retailer agreed to provide an \$80 credit. The customer accepted the outcome and agreed to pay his subsequent bill under the new tariff.

CASE STUDY 3 – 2017/29044

The customer signed up on a 24 month contract with his electricity retailer in November 2016. He was told by his retailer that the tariff on his account would not increase until January 2018. In July 2017 he found out that the retailer had increased the tariff by 37%. After trying to resolve the dispute with the retailer for several months, the customer contacted EWOV in January 2018. As the customer remained dissatisfied after the Assisted Referral process, we commenced an Investigation in February 2018.

During the Investigation we found that the change in tariff took place after the customer moved to a new property and installed solar panels on the property. The retailer did not advise the customer that his tariff may change if he moved address or installed solar panels. The retailer apologised for the misunderstanding and poor communication and applied a \$400 credit in recognition of the customer's inconvenience. The customer was satisfied with the outcome.

Proposed rule change on advance notice of price changes

EWOV welcomes the proposed rule change to provide advance notice of price changes to customers. Our case handling experience informs us that effective communication and engagement would potentially reduce confusion and misunderstanding between retailers and customers and in due course could reduce complaints to our office. Our case data and case studies demonstrate that advance notice of price changes to customers may contribute to improving the engagement between retailers and customers, provided the notice is communicated clearly. Finally, as shown in one of our case studies, the advance notice of price changes may also reduce the risk of bill shock as it would present customers with opportunities to become more engaged with the market.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Roni Parlindungan, Senior Research and Communications Officer, on (03) 8672 4245 or ronibasa.parlindungan@ewov.com.au.

Yours sincerely



Cynthia Gebert
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