

5 October 2018

Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

By email: RetailEnergyReview@esc.vic.gov.au

Dear Dr Ben-David

Re: Draft decision - Building trust through new customer entitlements in the retail energy market

Thank you for the opportunity to comment on the Essential Services Commission's (ESC) *Draft decision – Building trust through new customer entitlements in the retail energy market*.

The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that helps Victorian energy or water customers by receiving, investigating and resolving complaints about their company. Under EWOV's Charter, we resolve complaints on a 'fair and reasonable' basis and aim to reduce the occurrence of complaints¹. We are guided by the principles in the Commonwealth Government's Benchmarks for Industry-based Customer Dispute Resolution². It is in this context that our comments are made.

In examining the complaints we receive from customers of energy retailers, and considering how the implementation of these proposed changes might present themselves as complaints, we broadly find that they will improve the customer experience within the market. The focus on outcomes for customers appropriately seeks to shift the responsibility to build trust in the retail energy market onto retailers. This should ultimately assist with a reduction in customer complaints to EWOV.

We have provided a brief response to the Draft Decision below.

¹ See Clause 5.1 of EWOV's Charter: <https://www.ewov.com.au/files/ewov-charter.pdf>

² See EWOV's website: <https://www.ewov.com.au/about/who-we-are/our-principles>

Draft decision 1: Best offer entitlement

As explained in more detail below, EWOV continues to receive high volumes of complaints from customers with concerns about their billing, in particular high bill and their capacity to pay for their energy. We support the inclusion of the best offer via customer bills as a mechanism that will inform consumers of potential opportunities to reduce their energy bills.

Draft decision 2: The definition of best offer

EWOV considers that to achieve the outcomes the Commission is seeking (to increase customer confidence and trust in the retail market), it would be advisable to remove the discretion related to non-generally available offers. Customers should have the genuine benefit of the ‘best offer’ for them, based upon their energy usage. Removal of the discretion will improve access to more affordable tariffs for customers, which should contribute to a reduction in some of the underlying issues to EWOV’s high billing issues.

In 2017-18, 11,747 customers (one in three) contacted EWOV worried about being able to pay for energy or water. High bills were the top issue overall (87% of these relating to electricity and gas), closely followed by disconnection/restriction for debt, (97% of these related to electricity or gas); and debt collection/ credit default listing (96% about electricity or gas). The average residential arrears in the complaints we investigated was \$2,698, with 473 residential customers holding arrears of over \$3,000; some as high as \$10,000. A significant number of customers presented with limited capacity to reduce their consumption or increase their capacity to pay. From our conversations with them, we often learnt that they were carrying debts across multiple utilities. In many cases, it was also evident that utility debt was part of a much more complex financial situation they were facing.

Draft decision 3: Estimating a customer’s usage and the application of discounts and concessions when determining the best offer

To support customers understanding the potential real life impact of the information provided by in the “best offer” disclosure, EWOV supports the application of discounts and concessions when estimating a customer’s usage for the best offer.

Draft decision 4: Presentation of the best offer on bills

Customer confusion about how to understand the information contained on their bill can be a driver of customer complaints to EWOV. To provide greater clarity to customers and achieve the underlying intent of building customer trust, EWOV supports the presentation of the best offer on bills in a manner that enables clear and easy access for all consumers.

Draft decision 5: Clear advice entitlement

EWOV supports the clear advice entitlement as a way of helping customers understand their rights and responsibilities. However, the format of this advice will need to enable the customer to understand it fully to provide its explicit informed consent.

Draft decision 6: Scope of the new best offer obligation

EWOV supports the scope of the new best offer obligation, however, we do consider there is a need to expand the obligation to exempt sellers.

EWOV's jurisdiction was expanded to include embedded networks from 1 July 2018. While there is limited in jurisdiction complaint data available at this point, customers have frequently expressed concern about their high bills and inability to access the market. In the instance that a customer lives in an apartment building, for example, and has the right, via an AMI compliant meter, to access the services of a retail licence holder, best offer information from embedded networks will be fundamental in informing the customer's decision (and providing a point of comparison). The inclusion of this right will assist more customers to access the benefits of a competitive market.

Draft decision 7: Frequency at which the best offer appears on bills

EWOV supports the frequency at which the best offer appears on bills, however suggest that customers may become more acquainted with the process if it is provided more regularly, such as quarterly. The incentive for consumers to engage with the information on the bills will likely be linked to events such as seasonal high bills (electricity in Autumn, gas in Spring). EWOV's ResOnline data released in August 2018 clearly evidences the seasonality of billing related complaints and highlights the opportunity for more timely provision of information to customers³.

Draft decision 8: Dollar threshold for determining best offer

EWOV supports the dollar threshold for determining the best offer. The customers EWOV assists in the resolution of energy complaints, often present with bills that are small in comparable terms, given the efforts of a household to minimise its use to the best of its ability, for example when in receipt of Newstart allowances.

The ability to save \$22 by switching to a better offer is potentially a considerable benefit to those customers.

Draft decision 9: How long a best offer must be valid for

EWOV considers that an offer needs to be available for a timeframe that will align with a customer's behaviour. Consumers are likely to engage with their bill on receipt, and at the time they go to pay their

³ <https://www.ewov.com.au/reports/res-online/201808>

bill, as evidenced by the complaints EWOV receives. At minimum the offer, or an equivalent offer, will need to be available for a period aligning with a payment cycle and consumer behaviour.

Draft decision 10: Additional information to appear on bills

EWOV supports the inclusion of additional information relating to Victorian Energy Compare on a customer bill. Of further benefit, to enable a customer to adequately embrace the opportunity provided by Victorian Energy Compare, would be clear instructions on how to access customer energy consumption data files.

Draft decision 11: Bill change notices

EWOV supports the new requirement to issue bill change notices triggered by price or benefit change.

We consider that prior notification via a more targeted bill change notice should result in more consumers becoming aware of their rights to change providers should they be unhappy with the proposed changes.

Our position on this is explained in more detail in our submission to the Australian Energy Market Commission (AEMC) National Energy Retail Amendment (Advance notice of price changes) Rule 2018 (Consultation Paper)⁴.

Draft decision 12: Minimum requirement for information to appear on bill change notices

EWOV supports the minimum requirements for information to appear on bill change notices, noting that alongside retailer estimates of the annual dollar impact of the benefit of price change the current annual dollar amount for usage must be included for easy comparison.

Draft decision 13: Manner and form of bill change notices

EWOV considers that some prescription for the format/presentation of this information will be valuable, to ensure the information is provided in a clear and accessible format that minimises confusion and potential complaints.

Draft decision 14: Delivery of bill change notices

EWOV agrees with the draft decision regarding delivery of bill change notices.

Draft decision 15: Scope of bill change notices

EWOV agrees with the scope of bill change notices, however, as above, considers this is an equally important inclusion for the customers of embedded networks in the context of enabling those

⁴ https://www.ewov.com.au/files/aemc_advance_notice_of_price_changes_-_consultation_paper_22-5-2018_0.pdf

customers to know in advance of a price or benefit change. This will enable them to pursue their right to exit the embedded network and switch to a licensed retailer, [where able](#).

Draft decision 16: Notice period

EWOV supports the notice period.

Draft decision 17: Exemptions from the need to issue a bill change notice

EWOV is concerned with the exemption relating to the potential for a benefit change where the benefit change date occurs within 40 business days of the commencement of the market retail contract.

EWOV has received complaints from customers who have, prior to the receipt of the first bill, been informed of price changes significantly higher than those they have signed up to. Advance notice of these changes will reduce complaints to EWOV, as customers will be able to switch providers before incurring bills relating to the price change. In addition, the time between receiving the bill increase notification and the actual bill, presents problems for consumers who may not recollect a price increase notification or be aware of the start date. A second notification on or with the first bill following the price increase would serve to reduce complaints from consumers to EWOV. The case studies below illustrate the notification issues as well as the significant price increases customers are experiencing.

Case study 1:

Mr B contacted EWOV as he was dissatisfied with his retailer in relation to a price increase. He had received an email advising that it would be increasing its rate by 34% and subsequently received a new bill based on the increased rates, contributing to high arrears of \$2,400. (2017/24127)

Case study 2:

Ms D received a high bill for the amount of \$2,705.86, for the period 1 May 2018 to 31 May 2018 - 147.27kWh. The bill same time last year was for the amount of \$1,267.21 with comparable usage of 110.33kWh. The retailer maintained that it had sent Ms D that a letter to inform her that the contract had changed, which included a price increase. Ms D was not aware of the letter. (2018/14411)

Case study 3:

Mr F was advised of a rate increase by his retailer. He subsequently received a bill for \$931.67 for the period 18 January 2018 to 15 April 2018, his previous bill was \$332.11. The retailer advised the previous bill was on the old rate and the recent bill was based on the new rate. (2018/9159)

EWOV considers that the ESC should monitor the take up rate of contracts tied to the spot price to ensure consumer detriment, driven by limited understanding of the potential financial impact, is minimised.

Draft decision 18: Prices to be expressed in GST inclusive terms only

EWOV supports the decision to express prices as GST inclusive. This will reduce consumer confusion and subsequent complaints to EWOV.

Draft decision 19: Commencement date for the new requirements

EWOV supports the commencement date.

We trust these comments are useful. Should you like any further information or have any queries, please contact Janine Rayner, Communications and Policy Manager, on (03) 8672 4289.

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)