



5 October 2018

Essential Services Commission
 Level 27, 2 Lonsdale Street
 Melbourne, Victoria 3000

Dear Essential Services Commission

Submission on the Draft Decision: Building Trust Through New Entitlements in the Retail Energy Market

Powershop Australia Pty Ltd (**Powershop**) thanks the Essential Services Commission (**ESC**) for the opportunity to provide comments on the ESC’s draft decision, *Building Trust Through New Entitlements in the Retail Energy Markets (Decision)*.

Draft decision 1: Best offer entitlement

Of the five approaches identified for defining the ‘best offer’, Powershop agrees with the ESC’s position and prefers option 2 – cheapest generally available offer.

Powershop’s view is that generally available offers should include retention offers and win-back offers because they are available to all customers who are leaving or have left the retailer. As the objective of recommendation 3G is to “cut through the complexity of the market for customers”, Powershop believes that it is important that retailers “notify customers of savings that would be available to them if they were on their retailer’s best offer”, or in this case – savings that would be available to the customer if they left/ threatened to leave a retailer. This is important as it saves customers the effort of having to shop around, make a decision to switch, and then be targeted with a retention offer that could have been clearly disclosed to them earlier. Powershop considers offers that are designed for a football club membership or insurance business membership to be restricted/ non-publicly available offers. These views inform Powershop’s positions in the following table of approaches.

Table 1: Powershop’s position on ESC’s five potential approaches:

Options	Brief ESC description	Powershop position	Ranking
1. Cheapest possible offer	“entails defining ‘best offer’ as the lowest cost offer the retailer can make to the customer, including from among the retailer’s non-public offers. This would include the retailer’s win-back and retention offers, as well as any offers the retailer reserve for customers on their hardship policy”.	This option provides the most comprehensive comparison for customers as all restricted or non-publicly available offers are disclosed. For this option to work effectively the clear advice entitlement would be an important step in explaining the restrictions on certain offers to customers. However, the risk with this approach is customer dissatisfaction with being advised that they cannot take up an offer if they did not meet eligibility criteria. We believe this is a significant enough risk that we cannot support this approach. <u>Note:</u> As mentioned above, Powershop consider retention and win-back offers should be generally available in this scenario.	2 nd
2. Cheapest	“define best offer as the retailer’s cheapest generally available offer. The	Powershop supports option 2 as the required approach, especially if the customer-centric	1 st



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generally available offer	term 'generally available' is drawn from the national framework and means 'all plans that are available to any customers in the appropriate distribution zone with the appropriate metering configuration are generally available unless they are a restricted plan.' Under the AER's definition, restricted plans are those that are specifically targeted at an individual or exclusive group, such as concession card holders or hardship customers".	approach of considering retention and win-back offers as generally available is adopted.	
3. Cheapest equivalent offer	An offer "that is similar in character to the offer the customer is currently on. Under this option, the best offer displayed on the bill would be the cheapest offer that has the same characteristics as the customer's current offer. For instance, if the customer is currently on a plan that had e-billing and pay-on-time discount, then the best offer presented on their bill would be the cheapest plan the retailer offers that also comes with e-billing and pay-on-time discounts".	While Powershop understands the intent of this approach, it has the potential to under value customers' potential savings. For example, if a customer is receiving paper bills and there is an e-billing offer that is \$300 a year cheaper, the customer may not be presented this offer because it is not an equivalent offer due to the use of e-billing as opposed to paper bills.	3rd
4. Two 'best offers': cheapest generally available and cheapest equivalent	"involves the retailer being required to display two 'best offers' spanning both the cheapest generally available and cheapest equivalent options".	Powershop does not support this approach. Because there is no single market offer for the customer to refer to, this option has the potential to further confuse customers and it provides little benefit.	5th
5. Allow retailers discretion to define 'best offer'	"The final option we considered is not to define 'best offer' at all, and instead leave this question to the discretion of retailers". "This approach avoids the need to enshrine a single definition of 'best offer' in the regulatory framework".	For a prescriptive requirement such as this, we would suggest that this approach will not work.	4th

Note: Ranking, 1st is most preferable, 5th being least preferable.

Draft decision 2: The definition of best offer

While Powershop understands the ESC's position that the definition of best offer should be linked to price, this has the potential to limit innovation, customer service and product development. For example, retailers who offer demand response programs that financially reward customers for lowering consumption are not factored into the best offer definition, therefore disadvantaging those retailers for their innovative offer.



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

Application of discounts

In principle, Powershop supports the ESC’s decision requiring retailers to inform customers of the best offer available, but observes that this decision also has the potential to lock the market into the status quo of how discounts and market offers are currently presented. This is because introducing such prescriptive compliance requirements may lock retailers into offering less choice to customers to better manage compliance risks.

For example, Powershop offers customers a choice of products to choose from because some of our customers choose to buy in bulk, while others buy products to support community renewable energy programs. To facilitate this freedom of choice, Powershop offer customers our Auto Pay market offer, which gives them access to the below ‘powerpacks’ that vary in discount/ cost depending on the make-up of the pack.

Table 2: Powershop powerpacks:

Powerpack	Discount	Description/ Conditions
Power Saver	19.5% off usage and supply	Powershop’s everyday powerpack – customers can buy as much as they like whenever they like.
Mega Pack	23.2% off usage and supply	Powershop’s ‘bulk buy’ pack which gives customers approximately three months’ worth of power. This pack is available every 60 days.
Your Community Energy	19.5% off usage and supply	This pack includes a 6.6c/kWh premium which is pooled and distributed to community based renewable energy projects. ¹
Green Power Saver	19.5% off usage and supply	This is a 100% accredited GreenPower powerpack.
Future packs	20.5% off usage and supply	Future packs are designed to save budget savvy customers money by buying energy in advance. For example, customers can buy an ‘October Future Pack’ in September.
Monthly Specials	Varies	Monthly Specials are only available a few times a month. They’re a bigger discount than the Power Saver on usually about a day’s worth of usage.

Note: All discounts are off Powershop’s Auto Pay market offer rates. All powerpacks can be purchased online or through the Powershop app.

How concessions are managed when calculating best offer

Powershop’s view is that concessions should be excluded from the calculation determining the best market offer as concession entitlements sit outside the retailers’ control and could cause confusion. Significant system development would also be required for us to implement the necessary changes associated with including concessions. These views inform Powershop’s positions in the following table of approaches. Further, if a customer is comparing a market offer that has been presented on their bill and it includes a concession amount, the customer might

¹ <https://www.powershop.com.au/your-community-energy/>



compare it against another retailer's market offer which excludes the concession component, therefore providing an inaccurate comparison.

Batteries

While the Decision discusses how solar data will be factored into the calculation of 'best offer', batteries are not discussed at all. Powershop presumes batteries will be treated the same as solar export data, but further clarity is required in the final decision.

Draft decision 4: Presentation of the best offer on bills

Powershop has some concerns about the ESC deploying prescriptive language for use where the customer is not on the retailer's best offer, particularly with respect to the obligations regarding representations to consumers under the Australian Consumer Law. Powershop suggests that the ESC consider any potential conflicts that may arise, and provide retailers with appropriate flexibility to avoid such conflicts.

Draft decision 5: Clear advice entitlement

Powershop supports the intent of the clear advice entitlement to the extent that it provides retailers and customers the opportunity to discuss which offer will suit their needs. We note that the requirement may also have the welcome effect of driving down the number of market offers some retailers have in the market, therefore removing some of the confusion for consumers.

One aspect Powershop would like further clarity on is the scope of the clear advice entitlement with respect to fees. Powershop's view is that the current drafting may be interpreted as requiring retailers to advise customers of all the different fees that may be levied depending on the customers' actions during the contract.

For example, the current drafting may be interpreted to require retailers to advise:

- If you decide to have solar installed at your address the fees for a meter reconfiguration will be \$X based on your network distributors current fee schedule;
- If you decide to renovate your house and move your electricity meter, fees of \$X may be levied based on your network distributors current fee schedule;
- If you need increased electricity supply to your property a three-phase meter may be required which may cost \$X based on your network distributors current fee schedule;
- If you decide to demolish your property, meter abolishment fees of \$X may apply based on your network distributors current fee schedule; and
- If you decide to have solar hot water installed at your address the fees for this will be \$X based on your network distributors current fee schedule".

Powershop does not believe that the above interpretation is the ESC's intent, as fees such as those detailed are advised and consented to prior to works taking place. Moreover, imposing this obligation would be impractical and drive further confusion in the market. It is also worth noting that the fees described above are distributor-levied fees which are passed through by a retailer, and are not retailer fees.

If the intent of this requirement is to force retailers who charge fees for late payment, paper bill and dishonour fees (etc.), to make this clear prior to the customer entering into an agreement, then Powershop wholeheartedly support this obligation and encourage the ESC to clarify this position in the final decision.



Draft decision 6: Scope of the new best offer obligations

Powershop strongly opposes this requirement not being imposed on exempt sellers such as embedded networks. The Energy and Water Ombudsman of Victoria has recently (1 July 2018) started taking complaints from embedded network customers due to dissatisfaction.

While not all apartment blocks have embedded networks, it is important to note that the 2016 Census of Population and Housing found that 10% (2,348,434) of all people in Australia spent Census night in an apartment, with 23% of occupied apartments being in Victoria.² If only a small percentage of apartments have embedded networks or will install them at a later time they should receive the protections under this Decision.

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

Powershop supports best offer messages appearing at a minimum every six months, however we would prefer the ability to schedule the message at our discretion, rather than on the first bill to follow 1 January and 1 July each year. These timeframes are traditionally busy periods for retailers' service centres, and increased call centre traffic at this period could frustrate customers. Allowing for flexibility in issuing the better offer messages would enable retailers to better manage their customers' experience.

There was discussion during the consultation for this Decision that the bill message be displayed on the anniversary of the retailer becoming financially responsible for the customer. Powershop oppose this approach due to the unnecessary complexity of such a requirement. Customers will receive the same amount of benefit in the frequency detailed in the draft decision or at retailer discretion - at far less cost compared to an anniversary frequency.

Draft decision 8: Dollar threshold for determining best offer

Powershop supports the implementation of the \$22 savings threshold as the trigger to display the best offer message.

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

Powershop's view is that 13 business days may not be sufficient time for the customer to act on the best offer presented to them on their bill. Powershop suggests that an easily referable timeframe is used, such as the issue date of the next bill.

Draft decision 10: Additional information to appear on bills

Given the limited space on bills and the fact customers are already advised of the VEC website on Price and Product Information Statements, Powershop would prefer VEC information not be included in the bill message.

Draft decision 11: Bill change notices

Powershop perceives this requirement to comprise two distinctly separate notices.

² <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0-2016-Main%20Features-Apartment%20Living-20>



1. Benefit change notices

Powershop has long advocated for better customer protections regarding the use of high discount, fixed benefit period contracts and supporting regulation that promotes better communication around the expiry of these offers, so that customers are not charged a 'loyalty tax'.

2. Price change notice requirements

Powershop has long seen a deficiency in Code requirements regarding price change notices, and as such has always provided customers with advance notice of price changes. In recent times Powershop has given customer's 10 business days' notice of any price change. In addition Powershop uses the first bill after a price change as a fall-back method of communication should the customer believe they have not received the notification.

The timeframe for sending these two distinct notices is discussed further in response to draft decision 16.

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

As detailed immediately above, Powershop has always given customers advance notice of price changes. In our experience implementing these notices, we would suggest that a 'less is more' approach is required when presenting this information. We believe that customers simply want to know what their prices are and what they will be changing to.

The following table details our position on required information for bill change notices.

Table 3: Bill change notice required information

Required information as detailed in the Decision	Powershop's view
The small customer's metering identifier.	Not necessary, and already detailed on bills.
That the small customer may use the price comparator to compare offers that are generally available to classes of small customers in their area.	Not necessary. Customers switch if they do not like the price.
The name and web address of the price comparator.	Not necessary.
That the customer can request historical billing data (and, if they are being sold electricity, energy consumption data) from the retailer that will assist the customer to use the price comparator to compare offers that are generally available to classes of small customers in their area.	Not necessary, and already available.
Any early termination charges payable under the market retail contract.	Agree.
The retailer's best offer for that customer, defined, calculated and presented in the same manner as set out in draft decision 2 to 4, 8 and 9.	Agree.
The retailer's estimate of the annual dollar impact of the benefit or price change (where the benefit is financial in nature).	Not necessary. A simple 'before and after' price table is sufficient. Annualised cost can be inaccurate and misrepresentative, which exposes us to unnecessary risk. Notice must be kept simple.
Information specific to the customer to assist the	Not necessary for this notice. Requiring



customer to complete the fields necessary to compare offers on Victorian Energy Compare.	retailers to provide a “VEC user’s manual” in this notice is unreasonable. If further explanatory information is required, this should be provided through the VEC website itself.
That a benefit change will occur and the benefit change date (benefit changes only).	Agree.
That the customer’s tariffs and charges are being varied (price changes only).	Agree.
The date on which the variation will come into effect (price changes only).	Agree.
The customer’s existing tariffs and charges, (price changes only).	Agree.
The customer’s tariffs and charges as varied (price changes only).	Agree.

Draft decision 13: Manner and form of bill change notices

Powershop supports allowing retailers to present bill change notices in a manner and form consistent with the objective of the notice.

Draft decision 14: Delivery of bill change notices

Powershop supports delivering bill change notices in a manner determined by the customer.

Draft decision 15: Scope of bill change notices

As we have stated in our submissions to the Australian Energy Market Commission, “retailers will generally promote price decreases as part of their communications strategy, therefore removing the need for regulation”.

Despite this view, Powershop always favour consistency between the Code and National Energy Retail Rules.

Draft decision 16: Notice period

Price change notice

Powershop supports sending a customer’s price change notice a minimum of five business days prior to the price change coming into effect.

Benefit change notice

Powershop opposes the “streamlining” of benefit change notices and price change notices. As we have identified earlier in this submission, these notices serve two distinct purposes. Watering down retailer obligations to advise customers of the end of their benefit period may lead to higher customer bills when the benefit period ends.

Powershop agrees with the Department of Premier and Cabinet’s Behavioural Insights Unit that timeliness is important in successfully prompting a customer to take action, and that a prompt to take action is more likely to be effective if it is provided as close as practical to the end of the benefit period. However, this assessment does not limit the effectiveness of giving customers ample time to research and make a decision. The ESC and multiple other agencies have stated that



the market is too complex for customers to navigate, and in this context Powershop sees no benefit of giving customers only 5 days to research instead of 40 days.

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

Powershop agrees with the exemptions detailed in the Decision other than the following exemption:

“in relation to a benefit change where a benefit change date occurs within 40 business days of the commencement of the market retail contract”.

Powershop’s concern with this exemption is that it may inadvertently introduce short-term benefit period contracts. For example, consider the circumstances where a customer signs up on a 60% discount which is fixed for one month, only for the discount to be slashed to 10% after one month.

To mitigate the risk of any such offers appearing, the ESC should remove this exemption.

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

Powershop support GST inclusive pricing but is concerned by the implementation timeframe and potential inconsistency between retailers.

Further, for GST inclusive pricing to work effectively, fairly and for the benefit of customers nationally, the AER and ESC should align their positions on GST requirements and implementation timeframes, whether as described in this Decision or otherwise (subject to consultation with retailers if a new position is put forward).

Draft decision 19: Commencement date for the new requirements

While Powershop understands the terms of reference given to the ESC, Powershop would encourage a transitional implementation to allow for a smooth implementation. A transitional implementation will allow retailers to better scope and implement the necessary system changes in a manner that delivers positive customer outcomes. We note that while the objective of these changes is to build trust between retailers and customers, having to implement such large scale changes in such a short timeframe will make it difficult for retailers to effectively meet this objective.

Powershop’s view is that a six month implementation timeframe should commence from 1 July 2019 and be completed by 1 January 2020.

If you have any queries or would like to discuss any aspect of this submission please do not hesitate to contact me.

Yours sincerely,

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Powershop Australia Pty Ltd