5 October 2018

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

Lodged by email: RetailEnergyReview@esc.vic.gov.au

Dear Mr Clinch,

Re: Submissions to New Requirements for Energy Bills—Draft Decision

Origin Energy (Origin) welcomes this opportunity to respond to the Essential Service Commission of Victoria's (the Commission) Draft Decision on recommendations 3F, 3G and 3H of the *Independent Review into the Electricity and Gas Retail Markets in Victoria* (*Independent Review*).[1]

The implementation of recommendations 3F, 3G and 3H will require significant changes to Origin's billing systems to remove GST exclusive pricing and to introduce new calculations that underlie the best offer notification. The Commission's new clear advice entitlement will add an additional overlay of complexity, with retailers adjusting their sales processes in the call centre, on digital platforms, and via third-party agents to meet this new regulatory requirement.

Along with recommendations 3A to 3E, these are significant operational and system changes for retailers—some of which may only apply in Victoria. As we explain further below, these new changes come at a time of significant regulatory change in across the industry, with many projects being implemented simultaneously. Given the breadth of these changes, Origin asks the Commission to be sensitive to suggestions by Origin and other retailers which may simplify the implementation of these recommendations. From a practical standpoint, the following issues are particularly important to Origin:

- The inclusion of concessions and solar exports in the calculation of a customer's best offer—excluding these would be much more straightforward for Origin's billing system and will reduce complexity that may trigger errors and unintended outcomes;
- Blended offers and dual fuel offers, as well as tender and multisite customers, should be excluded from the requirement to identify a best offer and to display it on bills or notices;
- Retailers should be required to undertake a best offer notification approximately once every six months;
- There should not be a prescribed time for how long a best offer is open given the vagaries of customer billing and changes in pricing decisions;
- We support retailer discretion on the estimation of a better offer where less than 12 months data is available;
- The customer advice entitlement should be revised, removing it from Explicit Informed Consent (EIC), and narrowing clause 70H(1)(b) to apply only to contact centres when customers are triggered by the better offer notice;
- The customer advice entitlement is an addition to the Independent Review's recommendations. It would be beneficial for the Commission to consult longer on it and to use its discretion to provide retailers with additional implementation time;
- Origin believes the customer advice entitlement should only apply to product specific terms and conditions, not broader contractual terms and conditions that impact on a customer's total bill value;

[1] John Thwaites, Patricia Faulkner and Terry Mulder, *Independent review into the electricity and gas retail markets in Victoria*, Final Report, August 2017.

- The Australian Energy Market Commission's (AEMC) Advance Notice of Price Changes final determination should be adopted by the Commission for the sake of national consistency;
- The Commission should engage individually with retailers to understand their challenges in meeting this deadline, and take this into account when considering any enforcement activity;
- A transition period on the 'best offer' notice to require retailers to send one within six months of 1 July 2019.

These and other points are explained in greater detail below. We have also read the AEC's submission and reiterate our support for the views they express on-behalf of the industry.

Should you have any questions or wish to discuss this information further, please contact Timothy Wilson on (03) 8665 7155.

Yours sincerely

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1. 'Best offer' on bills

Definition of 'best offer'

Arriving at an objective definition of 'best offer' is a difficult task in the energy market, where retailers design products that appeal to different customer preferences. For instance, Origin's Predictable Plan offers a fixed price for twelve months for customers that prefer certainty and do not want to monitor their use. Other customers may value a simple product like 'One low rate', which is a competitive price without a pay-on-time discount. It is difficult to conceive of the market in terms of a 'best offer'. Nevertheless, the Commission's terms of reference oblige it to give effect to two recommendations that require retailers to inform their customers of their best offer. The Commission has weighed the risks and benefits of different definitions in its consultations to date. Origin therefore agrees with the Commission's approach in draft decision 2 to define best offer as the lowest generally available offer.

In calculating the figure, the Commission will require retailers to include any relevant concession and solar export data. Origin believes that this could overstate the extent of potential savings where a customer has not been in receipt of either of these benefits for a full twelve months. In other words, the retailer is comparing two figures that are not the same: one where a concession or benefit has not been received for twelve months and a future scenario that assumes twelve months. A customer could therefore be on the best offer and still receive a negative deemed best offer message. The alternative is a retailer using the same limited amount of time a customer has been on a benefit for in the past to calculate the future annual amount. For instance, if a customer has received six months of a concession then their future amount can be calculated on the basis of six months. This will resolve the issue above but it is far more complex from a systems perspective to undertake this calculation because we need to separate out the specific concession time period rather than assuming it will apply for twelve months. It is also potentially a less accurate figure for the customer given it assumes a partial concession or solar export credit for the next twelve months.

For the sake of retailer implementation, it would be better to exclude variables like concessions and solar export credits, and to instead rely on consumption amounts. From the point of view of customer experience, it may also help to manage expectations because the exclusion of a concession and solar export credit will tend to understate their benefit because they can only receive a lower cost with those benefits included.

In terms of the wording of the best offer notification, Origin has expressed reservations about the statement directly to the Commission. We believe that certain wording may run a higher risk of being misleading and therefore could necessitate lengthy disclosure statements on bills. We ask the Commission to consider this carefully given the limited space available on retailer bills and the higher risk of customers having a poor experience where the bill message overstates the likely benefit. As our advice to the Commission indicates, the current preferred form of wording that was disclosed in the workshop on 27 September 2018 is more at risk of creating this problem than other potential variations.

Blended offers and dual fuel

As the Commission is aware from its consultations to date, there are offers in the market with competitive tariffs that depend on customers agreeing to additional products or services to obtain them. The most common examples are dual fuel contracts and blended offers. A dual fuel contract attaches an additional price benefit based on a customer accepting contracts for gas and electricity. Similarly, a blended offer involves a retailer selling a product along with an energy contract. This could be a solar system or another service (such as internet or club membership). In either of these cases, the tariff that is sold with the dual fuel or non-energy product may be the best offer for the purpose of calculating a bill notice because it is the lowest available. In principle, Origin believes it is simpler to exclude these offers rather than to include them. From the perspective of the customer, it may be a poor experience to have better

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offers made to them that exceed the supply of energy and may include products and services that are regulated in a different fashion to energy.

Multisite and tenders

Origin believes that it is inappropriate to include multisite and tender customers in the obligation to include a best offer notice. These small customers are generally contracted at a parent level, to which the definition of small customer would not apply. However, because these are billed individually, these customers could receive a best offer notification that is inappropriate for them because it is intended for single site residential or SME customers. Accordingly, where a retailer has reached a multisite or tender agreement, an exemption should exist to this requirement.

How long is the best offer available to a customer?

With respect to the requirement to leave an offer open for 13 business days, Origin does not believe a minimum timeframe is necessary. The best 'Generally Available Offer' can change multiple times throughout a financial year; retailers will often change prices directly in response to competition levels in the market. Keeping an offer open for 13 business days will make managing these changes very difficult, as there is a risk that a customer will have a better offer notice on their bill which is redundant before they even receive the invoice. In theory, all offers will need to be accessible for 13 business days after the invoice is sent. Customers will need to be able to access these offers via the contact centre and other platforms (such as websites and third parties). All of this creates complexity with our call centre staff, how third parties manage keeping these offers open when they are not available to the public, and our own website. It is not clear that this level of complexity is warranted to address the (hypothetical) issue of a customer receiving a better offer notification that is premised on an out-of-date offer. This hypothetical scenario generally assumes that a retailer withdraws a higher offer and a customer can no longer access it; this should not in fact be assumed as the new offer may be better for the customer anyway.

Even if a retailer does withdraw the higher offer, it is a competitive retail market and a customer can either accept the latest generally available offer from their retailer or access another market offer. Irrespective, the best offer notice has served as a prompt to engage the customer. Accordingly, in a competitive market, Origin does not see a justification for imposing a timeframe for how long a best offer will be open, given the intent of the notice is to act as an engagement prompt.

Notice frequency

The Commission has established two requirements for timing of the best offer notice:

- whenever a customer receives any end of benefit or price notification letter; and
- the first bill after January and July.

By its design, this will result in some customers receiving several best offer messages in close proximity to price changes in January and July (for those retailers that gazette twice a year). Thus, a customer can receive a best offer notice in December and the same notice on a bill again in January. This does not necessarily serve an additional purpose and may potentially diminish its impact if they receive this information twice within a short period of time.

Origin believes that it may be more beneficial to require retailers to undertake a best offer assessment twice a year at a minimum. This can be achieved in the first instance by making the primary obligation for retailers to alert customers of the best offer via either the end of benefit or price notification letter. We would expect a price notification letter to cover off at least one of these six-month intervals, if not both. Where neither of these notices is sent within six months, then a retailer could be obligated to send

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a best offer notice on the next bill. That way a customer will receive regular updates without diminishing their effectiveness by sending these notices too frequently.

Customer data

The Commission has proposed to enable retailers to make their own estimates of customer consumption where there is less than twelve months available. Origin supports this position. With respect to the data used to support a 'best offer' calculation, a retailer may have 12 months of data that is both actual and estimated. Where a network cannot obtain an actual meter read they will provide an estimate, which retailers then use to bill customers for. It is hypothetically possible that a customer may receive a best offer notice with only an estimated meter read data available (for example, after their first gas bill a customer may receive a best offer notice that coincides with an annual price change). A retailer will then use this estimate to derive an annual figure. This situation is unavoidable in narrow circumstances and should be permitted by the Commission requiring retailers to make their best estimate where less than twelve months data is available.

2. Customer advice entitlement

The Commission has introduced a new customer advice entitlement to offset the risk of customers moving on to a better offer with complicated conditional discounts but which has the lowest generally available price. The Commission has therefore introduced two requirements as part of obtaining EIC in clause 70H(1): explaining terms and conditions that influence the total monetary value of the bill *and* advising the customer of any other offers a retailer reasonably believes would be suitable for the customer.

In Origin's view, the customer advice entitlement should not form a precondition to EIC. Whilst we can understand that providing customers with relevant information is part of obtaining consent, Origin believes that EIC is a distinct right that demonstrates a customer has consented to matters in order to enter a contract. At present, the customer does not receive this information as a precondition of EIC. Whilst it may be beneficial for a customer to receive the information under clause 70H(1), it is best framed as an additional requirement rather than the act of obtaining consent. An analogous example is clauses 62 to 64 of the Retail Code. A retailer is required to provide customers with a range of information under clauses 62 to 64 of the Code; this is a general entitlement, but it is not a precondition for EIC. As with clauses 62 to 64, a failure to provide the customer with their entitlement to information should be a breach of the Code rather than a precondition that would void a contract under clause 3E of the Retail Energy Code.

All terms and conditions?

Based on the Commission's Draft Decision, Origin had initially interpreted draft clause 70H(1)(a) as requiring disclosure to the customer of terms and conditions specific to a *product.* This interpretation was based on the Commission's explanation of the new rule in its Draft Decision:

> *We also note that the extent of any burden associated with complying with the obligation is directly proportionate to the level of complexity that a retailer has included in their contract terms and their market offerings. That is to say, retailers would be largely in control of the size of the impact the obligation has on their business. For example, retailers with few offers in the market, and with offers containing simple contract terms and conditions, may find the obligation imposes no significant burden. This means the obligation creates an incentive for retailers to move away from complex and confusing contracts.*[2]

[2] Essential Services Commission of Victoria, *Building trust through new customer entitlements in the retail energy market: Draft Decision*, 7 September 2018, p. 46.

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Implicitly, those matters that retailers chose to include in a product—such as a benefit for paying on time—would necessitate explanation to the customer of how the condition impacted on price.

During a workshop held by the Commission on 27 September, it was suggested that the Commission's intention was for the customer advice entitlement to apply to all terms and conditions in the contract that influenced the total monetary value of the bill. The example of an estimated meter read for gas customers was raised, with the Commission confirming that retailers would need to explain this term and condition to a customer as part of the advice entitlement. This interpretation extends the obligation beyond the sphere of retailer 'products'—which refers to the matters that retailers have direct control over when designing different energy products—and into the broader operation of the market that retailers do not directly control when designing customer products. These matters are generally ancillary to a customer's choice of which energy product they choose. Alternately they may be directly resultant from customer requests or behaviours and limited to subsets of customers. At any rate these additional costs are not equally likely to apply to all customers. Some examples of such fees might include:

Administrative charges:

- Credit card payment fee
- Payment processing fee
- Paper bill fee
- Payment dishonour or reversal costs.
- Adjustment fee

Distributor charges—such fees may arise due to distributor requirements, or at the request of the customer. These are not uniform (fees vary by network and by fuel type) depending on the service order type and metering type. Additionally, if a customer is located on a distribution zone border it is possible a retailer will be able to advise the correct fee. These fees also change annually and would theoretically have a flow on impact into what information would need to be supplied at price change:

- Disconnection and reconnection fees
- Meter installation, replacement or upgrade fees
- Special read fees

Customer Service charges:

- Mercantile collection fees
- Historical billing request fee

Additionally, Origin is concerned about any requirement that would oblige retailers to explain to customers the basis for estimating customer bills. Bill estimation is a network function and retailers would be relying on that external party to verify that method. The estimation is not a function of which product a customer chooses but is in fact more dependent on the network they reside in. Regardless of which retailer a customer chooses in their premises, they will receive the same meter estimation. If the network changes their estimation method, but does not update a retailer, then we will have provided them with out-of-date information as part of their EIC. This could arguably negate the customer's contract because EIC was reached on an incorrect basis.

We note that the Commission has recently highlighted higher complaint numbers associated with bill estimations by networks.[3] The Commission may introduce changes to the rules to enable estimated meter reads—something that AEMC are also consulting on. We believe that the Commission ought to seek to address this problem by adopting national rules in the first instance rather than requiring retailers to explain the basis for network reads prior to EIC.

[3] Essential Services Commission of Victoria, *Victorian energy market update April to June 2018*, 27 September 2018, p. 7.

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Origin does not support the customer advice entitlement extending to general terms and conditions that may impact the total value of the bill. We believe the intent of the Draft Decision, as quoted above, is reasonable and that the line ought to be drawn around the conditions that form part of the products that retailers sell to customers. The terms and conditions of a product are more material to customers choosing that product (such as the magnitude of the pay on time discount) than the other contract terms and conditions which tend to reflect other market operation costs. Origin therefore believes that clause 70H(1)(a) ought to be redrafted and confined to conditional terms and conditions for products rather than "any contractual" term or condition.

Different platforms

The Commission intends for the customer advice entitlement to be 'platform agnostic'. This appears to be workable with respect to draft clause 70H(1)(a), where a retailer website can present relevant terms and conditions and any monetary impact prior to a customer providing EIC. Origin is concerned about how draft clause 70H(1)(b) is integrated into online platforms. In terms of drafting, the Code refers to a retailer's "belief". This does not seem appropriate for an online platform where a retailer may not have any "beliefs" about a customer. The draft Code also refers to a suitable offer. It is hard to design an online platform in such a manner given that both customers and non-customers will be visiting websites. This could be seen to create an obligation for a retailer to present all generally available offers to customers to comply with this requirement. This would defeat its purpose, which is to narrow a customer's choice architecture based on what is suitable for them.

The consequence of this is potentially twofold: firstly, creating a poor customer experience by requiring numerous offers for customers when they search offers on retailer websites; or, secondly, limiting retailer product offerings to comply with this requirement. We understand that the Commission has created "an incentive for retailers to move away from complex and confusing contracts" by requiring retailers to explain the impact on prices of terms and conditions.[4] However, the additional obligation in clause 70H(1)(b) could encourage retailers to limit the number of products they offer by requiring them to disclose them to customers on digital (or other) platforms—particularly where a retailer does not have any information about the customer and would not have reasonable grounds to judge the suitability of specific problems.

Third parties

Origin is concerned about the practical implications of non-retailers being subject to either of the requirements in draft clause 70H(1)(b). Retailers and their third-party marketing representatives are bound by the Marketing Code of Conduct, the objective of which (among others) is to promote the disclosure of information to customers. In the circumstances that these non-retailers obtain the customers' EIC the third party becomes effectively responsible for discharging the Customer Advice Entitlement under 70H. Accordingly, where the obligations reside on retailers they will also extend to their third parties acting on their behalf.

Unlike the Victorian Energy Compare website, retailers choose to make offers available through selected websites; only a selection of offers will be available to the selected third party. As such the third party may not have a more suitable offer available to that customer, even though one may exist. Given the third party has the same obligations as the retailer under the Marketing Code of Conduct, they will necessarily require all the retailers generally available offers to comply with clause 70H(1)(b).

Requiring all offers to be available would potentially undermine a Victorian Energy Compare's role as the site for all generally available offers to be made available; this would be contrary to the purpose of having that website. We also note that a customer will be prompted to either contact the retailer or the

[4] ESCV, *Building trust: Draft Decision*, p. 46.

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Victorian Energy Compare website and it is likely most customers will do either of these activities rather than a third-party comparator. For these reasons, Origin believes third party websites should not be bound by draft clause 70(H)(1)(b).

The general meaning of 'third parties' effectively encompasses any non-retail entity that acts on behalf of a retailer in the interaction with the customers. For example, buying groups (where the offer might be generic, but there is a broader non-energy benefit to the 'body corporate' of the buying group members) are technically collective third parties but they differ from commercial comparators and brokerage services. Another third party are builders that, through agreements with a retailer, may provide the end-user details so that the site can be transferred out of the builder's name and into the property occupier's name. Where EIC cannot be obtained for a customer to enter a contract, these customers are placed on to the standing offer in accordance with the Retail Code requirements.

Origin believes that both buying groups and builders may be captured by the clear advice entitlement given the obligations of the Marketing Code of Conduct. However, they are clearly not the same business models as a third-party comparator site or a brokerage service. In a practical sense, many of these third-party agents cannot reasonably be expected to be bound by the same obligations of retailers with respect to assessing the suitability of other offers. A third-party comparator will not possess the same information about a customer that the Commission has in mind to fulfil this obligation—retailers obtain this information via billing data and payment history. Equally, it is not practical to require a builder or buying group to have available the retailer's other offers to assess their suitability for the customer.

As such, we would recommend in the first instance that the wording in the code be more specific to the particular service they provide. Rather than introducing blanket regulation of all third parties through the clear advice entitlement and the Marketing Code of Conduct, the Commission needs to be more cognisant of the function that particular third parties serve and to assess whether tailored regulation is more appropriate.

Additionally, that a customer may use Victorian Energy Compare to determine the 'best offer' presents the possibility that Victorian Energy Compare would be unable to comply with the proposed 13-day availability requirement in the same manner that third parties may struggle, as outlined above. This would remove the availability of an impartial 'single source of truth' from consumers. More concerningly, as the calculation to determine the 'best offer' may differ from retailer to retailer, it is possible that Victorian Energy Compare may present a different 'best offer' to the customer from the same retailer. This possibility is extremely likely, compounded where a customer uploads a meter data file in order to obtain the best offer recommendation, and would contribute to undermining trust in the energy market.

Solution to clause 70H(1)(b) issues

As currently drafted, Origin believes that the requirement in clause 70H(1)(b) is too extensive, particularly given this is a general entitlement for customers and platform agnostic. Origin interprets the clause as potentially requiring a retailer to assess the suitability of other offers, that a retailer reasonably believes would be suitable, prior to obtaining EIC. The use of 'and' between clauses (a) and (b) indicates that a retailer must follow this step where a reasonable belief is formed. In compliance with clause 70H(1)(b), the question will become: what forms a basis for a retailer reaching a reasonable belief for assessing the suitability of the customer's offer?

Where a contact centre interaction is triggered by a 'best offer' notification, a retailer will already have undertaken a calculation of a customer's potential saving as part of generating the notice; there will be no requirement for contact centre staff to conduct this assessment. However, if it is a general entitlement regardless of a best offer notification, then this will require retailers to undertake an assessment whenever a customer contacts a retailer wanting a new offer. In Origin's view, this is far more onerous than draft clause 70H(1)(a), which only requires retailers to inform customers about any conditions that may impact the total monetary value of the bill.

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Our understanding is that the Commission foresaw a potential issue with customers responding to a 'best offer' that had the lowest price but also came attached with conditions that did not suit all customers. Hence additional protection afforded in clause 70H(1)(b) was to ensure that retailers made a more suitable product available where they had one (for example, a product without conditional terms). Origin does not oppose this requirement where a customer has been triggered to contact a call centre following a best offer notification.

However, for the above reasons, we believe that clause 70H(1)(b) has been drafted much broader than the Commission intended. If the Commission is adamant that draft clause 70H(1)(b) is to remain, then it should be limited only to where a customer has contacted the retailer's call centre in relation to a best offer notice. This would address the Commission's concerns with customers ending up on unsuitable offers because of the 'best offer' notice, whilst mitigating against unintended consequences from the current drafting. As we explain above, we do not believe that the protection afforded clause 70H(1)(b) is appropriate or necessary for non-contact centre interactions or when a customer is contacting a retailer outside of a 'best offer' notice.

Additional consultation

The customer advice entitlement does not directly arise from the Independent Review's recommendations; rather, it is a response to secondary issues that are raised by the two 'best offer' recommendations. On the face of it, retailers did not anticipate a customer advice entitlement when the Independent Review was released or in the Victorian Government's Interim Response. Origin is of the view that the if the Commission is to proceed with this aspect of the Draft Decision, retailers ought to be given additional consultation and implementation time to assess its merit and the impact on operations. In the very least, the Commission is not bound by its terms of reference to make a final decision by 1 July 2019, and there is scope for an extended consultation. We ask the Commission to do so in relation to this aspect of the Draft Decision so that any issues are thoroughly addressed. This would also give the Commission the opportunity to assess the benefits and costs of this recommendation.

3. Price and benefit change notices

The Commission has largely duplicated the information requirements from the Benefit Change Notice Guideline and the Draft Decision on Advance Price Notification and combined them into a notice. Unlike the AER, the Commission has provided retailers with more discretion in how the letters are presented to customers by requiring retailers to meet an objective in the Code. Origin supports this approach and we believe that the proposed objective provides adequate guidance to retailers. The ESC can then assess retailers against these objectives. In Origin's experience, this approach is preferable to that taken by the AER with its end of benefit guideline; responsibility for the effectiveness of the Guideline is effectively placed onto the regulator. In Origin's experience, retailers have more expertise in designing these communications, and it will be more effective for regulators to hold retailers to account for their communications.

With respect to draft clause 70(L)(3)(h), retailers are required to provide any information specific to the customer to assist the customer to complete the fields necessary to compare offers on Victorian Energy Compare. This seems to be based on the requirement that the AER has introduced into its end of benefit notification. For Victoria, this will work for the first page of Victorian Energy Compare, which has similar questions to Energy Made Easy. Origin is able to provide this information to customers. However, unlike the Energy Made Easy website, Victorian Energy Compare asks a more involved set of questions about the customer's circumstances on the second page. Most of these matters the retailer will not have knowledge about (for example, the kind of cooling and heating used by a customer). It would be helpful for the Commission to confirm that retailers are not obligated to obtain and provide customers with this information as it would be too onerous a burden.

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Advance Notice of Price Change

The AEMC has recently made a final rule in the Advance Notice of Price Changes consultation.[5] Notwithstanding that there are aspects of that decision that we preferred were different, Origin is of the view that national consistency is preferable on this particular matter. This is particularly with respect to the five-business day requirement and the inclusion of additional exemption category that does not require a notice where a customer's price change is a direct result of changes to bank charges and fees. If the Commission has not intended a 'best offer' notice to be sent for these kinds of secondary costs then this can be clarified by including it as a specific exemption in draft clause 70L(7). Accordingly, we support the Commission adopting the AEMC's final rule for the purpose of implementing recommendation 3F.

Notification of Network Tariff Changes

Distribution businesses have the ability to amend a customer's network tariff without their authority if the customer's consumption or connection no longer meets the requirements for the tariff. For example, a small businesses electricity consumption goes over the 100MWh per annum threshold and the network business moves the customer from a flat network tariff to a demand network tariff. These changes are beyond the retailer's control.

In these circumstances, Origin believes the requirement should be that customers are notified as soon as practicable, but in any event no later than the customer's next bill. This additional exemption category aligns with the AEMC's Final Rule with regards to advance notice of price changes.

4. GST inclusive pricing

Origin accepts the Commission's interpretation of recommendation 3H and the underlying policy reasons for making this shift. As the Commission's amendments to the *Energy Retail Code* demonstrate, retailers are required to include a break-down of both GST exclusive and inclusive pricing in Price and Product Information statements,[6] Energy Price Fact Sheets[7] and offer summaries.[8] The model terms and conditions also permit GST exclusive pricing. It has been the accepted practice across the industry to include GST exclusive and inclusive pricing in bills and Origin's is no exception. As a consequence of this regulatory legacy, our systems have been built around tabulating bills with tariffs that are GST exclusive. This is the case in all jurisdictions as residential customer billing is, to the greatest extent possible, done in a consistent format.

At the moment, Origin does all of its calculations pre-GST and then use the total to arrive at a GST figure. These reforms will require GST to be embedded into the prices; to achieve this, Origin's billing calculation logic will need to be overhauled.

We understand that the requirement for a 1 July 2019 implementation has been set by the Victorian Government. Given the significant impact that removing GST has on our current billing practices, Origin foresees potential implementation obstacles that may make 1 July 2019 difficult to comply with. The Commission should engage individually with retailers to understand their challenges in meeting this deadline; in doing so, they should consider whether it is appropriate to enforce this requirement strictly where a retailer has demonstrated implementation issues. We highlight some additional implementation issues below.

Multisite and tenders

[5] Australian Energy Market Commission, *Advance notice of price changes, Rule determination*, 27 September 2018.
[6] See schedule 5 of the *Energy Retail Code.*
[7] See schedule 4 of the *Energy Retail Code.*
[8] See clause 15C(4) of the *Energy Retail Code.*

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The GST-inclusive billing requirement applies to all small customers. A complication may arise for multi-site and tender customers: this is where a contract may be with a single large entity with multiple sites. That entity uses energy across a number of sites that, if unaggregated, would not exceed the 40MWh threshold for a small customer. However, a retailer may bill each site individually as part of their agreement with the entity; the entity may also require GST exclusive billing as part of this agreement (generally for their own accounting purposes). The result is a series of individual 'small customer' bills with the same entity that does not exclude GST. However, under the current proposal, these individual invoices would have to include GST despite the stated preference of the customer. Origin believes that an exception is warranted for these circumstances.

Concessions and small businesses

Pursuant to an Order in Council[9] and Guidelines produced by the Department of Health and Human Services,[10] concessions for customers are calculated on a GST exclusive consumption figure. On Origin bills presently, customers can see the GST-exclusive basis for calculating the concession. Arriving at a GST-exclusive concession amount will create yet another level of complexity in our billing systems to remove the GST component of the energy charges in order to be able to calculate the concession. This problem is compounded with multiple concessions. A retailer cannot bundle all the concession amounts together and subtract the GST; it has to do so individually. A solution will need to be determined with minimal disruption to the new GST inclusive billing requirements. Further, the absence of GST exclusive pricing will mean that a customer will not be able to transparently reconcile their concession amount with their total bill because they will not have the GST exclusive consumption tariff that the concession is calculated on.

Further, Origin notes that this change may impact the taxation practices of some small customers. For their accounting purposes, it helps these customers to have itemised GST exclusive pricing. These customers will claim back the GST paid as part of their quarterly Business Activity Statements (BAS). The Victorian Government's blanket removal of GST inclusive pricing ignores this accounting benefit. We expect these customers to be disappointed by this change.

It is important that the Government and the Commission is aware of the impact this change will have on concessions and small businesses, because it may drive customer complaint activity to the Ombudsman and other agencies. To help mitigate this problem it would be beneficial for the Victorian Government (or the Commission) to inform customers of this change prior to its implementation. We suggest to the Commission that they should raise this with the Government so that it can take these steps. Whilst retailers can also inform customers, it would undoubtedly be beneficial for the Government to do so given they are viewed as a more neutral source of information.

5. Implementation

Origin appreciates the Commission's general approach to consultation to date, particularly the willingness to talk directly to stakeholders throughout the process and to take us into your thinking. This has been very reasonable of the Commission irrespective of our above concerns on particular issues (the airing of which are a necessary part of the consultation process). However, the Commission has been working on these issues since March, which demonstrates the complex nature of these recommendations from a regulatory perspective. Complex regulations make for a complicated implementation. This difficulty is compounded in an environment where retailers are allocating many of the same resources on delivering:

[9] See definition of 'consumption' on page 90 http://www.gazette.vic.gov.au/gazette/Gazettes2013/GG2013G032.pdf#page=90
[10] See 'How is the concession calculated?': https://services.dhhs.vic.gov.au/annual-electricity-concession

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- the Victorian Payment Difficulties framework;
- changes to Hardship policies federally which are due by 1 June 2019;[11]
- the AER's life support changes on 1 February 2019;
- changes to the NSW Social Code for concession customers;
- reforms to customer's providing self-read of meters;
- five-minute settlement, which commences on 1 July 2021, but is already absorbing resources because it involves significant changes to internal systems and processes that are highly integrated and currently incapable of accommodating five-minute settlement data;
- the AER's ongoing work implementing the new Retail Pricing Information Guidelines (since August and ongoing through this period);
- the commencement of the end of benefit notification on 1 October 2018; and
- and the new advance notice of price notifications on 1 February 2019.

The Commission is also working on recommendations 3A to 3H. The exact scope of these recommendations is yet to be determined by the Commission but there will be additional system and process changes required to implement them in tandem by 1 July 2019.

Given the breadth of these changes, Origin asks the Commission to be sensitive to suggestions by Origin and other retailers which may simplify the implementation of these recommendations.

The 1 July 2019 implementation deadline has been set by the Victorian Government's response to the *Independent Review* and their terms of reference to the Commission. However, we believe the Commission could set an initial transition requirement for retailers to provide customers with a 'best offer' notice on their bills within six months of 1 July 2019. This will provide retailers will additional time to ensure their systems and processes are properly designed and working. Customers may receive a notice from 1 July 2019 if a retailer is in a position to provide one; the obligation would require that such a notice would definitely be required no later than 31 December 2019. We have discussed the implementation approach to GST above.

In terms of the customer advice entitlement, Origin believes that the Commission should set a later implementation date for the reasons expressed under the Additional Consultation subheading in section two above. We note the Commission has further discretion on this matter given it is not directly (or necessarily) the result of the Independent Review's recommendations.

[11] Australian Energy Market Commission, *Strengthening protections for customers in hardship: Draft Decision*, 6 September 2018.

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