



19 August 2013

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

E-mail: energy.submissions@esc.vic.gov.au

Attention: The Project Manager

Dear Sir/Madam,

Energy Retail Code Harmonisation – Draft Decision

Thankyou for the opportunity to comment on the Energy Retail Code (ERC) Harmonisation Draft Decision. Broadly speaking, AGL is satisfied that for nearly all practical purposes an NECF compliant Victorian retailer will broadly satisfy the requirements of the harmonised ERC. This is particularly important to retailers who have invested heavily in compliance with the NECF.

AGL had written in earlier submissions to this consultation that given the planned commencement of the NECF from 1 January 2014, that there seemed little benefit in the introduction of an interim ERC from the original target date of July 2013. However given that the Commissions timelines have slipped, and there appears to be no specific commitment by the Victorian Government to the anticipated 1 Jan 2014 NECF start date for Victoria, the introduction date proposed the revised harmonised ERC in Victoria of 1 Jan 2014 is now critical to NECF compliant retailers such as AGL.

AGL notes that the Commission proposes a period of three months to allow for transition from the current non NECF Victorian regime to the harmonised ERC from September to December 2013, with the NECF harmonised regime being enforceable from 1 Jan 2014; until such later date as the NECF is proclaimed for Victoria.

AGL's detailed response to the Draft Decision is set out below:

Aggregation of Business Customer Site Consumption: The Commission considers this is a policy matter for the Victorian Government and has dropped the proposed aggregation of upper consumption by agreement clause. The Commission has not accepted AGL's view that the ERC could be drafted to enable aggregation, citing that the current NERR clause that allows aggregation of consumption is inconsistent with the current Victorian legislation. AGL does not accept this argument in its entirety, and believes the Commission has sufficient flexibility in its Objectives to enable this form of small business customer aggregation as it is in other States.

Greenhouse Gas Disclosure: AGL notes that the Commission has decided that the current statement in the ERC (clause 25A) requiring Greenhouse Gas graphs is ambiguous, and the Commission will amend this to ensure that it is clear that a retailer must provide either Greenhouse Gas graphs on bills or Bill Benchmarking information to the customer. AGL agrees with this approach.

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Extreme Weather Events: AGL supports the Commissions view that all reference to this term will be removed for Victoria.

Hardship Policies previously approved by the AER: Under the Victorian Electricity Industry Act and Gas Industry Act, AGL notes that the Commission has an obligation to approve retailer hardship policies, and therefore that the Commission will continue to require retailers to continue to obtain that approval under the harmonisation regime. AGL believes that the Commission could make other reasonable concession in this regard; such as where AER approval exists the ESC’s approval would not be unreasonably withheld.

Shortened Billing Cycles

AGL supports the Commission’s reasoning in the Draft Decision to permit a customer’s consent to a shortened billing cycle to be given verbally, thereby bringing this into line with the majority of other matters with respect to which the ERC requires a customer’s explicit informed consent. This is also a position consistent with the National Energy Customer Framework.

In AGL’s view this change is an important one. AGL is introducing flexible billing arrangements to allow Victorian customers to receive monthly bills. This initiative is being introduced in response to customer demand as many people find smaller, more regular bills easier to manage than the proportionately larger bills that are received on a quarterly basis.

Monthly billing is also highly complementary to the introduction of flexible pricing in Victoria. It enables a customer who takes up a new tariff structure to more quickly observe the impact this has on their electricity bills. The customer is then able to monitor this on an ongoing monthly, rather than quarterly, basis.

However, under the current regulatory regime, a Victorian customer wanting to alter their billing cycle could not do this over the phone, but would need to email or write to their retailer or otherwise process the change online. Having to redirect customers in this way, rather than actioning a request over the phone, is a cumbersome process that seems likely to deter customers who might otherwise be keen to take-up, and benefit from, a monthly billing arrangement.

By way of example, applications for the Utility Relief Grant Scheme cannot be made over the phone but require the applicant to sign and return a hardcopy form. Although AGL will routinely complete the details on behalf of the customer and then forward the form to them to simply verify, sign and return, more than half of the forms are never returned. We are not questioning the rationale behind requiring a written, signed form in the context of this scheme, only using this to demonstrate that the extra step required seems to deter eligible customers despite the scheme offering substantial potential for relief.

As monthly billing represents a primary response to the ever increasing issue of bill shock, it would be a shame if the kind of customer inertia witnessed in relation to URGS also presented as a stumbling block for customers who would greatly benefit from a shorter billing cycle. The initial interaction with a customer for an issue of bill shock generally takes place over the phone and it is therefore of some importance that retailers are able to respond to the customer’s issue immediately and effectively.

As the Commission rightly points out, a change in billing cycle is a two-way street. Under the current regime a customer who is trialling monthly billing and subsequently decides that it is not for them could not revert to a quarterly cycle over the phone. Providing retailers a framework in which they can quickly respond to customer requests to a change of billing cycle (whether that be a shorter or a longer cycle) seems to AGL to be in the interests of Victorian customers.

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It is also important to note that permitting consent to be provided verbally does not change the quality of the consent that must be given, in particular that it is given by a competent person after all matters relevant to the consent have been clearly, fully and adequately disclosed in plain English.

Adoption of Model Terms: The Commissions Draft Decision on the Adoption of the Model Terms in AGL's view means that for all practical purposes a retailer who has already adopted these terms can continue to use them for Victoria.

AGL views the introduction and consolidation of flexible pricing arrangements as a concurrent energy policy priority alongside the NECF harmonisation, in particular with regard to requirements for consent for customers to enter into new flexible billing arrangements.

Should you have any further questions in relation to this matter, please contact David Markham, Senior Regulatory Adviser on (03) 8633 6510 or at david.markham@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink that reads 'N Wallis'.

Nicole Wallis
Manager Retail Markets Regulation

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