



25 May 2018

Ms Anne Pearson
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Anne

AEMC Reference RRC0015 – National Energy Retail Amendment (Advance notice of price changes)

Thank you for the opportunity to comment on the rule change request seeking to require retailers to provide customers with advance notice of changes to energy prices.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON receives and responds to complaints from customers of exempt sellers. Our comments are informed by these complaints and also from our community outreach and stakeholder engagement activities. We have only responded to those questions that align with issues customers raise with EWON.

This submission takes the approach of summarising customer detriment, collectively for both electricity and gas with respect to each question, as evidenced by our casework, and supported by explanatory case studies in Attachment 1.

Significance and coverage of the issue

Does the delay in notice of a price change for electricity or gas negatively impact consumers? Why or why not?

EWON receives complaints from customers who consider that they have been negatively impacted by delayed notice of price increases. The issues raised with EWON via its casework are:

- Customers who need to carefully manage their budget for energy costs are disadvantaged if they receive delayed notice of a price increase (Case Studies 1 and 2).
- The rule should apply equally to both retail electricity and gas contracts (Case Study 2).
- Delayed notice of a price increase impacts on the customer's level of trust in their energy retailer and can prevent them from further engaging with the energy market (Case Study 3).
- A lack of transparency on price increases can also act as a barrier to customers shopping around for a better energy offer (Case Study 4).

Will advance notice of price changes lead to increased consumer engagement? Why or why not?

EWON considers that advance notice of price increases does have the potential to help customers better engage with the retail energy market.

- Customers may look for a better energy offer had they received advance notice of a price increase (Case Study 5).

Method and contents of notice

What methods, if any, should be specified in the rule as sufficient for informing the customer of price changes?

EWON notes that the draft AER Benefit Change Notice Guidelines (Version 1) states:

3.2 Communication preferences

37 The benefit change notice must be sent to the customer in accordance with the customer's preferred method of receiving written communication from the retailer. For example, if a customer has opted to receive communication from the retailer via email, the benefit change notice must be sent to the customer via email.¹

EWON supports a similar requirement for advance notices of price increases. However, EWON also recommends that where the customer has not nominated a preferred method of receiving written communication, the notice should be sent via the same method as the customer's energy bills.

Is there any other information not identified by the proponents that should be included in the notice?

Affordability is a key issue in many of the energy complaints received by EWON. We also recognise that energy retailers want to engage at an early stage with customers who may be, or who are at risk of, experiencing difficulty paying their energy bills. It is our experience that price increases generate complaints from customers and that many of these customers are vulnerable. Therefore notice of price increases should have information about the customer's right to access a payment plan and the retailer's hardship program.

¹ <https://www.aer.gov.au/system/files/Draft%20AER%20Benefit%20Change%20Notice%20Guidelines%20-%20April%202018.pdf>

Exemptions

Should a retailer be given an exemption if it acquires a customer that was informed of the future price increase at the time the customer switched to the retailer?

During customer acquisition, retailers are required to keep records of the customer's explicit informed consent. If these records also include information provided to the customer pertaining to a future price rise, along with other information required of an advance notice then, in theory, an exemption could be given.

However it is EWON's experience that customised arrangements may result in some customers missing out on information they require. Further, some customers may have forgotten being advised of a future price increase. Therefore, EWON suggests that it may be more effective for retailers to take the same approach and inform all customers of impending price increases.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely



Janine Young
Ombudsman
Energy & Water Ombudsman NSW

Attachment 1 – Case studies

Case Study 1: The customer is a pensioner who mostly pays his bills in advance.

A customer advised EWON that he is a pensioner who pays most of his electricity bills in advance. The customer recently discovered that the rate he was being charged for energy usage and supply had increased. The customer complained that he had not received any notifications, warnings or explanations from his retailer about the price increases. The customer considered that a lack of notification from his retailer about an increase in prices was poor customer service.

EWON referred the customer to talk to his retailer in the first instance and invited the customer to call us again if the issue was unresolved.

Case Study 2: Gas customer not satisfied with delayed notice of price increases.

A customer advised EWON that that he had received a new contract for his gas account from his retailer. The customer knew that the agreement included a clause that the rates were subject to change but he believed that he would be notified. The customer complained to EWON that he was only on the new rates for a short time before they increased. However, it took some time for the customer to become aware of this because no notice was received.

The customer discussed the issue with his retailer and was offered a discount and credit on his gas account which resolved his complaint. However, the customer considered the lack of notification was poor customer service.

Case Study 3: The customer felt delayed notice of a price increase affected his trust of his retailer

A customer received an electricity bill from his retailer for the period June 2017 to September 2017 for \$494.95, with an increase of 20% in the rates for both consumption and daily supply. The customer had spoken to his retailer and reviewed the available information to see whether or not it could increase prices without notifying him in advance. The customer considered that the practice of notifying customers after the price increase was poor customer service and did not build trust between the customer and their retailer. The customer was told by his retailer that he could look for a better offer if he was not happy with the rates that he is being charged.

The customer only wanted to make an enquiry with EWON about this issue and did not want to escalate the complaint.

Case Study 4: The customer felt that he could not make an informed decision about a new offer for three months due to a lack of transparency about price increases.

A customer contacted his retailer to enquire about a new energy offer he had received because he wanted to compare the offer with his current rates. The retailer told the customer that prices were due to increase the following July but the new prices had not been disclosed to customers. The customer asked when he would be notified of the price increase and his retailer advised him that he would be notified of the new prices on his next bill which was not due until September. The customer complained to EWON that the retailer should be able to confirm what rates are applicable for his contract from July. The customer noted that without this information he could not make a decision on whether he should stay with his current retailer or look for a new offer.

Case Study 5: The customer would have looked for a better offer earlier if they had advance notice of the price increase.

A customer complained to EWON that advised that the energy rates charged by his retailer had significantly increased and that he had not been notified or contacted by his retailer before the price increased. The customer contacted his retailer said that they were dismissive of the issue and provided poor customer service. The customer advised EWON that had he been aware of the increases he would have changed his electricity plan to obtain a cheaper rate.