



24 May 2018

Mr Russell Pendlebury
Australian Energy Market Commission
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Dear Mr Pendlebury

Advance Notice of Price Changes Proposed Rule Change – Consultation Paper

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Market Commissions (the Commission) Consultation Paper on 'Advance notice of price changes'.

As one of the seven retailers that signed up to the Prime Minister's commitments, Origin supports the Commission's work to date to improve transparency and assist customers in selecting energy products that provide the greatest price benefits to them. This includes this proposed Rule to ensure that customers receive advance notice of prices changes.

Origin however, believes that 'advance notice' prior to new prices taking effect should be sufficient and the Rules should not stipulate the timeframe (i.e. ten business days) in which the advance notification occurs. This is to allow for the significant complexities and compressed timeframes in which pricing approvals are made. Regulated prices, including network charges, are generally not known until 30 May of each year, with the prices being effective from 1 July. In this compressed timeframe, retailers need to decide and set energy prices for its' standing and market customer base (ie Origin has approximately 3 million customer accounts), develop relevant communication material, brief call centres and conduct system and process changes to enact the price adjustments.

If retailers could stagger the release of notices over a number of weeks (i.e. not all notices issued in one week, which would effectively be required if ten business days was mandated) leading up to the price change date, retailers would be better able to manage internal resources, call centre volumes and wait times as well as mail house services. Effectively managing these elements will assist in customer satisfaction and minimise the costs incurred by customers from such notice requirements. This flexibility is consistent with the purpose of the notice; ensuring customers are aware of price adjustments in advance.

Origin also believes retailers' should determine the method and level of information provided to customers to satisfy the advance price change requirements in the Rules based on their product offerings, process and system capabilities. Prescriptive requirements in relation to the advance notice is unlikely to be relevant nor fit all scenarios. This is discussed further in this submission.

Finally, Origin encourages the Commission to continue to be cognisant of other national reform and Rule change proposals. The Commission has been consulting on enhancements to retail pricing guidelines, notices at the expiry of a benefit period as well as a recent proposed Rule change to provide regular price notices to customers being supplied on Standing Offers. These consultations are extensive and are aimed at providing notices to customers to ensure that they are armed with all the relevant information to make informed choices about the best available products and services. The Commission will need to ensure that the volume of information provided as part of this Rule does not overload

customers such that they disengage in the market. Origin supports simple and streamlined communication to ensure the key messages are received by the customer. Retailers, rather than regulators, are best placed to determine the content of these communications.

Questions Raised in the Consultation Paper

The Consultation Paper raises several questions with regards to the proposed 'Advance Notice of Price' Rule change. Origin provides specific comments to these questions below.

Issue 1: Significance of issue

1. What do you view as the primary purpose of the notice?
2. Does the delay in notice of a price change negatively impact consumers? Why or why not?
3. Will advance notice of price changes lead to increased consumer engagement? Why or why not?

The primary purpose of a price change notice should be to inform the customer that their underlying prices will be adjusting on a certain date. The fact that the notice will be in 'advance' will then give the customer the opportunity to review the prices that are applicable to them if they wish.

It is important to note that with retail prices changes, there should be no impact on discounts, non-price or service benefits that are associated with retail contracts. The customers will only see a price increase or decrease to their underlying tariff rates to which a benefit applies.

Origin believes advance notice will have the greatest impact on engagement if the notice is simple and easy to understand. A simple headline message that prices are changing is likely to lead to greater engagement to react than pages of descriptive information that leads to greater confusion for the customer on how the price change impacts them. Notices need to be simple so that customers are not confused as to whether other elements of their contract are changing or that the price changes are impacting on their benefits. For this reason, the Commission should leave the design of the notice to retailers, rather than asking the Australian Energy Regulator to produce a Guideline.

Issue 2: Length of notice period

4. Is there a significant benefit to consumers from ten business days' advance notice rather than just advance notice? Why or why not?
5. Should the same period of advance notice also apply in the case of standing offers? If not, Why not?
6. What options are available to limit issues that may arise in relation to the difference in the timeframes between the timing for providing notice of price changes and the requirements related to when offers are available on Energy Made Easy?

Origin believes that a general advance notice requirement prior to new prices taking effect should be sufficient and the Rules should not stipulate the timeframe (ie ten business days) in which the advance notification occurs.

As mentioned earlier in this submission, Origin has a number of operational concerns with a ten business days advance notice requirement applying to all NECF jurisdictions. This is given the system complexities and compressed timeframes in which pricing approvals and communication needs to be developed. For example, in Queensland:

- ten business days notice would require retailers to issue all notices no later than 15 June;
- Mail houses are limited to the number of notices they can issue per day. Retailers often utilise the same mail houses. In Queensland, the mail house requires 5 business days to issue all Queensland notices as there is a manual element of mapping and including tariff tables in notices. Therefore, the notices need to be at the mail house no later than 8 June;
- Internal approval needs to be obtained by the business for the prices. This approval process in Queensland would need to be obtained by 4 June to ensure the development of all communication and notice requirements. This includes call centre management and briefings.
- Regulated retail prices are generally only published on 30 May of each year. Regulated network prices are generally published shortly before this. In some States, regulated prices act as a basis for standing and market offer prices.

These timeframes are for one State and it would be significantly challenging to meet all the deadlines when you add in all the other NECF pricing States (i.e. New South Wales, Australian Capital Territory and South Australia).

If retailers could stagger the issuing of notices over a number of weeks (i.e. not all notices issued in one week which would effectively be required if ten business days was mandated) leading up to the price change date, retailers would be better able to manage internal resources, call centre volumes and wait times as well as mail house services. Effectively managing these elements will assist in customer engagement as retailers would be able to manage calls and minimise the costs associated with a price change notice.

Origin supports standing offer price notifications being treated on the same basis as market offer notifications. That is, price changes being provided in advance and not include a mandated ten business day notice requirement.

The Commission raises a concern with regards to the timing of the advance notice and the updated prices being updated into Energy Made Easy (ie prices need to be updated within 2 business days of becoming effective). Origin suggests that any references in notices to reviewing price changes should be to the retailer's website (and not EME). This would minimise customer confusion in the circumstances where a retailer does not promptly update EME.

Issue 3: Gas

7. Is there any reason why the proposed rule should not apply equally to both retail electricity and gas contracts?

While Origin does not view that there are reasons that gas price changes should be treated any differently to electricity price changes, we are very concerned with being able to satisfy the notice requirements if a mandatory ten business notice is required. Customers have separate gas and electricity accounts and thus there are duplicate notice requirements for each fuel source.

Issue 4: Notice coverage

8. Should ten business days' advance notice also be provided in the case of decreasing prices? If not, why?

Origin supports the current Queensland regulatory requirement in relation to the notification of prices to customers when prices are decreasing. That is, customers are notified of changes to their tariff rates as soon as practicable, and in any event, no later than the customer's next bill.

Issue 5: Method and contents of notice

9. What methods, if any, should be specified in the rule (for example: letter, email, website or app) as sufficient for informing the customer of price changes?
10. Should the method of advance notice be specified in the rule or should the method of notice be left to the retailer?
11. What information, as a minimum requirement, should be contained in the price variation notice? Why?
12. Is this dependent on your view of the purpose of the notice, either as purely a notification of a price increase or a prompt to engagement?
13. Is there any other information not identified by the proponents that should be included in the notice? If so, what? What purpose should it serve?

Origin believes retailers should be able to determine the method and level of information provided to customers to satisfy the advance price change requirements in the Rules based on their product offerings, process and system capabilities. Prescriptive requirements in relation to the 'advance notice' is not going to be relevant nor fit all scenarios as price variations can occur in a number of scenarios and be based on different product offerings including:

- *annual price change*: annual price changes that are changed in accordance with other price changes (ie network changes, wholesale and retail costs);
- *ad-hoc adjustment*: a retailer may choose to vary the price of a specific product at any time because of a cost impost (eg an unexpected variation in a network price) or strategic decision (nothing there is a 6 monthly restriction). There needs to be sufficient flexibility to take account of such changes;
- *end of benefit period and customer has not entered into another pricing arrangement*: the customer may have taken up a contract that provides a special offer including discounts or rewards that only apply for a specific term (for example: a fixed price contract for 2 years, meaning the price variation will happen at a different time to the annual price change). At the end of the term, the customer's price may vary when the benefit expires. The customer may be faced with both a benefit change notice and a price change notice. The benefit change notice is prescriptive and we suggest that retailers should develop the price change notice to suit the circumstances of the customers and even allow for the combining of notices;
- *product offerings*: a retailer have many price and non-price products. These might range from discounts, a capped plan arrangement, to a non-pricing based product (ie Origin's predicable plan). Not all the products have an underlying price visible to the customer and a change in price may be a fixed amount rather than tariff rates. This is discussed further in the submission as a possible exemption category.

Given the above, the level and detail of information that is provided to the customer should be at the discretion of the retailer as it will depend on the timing of price change and product or price mix as to the information that is relevant to the customer.

While Origin supports the use of tariff tables (ie table setting out old and new prices) in certain circumstances, we do not support a mandatory inclusion of tariff tables in the advance price notices. For Queensland, this is significantly time consuming as there is a need to manually map tariff combinations to customer accounts. There are over 60 tariff combinations for residential and small

business customers in Queensland. Extending this to other relevant states would result in the manual mapping over 200 residential and small business combinations. Having this as discretionary element will allow retailers to target certain categories of customers (ie concession) with tariff tables or information that best suits their need.

The Commission questions whether price change notices are to engage customers or to purely notify a customer. Origin views them as largely a notification as there is not a direct call to action for the consumer. A greater level of engagement is required when the customer receives an 'end of benefit period' communication, which calls for the customer to consider the most suitable energy plan for the coming period. Origin notes that for those customers on a Standing Offer the notification may be of greater significance as these customers do not receive 'end of benefit period' notices.

Issue 6: Exemptions

14. Should businesses that have their prices set by the regulator be exempt from the proposed rule?
15. 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?
16. If this exemption is included in any rule made, what terms, conditions or restrictions should apply so it only captures consumers who have churned as a result of being provided a price change notice?

Whilst the changes to the price notification Rule is aimed at mainstream retail price changes for products, the retail energy sector is diverse and there will be a need to consider exemption categories to which the price notification Rule would apply to. Some further consideration will need to be given to the following:

- *Customers that have prices set by a Regulator:* customers who are being supplied on the regulated rates. These prices are set by the Regulator and not the retailer. This would align with the Queensland Rule;
- *Inflight customers:* a customer has requested a move to a retailer close to the effective date of new energy prices. The effective new energy rates could be discussed with the customer, but issuing a notice may be obtainable;
- *Fixed price products or capped plans:* there are offers in the market where the customer is given a fixed cost for their energy use. In Origin's case, Predictable Plan is such an offer. Each customer receives a tailored price based on at their historical energy use. Predictable Plan and other fixed price offers do not neatly align with the traditional use and supply charge structure of consumption tariffs and there is a need to consider this as an excluded category from the price notification change requirements.
- *Cross border customers:* there are many cross border arrangements. For example, in Queensland/NSW, NSW/VIC and ACT/NSW. These are pricing arrangements where the network prices in one State are aligned with retail costs in another State. These arrangements can be complex. If the Commission decides that a ten business day time period should be mandated, then these cross border customers should be excluded from the timeframe.

Origin would be happy to discuss these categories in further detail with the Commission.

Issue 7: Commencement Date

17. How long from when a final rule is made, if found appropriate, would it take to make the required changes to implement the rule?
18. Besides billing systems changes, are there any other systems or processes that would need to be made before any final rule could be implemented?

Origin believes that the timing required to implement the Rule will depend on the decisions of the Commission in relation to the advance timing requirements and whether mandatory information notice requirements are included in the Rule. Regardless, Origin supports a 6 month lead time to build processes and systems to enact the changes.

Issue 8: Conflict with notices

19. Do any conflicts arise in relation to the operation of the notification of the end of a fixed benefit period rule and the proposed rule?
20. If yes, how could the conflict be resolved?

As discussed in Issue 5, there is the potential for a customer at the end of a benefit period to receive multiple notices. Under the current proposal, customers could receive two or three notices (depending on the customer's actions) within a short period of time.

Customers could receive:

1. *Benefit expiry notice* - customer will receive a benefit expiry notice that states an annual bill change if the customer does not take action;
2. *Price change notification notice 1* - If the customer does not sign up to a new arrangement, the customer could then receive a price change notification (this is where a customer's tariff changes at the end of their benefit period, such as in the case of a Price Freeze Product);
3. *Advance price notification 2* – If the customer received the first price change notice close to the time of an annual price change, there would be a need to issue another notice to inform the customer that the rates that were recently issued are changing again on a future date (ie 1 July).

If the price change notices are flexible, retailers could tailor the notices to suit the circumstances of the customers. Prescriptive advance notice requirements may limit retailers in streamlining notices and messages.

Closing

Origin supports customers receiving advance notification of price changes prior to the new prices becoming effective. However, we do not support a ten-business day mandatory timeframe for the advance notice being included in the Rules. This is given the complexities and the compressed timeframes in which the changes need to be made. A gradual release of notices prior to the price change taking effect will assist with call centre management and resource allocation.

Prior to making a decision, Origin would urge the Commission to consider the level of information customers need to make informed choices at the time of a price event as well as the myriad of other Rules that are being considered. The benefits of the pricing notice need to outweigh the costs and from our experience, most customers seek clarity of information over detail.

Should you have any questions or wish to discuss this information further, please contact Caroline Brumby on (07) 3867 0863.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K. Robertson".

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