

20 March 2020

Mr Patrick Hamshere  
Independent Competition and Regulatory Commission  
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Dear Mr Hamshere

### ICRC Retail Electricity Prices Draft Report

EnergyAustralia welcomes the opportunity to respond to the ICRC's Retail Electricity Prices Draft Report. EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia, including ~8,000 electricity customers in the Australian Capital Territory (ACT). We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate the consideration the ICRC has for ensuring the retail electricity pricing is both fair to retailers and focused on providing price protection for customers. There are three areas that we are concerned with;

- reference pricing,
- best offer on bills and
- advertising/marketing requirements.

#### Reference pricing

EnergyAustralia acknowledges the significant analysis the ICRC has conducted in considering the merits of a reference price. We believe reference pricing creates simplicity for reviewing average consumption; however, it can cause confusion as there is little accuracy in the average consumption.

While reference pricing provides a customer with a comparison of their retail offer with the reference price, it doesn't provide the customer means to compare against other retail offers. Setting the lowest benchmark for what a customer could be billed at has benefits in advising the customer how much they are being charged in comparison to the benchmark.

It is unclear whether customers understand the difference between comparing their market offer to a reference price and comparing their market offer to other retailers' market offers. Customers may potentially view any reduction they receive compared to the reference price as an indication they are on the best plan; despite there being no actual comparison against other retail offers. As such, EnergyAustralia encourages the ICRC to explore how the industry could better educate customers on what a reference price is promoting and how customer can best compare market offers. Alternatively, the

ICRC could explore whether the reference price is required with developments in the market such as Consumer Data Right, which will provide far more precise, targeted, and comparable advice to customers on their energy retail options, and Conditional Discount, which ensures discounts for both gas and electricity retail offers are no higher than the reasonable cost savings that a retailer expects it will make if a consumer satisfies the conditions attached to the discount.

The ICRC draft report highlighted the difficulties in establishing a reference price in the ACT, as there are numerous tariffs that a customer can be assigned to. EnergyAustralia's view is that the reference price should be a weighted average across three of ActewAGL's tariffs (Home, Home Saver, Home Saver +).

We also note that all new installations and any meter exchanges (to type 4) will result in the customer being moved to a demand tariff (ActewAGL tariff O25). This tariff has not been considered in the reference price calculations, and there has been no guidance to retailers on how they should apply a reference price to these customers. The ICRC draft report<sup>1</sup> noted the concerns that customers have in understanding demand tariffs, this is without the complexity of comparing against a reference price.

#### Best offer

EnergyAustralia supports providing customers with information that can help them to choose the most appropriate energy plan for their needs. We do hold some reservations that the best offer on bills is not the preferable option to provide this information; due to the limitations on accurately identifying the best plan, and the costs to implement.

The best offer on bill is derived from analysing the customer's usage; particularly reviewing when a customer is consuming energy, as there may be tariffs that better align with their usage profile. An example would be a customer that uses a significant portion of their consumption in an off-peak or shoulder period, if this customer was on a peak-only tariff there may be benefit in the customer changing plans/tariffs.

The core issue with providing this accurately in the ACT is that the majority of customers have basic meters (~95% of EnergyAustralia customers in the ACT have basic meters). Basic meters are not able to provide accurate data for when energy is consumed, instead they simply record the total consumption of a customer. With the limitation of basic meters retailers are unable to provide any certainty around their 'best offer' comparison, other than if comparing to plans that differ based on total consumption.

If the ICRC adopt the best offer to be presented on retailer bills, the ICRC will need to ensure that it provides advice on how we calculate the 'best offer' component based purely on estimations derived from basic meter data.

Additionally, it is worth noting that there will be a significant cost required to implement the best offer on bills; in training to front line staff for customer queries, and in system changes to calculate the best offer and depict the best offer on the bill. [REDACTED]

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<sup>1</sup> The Commission received a submission from an electricity consumer regarding ActewAGL's demand tariff. The submission provided a first-hand account of the difficulties experienced in obtaining information about the demand charge to understand how it applied. P.66 ICRC draft report

██████████ If the benefit for requiring best offer on bill is restricted by the limited data provided by basic meters, there should be pronounced consideration on whether the implementation costs will outweigh the benefits. EnergyAustralia is concerned that the implementation cost will outweigh any benefit and will ultimately result in increased prices as retailers are focussed on cost reduction.

#### Advertising/marketing requirements

EnergyAustralia seeks the alignment of the advertising/marketing requirements of the reference pricing requirements with the DMO/VDO. There has been significant industry discussion in this space and we believe that in this instance that a uniform approach will be easier to extend existing arrangements to our ACT customers.

The exception to this is ensuring advertising/marketing requirements do not impose limitations on innovative offers; EnergyAustralia has discussed this during DMO/VDO consultation. We currently provide energy plans that do not fit the standard energy plan model (usage + supply charge), such as our 'Easy Plan' which provides customers the capacity to pay a different monthly price depending on their usage band.

Innovation in energy plans ultimately addresses the needs of a diverse range of customers that don't feel rewarded or suited to the standard energy plan model. It would be detrimental to competition to not have a carve out for the advertising/marketing of innovative offers.

If you would like to discuss this submission, please contact me on ██████████  
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Regards

**Travis Worsteling**

Senior Industry Regulation Advisor