



Energy Retailers Association
of Australia Limited

1 July 2010

Ryan Thew
Department of Resources, Energy and Tourism
10 Binara Street
Canberra ACT
By email: ryan.thew@ret.gov.au

Re: Energy Bill Benchmarking Implementation

Dear Ryan

The ERAA welcomes the opportunity to comment on Energy Bill Benchmarking Implementation.

The ERAA is the peak body representing Australia's energy retail organisations. Membership is comprised of businesses operating in the electricity and gas markets throughout the National Electricity Market (NEM), as well as the Northern Territory and Western Australia. These businesses collectively provide electricity to over 98% of customers in the NEM and are the first point of contact for end-use customers of both electricity and gas.

ERAA members and other energy retailers are of the view that:

- The definition of what is required needs to be clarified. The proposal that the benchmark be 'in' the bill is too vague and so is open to a specific interpretation of this such as only 'on the bill', which would be overly restrictive and threaten the effectiveness of the measure, as discussed below in the next point. It would be an improvement to use a term such as 'on or with' the bill so that retailers are free to choose the format that best suits their situation and to adapt it as things develop. Ideally there will be national consistency, so using the Victorian term of 'included in or accompanying' the bill would be desirable. Whatever is decided, it needs to be consistent in all parts of the legislation, regulations and rules, including section Y
- Officials' preconceptions about the preferred or most effective format or medium for the benchmark should not be allowed to over-ride industry knowledge of what is effective in communicating with normal energy consumers (for example retailers note that consumer interest in bills is generally limited to the amount owing and date due, and generally goes no further unless there is a surprise in the amount owing, whereas in contrast, glossy and DL inserts have been found to be cost effective communications and marketing methods)

- Energy retailers want to have the option to use inserts instead of placing the benchmark on the bill, but do not want inserts to be mandated. In the long term inserts in every bill would probably end up being more costly, but flexibility to use this option should exist.
- The views of all stakeholders are likely to change over time as to what is needed and effective, especially with the advent of smart meters and in home displays, so a flexible framework will accommodate this most cost efficiently. However, any flexibility in requirements should not result in a loss of national consistency which is needed to minimise the cost and other impacts on retailers and consumers
- The legislation should require regular reviews (e.g. three yearly) and should specify that a more robust cost benefit analysis should be developed for use in such reviews, specifically looking at costs to retailers and networks, and should specify what other matters should be included in the review
- Such reviews should also cover the parameters of the benchmark and technological developments and alternatives that exist in the market at the time, and recognise that energy is a very different commodity to other benchmarked commodities such as water
- The AER or other responsible agency should be required to consult on the criteria for the review rather than it be based on their own or government perceptions of what the issues are
- There should be a sunset clause for this measure which is automatically activated if no objective evidence of benefit can be found after a reasonable time. (Some members are of the view that it is better to have the legislation specify the key matters to be considered by the review as it provides greater industry certainty and limits regulator discretion.)
- The required frequency of energy bill benchmarks should not exceed four per year due to the cost of more frequent delivery and also due to the 'noisiness' of monthly data potentially being confusing to consumers and therefore generating additional unnecessary and costly call centre traffic
- There should be a threshold of at least 5000 customers before retailer obligation for this measure arises, consistent with the threshold for other similar requirements
- There should be flexibility on the implementation date as energy retailers will face significant implementation issues
- Climate zoning should be included only to the extent that it is cost effective and necessary

- If the benchmarks are inappropriate or confusing, this will cause excessive call centre traffic – so a highly effective web site to which people can be referred is important for managing this - some retailers would also like to have the option of referring people to their own web site instead, or as well
- There should be no other variations in the implementation between jurisdictions other than climate zones, that is, the benchmarks should be based on nationally consistent requirements
- There should be no requirement for energy retailers to mention energy bill benchmarking in the terms and conditions of their contract with their customers as this is quite unnecessary and would be very costly to comply with
- It should be clearly specified at all places where the type of customer covered is mentioned in the legislation, regulations or rules, that energy bill benchmarking is only required in relation to residential customers. In particular the distinction between small and residential customers needs to be made. There are many small business customers who are not residential and for whom a residential bill benchmark will not make sense. So it's important that the rules do not place an obligation on retailers to provide a benchmark to such non residential small customers
- The key requirement for an effective and efficient implementation is ensuring flexibility particularly in relation to inserts, within a nationally consistent framework, in which retailers are able to decide how to present the information to their customers; the frequency of the provision of the information, and the ability to refer customers to our their websites.

We also note that the consultation background documents state that retailers were invited to participate in energy bill benchmark trials but declined. However we are advised that Synergy did in fact offer to participate in a trial, but the offer was not taken up. Furthermore, another member advises that they offered to participate but they had to withdraw the offer because “the timeframe required to do the trial was unrealistic, both in terms of putting it in place, and more importantly in terms of getting any meaningful data out of it.”

We also note that another member, Ergon Energy did actually participate in a trial. So in fact, three ERAA members offered to assist in trials. We think that it is important for the record to be correct on this point. We ask that in future any references to ERAA member's efforts to assist in the development of sound policy around bill benchmarking be accurate and reflect the time and effort they have put in and the willingness of our members to participate in properly conducted trials.



Lastly we remind you that ERAA members believe that learning from the Victorian implementation of Energy Bill Benchmarking should be used to inform the national implementation, and that this requires an appropriate national implementation date for such learning to be available.

Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I can facilitate such discussions with my member companies.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', with a large, stylized flourish at the end.

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia