

19 October 2009

Review of regulated retail tariffs and charges for electricity 2010-2013
Independent Pricing and Regulatory Tribunal
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The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

Thank you for the opportunity to comment on IPART's *Review of regulated retail tariffs and charges for electricity 2010 – 2013 Issues Paper July 2009*. EWON would like to provide some additional comments to the review process concerning the availability of information for customers in NSW interested in switching retailers and wanting to compare energy market deals of the different energy retailers.

Price comparison websites

EWON is concerned about the lack of accurate and reliable information for energy customers about market offers, in particular comparable information between retailers. As well, we are concerned that this important information is not easily accessible. We note that it can be difficult for customers to find relevant information when they want to compare offers or when they may want to find out more about a specific product.

Energy companies now offer a range of contract options. As a result it is easy for consumers to become confused about what is on offer, and customers certainly report this experience to EWON. Customers can be unsure where to obtain information when they are weighing up whether to sign up for a retailer's offer. Customers can be confused about the terms and conditions, the product/s on offer, what the real cost will be to them, and how to compare this offer to their present contract or to offers from other providers.

EWON understands that there are various websites in NSW where customers can search for or compare energy deals, and some sites that specialise in "green" products. As far as EWON is aware there is no requirement for retailers to provide their market offer or tariff information to the sites and therefore there is not consistency between the different pricing sites. As well, this information can quickly become out of date. This unfortunately means that customers have no certainty that the information on which they are basing their decisions is up to date and accurate.

EWON believes that it is vital for NSW customers to be able to access, in a variety of mediums, information about the range of energy products, services, and market offers in a form that is independent, plain language, comparable and accurate. When a customer is signing up for a 3 year contract with fees such as contract termination penalties, consumers need absolute confidence that the information they are basing their decisions on is accurate.

Price comparison websites in other states

EWON recommends the establishment of one central website in NSW that works as an information hub, preferably regulator or government run. We understand that this is the practice in other states where websites are often also complemented with other related electronic plain language resources concerning price comparison information, to assist customers to make the most informed decision possible.

EWON notes the following resources in other states:

- The Essential Services Commission Victoria has *The Energy Comparator*: <http://www.esc.vic.gov.au/public/For+Consumers/Energy/Choosing+a+retailer/Energy+Comparator.htm>
- In response to price deregulation the Victorian Government also established a site "Your Choice": <http://www.yourchoice.vic.gov.au/>
- The Essential Services Commission South Australia provides a tool called *The Estimator*: <http://archive.escosa.sa.gov.au/site/page.cfm?u=281>. This site is part of the ESC site the Energy Consumers Toolkit: <http://archive.escosa.sa.gov.au/site/page.cfm?u=194>
- The Queensland Competition Authority has *The Comparator*: <http://www.qca.org.au/comparator/>

This model of one official centralised access point for consumers would mean that interested customers could access the relevant information they need and are assured that the information is independent and accurate. EWON understands that there are various requirements in place to enable these arrangements to work in other states, and NSW would need to put in place similar arrangements.

Regulatory developments and price comparison websites in the UK

It is also relevant to refer to the UK arrangements where they are currently looking at better ways to ensure consumers make the most informed decision possible when switching energy retailers. The regulator has intervened with proposed new regulations to ensure that competitive markets provide a positive outcome for consumers. In February

2008 Ofgem launched the Energy Supply Probe, a study of the state of the energy supply markets in Great Britain.

Ofgem identified the following issues, amongst others:

- poor quality information prevents domestic consumers from engaging effectively with energy suppliers and the energy market more broadly
- consumers often make poor switching decisions in direct sales situations
- contract terms and conditions offered to small business consumers are often unclear.

Ofgem has proposed a range of solutions including:

- an annual statement for customers which would include the tariff name, major terms and conditions of the contract, the past 12 months consumption, the projected costs for the next 12 months, a comparison with a standard offer and information about switching retailers with signposts to independent advice.
- a market offer would require a written quote outlining the next 12 months consumption and a written comparison with the customer's current contract. As well, once a contract is signed a customer would be sent a reminder to check the relevance of the contract and encouragement to seek independent advice. All relevant documentation would be required to be kept by the retailer for 2 years.¹

As well, in the UK there is the Confidence Code, a voluntary code for companies providing energy price comparison services over the internet. This code was established in 2002 and revised in 2008. The Consumer Focus organisation, a statutory body, is now responsible for this code, which includes an accreditation process for the internet providers, detailed in the code, to ensure accurate and reliable consumer focused information. Ofgem provides links to Consumer Focus and the various accredited price comparison schemes.

Essential to these UK proposals is access to adequate and independent advice where the consumer can seek accurate information to be able to make an informed decision. However it is also clear that the provision of a price comparison site alone without complementary regulation is felt (in the UK) not to be sufficient.

For more information on Consumer Focus and the Confidence Code see:

http://www.consumerfocus.org.uk/en/content/cms/Energy_Help_Advice/Helping_Holds/Price_comparison_ser/Price_comparison_ser.aspx

Conclusion

EWON would strongly support the development of a regulator or government run price comparison website, similar to models in Victoria, South Australia and Queensland, to

¹ <http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Retail%20package%20-%20decision%20document.pdf>



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allow NSW customers the same resources and information when making decisions about their energy retailers.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy & Projects on 8218 5250.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre". The signature is written in a cursive, flowing style.

Clare Petre
Energy & Water Ombudsman NSW