

25 May 2015

General Manager—Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

By email: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

Thank you for the opportunity to comment on the AER's *Draft Retail Pricing Information Guideline April 2015*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. The complaints we receive often illustrate difficulties customers have in understanding their contracts and bills, particularly where industry jargon is used or key fees are not adequately disclosed.

EWON welcomes this consultation in the context of increasing competition in the NSW energy market. An increasing number of energy offers are being made to customers as more retailers join the National Energy Market and innovation and new technology drive new products. It is therefore crucial that customers benefit from this by being well-informed. Energy Price Fact Sheets are a critical communication point for customers; they must be clear, consistent, accessible and disclose all key terms.

EWON supports the new requirement for retailers to use consistent, clear and simple language in Energy Price Fact Sheets. In our submission we also discuss and make suggestions regarding:

- standardising common terminology in place of jargon used for technical items such as meter type
- providing consistent language throughout a Fact Sheet, contract and bill to minimise customer confusion
- providing clear, simple and readily comprehensible information about control load tariffs, especially time band hours
- disclosing disconnection fees when customers close or transfer their accounts at move out
- ensuring accessibility of Fact Sheets on retailers' websites.

In preparing for this submission EWON reviewed the Fact Sheets available on Energy Made Easy for multiple tariff types. Our submission is based on the information provided in Fact Sheets available at the time of this submission.

While it is beyond the remit of this consultation to more broadly address the common use of inconsistent and industry-based terminology, I am of the view that there needs to be more work done in this area. EWON is currently participating in the ERAA's Bill Simplification Working Group to identify ways to improve customer understanding of energy bills. We understand that the ERAA is working on a discussion paper and it is examining the following issues:

- aligning the language in bills with the Energy Price Fact Sheet
- using plain English
- adopting the best practice recommendations from the AER's Small Customer Billing Review 2014.

If you would like to discuss this matter further, please contact me or Emma Keene, General Manager Policy and Community Engagement, on 02 8218 5250.

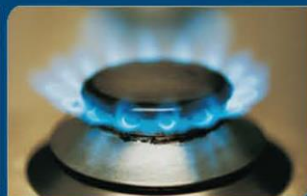
Yours sincerely

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

Janine Young  
**Ombudsman**  
**Energy & Water Ombudsman NSW**



Energy & Water  
Ombudsman NSW



## Submission to The Australian Energy Regulator Draft Retail Pricing Information Guideline April 2015

Energy & Water Ombudsman NSW

**25 May 2015**

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## New language requirements

EWON strongly supports the new language requirements in the *Draft Retail Pricing Guideline* (the Guideline). The requirement for retailers to use consistent, clear and simple language that is widely understood is a necessary step in helping customers understand their contracts and make effective comparison of offers.

We note that the Guideline prohibits the use of some terminology<sup>1</sup>:

- Evergreen contract
- Fixed term
- Early termination fee
- Unconditional/non-conditional/base discount

EWON supports the prohibition of these terms. We consider that it would be beneficial to avoid technical terminology when more common terminology would suffice. The proposed replacement terms are simpler to understand and improve the transparency of energy offers:

- Ongoing contract
- Contract term/length
- Exit fee
- Guaranteed discount.

## Standardising the use of common terminology in place of technical terms

EWON notes the new requirement for retailers to use consistent terminology throughout an Energy Price Fact Sheet.<sup>2</sup> While this is a positive and welcome requirement, we suggest that the Guideline could standardise the use of common terminology for technical items such as meter type.

For example, a review of current offers on Energy Made Easy indicates that some retailers use technical language to describe certain types of meters:

<b>Descriptions of controlled load meters</b>	<b>Descriptions of time of use meters</b>
<ul style="list-style-type: none"> <li>• Type 5 &amp; 6 meters (BASIC and MRIM)</li> <li>• Anytime – Single Rate Meter</li> </ul>	<ul style="list-style-type: none"> <li>• Type 5 &amp; 6 meters (BASIC and MRIM)</li> <li>• Peak / Off peak – Flexible</li> <li>• Time of use</li> </ul>

In EWON’s experience, many customers looking at controlled load or time of use offers have difficulty understanding some of these technical descriptions to determine if the specified meter type matches the meter at their property. The use of, and variation in technical language, creates barriers to understanding and discourages customers from engaging with the market. In this instance, EWON considers that the more common terms of accumulation, time of use and controlled load meters could replace technical descriptions such as ‘Type 5 & 6 meters (BASIC

<sup>1</sup> AER Draft Retail Pricing Information Guideline April 2015, p9.

<sup>2</sup> AER Draft Retail Pricing Information Guideline April 2015, p9.

and MRIM)', 'Anytime – Single Rate Meter' and 'Peak / Off peak – Flexible'. We suggest these common terms could be standardised so that the information presented to customers is readily comprehensible.

Furthermore, while EWON supports the requirement for retailers to use consistent language throughout a Fact Sheet, we suggest that consistent language between a Fact Sheet, contract and bill (such as using the same tariff name in all three communication points) is critical in minimising customer confusion and associated complaints about misleading marketing and incorrect tariffs or fees.

### Information about controlled load tariffs

Based on EWON's complaints experience, another technical term that customers find confusing is controlled load. Networks in NSW offer two types of controlled load tariffs: controlled load 1 and controlled load 2. Both controlled load tariffs operate in different time bands which vary depending on the network. A review of current offers on Energy Made Easy indicates that retailers use a broad range of descriptions when describing time bands for these tariffs on Energy Price Fact Sheets, summarised in the table below:

Tariff type	Tariff description
<b>Controlled load 1</b>	<ul style="list-style-type: none"> <li>• Control Load 1 consumption is generally available between 10pm and 7am for a 6 hour period</li> <li>• Controlled load</li> <li>• Off peak – Controlled load 1 consumption All controlled load 1</li> <li>• Controlled Load 1 consumption</li> <li>• Separately metered consumption. The hours of application are determined by your Distributor.</li> <li>• Controlled Load 1 consumption 6 hours usually between 10pm and 7am</li> <li>• Controlled Load 1 consumption separately metered consumption. The hours of application are determined by your Distributor</li> <li>• Controlled Load_EA030 consumption</li> </ul>
<b>Controlled load 2</b>	<ul style="list-style-type: none"> <li>• Control Load 2 consumption is generally available for up to ten hours between 8pm and 5pm</li> <li>• Off peak – Controlled load 2 consumption All controlled load 2</li> <li>• Controlled Load 2 consumption</li> <li>• Controlled Load 2 consumption Usually for a 16 hr period daily, incl at least 6 hrs btwn 8pm &amp; 7am &amp; at least 4 hrs btwn 7am &amp; 5pm</li> <li>• Controlled Load 2 consumption separately metered consumption. The hours of application are determined by your Distributor</li> <li>• Controlled Load_EA040 consumption</li> </ul>

The key issues are the lack of explanatory information and inconsistency of information provided for these tariffs. Some of the above descriptions provide actual time bands which assist customers in understanding the difference between controlled load 1 and 2. However, the majority of descriptions lack readily accessible information. This is a concern as time band information for this class of tariff is critical in helping customers make informed decisions about

which type of controlled load tariff best suits their energy needs. In EWON's experience, most controlled load customers who query the accuracy of their bills do not know the distinction between controlled load 1 and 2.

EWON considers it would not be difficult for retailers to provide time band information for controlled load tariffs despite network variation in time band hours. In NSW retailers are already providing this information in Fact Sheets for time of use offers despite similar network variance.

## **Disclosure of disconnection fees charged when customers close or transfer their accounts at move out**

For a number of years EWON has received complaints from customers who have contacted their retailer to close their account because they are moving premises, and find that they are charged a disconnection fee of up to \$96.80. The fee is also charged to customers who are transferring their account with the same retailer from one address to another.

Customers have contacted EWON to dispute their retailer's charging of the disconnection fee. A common feature of these complaints is confusion about whether the fee had been adequately disclosed in supply contracts, marketing material and Energy Price Fact Sheets, in particular the circumstances in which the fee is charged. Customers have advised that they would not have agreed to a contract had they been aware of the disconnection fee. Customers have also advised that they expect to make an informed decision about the value of the retailer's offer. This would involve transparent upfront disclosure of all fees that can be potentially charged by the retailer at the time the offer is made, particularly if the fees are significant. The disconnection fee of up to \$96.80 is a significant impost for customers who may not have had clear and upfront notice of the additional charge.

EWON's view is that the information retailers provide to customers about this fee at the time of contracting is inadequate if the dollar amount and the circumstances in which the fee is charged are not disclosed. Simple, clear and consistent information about this fee at every customer communication point will assist in reducing customer complaints to EWON.

Based on the complaints EWON continues to receive (examples provided below), we query whether customers are being adequately informed of the fee and when it is charged. We note that under the Guideline retailers must name any fees relating to a disconnection as 'disconnection fees'<sup>3</sup>; this also includes disconnection fees charged at move out. Although a review of current offers on Energy Made Easy suggests that retailers are following the AER's requirement in this respect, in our experience customers contact their retailer to close or transfer their account when they are moving out of the supply address. These customers are not contacting their retailer to request disconnection of supply. Hence customers often query why they have been charged a disconnection fee, not understanding that it can be charged if the supply address is de-energised when they move out. Most customers associate disconnection fees with credit action instead.

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<sup>3</sup> AER Draft Retail Pricing Information Guideline April 2015, p10.

EWON further notes that under the Guideline retailers must disclose key fees upfront on a Fact Sheet. A 'key fee' is defined as any fee applying to an offer that will be incurred by all customers or a significant portion of customers.<sup>4</sup> The Guideline distinguishes key fees (such as an exit fee) from non-key fees that are incurred when a customer requests a special service (such as a special meter read fee). Under this definition, EWON believes that the disconnection fee charged at move out could be considered a separate key fee. Disclosing the fee with a name along the lines of 'disconnection fee – move out' on Fact Sheets may bring transparency to customers and help reduce complaints about this issue.

EWON notes the requirement under the Guideline for each discount to be clearly named and described using language that is widely understood by the general public.<sup>5</sup> The same standard applied to the different types of disconnection fees would, in EWON's view, provide a consistent level of disclosure for all key terms.

#### Complaint examples

The customer advised that his retailer has charged him a disconnection fee of \$96. He considers he was not made aware of this fee and it was not disclosed in the terms and conditions of his contract. He was only advised of the fee when he contacted his retailer to close his account. He was told that the fee would only be charged if supply was disconnected. He advised his retailer that supply should not be disconnected as new tenants were moving in the next day. His retailer responded that it would be up to the distributor. When he received the final bill he disputed the fee with his retailer. His retailer advised that the distributor had properly charged the fee. The customer advised that he considers his retailer was not honest about the circumstances in which the fee would be charged and that the site did not require de-energisation. In accordance with EWON's process, the complaint was referred to the retailer for resolution at a higher level (2015, 227684).

The customer contacted her retailer to advise of a change of address and was told that she would need to pay a disconnection fee of \$50. She considers that when she signed up with her retailer she expressly asked if she would be charged any fees as she was moving during her contract term. The sales representative she spoke to did not advise her of any fees associated with moving. She also considers that the information in her welcome pack does not mention move out fees. She feels that it would be unreasonable for her retailer to charge the fee as she had specifically queried it and she was told there would not be one. When she disputed the fee with her retailer, she was told that it was a charge passed on from the network and could not be waived. In accordance with EWON's process, the complaint was referred to the retailer for resolution at a higher level (2015, 230114).

<sup>4</sup> AER Draft Retail Pricing Information Guideline April 2015, p10.

<sup>5</sup> AER Draft Retail Pricing Information Guideline April 2015, p11.



**Complaint examples**

When the customer renewed her contract she told her retailer that she would be moving out during the contract term. She agreed to renew the contract after her retailer said she would not be charged any fees associated with the move out. She is now moving out of her property and has been told that she will be charged a disconnection fee on her final bill. She has not received the bill yet but is worried that she will need to pay the fee. In accordance with EWON's process, EWON advised the customer to check the final bill when she receives it and raise any dispute with the retailer in the first instance (2015, 233404).

**Requirement for prominent display of Energy Price Fact Sheets on a retailer's website**

EWON notes that the Guideline reflects the National Energy Retail Law<sup>6</sup> in requiring retailers to display Energy Price Fact Sheets in a prominent position on their websites. In addition, the Guideline also requires retailers to display a clear and prominent link to Fact Sheets when marketing an offer on their website, and to ensure that Fact Sheets are easily accessible (for example without requiring customers to sign up first).<sup>7</sup>

EWON considers these requirements are necessary in ensuring customer accessibility to critical information about retailers' offers and in facilitating informed choices in a competitive market. We often navigate retailers' websites in the course of our work and in our experience it can be difficult finding Fact Sheets on some retailers' websites. We therefore welcome these new accessibility requirements.

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<sup>6</sup> *National Energy Retail Law* ss24, 37.

<sup>7</sup> AER Draft Retail Pricing Information Guideline April 2015, p16-17.