



EnergyAustralia

LIGHT THE WAY

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Electricity Division – Wholesale and Retail Markets
Department of Industry, Science, Energy and Resources
GPO 2013
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Lodged via email: electricitycode@industry.gov.au

Dear Ministers,

Post-implementation review of Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019 (DMO Code) - Directions consultation paper - PUBLIC VERSION

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

We welcome the opportunity to provide this submission to the Department of Industry, Science, Energy and Resources' (DISER's) Directions Consultation Paper (Directions Paper) on the DMO Code.

We support Directions 2, 4 and 5 in DISER's Directions paper. We commend DISER on these Directions which recognise that the role of the DMO may change in view of market innovation and other regulatory developments like the Consumer Data Right. We look forward to more consultation on Directions 2 and 4.

The focus of this submission is on Direction 1 which proposes that "Reference price" be replaced with "Comparison price set by government" when advertising offers; and Direction 3 which proposes that the DMO Determination date be moved from 1 May to 21 May.

DIRECTION 3: Moving DMO determination date from 1 May to 21 May

We agree with DISER and all other Retailers that provided a submission that the DMO determinations should reflect the final network tariffs to avoid the over and under recovery of network costs under the DMO. However, we consider DISER's proposal to move the date from 1 May to 21 May is not the optimal way to achieve this and it will create other issues.

We strongly concur with the Australian Energy Council and several other Retailers that the most effective way to resolve this issue is via a rule change request to change the

National Electricity Rules to make the AER's network tariff determination process commence and finish earlier so that the final network tariffs can be reflected in the DMO determination.

Moving the date from 1 May to 21 May would be an incomplete solution. As DISER notes it also does not resolve the issue for the first year in a network reset period.

The date change would also place very significant pressure on Retailers where timeframes around re-price events are already extremely compressed. The alignment of the Victorian Default Offer (VDO) to 1 July this year (in 2021 it was 1 August) will mean reprice for VDO customers now occurs concurrently with DMO changes. This effectively more than doubles the workload for re-pricing Standing Offer customers. The VDO price change requires additional work due to the best offer requirement (discussed more below).

[Confidential:]

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There are many activities required under regulation associated with a change in DMO prices. These include:

[Confidential:]

A minimum of 7 clear weeks is required between notice of the DMO determination and the date the DMO is effective (1 July). This 7 week period should not include the day the DMO is released or 1 July. On this year's calendar, the DMO would need to be released on 11 May to provide 7 clear weeks. We consider this timing is reasonable and note that for some years the way that calendar days fall may shorten or lengthen the period. Any period shorter than 7 clear weeks would substantially undermine our ability to undertake checks which ensure compliance with regulatory requirements and positive customer experience.

If DISER decides to move the DMO determination date, and 7 weeks cannot be provided, we ask that DISER advise the Australian Energy Regulator that Retailers may need an exemption that will allow them to provide less than 5 business days' notice via the price change letter under the National Energy Retail Rules. **[Confidential]**

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If 7 clear weeks or an exemption from the AER is not feasible, EnergyAustralia would prefer the status quo (draft network tariffs being used in the DMO and a determination date of 1 May), over final network tariffs being used and the date of 21 May.

[Confidential]

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DIRECTION 1: Changing Reference Price to Comparison price set by government

We suggest that more work needs to be undertaken to support the change of the term Reference Price to Comparison price set by government.

The Final report from the Behavioural Insights Team indicated that initial interviews showed that "There was no clear preference for the alternative terms for the Reference price presented during interviews".¹ The Behavioural Insights Team's online trial tested alternative terms for Reference Pricing which showed that the alternative terms performed better than current wording. However,

¹ [BIT Final report - Testing comprehension of the reference price.pdf \(acc.gov.au\)](#) page 12

Comparison price set by government, was not one of the alternative terms tested. We also note that the term Comparison price had the lowest improvement in comprehension², and stronger results were observed for Benchmark price set by government and Benchmark price set by government (to help you compare offers).

The customer interviews completed by the Behavioural Insights team are also insightful. They showed that “Despite low comprehension, participants could still pick the cheapest offer: Even though participants didn’t understand the offers presented in the example ads, when viewing two or more ads side by side they could generally use the ads to select the cheapest offer”.³ Further, the initial Newgate research cited in DISER’s Consultation paper also stated that “Many consumers have focused more on features like discount size”.

These two findings are insightful. As all discounts are quoted against the Reference Price as the consistent base rate, customers appear to benefit from a relative assessment of the levels of pricing of different plans. They are able to successfully select the cheapest offer, even though they may not specifically understand what the Reference Price is. We contend that changing the terminology of Reference Price is not necessary to achieve the desired outcome of facilitating a like for like comparison of different electricity plans. The Newgate research also appeared to suggest that the weakness in the Reference price reform is not with the terminology, but rather that customers don’t know how to use or they don’t notice the Reference Price in advertisements. These issues will not be addressed by changing the name, but rather with further customer education.

We submit that there are strong benefits in maintaining consistency and not changing the term for the customers who already recognise Reference Pricing as a term and for those that use it. According to the Newgate research, over a third of residential customers and half of small business customers recognise the term Reference Price. Retailers have also invested two years in educating customers about the Reference Price. Changing the term now could result in customer confusion for those that are familiar with it and re-education.

The change will also mean the states in which the DMO Code applies will be inconsistent with Victoria and the ACT. This will create inefficiencies as separate arrangements will need to be implemented (discussed in dot points below), and double handling if the DMO Code is changed first and the other states then follow. We urge DISER to delay making a decision on the name and to only proceed if other jurisdictions agree to the change and coordinate one implementation date.

We also note a number of practical considerations which make the change of name difficult and we detail costs associated with this change. These issues would also apply to a change of name to one of the alternative terms tested.

[Confidential:]

² [BIT Final report - Testing comprehension of the reference price.pdf \(acc.gov.au\)](#) page 31

³ [BIT Final report - Testing comprehension of the reference price.pdf \(acc.gov.au\)](#) page 11

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If you have any questions in relation to this submission, please contact me (Selena.liu@energyaustralia.com.au or 03 9060 0761).

Yours sincerely,

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