



Essential Services Commission Victoria

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Technical Consultation on the Victorian Energy Fact Sheet: Draft Decision

AGL Energy (AGL) welcomes the opportunity to comment on the Essential Service Commission of Victoria (the Commission) technical consultation paper (technical paper) regarding implementation of Thwaites 3B-3E.

AGL supports the intention behind Thwaites recommendation 3B-3E and the Commission's approach to harmonise the Energy Price Facts Sheets with the Australian Energy Regulator's (AER's) Basic Product Information Document (BPID) and more broadly the AER's Retail Pricing Information Guideline (RPIG). AGL worked closely with the AER, including providing access to consumer testing of the revised BPID, and the final design and structure of the BPID was significantly influenced from the consumer testing results.

AGL has led industry in simplifying and tailoring information so that energy consumers have access to the right information in a digestible manner so that they can feel confident in engaging in the energy sector and gaining the full benefits of the competitive market.

Based on our experience with the AER's RPIG update in 2018, we have two key concerns to the Commission's decisions for implementing 3B-3E. We believe these concerns if not properly addressed by the Commission are likely to lead to poor customer outcomes and loss of confidence by Victorian energy consumers. Our key concerns are:

- 1) the implementation timeframes continue to be insufficient for retailers to appropriately and effectively implement for 1 July 2019, and
- 2) departures from the Australian Energy Regulator (AER)'s established process for customer energy fact sheets will create additional/unnecessary burden for retailers that will compound the implementation concerns.

Throughout this process the Commission has maintained that a 1 July 2019 implementation date is required due to the Terms of Reference (TOR) issued by the Victorian Government. Noting that there has been flexibility given for other dates within the TOR (for example, the final decision due on 30 January has been moved and is now expected in May), we would encourage the Commission to give flexibility on the implementation date in the interest of consumer experience.

We support the Commission taking additional time to conduct further consultation to ensure they make a considered Final Decision. However, this additional time has reduced retailers' and the Department of Environment, Land, Water and Planning (DEWLP) development and implementation period. We do not agree that there is sufficient time for both DEWLP and retailers to make the required changes to be made for a 1 July 2019 start date, contrary to the Commission's recent email update on 28 March 2019.



In this correspondence, the Commission communicates renewed confidence the changes can take effect by 1 July 2019 with a focus on DEWLP requirements. The Commission's states that the VEC team is confident that the timeframe is sufficient as no other major changes are required to the Victorian Retailer Portal (VRP) and that retailers are not required to upload any new information except where existing offers have incorrect information.

However, retailers have still not been provided visibility or confirmation on timeframes for the completion of the VEC changes to ensure that there is sufficient time to complete testing and integration with our system. As we highlight in the attachment below, there are differences between the operation of Energy Made Easy (EME) and the VEC website which will impact retailer implementation, including the need to host additional fact sheets based on climate zones, the build of a search function for the unique ID, and VRP changes that invalidate existing information fields.

Shortening the implementation time, and therefore, rushing these changes increase the possibility of unintended consequences that are not in the interests of Victorian consumers. There are several elements that risk causing consumer distrust or loss of confidence if retailers are not properly supported in implementing the changes. If DEWLP is making changes to the VRP in a live environment, errors are either found by the retailer uploading new information, or more problematically, by the consumer trying to obtain information. As we highlighted in our previous submission, these live errors were experienced through the EME upgrade and caused disruption and confusion for both consumers and retailers trying to manage the incident. We want to ensure that these changes are implemented in the right way for positive customer outcomes, but the time pressures increase the risks of getting it wrong.

What we also want to stress to the Commission is the fact that the system changes are only one element of a change piece that a retailer must go through when implementing new regulatory changes. New regulatory obligations of this magnitude also require amendments to our communication pieces, marketing material, terms and conditions. We also need to develop new training and information for our many hundreds of frontline staff who must engage with the customer on a raft of new regulatory obligations from 1 July 2019. New records management systems need to be developed for retaining fact sheets, new processes and teams will need to be established or expanded to manage greater obligations, and the system requirements described above.

The remainder of the submission focuses on specific issues identified in the technical paper, including potential efficiency gains, improvements to the consumer experience and greater elaboration of the VEC/VRP concerns we note above. Should you have any questions please contact Kat Burela on 0498 001 328 or kburela@agl.com.au.

Regards

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Efficiencies

Language alignment

We note the Commission aligned the majority of the language for the Victorian Energy Fact Sheets (VEFS) and on the VEC website to be consistent with the AER's language.

However, in those areas the Commission decided not to align the language, AGL believe will have significant impact on the implementation of the revised VEFS. We recommend the Commission and DEWLP consider aligning all the language for the VEFS and on the VEC website to be consistent with the AER's language, particularly in relation to discounts.

The current version of the AER's Retail Pricing Information Guideline (RPIG) states that unconditional discount is a prohibited term, and that while the RPIG does not extend to contracts or bills retailers should seek to maintain consistency across these documents wherever possible.¹

It is not clear why the Commission would continue to use a term that the AER has prohibited except for the purpose of consistency with the VEC website. We would therefore encourage DEWLP and the Commission to align with the national approach.

If the language is not aligned, retailers will need to develop Victorian specific marketing and information disclosures and will need to train customer facing staff for the difference. This is an unnecessary inefficiency and will also impact retailer's ability to implement all the changes by 1 July 2019. Making a change to the VEC website to align terms with the RPIG is the most cost and time effective approach at the implementation phase as well as minimising ongoing consumer confusion.

Records keeping

The Commission introduces a new obligation in the draft technical consultation being the requirement for retailers to keep a record of a VEFS for at least 2 years or for as long as the retailer has at least one customer on a generally available plan or restricted plan. All welcome packs that are sent to customers are stored for 2 years.

The purpose of the fact sheets is to provide a comparison for sale to customers. Customers then receive a Welcome pack that includes the information of the actual plan and contract a customer agreed to. When we presented this information to the AER they removed the draft requirement to include a factsheet within the welcome pack, agreeing with our assessment. We therefore consider that retaining all fact sheets is a cumbersome and unnecessary obligation to impose on retailers.

Climate and distribution zones

The Commission noted that ACIL Allen found the location of a household will affect a customer's energy consumption and therefore proposed three climate zone electricity usage profiles as per the Australian Building Codes Board.

While AGL supports tailoring VEFS to ensure as accurate as possible information, we strongly recommend that the Commission consider a reassignment of a small number of postcodes to align

¹[AER RPIG v5](#), p13



distribution and climate zones. We make this recommendation on the basis that the reduction of implementation and ongoing maintenance costs as well as complexity far outweighs minor changes to neighbouring postcodes climate zones.

VEC will automatically generate a Comparison Pricing Table for display on the fact sheet and there are overlaps between distribution and climate zones, the operational impact equates to an additional 380 VIC VEFS, approximately 5 day’s effort at a Price Change event. If the Commission reassigns certain postcodes for climate and distribution zone alignment there will be significant efficiencies achieved by retailers.

For example, if 3430 (CLARKEFIELD) and 3429 (SUNBURY) were reclassified as Zone 6 (which includes neighbouring DIGGERS REST and BULLA) this would reduce the production of future fact sheets by 92.

Similarly, if the following rural postcodes 3727, 3709, 3694, 3691 and 3678 (total population of around 1857) could be reclassified to neighbouring zone 7 would reduce VEFS by a further 72. By consolidating a small number of outlying overlapping postcodes, AGL estimate would save the production of 164 VEFS, equating to approximately 2 business days work. This would help reduce the complexity for call centre staff and therefore reduces the risks of incorrect conversations with customers.

		Postcodes in climate zones			Current Residential Electricity EPFS	Future Residential Electricity EPFS
Distributor	CITY_EDA	4	6	7		
Ausnet	SPAUSTRU	5	155	75	72	216
Citipower	CITIORIG		41		72	72
Jemina	AGILYAGL		38	2	92	184
Powercor	PCORORIG	94	145	54	72	216
United	UNITDAGL		88		132	132
Total		99	467	131	440	820

Other matters

Disclaimer

The Commission proposed broadening the disclaimer to make consumers aware of their rights under the new clear advice obligations.

The purpose of marketing is to inform and encourage consumers to purchase the good or service that is being promoted. When marketing, retailers include a call to action within the creative to contact the retailer to achieve this goal which we consider makes the clear advice part of the required statement somewhat redundant:



'Fact sheets available at [insert link to the retailer/agent website where the fact sheet is located]. For clear advice to help you decide if this is a suitable plan for you, contact [us/the name of the relevant retailer] on [insert contact details for the relevant retailer].

While we understand the drive behind including the additional sentence on clear advice in the disclaimer for marketing material we question whether this is the most appropriate vehicle to inform consumers of regulatory changes that have occurred recently.

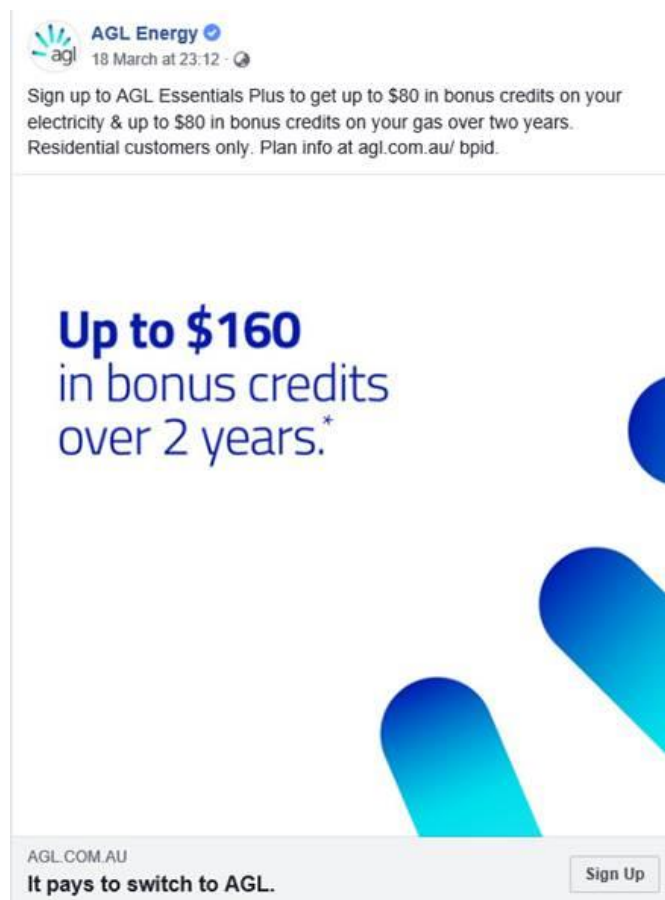
In the first instance, we would encourage the Commission to remove the second sentence of the disclaimer. If the Commission does not agree with this, we encourage the Commission to consider simplifying the language in the following way:

Fact sheets available at [insert link]. For clear advice on the right plan for you, call us or visit agl.com.au.

We welcome the Commission's proposal to allow for the full statement to be amended if character limits prevent the full statement appearing. We consider it may be appropriate for the Commission to also allow for an alternate option for social media and out-of-home (such as billboards). For example:

Fact sheets available here [embedded link] or / at: [link]

This is due to both the character limitation noted by the Commission, as well as to allow for a consistent tone and style that the customer is accustomed to across those mediums. Below is an example of a recent social media post:





DEWLP and VEC

While we recognise that the Commission works independently from DEWLP, there is a need for the two bodies to work together to ensure effective implementation of these new fact sheet requirements. We therefore strongly encourage the Commission to work with DEWLP to ensure that the proposed timeframe is appropriate to achieve the objective of improved customer outcomes.

Implementation is now less than 3 months away, and retailers are yet to meet with DEWLP to understand the extent of the changes. The first of these meetings is scheduled for 16 April 2019.

Until this time, retailers have no visibility on a number of important aspects that will impact our ability to be compliant such as:

- a confirmed delivery date for the VEC upgrades to ensure adequate testing time is available
- information about changes already undertaken to VEC within the live environment
- confirmation on whether further changes will be made in the live environment or test environment that will be made available to retailers
- confirmation on the intention to align VEC functionality with EME for searching the unique ID's provided on each energy fact sheet
- the increase of the total number of fact sheets with a change from distribution zone (current practice) to climate zone average pricing for customers.

The technical nuances on the above matters, and the difference between what EME and VEC require or offer, can significantly impact a retailer's ability to deliver an effective solution by 1 July 2019.

	Energy Made Easy	Victorian Energy Compare
<i>Unique ID – search functionality</i>	The AER upgraded EME's functionality to include a search option for the unique ID's included on each of the fact sheets. This is important for both customers (who may wish to look up an offer they have seen previously) and retailers/third parties (who are able to search the ID number on the EME website and see the specific offer the customer is enquiring about).	If the VEC website is not updated to include a similar functionality then retailers will be obliged to build a database and search functionality that mirrors the EME functionality. This would then have to be made available to third parties who sell on behalf of the retailer and create further inefficiencies as these staff will be required to search through databases across all different retailers
<i>Fact sheet generation for retailer and third-party websites</i>	Retailers provide the offer information (such as tariff rates) for the distribution zone to the EME website. Retailers use this link on their website to direct customers to the BPID for each offer.	Retailers provide the offer information (such as tariff rates) for the distribution zone which generates fact sheets. Retailers must export/download the fact sheet and then host this on our website. This process is more labour intensive than the EME process. As the VEC process will now include climate zones, approximately 30% more fact sheets will be generated.



<i>Climate zones</i>	The EME website calculates the usage for separate climate zones within those distribution zones and provides retailers with a link which dynamically displays the annual estimated price for a low, medium and high household on the fact sheet (basic product information document).	Currently retailers provide a single fact sheet for each tariff in a distribution zone. Under the new Thwaites requirements retailers will need to provide fact sheets based on climate zones. This new requirement would represent a 30% increase on the current volume of offers we manage.
<i>Testing environment</i>	Retailers were provided 2 months to use the new system, integrate requirements and familiarise themselves with the process to be compliant with the new rules by 31 August 2019. Even minor changes to the EME data fields had significant impacts to business processes. For example, the character limit for some fields was shortened but retailers were not forewarned of this change. This meant that offer information needed to be reassessed by both operational and regulatory/legal departments to meet the new character limits.	Changes have already been made in the live environment that have impacted AGL's business-as-usual. For example, data validation changes rendered previously acceptable data as invalid. This issue was found in the live environment, with no information being communicated by DEWLP. These issues are awaiting resolution through DEWLPs support team.

AGL is supportive of the use of unique ID's to help customers easily locate and refer to plan offers that they are interested in. The unique ID is also used by customer-facing staff to ensure that the plan offer the customer wants to discuss can be easily located. To facilitate this, EME was updated to include a search function of the unique ID's. Several submissions made through the RPIG process noted the need for a search function on EME to facilitate this dual support for both retailers and customers.

The examples identified in the table above all have severe impacts on a retailer's ability to meet the 1 July 2019 deadline. Until we are provided with more information on the VEC and Victorian Retailer Portal (VRP) upgrades and their scope we are unable to develop the necessary system changes. We strongly encourage the Commission and DEWLP to work together with retailers to address these matters and ensure that appropriate testing (in a non-live environment) occurs. As we have stated previously, our experience under the EME process is that approximately 2 months for testing, error identification and integration should be provided to retailers at the end of the VEC/VRP upgrades.

Governance

We would appreciate further information from the Commission regarding the governance structures for changes to mandatory fields on the VRP. While VEC/VRP is the responsibility of DEWLP, there is the potential for further obligations to be inadvertently placed on retailers through the amendment or addition of information retailers must provide to generate fact sheets. If VRP were to add new mandatory fields for fact sheets for example, this may create additional regulatory burden for retailers potentially without consultation.

We appreciate the Commission adopting our proposal for simplified Energy Retail Code (Code) changes to ensure the RPIG requirements were not replicated in the Code through drafting of part



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70X. However, we would appreciate additional information from the Commission on the governance and regulatory processes that will be attached to changes in retailer obligations (e.g. the addition of new mandatory fields for fact sheets as discussed above) through changes to the VRP. This distinction is important both for the current changes that are occurring to VRP, as well as any potential future changes that DEWLP may wish to make.

We would also request that retailer obligations that are reliant on VRP be recognised by the Commission, for example the need for GST inclusive only pricing on energy fact sheets and that further information on compliance expectations for these types of obligations be provided to retailers.