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Benefit Change Notice – draft Guideline consultation

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Regulator (AER) draft Benefit Change Notice Guidelines.

AGL supports initiatives that improve transparency of information for consumers to make informed choices of energy plans that suit their needs and lifestyles. This is reflected in AGL providing notification to customer's whose end benefit expired prior to regulatory intervention as part of the Prime Minister and major retailers' CEO meetings and subsequent commitments in the second half of 2017.

AGL is also investing in a Customer Experience Transformation program that is based on delivering unique customer experiences that build trust, advocacy and loyalty. Understanding customers and how they engage is critical in building trust. Our comments on the Guideline are based on the insights we have obtained through our communications of end benefits as well as the Customer Experience Transformation program, and are aimed at ensuring the Guideline meets its objective of informing customers of the end of their benefit and that they have an opportunity to review their energy plan and make a decision that continues to align with their needs.

To this end, AGL supports the use of principle-based regulation as this ensures regulation is future-proofed and designed in a way that considered multiple scenarios, both current and future looking. Prescriptive regulation, particularly in regard to the nature of informing customers of a change in benefit, limit retailers' ability to innovate and encourage positive customer engagement. It is AGL's view, the proposed Benefit Change Notice Guidelines (draft Guidelines), will lead to poorer customer outcomes, particularly in relation to providing an incomplete (or misleading) Notice regarding the nature of the change.

This is because the prescriptive nature of the Guidelines narrows the scenario of product attributes to be one based on discounting, rather than the broad spectrum of product attributes the customer may have altered. The narrow and specific wording required for the headline statement assumes that customers either lose a discount, or they do not – however there are countless scenarios beyond this scope that retailers would need flexibility to communicate clearly, effectively and in a way that did not mislead the customer.

Further, AGL continue to advocate and ensure that the new requirements apply to communications being sent from 1 October 2018, not for customers who have benefits ending from 1 October. Retailers will not be able to implement major system changes or manage the EnergyMadeEasy Calculator/API Endpoint requirements to capture 20-40 business days prior. Greater divergence in regulatory requirements, and more prescriptive requirements also strain retailers' ability to ensure processes and systems can be updated within narrow timeframes.

The remainder of the submission focuses on the following issues:

- How information is communicated to customers (including tone, length, trust and relevance to customer);
- Providing accurate information to customers that ensure they are appropriately informed of the nature of their benefit change;
- Scenarios that highlight limitations of the proposed Guideline Headline Statement;
- Do-nothing calculations; and
- General useability of the Guideline and other comments.

Should you have any questions or comments, please contact Kathryn Burela on (03) 9273 8654 or kburela@agl.com.au.

Yours sincerely

Elizabeth Molyneux

General Manger Energy Market Regulation

Attachment

Communication of information

The overall trust a customer has in the communication they are receiving is fundamental to ensure that the information is then acted upon.

AGL is concerned that due to the prescriptive nature being required by the AER, the communications are unlikely to look like retailer communications and may cause mistrust or uncertainty with our customers. We do not consider that prescribing the precise layout or tone of a letter will result in positive customer outcomes or engagement.

By making the Guidelines principles based, retailers can continue to engage with customers in line with their internal branding and communication policies that are reviewed and built on as more customer preference and behavioural insights come to light. AGL consider that the key elements of the proposed Guideline can continue to be reflected in a principles approach, such as the idea of a call to action, the nature of the changes, when this will occur, and what the customer can do in response to the notice (including direction to the EnergyMadeEasy website).

Tone

Tone, and therefore the way a message is delivered, is vital to ensuring positive and ongoing customer engagement. AGL invests time and resources, as well as significant financial investment, in to ensuring that communications, branding and messaging are delivered to customers in a way to foster a positive relationship and customer experience. AGL's brand and position is to 'Tell it like it is' and be clear, genuine and transparent. We continue to test and revise this messaging to ensure it meets customer expectations and needs.

Our current communications already highlight to customers that the benefit period is ending both through text to the customer (as the first line of the letter) and in subsequent plan information.

We strongly encourage the AER to reconsider the required wording to change the authoritative and dry tone to be one that is more in line with how retailers currently deliver information to customers. For example, the headline information should include "*you can* visit EnergyMadeEasy" so as not to sound as if the retailer is telling the customer what to do.

AGL note that this directive tone is consistent throughout the prescription of the Guidelines. Although not explicitly required, the template in the Guidelines' use of language states retailers are 'required to' communicate to customers about a change. Indeed, it was AGL's practice prior to the rule change to inform customers of a change in their benefit (as has been the case since 2013), as we submitted to the Australian Energy Market Commission in October 2017. Having developed a relationship with the customer since their uptake of an Energy Plan with us, we want the opportunity to communicate with them in a friendly way which demonstrates their value to us. The proposed template prevents us from doing this.

Unnecessary information

AGL ensures that communication with customers is as concise as possible, focusing on the key pieces of information the communication is intended for. In our experience, where customers are exposed to lengthy information, they are less likely to engage with it. Even scanning the document for key information becomes less likely.

AGL supports providing information to empower customers to know more about the existence and purpose of the EnergyMadeEasy website and work to ensure that they have usage information that can help provide tailored results when using the comparator tool. Our Energy App and My Account platforms allow for these insights.

However, the AER appears to have taken an overly prescriptive approach to the communication of EnergyMadeEasy information, requiring retailers provide a step-by-step instructional. Our view is that customers already know their basic information in order to facilitate a search, (such as their own postcode, whether it is home or residential, and whether it is gas or electricity). We support the view that customers should be provided with the key information that facilitates a search on EnergyMadeEasy but that it should be reduced to those statistics not already easily obtainable by the customer, but-for the Notice.

The AER should consider conducting customer testing of EnergyMadeEasy to better understand customer needs (i.e. language, layout, logic, inputs, etc) and build functionality around the testing outcomes. This would be a lower cost solution and is not different to the approach taken by private, third-party comparison providers.

Further, AGL considers that the cost to build the logic for a tailored URL in email Notices for change of benefit customers, and the potential for error (which can occur for a number of reasons, including an input error or a misalignment of customer suburb/postcode), is likely to outweigh the very small potential benefit of saving customers a click or a few keystrokes to enter in residential/business, or their 4-digit postcode. We consider this requirement should be removed from the Guideline.

Confusing or incomplete information

In relation to matters that are necessary to facilitate the use of EnergyMadeEasy, AGL note that the proposed table requirements impose certain limitations on retailers that are likely to lead to poor customer outcomes.

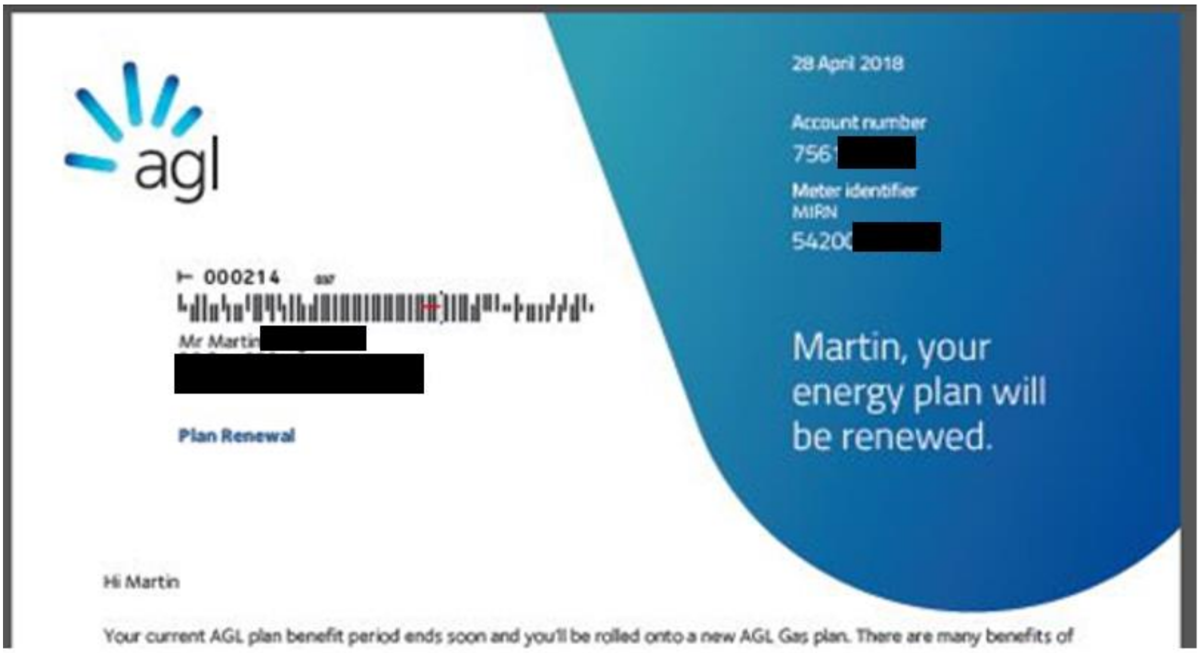
For example, a customer will be contacted before the end of their benefit period, and the process can start 4-8 weeks before the end of the benefit period. This means that retailers are unlikely to have 12 months' worth of data for the customer, and the end date of their current benefit is a future date to when the customer receives the Notice.

We understand the AER expects retailers to use estimated/AER benchmark data in those circumstances, but it also creates logistical issues with information provided in Zone C, specifically the start date/end date. However, EnergyMadeEasy does not currently allow for future dates to be put in to the start and end date zones. As contact with the customer occurs 20-40 business days before a change, retailers will have to provide information that either won't allow the customer to use EnergyMadeEasy, or which will need to state that the customer is unable use the comparator until the 12-month end date provided to them (or to put the current date in instead, skewing the usage results). None of these outcomes are ideal from a customer perspective

AGL therefore considers that the usage amount for the last bill should be sufficient to facilitate customer awareness and use of EnergyMadeEasy: firstly, as this has a clear start and end date, and secondly, because it will allow the calculation of the annual cost to the customer based on that usage.

Notice Structure

Customer communication (whether from business or a formal body such as a government), traditionally utilises the top right corner for branding, key information (such as the account and customer details) and key calls to action. In relation to AGL branding and communication, our current mailing layout utilises this space for customer details including date, account number, NMI information, and key subject line. We use our distinctive blue ribbon to highlight to customers that the communication is from us.


28 April 2018

Account number
756[redacted]

Meter identifier
MIRN
5420[redacted]

000214

Mr Marti[redacted]

Plan Renewal

Martin, your energy plan will be renewed.

Hi Martin

Your current AGL plan benefit period ends soon and you'll be rolled onto a new AGL Gas plan. There are many benefits of

This AGL curve tool is used across AGL marketing and communications and is a key part of our brand and incorporates a call to action relating to the customers energy plan status. AGL supports including stand-out information about EnergyMadeEasy, but retailers should have some discretion about where and how this appears on the letter – in line with internal policy and communication and branding recognition. We do not consider that this will impact prominence, as the proposed box currently shown in Zone A is stand out and distinctive and likely to draw the customer eye, for example – so long as a retailer provides it on the first page of the Notice – unencumbered by immediately surrounding text or graphics.

There will be significant cost implications in requiring retailers to change the entire layout of the End Benefit Notice, and this will be inconsistent with other communications we send, which will likely decrease customer trust in the message the Notice seeks to deliver.

Headline statement

The current Draft Guidelines appear to primarily cater for scenarios in which a discount changes by going up or down but does not seem to account for other possibilities, such as where the type of benefit is changing. Product (and therefore benefit) attribute changes can happen in combination with other attribute changes, and they are not mutually exclusive.

By developing a prescriptive Guideline, catering for only a small subset of scenarios, the AER is creating two problems in relation to the Headline Statement (Zone B). The first is the simple concept of loss and gain in relation to benefits, and how this can work. The second is the way this message is communicated to a customer in a clear, honest way, and continues touches on those elements highlighted above in the ***Communications*** section regarding tone, engagement and trust.

More complicated than 'loss' and 'gain' scenarios

AGL currently avoids referring to these matters as loss and gain because often these measures are subjective, or dependent on incomplete information. By utilising the word 'change', retailers are able to capture and communicate differences that may not be so easily quantifiable as a loss or a gain. For example:

- A customer goes from 5% conditional discount to zero discount with lower prices. The customer may be better off in this scenario, but the headline statement makes it appear the customer is simply experiencing a loss.
- A customer was on a 15% guaranteed discount and is put on a 20% Pay-on-time discount. While this may be seen as a gain, the customer may or may not value the percentage higher than the condition.
- A customer is changed from receiving a 20% guaranteed discount to a 20% pay on time discount. The benefit of 'guaranteed' is not there, but the discount value remains consistent – on a conditional basis. In this scenario the benefit is not lost but may be described as decreasing as it imposes on the customer a requirement to pay on time.
- A customer moves from a Prepaid product to any other product. A customer would not lose the money they have invested in credits (i.e. they would be credited this amount on their account), but they would be losing the ability to access and use Prepaid credits, which in itself could be considered the benefit. How could this information be delivered under the proposed Guideline headline statement requirement?

As highlighted in the Notice for consultation, it is not up to regulators or retailers to determine what a customer values – this remains true in terms of communicating whether something is a loss in a headline statement, where this may be dependent on the customers circumstances and preferences.

While AGL has provided a few examples here for AER's consideration, it is worth noting that we currently have customers on approximately [redacted] to account for customer preferences, lifestyle choices, usage patterns and so forth. These can result in different change combinations for customers which become increasingly difficult to communicate in a single line. While AGL understands the purpose of prescribing a headline (to ensure all customers receive the information in the same way from their retailer to prompt engagement), it impacts retailers' ability to innovate product offerings, and continue to communicate with customers in a way that isn't misleading – or only part of the story.

[redacted]

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted].

[redacted]	[redacted]	[redacted]

Because of all these variations and different scenarios, it is important that the language is flexible and highlights the true nature of the changes (i.e. a *to* and *from* narrative). Flexible language requirements are also necessary to ensure that customers are not given misleading information (which can include only providing part of the story), in line with Australian Consumer Law requirements.

Headline information example

> *We're getting in touch because your AGL <Gas><Electricity> Energy Plan will end soon. When this happens, the <xx>% <guaranteed> <discount> you currently receive <i.e. off your usage charges> will <end><and change to <changed benefit scenario>. All the details are below.*

Section 77 of the Draft Guidelines ensures that customers are then provided a description of the nature of the benefit change. By using the example above, the body of the Notice to the customer would then explain the nature of the benefit change. This approach is more customer-friendly and provides the flexibility of different change scenarios.

It is important that as well as being communicated about the loss/gain/change, the customer understands what this means in the context of their particularly plan. If a customer is "losing" a 10% guaranteed discount, but being placed on an 8% guaranteed discount, then this information should also be conveyed in the headline statement.

Do Nothing information

In many of the scenarios described above, it is not always possible for a retailer to accurately gauge what the do-nothing cost is. This is best described with the example of a change from guaranteed 20% discount to a 20% pay-on-time discount. If the customer meets the conditions, then there is no 'do nothing' cost, unless they do not pay on time. Our expectation would be that the AER work with retailers to identify these types of scenarios and ultimately exclude them from the calculation requirement.

Retailers with diverse product offerings will have difficulties being able to provide customers a reliable do-nothing cost. For example, with AGL's prepaid plan, it will be difficult to calculate the costs without making several assumptions, including how regularly they will top up amounts and at what value those will be.

The proposed drafting essentially reduces the annual cost calculation to an assessment of discount variations, and the assumption that the customer always gets that discount (regardless of conditions), which creates a risk of driving the market towards only offering highly conditional discounted products.

A principle-based approach can deliver the intended outcomes by ensuring customers are provided accurate information about change to their plans, the genuine do-nothing cost (i.e. your plan is coming to an end but we will continue to offer you X). While the customer experience will be improved, the AER will also be able to enforce principle-based regulation by testing the accuracy of the information provided to a customer. This would be a fairer and outcomes-based approach, instead of a strict interpretation of a prescriptive approach that may be breached by a retailer but ends in a most positive outcome (i.e. clear information about the nature of any change), for the customer.

Disclaimers

If the AER decides to require the do-nothing cost calculated for customers when a change is evident, but the loss or gain is not, then retailers will need to apply an assumption on the outcome of that change. To be clear with customers, the disclaimers in these circumstances would need to be extensive and consider that:

- This is an indicative amount
- That actual annual cost may vary depending on customer usage, seasonality or other factors not listed
- Calculated based on historical / estimated / AER benchmark data (or combination) and on new benefit rate (if the customer is being placed on a new benefit)
- That the nature of the calculation is based on *[description of scenario applicable to attribute change].*

Example disclaimer

> ^These discounts apply to usage charges only and do not apply to other charges such as supply, demand or green charges.
>
> *If you do not comply with the terms of your discount, your discount will not be applied and so what you pay may be more than the amount shown.
>
> ~The amount shown is an estimate of potential charges. Actual charges will depend on your individual circumstances during your Energy Plan Period. The calculation is based on an estimation of your usage under your current energy plan period starting on [dd/month/year] for 12 months.
>
> It does not take into account changes to consumption over 12 months which will be impacted by changes to your household or occupants' behaviour, weather conditions, prices changes, changes to concessions eligibility, if you have solar, changes to your feed-in tariff or the efficiencies to your solar system, if you install a solar PV system or battery, changes to government charges or levies.
>
> This does not include any fees charged by AGL, your distributor or metering co-ordinating and does not incorporate any non-financial benefits such as Flybuys or AGL Rewards.

AGL does not consider that this is a positive customer outcome, particularly where the disclaimers are longer than the information provided.

Do nothing calculation

The AER has asked for retailer comment on the calculation of the do-nothing cost through a retailer only section of EnergyMadeEasy. Both options presented by the AER are problematic but AGL considers the API Endpoint to be the most logical and sustainable option going forward.

For larger retailers, the Calculator will result in a significant amount of manual work and inputs that will take time, money and will be highly error prone. This is due to the nature of inputting the data into the system, and the large customer base that such retailers have (i.e. the more customers, the more individual management of data via the Calculator). This option will be an issue for retailer compliance and overall customer experience and result in significant costs from the employment of non-technical staff to manually manipulate and authenticate data and will likely result in human-error.

Recent recontracting volumes indicates we recontract [redacted] contracts each month. It is impractical for a retailer to manually input this volume of data into the EnergyMadeEasy website to perform calculations prior to each recontracting batch.

The API Endpoint would allow AGL to streamline the process and reduce manual intervention and therefore eliminate potential errors where possible. This option would need to ensure that the API would be able to accept multiple and individual records, and responses should be able to identify both failed and successful records (that is, if multiple records are submitted, failed records should not fail the entire batch). Retailers would also need support for the IT help teams to contact in the event of any issues with the EnergyMadeEasy website (and this to be integrated in the process). AGL requests that there be a process or service agreement in place in the event of a system crash or system error that would impact AGL's process. AGL will also need access to a test environment that our testing systems can connect to.

AGL would like to understand why JSON is only provided as an output format, as accepting this would mean a smaller payload size for the transmission of data.

It is important to note that while AGL has a development team, and the API endpoint would be the most suitable and viable option long-term, it may take longer than 16 weeks to analyse, design, develop, test, and deploy componentry, assuming the final Guideline is received by 1 July 2018. AGL has resource availability from 1 July 2018, and AER has commitment and capacity for B2B testing from mid-August onwards. As this was not something the AER had previously consulted on or suggested, it is likely to significantly affect AGL's ability to meet 1 October 2018 implementation.

Useability of the guide

AGL has further comment on the general useability of the Guideline. As currently drafted, the general useability of the Guideline is low. We consider a more logical structure would be to outline each Zone and then the requirements that sit within those Zones. Any points that the AER seek not to prescribe by Zone, but nonetheless require, should then appear after this instruction.

The useability of the Guideline is important as it is not just experienced compliance officers that will use this Guideline, but operational staff and staff new to energy/compliance roles. For example:

- clause 4.3 *Amount payable by the customer following the benefit change – 'do nothing' amount* and
- clause 5 *Generating the 'do nothing' amount for the benefit change notice.*

Both clauses contain requirements for displaying / calculating the 'do nothing' amount. In terms of usability it would be far more user friendly to have all the requirements for the 'do nothing' amount in the same clause or same section of the guideline rather than is two separate sections.

Inclusions and exclusions

AGL support the exclusion of one off incentives (such as frequent flyer points after 12 month), as this information is clearly communicated to customers at the time of sign up. However, we consider that first-month free scenarios should also be excluded, particularly in light of the following exclusion in the draft Guideline.

The current draft Guideline currently state that a benefit which ends within the first 40 days of the contract period is excluded from the Notice requirement. It also states on page 13:

> *We do however think incentives or gifts provided to a customer upon entry to a contract for a certain period (for example 'first month free') would meet the definition of a benefit change.*

It is unclear if the AER intends for a one-month-free (i.e. less than 40 days) energy incentive to be an exception to their otherwise excluded benefit period (that is equal to or less than 40 days from the start of the contract).

If the AER's intention is that this is an exception to the 40-day rule, particularly where the AER states: the '*approach treats all benefit changes consistently and avoids judgements about whether a customer should be notified of a benefit change because of an assumption they are well-informed about their energy plan, where they may not be,'* this is also concerning.

While we support notifying customers at the end of the Benefit, we reject AER's comment that customers may not be adequately informed of the terms of their deals.

Terms and conditions for energy plans, and the welcome packs that retailers send, contain information designed to ensure customers have clear access to information and are directed to where they can find out more. Energy Price Fact Sheets are currently being revised through the new Retail Pricing Information Guidelines, but in both the current and new versions, clearly state matters regarding additional costs, benefit periods and potential price variations. Further, the National Energy Retail and Electricity Rules also set strict requirements for retailers to obtain explicit informed consent including the provision of required information. Our 24/7 customer solutions teams are always available to help with clarification about terms of contracts.

AGL also recommend that the Guideline exclude do-nothing calculations where the change is not obvious or may be misleading, including:

- Loss of non-price incentives including magazine subscriptions
- Change in condition (i.e. from guaranteed to pay-on-time) but not a decrease in the total offered to a customer
- Other change scenarios identified above, i.e. the move of a customer from a discount-based plan to a lower rate plan, which is difficult to compare.

Timing

As highlighted in our previous submission, AGL consider that the final Guideline should apply to notifications being sent from 1 October, not for customers who have benefit periods ending from 1 October. This is due to the level of prescription and significant system changes required.