

Minutes

Retail Market Review – Stakeholder Reference Group Meeting #12

Date and Time: Tuesday 19 March 2019, 9:30 am – 11:00 am

Location: Brussels Room, Dialogue Conference Centre, 50 Lonsdale Street, Melbourne VIC 3000

Present:

Name	Organisation
Ben Barnes	AEC
Bronwyn Jennings	AER (observer)
Natasha Kociski	AER (observer)
Con Hristodoulidis	AGL
David Bryant	Brotherhood of St Laurence
Jake Lilley	CALC
Larissa Nicholls	Centre for Urban Research – RMIT
Sarah Shepherd	DEWLP (observer)
Paul Buczma	DEWLP (observer)
David McInnis	DHHS (observer)
Aaron Yuen	ESC
Sugi Sivarajan	ESC
Dean Wickenton	ESC
Asanga Seneviratne	ESC
Zac Gillam	EWOV
Phil Gardiner	Onsite Energy Solutions
Michael Benveniste	Powershop
Stefanie Macri	Red Energy
Emma O'Neill	VCOSS

Apologies:

- Elizabeth Molyneux – AGL
- Gavin Duffy – St Vincent de Paul

Agenda items

1.1. Welcome and general update

- We are currently focused on the consultation process for our draft advice to the Victorian government on the Victorian Default Offer (VDO) and technical consultation on the new Victorian energy fact sheet.

1.2. Pricing

1.2.1. Victorian Default Offer (VDO)

- The commission provided an update on the VDO. Our draft advice to the Victorian government on the VDO was released on the 8th of March 2019. We have strived to provide as much information as possible on our website to allow stakeholders to easily follow our methodology in developing the suggested price including a full price model.
- We are now seeking submissions in response to our draft advice paper until the 4th of April 2019.
- A public forum will be held on Monday 25th of March 2019 to communicate our draft advice and provide stakeholders with another avenue to ask questions and provide comments particularly if they are unable to make a written submission.

1.3. Bills & marketing

1.3.1. Updates on recommendation 3

- Our draft decision on the technical consultation of the Victorian energy fact sheet was released on the 12th of March 2019. The draft decision set out the technical detail of the Victorian energy fact sheet that we are introducing.
- The Department of Environment, Land, Water and Planning (DELWP) will be commencing a consultation process to develop the system changes in the Victorian Retailer Portal (VRP) to ensure that the required functionality for retailers will be available ahead of the implementation date.

Questions/comments from stakeholders

Why did the Commission add to the standardised text that retailers are required to use in mass marketing materials that “For clear advice to help you decide if this is a suitable plan for you, contact...”?

- Stakeholder feedback through the submission process on our draft decision noted that it would be beneficial to add this wording in a Victorian context.

Members questioned the durability of the reference to a phone number within the standardised text. Consumer groups suggested that a phone number would ensure customers who do not have access to the internet with a means to contact their retailer.

Members did not express interest in the Commission hosting an additional workshop on our technical draft decision.

1.4. Clear and fair contracts

1.4.1. Discussion of recommendations 4A-4C

- We have received Terms of Reference from the government regarding clear and fair contract provisions raised in recommendation 4 of the Independent Review into the Electricity & Gas Retail Markets in Victoria.
- The Commission led a discussion to hear perspectives from stakeholders in regards to the first part of these recommendations: 4A-4C.

Recommendation 4A

- Consumer groups understood that the recommendation was to deter price changes shortly after a customer enters into a contract. Some members acknowledged this as a genuine problem in the current market. However, members noted that recommendation 4A was prior to the recently introduced obligations (such as best offer notices, clear advice entitlements, advance notifications of price and benefit changes and the VDO). Members suggested that it is important to consider the outcomes resulting from these reforms, when addressing recommendation 4.
- Retailers raised concerns that implementing a rolling fixed price period would raise price risk exposure from network costs, wholesale energy costs (such as hedging contracts), and environmental schemes – a risk premium could be assumed that could be passed onto customers. Consumer groups noted that this risk management is built into the price of the VDO, which an efficient retailer would have accounted for.
- Members suggested some consideration of other industries able to offer fixed priced products, such as telecommunications, lending and insurance industries. The purchase of energy was contrasted to the purchase of petrol which has fluctuating pricing and consumers are confronted with the cost at each purchase (and consumers could choose another place of purchase or change usage behaviour). Contrastingly, when energy prices fluctuate consumers do not have the same ability to change their consumption as quickly in response to changing prices compared to other goods in the economy (noting that notification process of a price change for energy typically happens through one letter in the mail).

- Retailers noted that other industries with fixed priced plans require consumers to pay out the remainder of the contract. Retailers also noted that consumers can access fixed price plans, but consumer groups questioned the level of consumer awareness of such options.
- Members also commented whether retailers would be able to reduce prices, if prices were to be fixed for a specific period.

Recommendation 4B

- No further comments made by members in addition to the comments related to recommendation 4A.

Recommendation 4C

- Members raised that the process in which a customer changes to another offer is an important one and should ensure disengaged customers in particular, receive a fair price.
- It was also noted that contracts currently exist with inflated discounts above current standing offer prices and at present in Victoria there is no regulation to rectify this.
- Members questioned how explicit informed consent and the evergreen discounts recommendation interact with recommendation 4C.
- Members questioned current market practices once the benefit period ends. Retailers noted that customers on a fixed offer will be rolled onto a standing offer by their retailer, and if on an evergreen offer with a defined benefit period, it is discretionary as to what offer a retailer will roll a customer onto (in accordance with contract terms).
- Members questioned whether recommendation 4 would apply prospectively or retrospectively to current contracts.

1.6. Workshop activity: Stocktake of reforms

1.6.1. Stocktake of reforms

As suggested by members at the previous meeting, a discussion was conducted on the suite of reforms that would be implemented on 1 July 2019 related to retailer implementation and how changes could be communicated to customers.

Retailer obligations from 1 July 2019	Implementation considerations	Customer experience considerations
<ol style="list-style-type: none"> 1. Best offer on bills 2. Clear advice entitlements 3. Advanced price/benefit change notification 4. GST inclusive rates on all material 5. VDO 6. Estimated read notifications 7. Victorian energy fact sheet 8. Feed-in-tariff minimum rate change 	<ul style="list-style-type: none"> • How will the introduction of the VDO be communicated in notifications to customers? • Will the visibility of the best offer be clear to customers who receive electronic communication or pay their bills via direct debit? • Will retailers able to accommodate congestion within their call centres? <ul style="list-style-type: none"> ○ Are there call-backs in place or other methods to maintain engagement with customers (from their first bill experience onwards)? ○ How are customers able to register that they want to be contacted? • How will the availability of the VDO be communicated to customers? • If customers are more likely to spend more time on the phone and ask more questions, will retailers have an incentive to simplify offers? 	<ul style="list-style-type: none"> • Multiple notifications to customers possible on 1 July from sources such as: <ul style="list-style-type: none"> ○ media ○ price change notifications ○ best offer message on bills (or bill inserts) • Potential different customer experiences pre and post-July on the presentation of discounts, in addition to best offer obligations. • Customer experience in seeing GST inclusive pricing on all material post July (noting concession discounts exclude GST which may affect customer balance calculations) • Potential need for clear messaging on the VDO, particularly given other jurisdiction announcements: <ul style="list-style-type: none"> ○ Will the language of 'default' lead customers to not engaging in the market? ○ Is there opportunity to collaborate on messaging

Retailer obligations from
1 July 2019

Implementation considerations

- Clear advice entitlements will require a cultural change within retailer's call centres and consumer groups urged retailers to position the changes internally as restoring trust in the market opposed to simply meeting regulatory obligations.

Customer experience considerations

and tone of communications amongst stakeholders? Retailers noted their experience during the introduction of the flexible pricing.

Appendix A - Agenda

No.	Item	Presenter	Duration
1	<ul style="list-style-type: none"> Welcome & general update 	Aaron Yuen (Chair)	5
2	Victorian Default Offer (VDO)		
	<ul style="list-style-type: none"> General discussion 	Dean Wickenton (SRM)	15
3	Bills & marketing		
	<ul style="list-style-type: none"> Update on recommendation 3 	Sugi Sivarajan (PM)	5
4	Clear & fair contracts		
	<ul style="list-style-type: none"> Discussion on members' initial thoughts on recommendations 4A, B and C related to contract periods, price changes, and end of contracts. Focus of discussion will be on: <ul style="list-style-type: none"> potential retailer risks and implementation issues interaction with other changes already made achieving good customer outcomes 	Aaron Yuen (Chair)	20
5	Workshop activity: Stocktake of reforms		
	<ul style="list-style-type: none"> As per last meeting, to discuss a stocktake of the reforms and changes that have occurred and will be implemented on 1 July 2019, with a focus on: <ul style="list-style-type: none"> how retailers respond to obligations how the changes are communicated to customers 	Aaron Yuen (Chair)	30
6	Other		
	<ul style="list-style-type: none"> Any other business 	All	10

Appendix: Ensuring contracts are clear and fair (Recommendation 4), Terms of Reference to the Essential Services Commission

Recommendations 4A-4C

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| 4A | Require retailers to commit to fix any prices they are offering for a minimum of 12 months. During this period, the market contract prices cannot change. Retailers may request an exemption from the ESC to address unforeseen changes in network costs |
| 4B | Require retailers to disclose the length of time any offered prices will be available without change |
| 4C | Require retailers to roll customers onto the nearest matching offer, generally available offer at the end of a contract or benefit period, unless the customer opts for another offer |