



Knowing the best energy offer

VCOSS Submission to the Essential Services Commission Draft Decision on 'best offer' notification and other new customer entitlements

October 2018

The Victorian Council of Social Service is the peak body of the social and community sector in Victoria.

VCOSS members reflect the diversity of the sector and include large charities, peak organisations, small community services, advocacy groups and individuals interested in social policy.

In addition to supporting the sector, VCOSS represents the interests of Victorians experiencing poverty and disadvantage, and advocates for the development of a sustainable, fair and equitable society.

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A fully accessible version is available online at vcoss.org.au/policy/



VCOSS acknowledges the traditional owners of country and pays respect to past, present and emerging Elders.

This document was prepared on the lands of the Kulin Nation.



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Executive Summary

The Victorian Council of Social Service (VCOSS) welcomes the draft decision of the Essential Services Commission (ESC) on new information entitlements for energy customers, including ‘best offer’ notifications on energy bills.

VCOSS strongly supports ‘best offer’ notifications. Energy market deregulation assumed people actively engage to find a good value deal. We now know only a small proportion of people can participate in this way. Some people face entrenched engagement barriers, such as digital exclusion, limited English literacy skills, and difficult life circumstances. These make searching for an energy deal a very low priority. Regularly notifying people of a retailer’s best offer helps limit price-gouging, because those captive to their retailer often do not have the time and resources to engage.

VCOSS supports the proposed savings threshold for ‘best offer’ notifications. People would be informed of a retailer’s best offer when estimated to save at least \$22 each year. People should be able to accept a retailer’s best offer for at least 13 days after notification.

VCOSS welcomes introducing bill change notices. These warn of price or benefit changes in advance, such as a price increase or the end of an on-time payment discount. We particularly welcome requiring retailers to estimate the annual dollar impact of price or benefit changes, notify people of their best offer on the bill change notice, and direct people to the Victorian Energy Compare price comparator website. Currently, people can too easily unknowingly default onto poor value deals at the end of a benefit period, or be unaware of other lower cost deals when prices increase.

VCOSS endorses the proposed ‘clear advice’ entitlement. This requires retailers to make people aware of the dollar cost implications of all terms and conditions of an energy deal, at the time of entering a contract, and discuss other, potentially more suitable deals. It introduces much-needed transparency, particularly for people at risk of financial stress, and creates a retailer incentive to reduce the complexity of their offers and cost changes during an energy deal.

Recommendations

Notifying 'best offers'

- Define 'best offer' as the cheapest generally available offer
- Cap non-compliance costs in conjunction with introducing best offer notifications
- Notify people of best offers at least once each quarter
- Notify people of best offers when receiving standard or tailored assistance under the payment difficulty framework

Notifying billing changes

- Issue bill change notices at least 13 business days before a price or benefit change happens
- Use bill change notices to prompt people to update their concession eligibility, when facing removal of a concession discount

Notifying ‘best offers’

Define ‘best offer’ broadly and cap non-compliance costs

Recommendations

- Define ‘best offer’ as the cheapest generally available offer
- Cap non-compliance costs in conjunction with introducing best offer notifications

The ESC proposes retailers regularly notify people of their best offer on bills, where they are not already on it.

Defining the ‘best offer’ is not easy. It depends on how much energy people use, when they use it, whether they have a solar system, and whether they use both electricity and gas.

Defining ‘best offer’ is also complicated by widespread pricing and marketing features retailers use, including:

- conditional discounts, particularly for on-time payment, direct debit and online billing
- one-off bill credits
- one-off gift inducements
- special prices for members of particular organisations (e.g. RACV).

The cheapest energy offer may not be available to everyone. Even if available, some people may be unable to comply with its conditions, such as paying on-time or online. The ESC proposes some options for defining ‘best offer’. Of the options, VCOSS supports defining the ‘best offer’ as the cheapest generally available offer. This is a minimum standard. Retailers remain free to present other, cheaper offers.

In some cases, the best generally available offer is only available to some people, such as new customers, requires particular organisational membership, or another restriction.

These offers should still be presented, even though people may not comply with the requirements. Otherwise, retailers may simply add restrictions to their lowest priced offers to avoid disclosure. This transparency alerts people to potentially lower prices, prompting them to engage, and even attempt negotiating an equivalent deal with fewer caveats. We anticipate customer dissatisfaction with restrictions will encourage retailers to reconsider their pricing and marketing strategies.

The ESC acknowledges presenting the cheapest generally available offer carries risks. Conditions can cause financial stress when people cannot comply. On average, people pay

an extra \$314 for electricity, and \$189 for gas, for failing to meet discount conditions over a year.¹ This can easily tip a household into financial hardship and create disconnection risks.

Limiting non-compliance costs helps mitigate these risks, rather than hiding better prices from people. Presenting the ‘best offer’ on bills will work best if the Victorian government caps the costs of failing to comply at no higher than the reasonable cost to the retailer.

Regularly notify people of better deals

Recommendation

- Notify people of best offers at least once each quarter

The ESC proposes ‘best offer’ notifications appear on bills at least every six months, on the first bill following 1 January and 1 July each year, starting from 1 July 2019.

We suggest notifications must occur at least once during each calendar quarter, to align with existing quarterly payment instalments and help prevent payment difficulties. VCOSS members providing frontline services consider six months too long to wait for the next notification. People paying too much can build up significant debts over six months, particularly during high-usage summer and winter periods.

The ESC proposal could lead to an influx of people contacting retailer call centres during those periods, causing long wait times, pressure on call centre staff, and a corresponding risk of people not receiving comprehensive, clear advice about the best offer or other offers. A more frequent, even spread of notifications would help reduce the concentration of customer enquiries and support better customer service. Further, if ‘best offer’ notifications have to appear on the first bill following 1 January and 1 July each year, retailers may withdraw better value offers during this period, to avoid or limit the extent of ‘best offer’ notifications.

Adopt a low savings threshold

VCOSS supports the ESC’s proposal to trigger a ‘best offer’ notification when people can save at least \$22 per year, compared with their current deal. This limits price-gouging existing customers, assuming people act and switch plans. A higher threshold would be a higher ‘overcharging’ allowance for retailers.

In our view, the ESC should not try to estimate an ‘ideal’ savings threshold that prompts people to change their energy deal. VCOSS members stress respecting people’s autonomy, and letting individuals decide whether the savings justify contacting their retailer and switching plans.

¹ Essential Services Commission, *Victorian Energy Market Report, 2016-17*, 41.

Give people time to accept offers

The ESC proposes the retailer's best offer is open for 13 business days, aligning with the minimum period for a bill due date under the Energy Retail Code. In other words, people can accept the better offer at any time before the bill is due. We support this, and consider the 13-day period should be a minimum, allowing retailers to give people more time. We oppose a watered-down requirement, such as not specifying a minimum period, or merely requiring a 'reasonable period'.

If someone contacts their retailer after the 13-day period and the best offer has expired, the retailer should be obliged to offer people an equivalent deal, unless this is no longer possible. This helps protect people requiring more time to understand their bill and the 'best offer' notification, or seek assistance to do so.

Clearly present the 'best offer'

The ESC is not prescribing how the best offer notification should appear on bills, beyond specifying it must:

- be included on the front page of the bill
- be displayed prominently in clear and legible typeset
- be contained in a border
- be located adjacent to and no less prominently than the amount due
- comply with any ESC direction.

Some VCOSS members suggest retailers test visual cues such as infographs to present this information. Visual information can be more easily understood than written information, and can particularly assist vulnerable people, such as those with limited English skills. Easy English information can also aid understanding.

Notify 'best offer' during payment difficulty

Recommendation

- Notify people of best offers when receiving standard or tailored assistance under the payment difficulty framework

In addition to six monthly (or more frequent) 'best offer' notifications, people using the new payment difficulty framework should also be entitled to best offer information when receiving standard assistance (to help avoid arrears) and any level of tailored assistance. Even if someone has been recently notified of the best offer, it is important this information is reiterated or updated when nominating a payment plan to repay arrears, as any savings made on ongoing usage costs will enable more sustainable and timely payments.

Notifying billing changes

VCOSS welcomes introducing a 'bill change notice', which contains information about upcoming price or benefit changes. The notice will include information about:

- the retailer's best estimate of the annual dollar impact of the price or benefit change
- the benefit change date
- the date variations to tariffs and charges happen
- the customer's existing tariffs and charges, and the new ones
- the retailer's best offer
- Victorian Energy Compare, and information and data to assist using Victorian Energy Compare
- any early termination charges payable.

Provide sufficient notice

Recommendation

- Issue bill change notices at least 13 business days before a price or benefit change happens

The ESC proposes retailers notify people of a bill change at least five business days before a price or benefit change happens. We appreciate this short period is based on behavioural research, suggesting the most effective prompts occur close to the deadline for action. However, VCOSS members suggest this period is far too short for many people, including where:

- mail delays occur
- people have difficulty understanding the notice and require assistance from others (particularly older people and those from culturally and linguistically diverse backgrounds)
- common life events such as illness, hospitalisation, caring obligations and work pressures prevent people opening notices from energy retailers, understanding them, and having the time and opportunity to reach call centre staff.

A longer notice period provides leeway for these everyday circumstances and allows people to avoid the impact of price or benefit changes.

VCOSS members found the five day bill change notification period confusing compared with the 13 business days for 'best offer' notification. Making them 13 days apiece is simpler.

Notify expiring concessions

Recommendation

- Use bill change notices to prompt people to update their concession eligibility, when facing removal of a concession discount

Bill change notices are not proposed for tariff and charge variations caused by a change to, withdrawal, or expiry of, a government-funded energy charge rebate, concession or relief scheme. This appears to include price changes when a retailer does not have enough information about someone's concession eligibility.

VCOSS recommends requiring a bill change notice to be issued in these circumstances. People should be alerted, in advance, with a bill change notice, if the retailer needs updated information about a person's concession status to continue applying a concession. VCOSS members report people often lose concessions because their eligibility information is not up-to-date, but are not notified of this problem.

Further, bill change notices should provide this information when the 'best offer' includes a concession discount. That 'best offer' could be misleading if the person will soon lose their concession.

Provide clear advice

In a complex energy market people face difficulty securing a good deal without hidden catches.

VCOSS strongly supports the 'clear advice' entitlement proposed by the ESC. Retailers must make people aware of the dollar costs of all terms and conditions of an energy deal, when entering a contract, and before the retailer obtains explicit informed consent. Retailers must also advise of any more suitable offers.

The 'clear advice' entitlement complements 'best offer' notifications, which do not contain information on their conditions. VCOSS particularly supports clear advice being provided about:

- the consequences of not complying with conditions, including on-time payment conditions
- service fees and charges, like paper billing
- estimated meter reads, including avoiding them, checking for them on bills, and contacting retailers if they seem incorrect
- more suitable offers, based on people's consumption and payment histories.

VCOSS members also suggest retailers use 'clear advice' to build energy literacy. This includes providing basic advice about checking energy use on bills, and questioning odd readings.

VCOSS wants retailers to strongly comply with these provisions, bolstered by rigorous enforcement. Compliance will become easier after other reforms to the energy market are implemented, such as fixing energy offer prices for a minimum of 12 months, and capping non-compliance costs. Emerging market developments will also help, including 'no discount' retailers, and promotion of no-discount and unconditional discount deals by other retailers. Retailers have considerable scope to reduce the complexity of their offers, and help make providing clear advice easier.



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