



16 August 2018

Mr Russell Pendlebury
Australian Energy Market Commission
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Sydney South NSW 1235

Email: aemc@aemc.gov.au

Dear Mr Pendlebury

Advance Notice of Price Changes – Draft Rule Determination

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Market Commission (the Commission) Draft Rule Determination on 'Advance notice of price changes'. The draft Rule builds on a current Queensland specific Rule that requires retailers to provide advance notice to customers if there is an increase to their underlying tariffs and charges.

As highlighted in our submission to the Consultation Paper, Origin supports 'advance notice' prior to new prices taking effect but prefers that the Rules not stipulate the timeframe (i.e. five business days) in which the advance notification occurs. This is to allow for the significant complexities and compressed timeframes in which pricing approvals are made. Allowing additional days leading up to the price change date would allow retailers to better manage internal resources, call centre volumes and wait times as well as mail house services. Effectively managing these elements will assist in customer satisfaction and minimise the costs incurred by customers from such notice requirements.

Origin further does not support the Commission's Draft Determination to extend the notification requirements to include price decreases. The Commission formed this view given the potential difficulties in determining whether a customer's overall bill had increased or decreased in unit volume terms. Origin submits that a similar Rule is currently operational in Queensland. Advance notice is provided in all scenarios except in the scenario whereby all the elements of the tariff or charges had fallen. Origin believes that this method provides an incentive to retailers to manage price changes and potentially minimise the costs that will be incurred as part of a price change. This is discussed further below. Origin urges the Commission to review its decision in this regard and limit advance price notifications to the scenarios where there has been a tariff or charge increase.

Some specific comments in relation to issues and findings discussed in the Draft Determination are set out below.

Determining the overall change in a customer's bill

The Queensland Rule provides for retailers to provide notice to market offer customers in advance for any increase in tariffs or charges applying to the customer and as soon as practicable (and in any event no later than the next bill) for any decrease in tariffs or charges.

The Commission's draft finding is that there should be a consistent treatment of price increases and decreases given the difficulty of affirming whether a price decrease is actually a decrease. The Commission questions whether a customer's overall bill will decrease if the fixed charges fall, but the variable charges increase. This is given that the overall impact on a customer's bill will depend on the consumer's existing and future consumption pattern. The Draft Determination draws a conclusion that

the only way to remove the complications as to whether there has been a price increase or decrease is to require retailer to issue advance notice in the event of a price change, regardless of whether it results in an increase or decrease in the customer's bill.

As the Commission is aware, the Queensland Rule has been operating for several years. Currently, to determine whether there is a price increase or decrease, we apply the following rules:

- fixed and variable rates increase = advance price notification;
- fixed and variable rates decrease = notification required on the customer's next bill;
- variable rate increases, fixed rate remains unchanged or decreases = advance price notification; and
- variable rate decreases, fixed rate remains unchanged or increases = advance price notification.

Origin suggests that this method should be adopted for the purposes of this draft Rule. That is, advance notification is provided in all scenarios except when all elements of the pricing structure decrease. This approach aligns with the current Queensland Rule. If there is an option to provide notification on a customer's next bill (ie when all elements of the pricing structure have fallen), retailer costs will be minimised, which is ultimately to the benefit of customers.

Notification of Changes to Fees and Charges

The Rule, as drafted, applies to the variation in charges as they apply to customers. Origin understands that charges relate to retail fees such as credit card processing fees, payment processing fees (ie Australia Post), late payment fees or any other retailer fees.

Credit card processing fees relate to the charges that are incurred by a business for processing a payment via a certain credit card mechanism (ie Visa or Mastercard). These costs are paid by businesses to banks and the processing rate (merchant service fees) can vary from card to card and bank to bank. There are no set dates in which the banks typically change their rates.

Origin has concerns with the Rule applying to fees such as credit card processing fees as well as over the counter fees (ie paying via Australia Post). These fee adjustments are outside the retailers control with the credit card fees changing as the banks change their rates (ie these could be minimal changes). There are costs in providing this advance notice and the notification costs would outweigh the benefits in passing a change in the rate onto customers. Origin advises its customers at the time it chooses to pay with a credit card in its online platforms (such as 'My Account') and we believe that it is more important that customers are aware of these charges at the time they decide to use a credit card or other payment methods rather than in advance.

Exemption Categories

Origin supports the exemption categories as outlined in the Draft Determination. Origin however supports an additional exemption category being included within the Rules. This exemption category would be in relation to a Government or Minister Direction to either withdraw or regulate a fee or charge. This occurred in 2017 when the New South Wales Energy Minister directed that certain fees and charges be removed from all contracts. In such a circumstance, the change in the fee or charge was not attributable to any actions on behalf of the retailer and occurred regardless of the customer agreement.

Communication Method and Costs

Origin supports the Commission's view that notices should be delivered to customers by their preferred form of communication. If no preferred method has been indicated to the retailer, then the notice should be delivered via the same method as used to deliver the customer's bill.

While we support this approach, we note that the Commission makes references in the Draft Determination to the costs not being significant at this time and that the costs are expected to fall over time as consumers increasingly opt for digital communication. We wish to highlight that while digital communication has a lower cost per notice than postal notices, there are still costs associated with developing the communication in the digital form and issuing it to a customer in a digital form. Further, if the digital communication fails (ie email bounces) to the customer, then a follow up notice is issued in the post. The retailer is charged for both these communication methods to the one customer. All these costs should be considered in any analysis.

Harmonisation of Rules

The Queensland advance price notification Rule differs to this proposed draft Rule. Origin seeks clarification as to whether the Queensland derogation will be removed and the Queensland requirements will be aligned with this Draft Rule. Origin supports the harmonisation of Rules to ensure consistency across jurisdictions and reduce ambiguities.

Closing

Origin supports customers receiving advance notification of price changes prior to the new prices becoming effective. However, we support the advance notification being limited to tariff or charge increases. This aligns with the current Queensland Rule.

Should you have any questions or wish to discuss this information further, please contact Caroline Brumby on (07) 3867 0863.

Yours sincerely



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