

Australian Energy Market Commission

SUPPLEMENTARY REPORT: INCREASING CONSUMER ENGAGEMENT

Review of Competition in the Retail Electricity
and Natural Gas Markets in New South Wales

31 October 2013

REVIEW

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About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

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Executive Summary

This supplementary report builds on the Australian Energy Market Commission's (AEMC or Commission) Final Report for our review of competition in New South Wales (NSW) retail energy markets.

The AEMC found that competition is delivering discounts and other benefits to small consumers in the NSW retail electricity and natural gas markets and has recommended a package of measures to enhance consumer choice, including removing retail price regulation, improving information for consumers, maintaining consumer protections, and ongoing market monitoring.

This report addresses the second of the recommended measures: improving information for consumers. It provides advice about how to inform and empower consumers based on consumer market research. This is consistent with the request for advice for the review which requires the AEMC to advise on ways in which competition can be improved in the NSW retail energy markets.¹

While the competition review and the consumer research that underpins this blueprint have focussed on NSW, the challenge of providing consumers with the information they need to compare offers and choose an energy plan that suits them is shared by other jurisdictions. This report therefore has broader application.

Our recommendations in this report are based on research and consultation with consumer groups, retailers, small business representatives and representatives of community groups working with different segments of the community.

The research suggests that many small NSW consumers are not confident that they have the right information to choose an energy plan that suits their needs. Much of what consumers want exists, such as an independent government comparison website like *energymadeeasy*, but there are low levels of awareness of this information.

A public information campaign provided by government can inform consumers of their choices on energy plans. The survey results indicate that 75 to 80 per cent of energy consumers would be more likely to seek out a better energy deal if they knew:

- there is a free, independent source of information where offers can be compared;
- they could save money;
- it is quick and easy to choose their energy retailer or plan; and
- their consumer rights are protected and their supply will not change.

¹ Available on our website at www.aemc.gov.au.

We recommend a suite of initiatives be implemented, including:

- a media campaign that uses different channels to target specific consumer segments as well as the broader community;
- refinements to existing comparison tools, many of which are already being considered by the Australian Energy Regulator; and
- training services for community organisations to communicate the key campaign messages and assist consumers that they work with to use the comparison tools.

This is what we call our "consumer engagement blueprint".

A summary of our blueprint recommendations are included in the table below.

Recommendations to empower consumer choice: Giving consumers the information and support they need

Recommendations for a consumer engagement campaign		Campaign messages	Campaign implementation
<p><u>Provide information</u> on the available tools and consumer protections to support consumer choice</p> <p><i>Delivery: NSW Government</i></p>	<ul style="list-style-type: none"> Run a mass market media campaign across television, radio, newsprint and online advertising to convey campaign messages Distribute informative leaflets in multiple languages distributed to post offices, local councils, Centrelink, Members of Parliament offices and community based organisations for example 	<p>Three themes and overlapping messages for the focus of the campaign:</p> <ul style="list-style-type: none"> <u>Benefits and savings:</u> Savings can be made by shopping around <u>Simplicity and independence:</u> It is quick and easy to shop around and compare energy offers with a free independent government website and telephone service <u>Consumer protection:</u> There are laws protecting consumers when they switch to a new deal and changing retailer will have no impact on the supply of energy to their home <p><u>Campaign objective:</u> every NSW household and small business has access to the information, support and protection needed to get a better deal on energy</p>	<p>Phase I: Preparation:</p> <ul style="list-style-type: none"> Campaign scope approved Preparation of all material including leaflet Development of kit for community and peak groups including translations and a simple training module Briefing for retailers and key energy industry stakeholders <p>Phase II: Implementation:</p> <ul style="list-style-type: none"> Official media launch Key stakeholder briefings Advertising commences from launch date Leaflet distributed <p>Phase III: Evaluation:</p> <ul style="list-style-type: none"> Evaluation scoped Tracking survey Final report Assess need for ongoing evaluation
<p><u>Improve comparison tools</u> to make it easier to compare offers and help consumers make choices</p> <p><i>Delivery: Australian Energy Regulator</i></p>	<ul style="list-style-type: none"> Improve the <i>energymadeeasy</i> service to simplify the comparison process, broaden the service offered and support different segments of the community Improve energy price fact sheets to simplify and standardise the information provided to consumers about energy plans 		
<p><u>Give additional support</u> to those who need it</p> <p><i>Delivery: NSW Government with community organisations</i></p>	<ul style="list-style-type: none"> Develop information kits and provide training to community organisations to communicate the key campaign messages and use energy plan comparison tools 		

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1 Introduction

The Australian Energy Market Commission (AEMC or Commission) has reviewed the effectiveness of competition in the New South Wales (NSW) small consumer retail markets for electricity and natural gas. Small consumers include households as well as small and medium sized businesses.²

This is a supplementary report to our final report, released on 3 October 2013. It provides the NSW Government with advice about how to inform and empower consumers, based on consumer market research in NSW. This is consistent with the request for advice for the review which requires the AEMC to advise on ways in which competition can be improved in the NSW retail energy markets and strategies for removing price regulation.

While the competition review and the consumer research that underpins this blueprint have focused on NSW, the challenge of providing consumers with the information they need to compare offers and choose an energy plan that suits them is shared by other jurisdictions across Australia and internationally.

This report has been developed in collaboration with Newgate Research, Newgate Communications and Mandarin Media.

Newgate Communications³ and Mandarin Media⁴ are strategic communications firms that provide advice on public and corporate affairs, community engagement and issues management. Newgate Research is a social and market research firm that specialises in issues management, corporate, financial and sustainability research.⁵ A separate research report by Newgate Research that informed this supplementary report is published on our website.⁶

1.1 Background

The review of competition in NSW retail energy markets has found that competition is effective. Competition is delivering consumers benefits in a number of ways, including:

- ***consumers have a choice of retailer and product:*** There are a number of retailers that offer a range of products and services. New retailers can and are entering the market. Surveys conducted for this review show that over 85 per cent of

² For the purposes of this report, small consumers are defined as electricity users who use less than 160 Megawatt hours (MWh) per annum and gas users who consume less than Terajoule (TJ) per annum. The definition of a small electricity consumer for the purpose of retail price regulation has recently changed in NSW and is now defined as those consumers who use less than 100MWh per annum.

³ For more information on Newgate Communications see <http://www.newgatecomms.com/about/australia>.

⁴ For more information on Mandarin Media see <http://mandarinmedia.com.au/aboutUs.html>.

⁵ For more information about Newgate Research see www.newgateresearch.com.au.

⁶ See www.aemc.gov.au.

consumers are aware they can choose their energy retailer. Last year, 21 per cent of electricity and 14 per cent of gas consumers changed their retailers;

- *retailers are competing to offer better deals:* The regulated price is not the best price. Substantial discounts are available in the market right now depending on where consumers live, how much energy they use and how they prefer to manage their bills. Lower prices and other benefits, combined with increased advertising, are prompting consumers to shop around. As a result, new retailers are gaining significant market share from incumbent retailers; and
- *consumers are satisfied with the service they receive:* Our surveys have reported that consumers appear satisfied with the quality of service they receive; however, they are asking for clearer information especially in relation to prices, to help them compare offers. A minority of consumers have had negative experiences with their energy retailer.

Active participation of consumers in the market is vital to maintaining competitive pressure on retailers. While we have found that competition is effective we have recommended that more needs to be done to make it easier for consumers to participate in the market and benefit from competition.

Research undertaken for the review found that consumers who were surveyed consider that information currently provided by retailers is difficult to understand and use to compare offers and hence insufficient to make fully informed choices.

Technologies such as smart meters and similar services that enable consumers to control their energy consumption and time of use are likely to add even more complexity in the future. If consumers are to benefit from the competitive market, they require the information, tools and support to make effective choices for their own individual circumstances.

As a result, the Commission has developed a consumer engagement blueprint. This blueprint recommends strategies to overcome the barriers that prevent more participation in the NSW and other retail energy markets, and meet the needs of groups who have specific communication requirements. This should further enhance competition and will be particularly important if the NSW Government decides to remove price regulation.

1.2 Research approach

The recommendations made in this blueprint are based on comprehensive qualitative and quantitative consumer and stakeholder research conducted by Newgate Research and the AEMC.

1.2.1 Consumer research

The research focussed on what consumers need to feel confident when making choices about their energy supply. The research has included:

- a desktop review of relevant academic papers, market research reports, policy documents, communication strategies and associated materials used in similar campaigns both in Australia and internationally. A summary of this research is included in Appendix A;
- a qualitative focus group in Sydney⁷ and deliberative-style forums in Parramatta and Wagga Wagga.⁸ Participants were broadly representative of the community as a whole including a mix of men and women of different ages, life stages, socio-economic status, levels of education and cultural backgrounds plus small business managers and owners;
- a statewide 20 minute survey of 1,200 residential consumers who were the main or joint decision-maker for choosing their household's energy company. A mix of telephone and online surveys were used;
- an interview with representatives of the Australian Energy Regulator (AER) working on consumer-facing initiatives such as the *energymadeeasy* price comparator website and telephone service, and the AER's retail pricing information guideline; and
- in-depth interviews with 20 representatives of groups with potentially specific communication requirements including:
 - financial counsellors and community centre workers in culturally and linguistically diverse and low income communities;
 - organisations that work directly with people with a disability including NSW Council of Social Services, Physical Disability Australia, NSW Council for Intellectual Disability and the Brain Injury Association of NSW;
 - representatives from regional communities in western and northern NSW;
 - indigenous community representatives;
 - representatives from small business organisations such as the NSW Business Chamber and NSW Small Business Commissioner; and

⁷ The focus group was one table of 9 people.

⁸ Our deliberative style forums included 40 people in Parramatta and 16 in Wagga Wagga. Participants were split into tables with a facilitator to ask questions and guide discussion. Participants also had hand held devices to key in answers to specific questions at the beginning and end of the forum. The purposes of asking these questions was to gauge how their opinions and perceptions changed following the discussions at the tables and AEMC presentations.

- representatives from the aged care sector including Council on the Ageing and Combined Pensioners & Superannuants Association of NSW.

We also undertook a separate stream of analysis to identify broad demographic characteristics of those consumers that remain on regulated tariffs to ascertain whether specific engagement or support programs are required to encourage these consumers to move to a market offer. However, due to the confidential nature of the data underpinning this analysis, much of which was provided to the Commission by energy retailers, we are unable to publish these findings in full. For a summary, see section 3.4.

1.2.2 Stakeholder consultation

The development of both the research methodology and the recommendations contained in this blueprint has been informed by the experience and expertise of members of working groups convened by the AEMC. The working groups included representatives of consumer advocacy organisations, retailers and industry peak bodies.

The working groups included representatives from the following organisations (in alphabetical order): AGL; Australian Power & Gas; CHOICE; EnergyAustralia; Energy Retailers Association of Australia; Energy & Water Ombudsman NSW; Ethnic Communities Council of NSW; Lumo Energy; One Big Switch; Origin Energy; Public Interest Advocacy Centre; and St Vincent de Paul Society. Representatives of the NSW Government attended as observers.

The AEMC thanks participants for their input in developing this work.

Submissions made to the AEMC's draft report on the effectiveness of competition, from those and other stakeholders, have also informed the development of the recommendations contained in this report.⁹

1.3 Relevance of the blueprint

This report can provide a starting point for a NSW Government information campaign on improving consumer engagement in the energy market.

While the competition review and the consumer research that underpins this blueprint have focused on competition in NSW, the challenge of providing consumers with the information they need to compare offers and choose an energy plan that suits them is shared by other jurisdictions across Australia and internationally.

Extensive research, particularly in the United Kingdom (UK) and Europe, over the past five years has found that while market competition has great potential for consumers in terms of prices, choice, innovation and service quality, consumers require better information in order to find better deals. The European Union defines an empowered

⁹ Submissions are available on the AEMC's website.

consumer as a consumer with "real choices, accurate information, market transparency and the confidence that comes from effective protection and solid rights."¹⁰

Research conducted in Victoria by the Consumer Utilities Advocacy Centre found that consumers are not sufficiently engaged in the energy market due to limited capacity to understand and compare offers.¹¹ We note that the Essential Services Commission of Victoria has recently conducted research on consumer experience in the retail energy markets.¹²

Further, the Queensland Government has recently announced that it intends to remove retail price regulation in south east Queensland by 1 July 2015 subject to, among other things, "improving customer engagement in the market to allow consumers to reap the full benefits of increased competition and drive a more responsive sector."¹³

As such, the recommendations in this blueprint may have applications for jurisdictions beyond NSW.

The remainder of this report is structured as follows:

- Chapter 2 provides an overview of the objective of the consumer engagement blueprint;
- Chapter 3 includes the high level results from the consumer research undertaken as part of this review;
- Chapter 4 presents the recommended strategic approach for a consumer engagement campaign;
- Chapter 5 contains detailed discussion of the core campaign elements; and
- Chapter 6 discusses recommendations for the implementation of the campaign.

¹⁰ Commission of the European Communities, *EU Consumer Policy Strategy (2007-2013), Empowering Consumers, Enhancing Their Welfare, Effectively Protecting Them*, 13 March 2007, p. 5.

¹¹ Consumer Utilities Advocacy Centre (CUAC), *Improving Energy Market Competition Through Consumer Participation, A CUAC Research Report*, December 2011.

¹² Wallis, *Victorians' Experience of the Electricity Market*, August 2013.

¹³ Queensland Government, *The 30-year Electricity Strategy, Discussion Paper*, 11 September 2013, p. 9.

2 Objective

The objective of this blueprint is that:

“consumers are confident they have the right information and support to choose an energy plan that suits their needs.”

The objective acknowledges that all consumers are different both in the way they use energy and their preferences, and so there is no such thing as a universal "best plan". The benefit of a competitive market is the availability of different products to suit different needs. However, the availability of many choices requires consumers to be able to identify with confidence which products suit their needs.

Accordingly, the objective seeks to empower consumers by providing them with the right information and support they need to choose an energy plan that suits their needs. The right information and support does not mean more information, rather it means more transparent and accessible information, and the tools to compare offers on a like for like basis.

Providing information and support may not result in action by all consumers - some people may never change their energy plan or switch retailer. The objective seeks to empower consumers to make informed choices.

2.1 What is the problem we are seeking to address?

Surveys conducted for the AEMC¹⁴ found that while consumers have high awareness that they can choose their energy retailer, they are seeking more transparent information, particularly regarding prices. Although there is a lot of information available, it is not easy to understand and consumers have difficulty comparing offers from different retailers.

We commissioned research to further explore the types of information consumers need to make a choice about an energy plan that suits their needs. This research found that consumers would prefer an independent source of information. While independent comparator websites exist, there is very low awareness of them. Consumers also have a low level of trust of retailers, partly as a consequence of doorknockers that have been the subject of high consumer complaints. Chapter 3 describes the results of this research and more precisely defines the problem this consumer engagement blueprint is designed to address.

This research builds on an extensive body of research into consumer attitudes and

¹⁴ Roy Morgan, *Survey of Residential Customers of Electricity and Natural Gas in New South Wales: Effectiveness of Retail Competition*, 28 February 2013; Roy Morgan, *Survey of Small Business Customers of Electricity and Natural Gas in New South Wales: Effectiveness of Retail Competition*, 28 February 2013; Roy Morgan, *Retail Competition in the NSW Electricity and Gas Markets: Focus Groups with Residential and Small Business Customers*, 28 February 2013.

social norms toward energy use, which is summarised in Box 2.1 below. A more extensive summary of our desktop research is included in Appendix A.

Box 2.1: Summary of research findings on consumer attitudes and social norms toward energy use

- There has traditionally been a low level of consumer interest as electricity is not necessarily considered as a priority "product" to manage in the context of household or business expenditure.
- Consumers do not necessarily understand electricity pricing due to its complexity, which makes it difficult for them to choose a suitable plan.
- Consumers are likely to be more interested in learning about electricity at specific times. For example, in response to price increases, when signing up for electricity services or purchasing new appliances and household electronics.
- Consumers prefer pricing, products and services tailored to match priorities. Likewise, they prefer simple, relevant and consistent information that is targeted to their personal needs and situation.
- Consumers have different levels of confidence in the various parties delivering information (ie retailers, networks, government and others).

AEMC, *Power of Choice - Giving Consumers Options in the Way They Use Electricity, Directions Paper*, 23 March 2012, pp. 43-44

The evidence from Australian and international experience is that consumers need support to be empowered to make the best choices for them because:

- products and markets are becoming increasingly complex;
- an ageing population finds itself unfamiliar and challenged to keep pace with new products; and
- consumers receive increasing amounts of information that is difficult to process.

These issues are not unique to the energy sector. Research conducted by Ofcom,¹⁵ the UK National Consumers Council¹⁶ and others suggest that in the telecommunications sector, for example, there are a range of deterrents to switching, including cumbersome switching procedures, exit charges, confusing products and non-transparent pricing which can make it difficult or time consuming to compare deals.¹⁷

¹⁵ Ofcom, *Consumer Experience Research Annex 4, Consumer Decision-Making in the Telecoms Market, Report on Research Findings*, 16 November 2006.

¹⁶ UK National Consumers Council, *Switched On To Switching? –A Survey of Consumer Behaviour and Attitudes, 2000-2005*, April 2006

¹⁷ Organisation for Economic Co-operation and Development (OECD), *Enhancing Competition in Telecommunications: Protecting and Empowering Consumers (Ministerial Background Report)*, 2008

At the core of consumer empowerment is the idea that consumers should have the tools to secure the best outcomes for themselves. An empowered consumer should be confident, knowledgeable and feel protected. Therefore consumers tend to make optimal decisions by understanding their own preferences, the choices available to them and their rights, and the means of complaining and seeking redress if their rights are breached.¹⁸

Switching patterns provide an indicator of whether consumers are sufficiently empowered to actively make choices about their energy retailer. The UK Government states that while greater switching does not necessarily lead to a more competitive outcome, consumer inertia can make it difficult for new and innovative businesses to establish a foothold in the market – therefore reducing overall competitiveness and growth.¹⁹

The AEMC considers that more engaged and active consumers provide for a more competitive market. Switching is an indicator of active consumers, but switching rates cannot indicate whether consumers are making informed decisions and switching to plans that are likely to suit them. Only when switching rates are combined with other indicators can it provide a complete picture of the competitive state of the market.

Switching rates are high in NSW, as is consumer awareness that they can choose their retailer. However, the Roy Morgan survey results, as well as many consumer advocates, suggest that consumer confidence is low in energy markets. Consumers are interested in energy issues²⁰; however, there is mistrust of retailers and a lack of confidence to make informed decisions.

Therefore, the problem we are seeking to address is not necessarily a lack of information, as stakeholders referred to a large amount of information regarding energy plans and general energy issues.²¹ The problem we are seeking to address is a communications challenge: finding the right information and being able to compare offers on a like for like basis and having the confidence to make an informed decision.

2.2 How can the objective be met?

Achieving the stated objective requires communication that recognises and delivers on key consumer engagement principles including:

- providing information in a format that meets different consumer needs, from simple overviews to detailed information about different pricing options and terms and conditions;

¹⁸ UK Department for Business, Innovation and Skills and the UK Cabinet Office, *Better Choices: Better Deals, Consumers Powering Growth*, April 2011.

¹⁹ I.d., p. 12.

²⁰ Newgate Research, *NSW Consumer and Stakeholder Research Report*, 20 September 2013, p. 2.

²¹ See for example, ERM Power Limited, Draft report submission, 5 July 2013, p. 3; AGL, Issues paper submission, 13 February 2013, p.10.

- building long-term trust among consumers that they are able to access information that is free, relevant, up-to-date and unbiased; and
- providing information at a time that is relevant to consumers.

Chapter 4 describes in greater detail the strategic approach developed using the results of the consumer research. Chapter 5 sets out the detail for the recommended plans for each element of the blueprint.

2.3 How can achievement of the objective be measured?

It will be important to track the success of the recommended campaign to test whether it has been effective in achieving the objective.

We recommend doing this by conducting consumer research to follow up the research undertaken to develop this consumer engagement blueprint. There are a number of questions in the accompanying research report that could be used as a baseline to track against future surveys to test whether this objective has been met.

Chapter 6 provides details on the follow-up research that we recommend be conducted to assess the success of the blueprint that we recommend be undertaken.

3 Research findings

This Chapter sets out the high level results of the consumer research conducted for the development of this blueprint. It underpins the recommendations contained in the following Chapters.

3.1 Existing consumer knowledge and perceptions

This section sets out the research findings with respect to the existing level of consumer knowledge and perceptions regarding:

- awareness of consumer choice with respect to choosing a retailer and energy plan, and various features of energy plans;
- perceptions of energy companies in terms of value of money and trustworthiness; and
- information sources consumers use to make decisions regarding their energy plans.

3.1.1 Awareness of consumer choice

Newgate Research found that consumers are aware that they can choose their energy retailer. Ninety-five per cent of respondents are aware they can choose their energy company and 83 per cent are aware that each energy company offers a range of different types of energy plans, each with different price structures, contract lengths and terms and conditions. This is consistent with the findings in the Roy Morgan survey.²²

However, the qualitative findings suggest that most consumers have low levels of knowledge about how they are billed for their energy usage and the type of plan they are on. The findings also suggest that consumers are confused about what their energy plan options are and how to get credible information about them. This was reinforced by mixed levels of confidence that they understand the various options and offers available to them, with an average rating of 5.9 out of 10.²³

While there is strong concern about rising energy bills and high levels of interest in energy issues, most consumers respond by reducing their consumption rather than switching suppliers or changing plans.

²² Roy Morgan, *Survey of Residential Customers of Electricity and Natural Gas in New South Wales: Effectiveness of Retail Competition*, 28 February 2013, p. 9; Roy Morgan, *Survey of Small Business Customers of Electricity and Natural Gas in New South Wales: Effectiveness of Retail Competition*, 28 February 2013; p. 9.

²³ Participants were asked to rate on a scale of 1 to 10, with 10 being very confident and 0 being not confident.

Awareness of the ability to switch has been largely driven by retailer marketing, especially door-knocking campaigns which, paradoxically, are also a source of widespread complaint.

Among those who had switched plans, knowledge of their plan was framed in terms of the discount they received, but very few are clear on what component or price the discount actually applies to.

3.1.2 Perceptions of energy companies

Despite little interaction with their energy company, most consumers are generally satisfied with the level of service they receive, rating electricity companies at 7.4 out of 10 and gas companies at 7.1 out of 10, where 0 means very poor service, 5 is fair and 10 is excellent.

Ratings by value for money were lower at 6.1 for electricity companies and 6.4 for gas companies.

Energy company marketing is the primary source of consumer information about switching, and has traditionally been the most effective trigger for encouraging consumers to look into the choices available to them.

Many consumers, however, do not trust the information retailers provide. They dislike being constantly approached by energy company telemarketers and door-to-door salespeople, with some saying they use inappropriate high-pressure tactics with vulnerable groups such as older people, people with a disability and those with non-English speaking backgrounds. This situation is underpinned by low energy-plan literacy and lack of knowledge about how consumers can check the information they are given and compare it with offers from other companies.

3.1.3 Information sources

Activity by energy retailers is currently the main trigger to consider switching energy plans and, combined with online searching, is the primary source of information consumers use to investigate which energy company or plan to choose.

Direct-marketing activities such as door-knocking and telemarketing are the most prevalent, with consumers undertaking internet research and/or telephoning their retailers for more information in response to a direct approach, word-of-mouth advice or bill shock.

Commercial switching sites are not widely used. There is a low level of awareness of the AER's price comparison website, which only commenced operation in NSW on 1 July 2013.

3.2 Drivers and barriers to changing plans

This section sets out the research findings with respect to the drivers and barriers to engagement that consumers experience, where:

- drivers are the motivations and reasons for a consumer's decision to change energy retailer or plan, or to stay with their existing arrangements; and
- barriers are the reasons that may prevent consumers from thinking actively about their energy plans or changing their arrangements.

3.2.1 Drivers

Saving money is by far the main driver for residential and small business consumers to investigate alternative energy plans, with 80 per cent of those who had switched energy company or plan in the last two years citing this as the main reason. The amount of money needed to make it worthwhile to switch was not specifically explored, but unsurprisingly small businesses and those on higher incomes indicated they would need to know they may save a significant amount of money to warrant the effort involved.

Further, research undertaken for this blueprint suggests 76 per cent of residential consumers would switch retailer or plan if they knew they could save money.

The research suggests that in order to consider investigating alternative energy plans, consumers need to know:

- they have a choice of energy companies and plans;
- they may save by changing plan;
- they can access an independent comparison website; and
- their consumer rights are protected and maintained if they change their plan to a market offer.

Having their latest energy bill to hand to get data for comparison purposes was also seen as an important factor in their ability to do a proper investigation, with some saying that ideally they would like a copy of their consumption and spending over the last year. Switching to a plan offering green energy is a driver for some, mainly younger, consumers.

3.2.2 Barriers

The research shows there is widespread inertia and disengagement when it comes to investigating energy plans. This inertia and disengagement is largely the result of no perceived incentive to investigate alternatives as consumers are generally satisfied with

the service they receive from their energy retailers and generally do not think it is possible to make significant savings. This situation is compounded by:

- low levels of literacy about energy plans - most consumers do not have sufficient knowledge about the energy plan they are currently on to be able to assess the relative benefits of another;
- a lack of trust in the information provided by retailers through a sales approach that participants inherently dislike;
- the complexity of the different options available which saps their motivation;
- a lack of knowledge about where they can go to seek easy-to-understand and independent comparative information; and
- a lack of knowledge about their consumer rights and that their supply will not be affected if they change their retailer.

These barriers are summarised in the table below.

Table 3.1 Barriers to participation

Barriers	What participants say
No compelling reason to investigate options with a view to switching	<ul style="list-style-type: none"> • I am happy with my existing energy company/service/price • It's not possible to make significant savings • Energy companies are all the same/it would make no difference to price • I would prefer to save money by reducing my energy consumption than switching company or plan/cost savings will only come through behaviour change • The new company would eventually lift prices anyway • Hidden fees and charges would probably negate any savings made • My bill is too low to bother • I have a long-standing relationship with my energy company so they will look after me
Lack of electricity plan literacy	<ul style="list-style-type: none"> • I don't really know what plan I am on at the moment/ I don't have my bill information readily to hand • I didn't know you could change energy company or plan • There are only a small number of energy companies to choose from/the smaller ones are not reliable • I can't switch as I'm locked into a contract

Barriers	What participants say
Mistrust of what energy companies say	<ul style="list-style-type: none"> • I don't trust what the energy companies say about how prices compare • I feel pressured by energy sales people trying to offer me a deal • Hidden fees and charges would probably negate any savings made/ the new company would eventually lift prices anyway • I would not trust a smaller energy company
The options are too complex	<ul style="list-style-type: none"> • It's too complicated to try and compare the various deals and options available
Need for independent credible source of information	<ul style="list-style-type: none"> • I wouldn't know where to get credible information about other energy deals • It is too confusing/too much hassle/will take too much time and effort
Disengagement	<ul style="list-style-type: none"> • Despite knowing I could save money, I can't be bothered looking into switching
Consumer rights	<ul style="list-style-type: none"> • I need reassurance about my consumer rights
Other	<ul style="list-style-type: none"> • The process of switching itself may be time consuming • I don't want to get locked into a two year contract (small businesses) • I don't know if I can switch if I'm in an office building/complex (small businesses)

While the quantitative research showed that barriers to participation are felt across all demographic segments, the qualitative research suggested that barriers are even more pronounced among elderly people and those with low education levels, limited English or those who have disabilities. Many in these groups lack the confidence to tell retail salespeople to go away and give them time to consider their options.

Awareness of the consumer rights and protections available for small energy users is low. Small to medium sized businesses are relatively disengaged with energy issues, seeing them as a rising cost of business about which they can do little due to the energy demands of their different enterprises.

An additional barrier for many small and medium business operators is fixed-term contracts, which are seen as risky in the current business environment and potentially limiting their flexibility to relocate if required. This perceived barrier may be linked to low energy plan literacy regarding the consequences of fixed term contracts.

3.3 Triggers to investigate new plans

Triggers are the events that capture consumers' attention and affect the decision-making process.

Considering a different energy plan or retailer is not top of mind for energy consumers. The first response from many consumers when receiving a higher-than-expected energy bill is to reduce consumption. As prices have risen over the past five years and consumers have modified their behaviour in response, they may not have seen a comparable fall in bills.²⁴ This has the effect of increasing cynicism and inertia about taking further actions to save money.

A proactive approach by an energy company with details about the savings that may be made by switching is by far the main trigger for consumers to consider switching. These offers from energy companies are typically framed as a percentage discount off the amount a consumer is currently paying, with many offers including discounts for paying on time and automatic direct debit. Some retailers offer to cover the costs of any exit fees or penalties associated with breaking their existing contract.

In response to these approaches, some consumers will switch on the spot to the company who made the approach, while others telephone their existing company to see if they can match that deal.

Amongst the smaller proportion who went online to proactively search for an offer, most searched directly for the websites of energy companies they knew and a few googled 'comparison websites' and looked at commercial sites.

A word-of-mouth recommendation from a friend, family member or work colleague who has found a better deal is also a powerful trigger to motivate consumers to investigate their options. Bill shock (when a consumer receives one or more of higher-than-expected bills) can also prompt action, though as noted above the first response to higher bills is generally to change energy consumption behaviour rather than to investigate alternative plans.

Other, lower level triggers include:

- moving house or business premises;
- dissatisfaction with the service provided from the current retailer; and
- broad cost review programs among small and medium businesses.

3.4 Segmentation

Segmentation is a process of matching up the demographic data participants entered in the survey with their frequency of particular responses. This can be used to identify whether particular sections of the community are more likely to respond to questions in a particular way. For example, whether young people were more likely to trust the information provided by retailers or whether elderly people were more likely to be satisfied with their existing energy retailer.

²⁴ If prices rise faster than the amount a consumer can reduce its consumption, the total bill will increase.

There were few significant differences in the quantitative results, such as by age, gender, level of education and metro/regional location. This suggests attitudes and opinions are fairly widespread across the community and are not driven by demographics. This means that the messages for a campaign will not need to differ according to different community segments. However, there are benefits in providing different channels through which messages are communicated for different segments of the community. This is discussed in Chapter 5.

Using data from the quantitative survey, Newgate Research conducted a segmentation analysis to further understand the different confidence levels and switching behaviours amongst consumers and to determine how each segment may be targeted and influenced. A summary of this segmentation analysis is included in Appendix B. Further, qualitative research suggested there are community segments with particular communication needs and offered suggestions for addressing them. A summary of these findings is at Appendix C.

In a separate study, the AEMC undertook quantitative research into the state-wide prevalence of consumers on regulated prices and correlated these findings with important socio-economic and demographic indicators. This analysis was conducted in order to understand more about the approximately 40 per cent of electricity consumers and 30 per cent of gas consumers who remain on regulated prices (who have not changed to a market price).²⁵

Due to the confidential nature of the data underpinning this analysis, much of which was provided to the Commission by energy retailers, we are unable to publish these findings in full.

However, we are able to provide an overview of some important characteristics of consumers who remain on regulated tariffs. Key findings from this analysis include:

- consumers in areas outside of Sydney, the South Coast, Blue Mountains and Hunter Valley²⁶ are more likely to be on a regulated tariff than consumers in these areas ;
- locations in Sydney, the South Coast, Blue Mountains and Hunter Valley areas correlated with a greater proportion of consumer groups on regulated tariffs are associated with greater economic advantage, an older population, higher levels of education, and smaller households; and
- in contrast, other regional NSW locations²⁷ correlated with a greater proportion of consumer groups on regulated tariffs are associated with greater economic disadvantage, lower levels of education, and lower levels of mortgages or rents.

²⁵ A regulated price is a price set by the state's pricing regulator that certain retailers must offer to small consumers in NSW. A market price is a price agreed between a retailer and a customer for the supply of energy.

²⁶ These areas correspond to the Ausgrid and Endeavour Energy distribution network areas.

²⁷ These areas correspond to the Essential Energy distribution network area.

3.5 Conclusions on research findings

The research suggests that many NSW residential and small business consumers are not confident that they have the right information to choose an energy plan that suits their needs and that those who say they are confident may in fact have fairly low levels of knowledge.

In general, while most consumers are aware they can choose their own retailer and/or plan, they have limited knowledge about how they are charged for the energy they use and what options would best suit their needs.

In most cases, consumers who change their retailer do so as a result of a direct approach from a retailer. In the majority of cases this happens without any detailed assessment of whether they are switching to the right plan for their individual circumstances, and with only a minimal reference to the other offers which may be available.

Overall, the research findings illustrate that:

- there is confusion and a low level of awareness about the options available and where to find credible comparison information;
- many consumers are not aware they may save money by changing plan;
- there is a low level of awareness of consumer rights and protections including that supply to the home will not be affected if they change retailer;
- there is a mistrust of retailers and the prices they offer; and
- retailers market offers are complex and difficult to compare using the information that is currently available.

The research findings also strongly suggest that consumers who are not currently motivated to switch could be encouraged to proactively consider their energy plan if:

- they knew more about the potential price savings;
- had easier access to information; and
- knew their consumer rights and protections.

The next Chapter discusses the overall strategic approach recommended to address these research findings.

4 Key messages for the blueprint

The research findings described in the previous Chapter indicate that while consumers are reasonably active in the market, there is a need to promote consumer confidence by providing the right information, support and tools to aid more informed decision-making.

This blueprint details the necessary steps to reach as wide a group of NSW residential and small business customers as possible. The blueprint includes additional initiatives to meet the needs of particular community segments, while also acknowledging that some consumers will remain disengaged.

Broadly, the recommended approach is to:

- provide information on the available tools and consumer protections to support consumer choice;
- improve the existing comparison tools to simplify access to the information needed to make informed choices; and
- give additional support to those that need it to utilise the available tools.

The impact of this consumer engagement campaign relies on effectively communicating the benefits consumers may gain from considering their energy options, while providing them with the information they need to overcome the current barriers.

With limited consumer understanding of the way they are charged for energy consumption, potential savings need to be communicated simply to gain consumer attention, with information layered into varying levels of detail once they are committed to finding out more.

4.1 Key message development

Participants in the qualitative research suggested that consumers needed to feel empowered and that it is worth their time to shop around and find a deal that suits their needs.

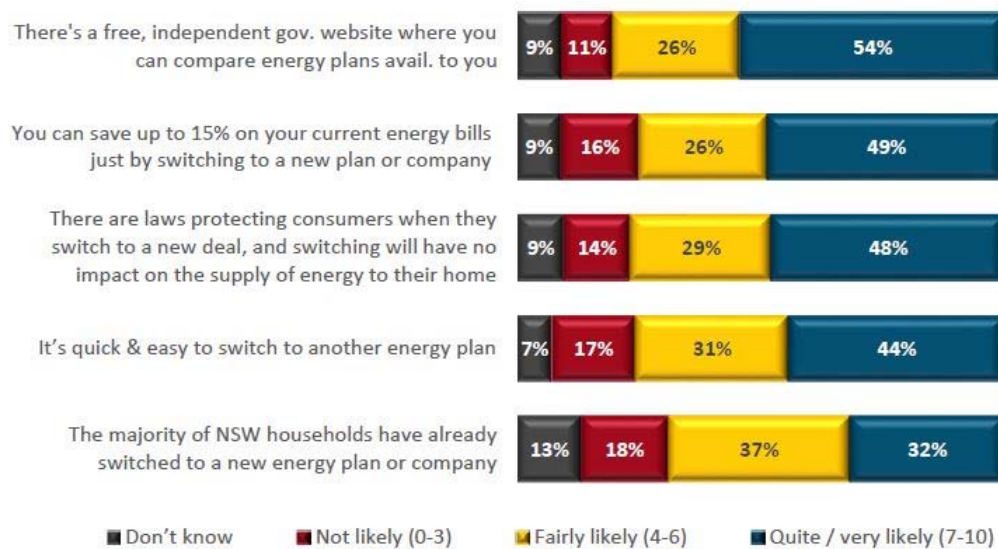
They suggested that consumers needed to be made aware that they could choose from a range of different retailers and plans, and that it was relatively easy to compare plans. These views were consistent with the identified drivers and barriers to participation in energy markets.

These concepts were subsequently developed into key messages for testing in quantitative research to identify which messages are more likely to prompt consumers to consider their energy choices. The results indicated that between 75 and 80 per cent of consumers would be more likely to seek out a better energy deal if they knew:

- there is “a free, independent source of information where offers can be compared”;
- they may save money;
- their consumer rights are protected and their supply will not change; and
- it is quick and easy to choose a new plan.

The picture below illustrates these results. It shows the proportion of respondents that said they would be more likely to seek out a better energy deal after hearing each of the statements.

Figure 4.1 Quantitative research results: key messages

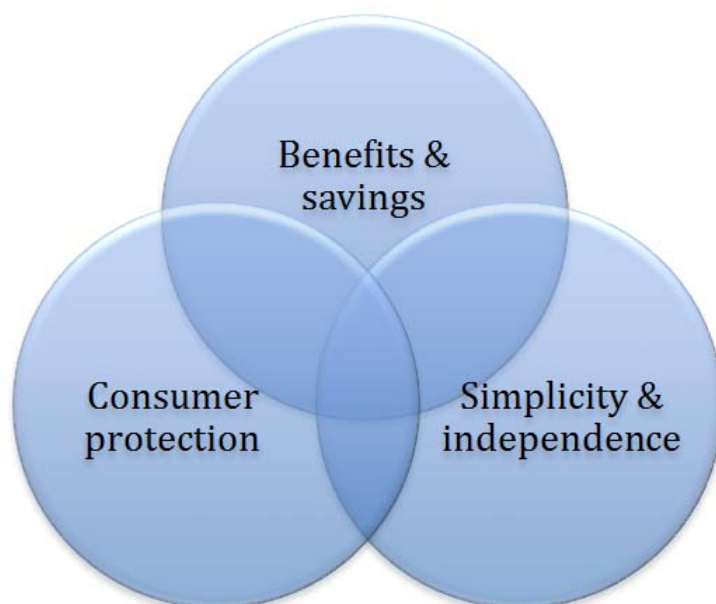


Base: All respondents (n=1,203); Q28. I will now read out a series of statements. For each one please tell me how likely it would be to make you seek out a better energy deal after hearing this information. Please use a scale of 0 to 10 where 0 means not at all, 5 fairly and 10 is extremely likely.

4.2 Key themes

Research undertaken in preparing this blueprint suggests that consumer engagement activity needs to focus on three key overlapping themes or messages. This is illustrated in the figure below.

Figure 4.2 **Key themes for campaign**



We recommend these themes be developed into messages appropriate for the different communication channels proposed in this blueprint, and tested with target audiences. Suggested messages that would require further testing before use in any campaign are set out below.

Overarching message

- Every NSW household and small business has access to the information, support and protection needed to obtain a deal on energy that suits them.

Benefits & savings

- You may be able to cut the cost of energy just by changing to an energy offer that's right for you:
 - You may save up to [x] per cent of your current energy bills just by changing to a new plan or company;
 - Now is the time to take control of your energy bills;
 - People/businesses just like you are switching and saving money;
 - The majority of NSW households have already switched to a new energy plan or company.

Simplicity & independence

- It is quick and easy to shop around and compare energy offers available to you with a free independent government website:
 - The power is in your hands;
 - There is an independent source of information you can trust;
 - It's quick and easy to choose an energy deal;
 - You can take control of your energy bills;
 - Step-by-step help is available to find a deal for you.

Consumer protection

- Your consumer rights are protected, whatever energy plan you're on:
 - There are laws protecting consumers when they change to a new deal and changing will have no impact on the supply of energy to their home.

The campaign would be most effective if all consumers are receiving consistent messages.

While particular groups in the community such as elderly people or people with disabilities have specific communication needs, and in some cases face more barriers than the general community, the communication themes to empower them to engage in the market are the same. The key requirement in meeting the information needs of these segments is in ensuring that the information reaches them in a way that they can act upon it (see section 5.3 below).

The next Chapter details the campaign elements recommended to deliver the key messages.

5 Campaign elements

This blueprint recommends three distinct but interrelated streams of work – provide information, improve comparison tools and give additional support – to give consumers the confidence they need to engage in the market on their own terms. These are illustrated in the figure below.

Figure 5.1 Campaign elements



Although the elements are distinct, it is important to recognise the linkages and interdependencies between the work streams.

It is critical that the campaign go beyond simply engaging consumers to ensure that once they are aware of the potential benefits of considering their energy options and motivated to investigate their options, they are directed to sources of information that are independent and easy to use, and that they are able to participate in the market confident that their rights are protected.

It is also critical that the information being provided is from an independent source such as the government or independent energy regulator to ensure the legitimacy of the campaign. Currently, consumers rely on retailers as the major source of information about changing plans but do not trust that information as being impartial. The research undertaken for this blueprint indicated high levels of distrust in the information provided by retailers, possibly reducing their confidence in the benefits of changing their retailer or plan.

Discussions suggested that word-of-mouth will be very important in this campaign. Many said they are likely to relay the messages around the potential savings and comparison tools to family and friends and also that they would be likely to take action based on the advice of family and friends without further investigation.

Recognising that several groups of consumers have different and/or additional communication needs to others, this overarching approach includes specific actions under each work stream to address the needs of these groups, particularly around the channels of delivery and the form of information access.

This blueprint focuses on building awareness and literacy around competitive market offers. While the implementation of the blueprint will increase consumer awareness of

the market offers available and will therefore require consumers to understand their energy usage and time-of-use pricing to some extent, it should be regarded as a first step in raising energy literacy and should be complimented with other programs should smart metres or other new technology be rolled out on a large scale in NSW.

5.1 Provide information

This information campaign would include several elements.

The research undertaken for this blueprint shows that while over 60 per cent of consumers have moved onto a market offer, the majority do so on the basis of an approach by a retailer rather than because they are motivated to investigate a deal for themselves. They are not proactively seeking out a different deal because they are not being given a compelling reason to do so.

This situation suggests a public information campaign is essential to motivate consumers to begin to consider investigating their energy plan and the alternatives on offer. Moreover, a public information campaign would be timely as there are low levels of awareness about both the potential savings available and the free, independent website to compare offers, yet at the same time consumers exhibit high levels of interest in energy issues and concern about energy prices.

A campaign would capture consumer attention and direct them to the independent price comparison service offered by the AER: the *energymadeeasy* website, and telephone hotline.²⁸ The campaign would communicate all the key messages to consumers, focusing on the potential savings available by choosing an energy plan that meets their needs, that it is simple and easy to do so, and that their consumer rights are protected if they do so.

The recommendations in this section contain a number of strategies to raise awareness across different communities in NSW. Ideally, all the recommendations in this report will be implemented, and implemented together. In recognition of budget constraints, we have prioritised the recommendations.

As indicated by the quantitative research results, there are very few demographic differences in participants' responses. This suggests that a broadly targeted campaign should be effective in delivering messages to the community at large.

Efforts to reach smaller segments of the community will have additional budget impacts. However, as indicated by qualitative research, there are certain segments of the community who may respond better to the messages using different channels of delivery. Accordingly, we have split the recommendations into primary and secondary marketing channels, so as to indicate the essential features of the strategy.

Specific elements recommended to convey the consumer protection messages are discussed following the delivery recommendations.

²⁸ A hotline is also referred to as a freecall or toll free phone number or simply "1800" number.

5.1.1 Primary recommendations for a mass market campaign

Mass media campaign

A mass media advertising campaign would be developed to capture the attention of residential and small business consumers across the state and direct them to the independent *energymadeeasy* website or 1800 number that allows them to compare 'apples with apples'.

Short and simple advertisements are recommended as their purpose is to act as a quick, factual prompt to seek more information through websites and other sources. We recommend that the advertisements convey a simple and direct message that consumers may save money on their electricity bills by using tools at their disposal. A short television advertisement, supported by radio, print and online can be used.

If budget allows the campaign could include outdoor advertising on public transport and billboards.

These advertising recommendations are most likely to reach the widest audience based on the research findings. This includes not only average consumers and small businesses but also regional NSW consumers and many of the groups that are hardest to reach such as the elderly and people with disabilities.

Several tactics are recommended that could achieve significant impact at low cost:

- running advertisements over several months with less frequency; and
- focusing on lower-cost regional television.

This campaign would complement rather than duplicate the advertising campaigns already in-market from several retailers. It is likely to generate piggyback advertising from retailers in the same timeframe as consumer awareness heightens. The key difference between the retailer campaigns and the proposed campaign is that this would be government-funded and independent, with a simple message directing consumers to the AER's *energymadeeasy* website. This is critically important in terms of overcoming the barriers of both trust and complexity.

We do not recommend that a specific campaign with different messages be developed to target consumers who remain on a regulated price. This is because the research indicates that even among many of those who are on a market price, there remains limited awareness about the information and options available. Therefore the messages that we propose be conveyed are relevant to both those on a regulated and market price.

However we do propose to address the communication needs of some particular segments of the community such as the elderly and people with disabilities by providing additional support to these groups. Therefore, to the extent that people on

regulated tariffs are in these segments of the community their communication needs will be specifically addressed (see sections 5.1.2 and 5.3).

Leaflet distribution

To complement the mass media advertising campaign, we recommend a simple and factual information leaflet be produced. We recommend the same style as the rest of the campaign be utilised and it also be produced in a number of common non-English languages. We recommend the leaflet be made available at places consumers usually go, including:

- post offices;
- local councils;
- Centrelink;
- energy Ombudsman;
- Members for Parliament offices;
- housing assistance offices; and
- at a range of community based organisations that cater to different segments of the community, including migrant resource centres and seniors centres.

The leaflet could also be included in information packs consumers may receive when they are likely to be considering their energy supply, such as in real estate agent moving packs, in university orientation materials and in information packs provided to new arrivals to Australia.

To be effective, the leaflet needs to be brief and encourage people to act. It should contain the same simple key messages as the advertising campaign, pointing consumers to the *energymadeeasy* website and the 1800 number for more information.

While the preparation of one leaflet in both English and priority languages is recommended as a minimum, further tailoring for different life stages and situations could also be considered as part of a more tailored media campaign (discussed below).

5.1.2 Secondary recommendations for a tailored market campaign

As described above, these recommendations are complementary to those above and are designed to work together. We recommend that the key messages are the same and only the communication channel changes.

In addition to a mass media campaign, a more tailored approach is recommended for groups with specific information needs. These include, for example:

- advertising campaign in non-English languages for culturally and linguistically diverse communities through appropriate print and radio channels. This includes advertisements and media releases, and spokespeople available for interview in other languages. The content should focus on relevant case studies and direct consumers to a multi-lingual telephone service, and/or community-based assistance. The research suggests that some of these communities will be able to navigate the *energymadeeasy* website after getting information about it in their language; and
- tailored advertising targeting young people leaving home as this segment has low levels of interest and knowledge but high propensity to switch. This may include the use of online advertising and social media including short video ads on YouTube and outdoor advertising on buses to appeal to young people.

More tailored advertising should also be considered for the other consumer segments set out in appendix C to the extent that additional marketing to the mass media campaign be seen to be required for these consumers.

The research undertaken to inform this blueprint suggests that while many segments of the community have specific needs, small and medium business owners and operators are especially hard to engage for a number of reasons. These include:

- higher costs of the time involved in considering their plan and investigating their options - time that could otherwise be spent in their business on other matters;
- perceived and/or actual reduced ability to control energy consumption (seen as the first line in reducing energy bills); and
- reluctance to enter into long-term contracts due to uncertain trading conditions.

Small businesses are poorly represented in industry associations and do not generally attend seminars or workshops in large numbers. Moreover, a significant proportion of small businesses is migrant-owned and operated, meaning language can be an additional barrier to securing information about their options.

As such, this blueprint recommends that providing awareness amongst small businesses about their options in relation to energy retailers is undertaken under the umbrella of the overall campaign, with tailored advertising as described above.

5.1.3 Promote consumer protections

High levels of interest in energy prices suggests that consumers would be interested in investigating their energy plan options if they were aware of the potential benefits and had easy access to free and independent information. However, this interest is tempered by high levels of distrust of energy retailers, undermining the ability of consumers to engage with confidence.

While many consumer protections exist, most consumers are either unaware of their rights or feel that their rights are not being adequately enforced. In the quantitative study 77 per cent of respondents said they would be more likely to seek out a better energy deal after hearing that "there are laws protecting consumers when they switch to a new deal and switching will have no impact on the supply of energy to their home", with 49 per cent quite or very likely to seek out a better deal as opposed to fairly likely.

A key part of this blueprint is therefore greater promotion of consumer protections as the foundation for enhancing consumer choice. We recommend the promotion of consumer protections as part of the information aspect of the blueprint. This goes hand in hand with the promotion of the AER's *energymadeeasy* website, as it currently has a dedicated section on consumer protections with information on complaints, dealing with salespeople, consumer rights and obligations and hardship.²⁹

With lack of trust in the information provided by retailers, ensuring that existing consumer protections are widely known and adequately enforced will be critical to enabling consumers to participate in the energy markets with confidence.

While many consumers and representative peak bodies participating in the research felt more consumer protection was required, many of the protections they sought are already in place. It therefore appears that there is a lack of awareness regarding these consumer protections or there is a perceived lack of enforcement.

We understand that the Australian Competition and Consumer Commission (ACCC) has a number of initiatives underway in the energy sector regarding consumer protection. The key relevant initiatives are summarised in Box 5.1 below.

Specific initiatives that we recommend include:

- greater promotion of cooling off periods³⁰ as part of the information activities recommended above;
- de-coupling of consumer perceptions that the regulated price is linked to consumer protection. Many consumers believe that the regulated price gives them greater consumer protections than a market price, and that it is the cheapest price. This can be achieved through the mass media campaign with consumer protection key messages, but also by providing consistent messaging and materials to community groups;
- better communication to consumers about their rights in relation to doorknockers and tele-marketers, and greater promotion of enforcement activities. The issue of high-pressure tactics used by doorknockers is a cause of distrust for many consumers. There is only low-level awareness that the large energy companies

²⁹ See <http://www.energymadeeasy.gov.au/consumer-rights-and-support>

³⁰ The grace period available after signing an agreement whereby a party can terminate the agreement without penalty.

have stopped the practice, and mixed views about the effectiveness of do-not-knock stickers; and

- greater promotion of other consumer rights including mandatory retailer hardship schemes and government rebates, and mechanisms for complaints. While much of this information exists, it needs to be brought together and included in both awareness raising and information access elements of this campaign to inform consumers.

Box 5.1: ACCC activity in the energy sector

Enforcement

The ACCC has recently launched a number of campaigns targeted at the energy sector in the following areas:

- **Door knocking:** The ACCC just commenced its fifth enforcement proceedings for doorknocking against Origin, which follows the recent proceedings against Australian Power & Gas. It has previously brought actions against AGL, EnergyAustralia and Neighbourhood Energy. AGL and Neighbourhood Energy paid total penalties of over \$2.5 million. The proceedings against Origin and Australian Power & Gas allege that the companies made false and misleading representations and breached the unsolicited consumer agreement provisions of the Australian Consumer Law;
- **Discounts off what?:** The ACCC has recently commenced a campaign targeting misleading discount claims. The ACCC recently wrote to all electricity retailers putting them on notice about their concerns;
- **Comparison websites:** The ACCC has raised concerns with a number of commercial comparison website operators about potential misleading conduct. EnergyWatch was ordered to pay \$1.95 million in penalties for misleading advertising in 2012; and
- **Telemarketing:** The ACCC recently issued infringement notices to Red Energy for alleged misrepresentations by a telemarketer. Red Energy paid infringement notices totalling \$26,400.

Education

The ACCC's main education focus in relation to energy has been on doorknocking. The ACCC has produced several videos that are on its website and Youtube channel as part of its "thanks, but no thanks" campaign on door-to-door sales, which covers a number of industries, not just energy. It has also produced door to door sales guides, brochures and "do not knock" stickers for consumers. The ACCC also produced a door to door sales YouTube video for Indigenous consumers.

5.2 Improve comparison tools

Activities to provide information are designed to motivate consumers to consider their energy plan options. Once they are motivated, it is critical that they are provided with the information they need, in a format they can understand, and at the time they need it.

One of the key barriers to consumers participating with confidence in energy markets both in NSW and elsewhere is the complexity of the different offers and plans available, and the difficulty in finding independent, credible information to compare those offers.

For some consumers, they simply want to know how much money they can save; others want to understand the detail of each offer to make a fully informed decision about the pros and cons of each. Understanding of energy markets and pricing overall is very low, despite high levels of interest in energy prices, and there is very low awareness of comparator sites.

Below are our recommendations.

5.2.1 *Energymadeeasy* website

A free independent website that enables consumers to compare the offers available to them is the central requirement for effective community engagement in NSW retail energy markets. It is the core tool consumers would use to make a quick decision on which energy plan best suits their needs.

Such a website already exists in the form of the Australian Energy Regulator's *energymadeeasy* website. The website was launched in NSW during the research phase of this blueprint, replacing the independent comparator website *myenergyoffers* operated by NSW regulator (the Independent Pricing and Regulatory Tribunal) until June 2013. Retailers are required to upload specific information in relation to each plan that is generally available.

While there was very low awareness of either site, qualitative research suggested that consumers were very pleased to find out that the service was available, were generally satisfied with what it offered but were challenged and deterred by its complexity.

While it is understood that the AER is already planning future enhancements to the site (see Box 5.2 below), the following changes and/or improvements are recommended in order to enhance the information consumers require to participate with confidence in the market:

- reduce the number of offers initially displayed through more tailored searches, with options to select plans best suited to the needs of their particular household, not just their postcode;

- display high-level summaries of the cost with options for more detail, rather than providing the detail after the first search. The overall cost (with and without discounts) is the key information consumers are seeking, followed by contract length and any fee for early termination. The price per kWh is of less interest to the majority of consumers who are unaware of their consumption;
- provide more options for estimating household energy usage where a consumer does not have their latest bill to hand eg, do they have certain appliances in their household (such as a pool or second fridge);
- improve and simplify the design to make it easier to read (many participants found that the site looked complex); and
- consider providing guidance on how to use the website, including 60-90 second how-to videos and/or live webchat.

Box 5.2: AER proposed improvements to *energymadeeasy* website

The AER is redeveloping *energymadeeasy* in the 2013-14 financial year. The AER has used a range of methods to identify possible enhancements to the website, in particular external usability testing, and engagement with website users and key stakeholders.

In September 2012, an external consultant was engaged to conduct usability testing. Broadly, the objectives of the research were to evaluate the experiences of users and to elicit possible improvements to the website. The testing involved a combination of focus groups, one-on-one interviews and moderated usability testing with residential and small business customers, and energy retailers.

In September 2013, the AER facilitated consultation forums with key stakeholders to seek feedback on suggestions for improving the website's useability and usefulness to consumers. Key suggestions included:

- refining and simplifying the offer comparison results page, and the information users enter to derive an offer comparison;
- further tailoring the price comparator results to the customer;
- adding functionality to compare complex time-of-use offers, and provide an interactive bill benchmarking tool;
- developing additional tools and calculators; and
- providing more information to empower and assist particular groups of customers, including small businesses, customers with solar panels, and customers with low literacy levels.

The AER is currently considering this stakeholder feedback to determine which enhancements deliver the greatest benefits and are achievable within the

redevelopment budget. A website developer is being procured to undertake the necessary technical work to deliver these changes. The AER expects to launch the redeveloped website in July 2014.

5.2.2 *Energymadeeasy* telephone service

The option of a telephone service (hotline) as an alternative to the website is important for segments of the community without internet access (or uncomfortable using the internet), those who prefer to speak with a person, people with low English proficiency or education, and some people with disabilities.

It is understood that the existing AER 1800 number currently receives a relatively small number of telephone calls. Those who telephone are asked the same questions that are asked on the website to produce a list of offers. The energy price fact sheets of these offers are then mailed to the consumer.

Recommendations to improve the value of this service to encourage consumer confidence include:

- enhancing the service provided from information provision to include consumer support, where consumers can be assisted to narrow their options and inform their choices;³¹
- provision of assistance in languages other than English, perhaps through a partnership with a community organisation; and
- ability to access the service for free from pre-paid mobile phones, as the current number is free to call only from landlines and post-pay mobiles.³²

If this service is to be promoted via an advertising campaign then it will require additional resources to deal with its expanded role and the likely significant spike in enquiries.

In relation to the ability of consumers to access the service from pre-paid mobile phones, we understand that a proposal is underway that would make calls to 1800 numbers from pre-paid mobiles free.³³ If the proposal is implemented no change will be required. In the interim, the AER could offer a free call back service to consumers calling from a pre-paid mobile. We understand this is what the Energy & Water Ombudsman of NSW does.

³¹ However, due to the independent nature of the service, the AER cannot give recommendations.

³² Post-pay mobiles require a contract term and so require a credit check. Generally because of the size of the contracts available they tend to be more suited to high-users. In contrast, pre-pay mobiles can be purchased without a credit check and credit can be purchased in small amounts. For these reasons, it tends to be popular among lower users and consumers with lower income.

³³ The Australian Communications and Media Authority are currently reviewing the numbering plan. A draft version of the plan has recommended that calls to 18/1800 numbers made from mobile phones will no longer be charged. See Australian Communications and Media Authority, Media Release, "Free means free calls from mobile phones to 18/1800 freephone numbers", 28 June 2013.

5.2.3 Energy price fact sheets

From 1 July 2013, the AER became responsible for how retailers present their pricing information to customers under the National Energy Customer Framework. Under the National Energy Retail Law, the AER has developed a guideline which requires all energy retailers to produce an energy price fact sheet with mandatory information requirements and recommended formats.³⁴

Retailers are required to publish these fact sheets for all of their offers on their website, to provide them to consumers during door-knocking and other face-to-face marketing activities, and advise customers of their availability during telephone sales and in advertisements.

Research undertaken for this blueprint showed no awareness but strong consumer support for fact sheets that lay out all the various fees and conditions associated with an offer. However, there was concern that the current fact sheets were confusing and, especially for younger or less engaged people, contained too much information.

As a key tool to build consumer confidence, the design of the fact sheets could be revisited to make them more easily understood by consumers by:

- standardising the format across retailers and plans so there is absolute consistency in the presentation of information for comparison;
- simplifying the front page to include the salient features of the offer, with more detail available on the back; and
- including different average household bills size (e.g. for a small, medium and large consumer) to provide a gauge of dollar value.

There could also be greater promotion of consumer rights to request such information before entering into a market contract.

We understand that the AER is also considering a range of changes to improve the format and content of energy price fact sheets to make them easier for consumers to understand and use. Any changes to the content and format would need to take effect through changes to the guideline and would be explored and developed through further public consultation.

5.3 Give additional support

While particular groups in the community have specific communication needs, and in some cases face more barriers than the general community, the communication themes to empower them to engage in the market are the same.

However, the key requirement in meeting the information needs of these segments is ensuring that the information reaches them in a way that they can act upon it. Our

³⁴ This guideline is available on the AER's website: www.aer.gov.au.

recommendations include providing resources for third parties to directly assist these consumers and areas for future research around providing support at particular times to trigger consumers to investigate their energy plan.

5.3.1 Third party resourcing and training

Community organisations and peak bodies are seen as important ways of reaching specific segments of the community such as older people, people with a disability and culturally and linguistically diverse groups that use these networks and regard them as trusted sources of information. These groups are important conduits both in terms of raising awareness of the options consumers have and, in many instances, providing assistance in understanding the issues and accessing the *energymadeeasy* website.

The objective here is to engage trusted third parties to carry the message to their constituents as part of their normal outreach into the community.

In the research, it became apparent that many such groups were eager for basic factual information they could use to explain electricity retail issues to their clients. Many were also prepared to incorporate such information dissemination into their existing activities.

It is proposed that the implementation of this blueprint include:

- Developing information kits for use by community organisations and others such as NSW Government regional offices, local councils and Members of Parliament electorate offices. The information kits would include:
 - awareness-raising flyer (as detailed above in-language and tailored for specific audiences and life stages);
 - banners and/or display posters;
 - video case studies³⁵ and guide to *energymadeeasy*; and
 - presentation materials (eg powerpoint).
- Training and coaching of community organisations, charities, peak bodies and local government representatives to use the comparison tools, such as *energymadeeasy*. To ensure the effectiveness of these materials, they should be developed in consultation with the relevant organisations and tested with target community groups before implementation.

Using the information kits and the skills gained from the training and coaching provided, representatives of community organisations could also man booths at shopping centres, clubs and local councils along with stalls at key regional shows to answer questions and guide people through the use of the *energymadeeasy* website. These efforts could be supported by local advertising in advance, with community

³⁵ Either online or on a DVD.

members encouraged to bring their bills along for help in finding the options available to them.

The need for this type of service was strongly endorsed by in-depth interview participants in the research as something that would be very effective for people with low English proficiency, with a disability, low incomes and low education levels.

While all of the organisations interviewed as part of the preparation of this blueprint expressed interest in this campaign and offered assistance in getting the messages out, several said they would need additional funding in order to hold workshops and provide one-on-one assistance.

To meet this need, the NSW Government could consider a scheme similar to the Victorian Department of Primary Industries Energy Information Fund or the South Australian Energy Partners Program, where funding is provided to community groups to work with their clients to deliver energy education targeted at low-income or disadvantaged consumers.

5.3.2 Items for further consideration

Research undertaken for this blueprint explored what other actions or communications could provide additional triggers to encourage consumers to investigate alternative energy plans, and support consumers' decision-making.

The additional triggers identified focused on providing consumers with easily understood information about their current plan, past consumption and bill amounts at the time when they were most likely to consider their options.

Consumers have clearly expressed a desire for better information or reminders about what contract they are on. There are alternatives to providing this information, with potential options discussed by participants in the qualitative research including:

- a letter from their existing retailer at least one month prior to their contract or fixed benefit term finishing, advising them of the need to take action by pointing them to the *energymadeeasy* website and 1800 service;³⁶
- an annual statement for consumers with key details of their energy contract in a standardised format to enable easy comparison with energy price fact sheets, along with information about choices and the *energymadeeasy* website;³⁷ or
- including contract information on a consumer's bill.

³⁶ We note that the retail rules currently distinguish contracts from evergreen arrangements in terms of the requirement to provide a letter prior to completion. This is because evergreen contracts do not have end dates. However, we understand it is common industry practice to send letters to consumers with evergreen arrangements prior to the end of a fixed benefit term.

³⁷ Some small and medium businesses felt an annual statement would also be helpful for accounting purposes.

These options were well received in discussions and when participants were asked in the survey to rate "an annual statement from your energy company that tells you essential information about your plan including when the contract ends", 69 per cent were between 7 and 10 on a scale of helpfulness (0 being not at all helpful, 10 extremely helpful).

A further option, not discussed in the research, could be retailers sending out information about the *energymadeeasy* website and 1800 service when they provide a notice of price increases.

This highlights an opportunity for future research and consultation of these and other options, including a consideration of the implementation costs. Future testing will enable the most effective approach to be identified.

6 Implementation

The recommendations detailed in this blueprint are a suite of initiatives designed to overcome existing barriers and provide consumers with the confidence that they have the information they need to choose the right energy plan for them.

It is important that the recommendations are implemented in a systematic, coordinated and consistent manner for the objective of the blueprint to be met. Undertaking follow up research to test the effectiveness of the blueprint should be considered an integral part of the overall implementation.

6.1 Who should deliver the blueprint?

This blueprint is a set of recommendations for the NSW Government while relying on the AER to maintain and enhance comparison tools. The key messages that are to be delivered in the campaign rely on the independence of the government, and so it is imperative that it take overall responsibility for delivery.

However, there is a range of ways in which the core elements of the communication strategy could be developed and delivered. There are roles to be played by several government agencies and the success of the campaign will rely upon cooperation. Also, there is a need to enlist the expertise of government agencies that commonly work with consumers and have established networks and capabilities. One option could be to convene a steering group of relevant agencies, including the ACCC and AER.

We also recommend that the NSW Government engage with peak community organisations in the development and delivery of the blueprint. Specifically, should the NSW Government determine that a more tailored media campaign is desirable, partnering with relevant community groups is likely to maximise the effectiveness of the campaign at potentially lower cost.

However, as discussed in section 5.3.1, while all of the organisations interviewed as part of the preparation of this blueprint expressed interest in this campaign and offered assistance in getting the messages out, several said they would need additional funding. Additional funding could be administered through either a steering group or the department responsible for the rollout.

In New Zealand, special funds have been established to capture community benefits of active market participation.

Box 6.1: New Zealand Electricity Authority Consumer Switching Fund

A 2009 New Zealand Ministerial Review of the electricity industry estimated that residential consumers could save on average NZ\$100 a year (or \$150 million a year in total across all consumers) by switching to the cheapest available retailer. It also noted that "consumer switching puts real pressure on retailers to improve

their offerings".

The Authority estimated, for the 2010 calendar year, the average annual household savings available was NZ\$150, and the national savings total that could be achieved if all consumers were to switch to the cheapest retailer in their region was NZ\$240 million.

The New Zealand Cabinet subsequently approved a NZ\$5 million annual fund for three years to promote the benefits of comparing and switching energy retailers and to improve the capability of Consumer NZ's Powerswitch website. Cabinet agreed that the cost of the fund would be met from a levy on electricity retailers. Specifically:

- NZ\$4.5 million to be administered by Consumer Affairs to upgrade and promote the Consumer Powerswitch website; and
- NZ\$10.5 million per year to be administered by the Electricity Authority to develop and administer cost effective programs to facilitate and promote to consumers the benefits of comparing and switching retailers.

The fund was set up to continue as long as demonstrated savings to consumers exceeded NZ\$10 million a year.

The first key activity of the Fund was the development of a Consumer Switching Fund Research report, which investigated:

- the size and nature of the potential economic benefits from different levels of switching;
- the nature and relative magnitude of the barriers to achieving the potential benefits;
- what should be done over the next three years to address the barriers and realise the potential benefits (the cost effective programs); and
- how to measure the success of the Consumer Switching Fund.

Following the research, a program was implemented that included:

- upgrading and promoting the comparator website;
- information campaign;
- funding intermediaries to promote and facilitate switching;
- support for other price comparison websites; and
- education activities.

6.2 How should the blueprint be delivered?

The success of this campaign relies on all three streams of work – provide information, improve comparison tools and give additional support - being delivered together. This is because the key messages are delivered through the three elements and rely on each other to meet the objective of the campaign.

As discussed in section 5.1, providing information activities are designed to motivate consumers to consider their energy plan. Once they are motivated, it is critical that they are provided with the information they need, in a format they can understand, and at the time they seek to find it. Likewise, confidence that there are consumer protections in place prior to investigating options is a key part of the engagement strategy.

Therefore, for successful delivery, a careful preparation phase is key. Ideally the AER's *energymadeeasy* website would be re-launched prior to the campaign commencing. However, this may not be possible depending on the timing of the required campaign.

Finally, the blueprint should be evaluated and tested not long after the campaign has been launched. The date will depend on the duration of the campaign, but should not be too long after the main mass media items are complete.

These stages are summarised in the table below.

Table 6.1 **Blueprint delivery phases**

Phase	Items
Phase I: Preparation	<ul style="list-style-type: none"> • Campaign scope approved • Preparation of all material including plain English leaflet • Development of kit for community and peak groups including translations and development of simple training module • Briefing for retailers and key energy industry stakeholders
Phase II: Implementation	<ul style="list-style-type: none"> • Official media launch of campaign • Key stakeholder briefings as part of the launch phase • TV and radio advertising commences from launch date (including initial prime time burst and less frequent ads after to spread out over a longer period) • Online and print advertising including regions • Media campaign commences from launch day (6-8 week program depending on scope) • New plain English leaflet distributed/available
Phase II: Evaluation	<ul style="list-style-type: none"> • Evaluation scoped • Tracking survey • Final report

6.3 Measuring the success of the campaign

It will be important to track the success of the implementation of any campaign designed to encourage consumers to consider whether they are on an energy plan that meets the needs of their household.

The research report includes a number of questions that were designed for tracking purposes. These include:

- awareness that consumers can choose their energy company and that each energy company offers different types of energy plans;
- confidence in understanding the options and offers available to consumers;
- proportion who have changed their energy company in the last two years and proportion who have changed the plan they are on with their existing energy company in the last two years;
- attitudes to a series of statements about switching including 'I am confident I have access to the right information to choose an energy plan that suits my needs';
- awareness of the *energymadeeasy* website; and
- movements in consumers' propensity to switch.

Relevant questions and results from the benchmark study that are suggested for tracking are published in the Newgate Research report, available on the AEMC's website.³⁸

Following the outcomes of the research, further consideration can be given to whether ongoing work is required to maintain or improve consumer participation in the market. It will also be necessary to assess the need to evaluate the success of any further work.

38 www.aemc.gov.au

Abbreviations

ACCC	Australian Competition and Consumer Commission
AEMC or Commission	Australian Energy Market Commission
AER	Australian Energy Regulator
CUAC	Consumer Utilities Advocacy Centre
NSW	New South Wales
OECD	Organisation for Economic Co-operation and Development
UK	United Kingdom

A Summary of desktop research

Below is a summary of the reports reviewed for the desktop research. It is categorised into Australian and international research.

A.1 Australian research

Source	Findings
South Australian Government, Energy Partners Program (www.sa.gov.au)	The Energy Partners Program provides information and advice about how to save energy and minimise bills; information on energy rebates, concessions and incentives; and information on renewable energy. Sixty partner organisations, including local government, social welfare groups/not-for-profit organisations and Members of Parliament offices, are provided with materials and training including training by the AER in how to use its comparator website.
Australian Securities and Investments Commission (ASIC), <i>Further Review of Term Deposits</i> , July 2013	In 2009 ASIC made a number of recommendations for improvements to term deposit advertising, the disclosure of interest rates and the disclosure of the risk of dual pricing and grace periods by deposit taking institutions. Some of these recommendations were taken up and the proportion of rollovers from a 'high' to 'low' interest rate term deposit accounts decreased from 47% in its 2009 review to 11% in its 2011 review. The effectiveness of ASIC's recommendations in encouraging consumers to make educated decisions have been considered in developing the blueprint.
Australian Energy Ombudsmen, Energy Retailers Association of Australia, Australian Council of Social Services, <i>National Energy Affordability Roundtable Report to the Standing Council on Energy and Resources (SCER)</i> , May 2013	<p>Among a number of recommendations regarding government assistance and consumer protections were ways to increase consumer engagement and tailor certain information, including:</p> <ul style="list-style-type: none"> • a review by SCER and retailers of the customer energy bill format and bill information requirements - noted there was general agreement across different stakeholders that there is too much information on energy bills,

Source	Findings
	<p>which is one of the main channels of communication to customers; and</p> <ul style="list-style-type: none"> • develop ways to increase low income customers' awareness of the competitive market so that low income consumers can better understand how to access the best deal for their household. It was suggested there needs to be a coordinated government led campaign with input from industry and peak consumer groups - noted that consumers need to understand the competitive market to be able to make an informed decision about the best product for their household as significant savings can be made. The roundtable supported developing ways to improve awareness of the competitive market, for example: raising awareness of the independent price compactor services and engaging with community organisations/advocacy services to help them assist their clients regarding beneficial energy contracts.
<p>CHOICE, <i>Between a Door-knock and Cyber-space: The Problems with Electricity Switching Sites</i>, Super-complaint to NSW Fair Trading, 8 March 2012</p>	<p>CHOICE conducted an analysis of six commercial switching websites. The findings of its analysis formed its super-complaint, being that:</p> <ul style="list-style-type: none"> • NSW consumers that visit only one commercial switching site may not find, contrary to their reasonable expectations, the 'best' electricity deal available; • some of the switching sites are arguably making representations (directly or by omission) that lead consumers to incorrectly believe a user would find the 'best' deal on their site; • in some instances, different switching sites recommend the same electricity plan but with different estimated levels of savings, which raises questions over the accuracy of the calculations used by some of the sites; • some of the commercial switching sites do not provide the user with all the relevant terms and conditions associated with electricity plans so that a user can make an informed decision before switching; and

Source	Findings
	<ul style="list-style-type: none"> the characteristics of retail plans, including tariffs and relevant fees and charges, make it difficult for a user to compare plans effectively.
<p>Ethnic Communities Council of NSW, <i>Experiences of Energy Consumption for Culturally and Linguistically Diverse (CALD) Communities: Ethnic Communities Council of NSW Research Report</i>, March 2012</p>	<p>Findings of the research indicated that small businesses were very concerned about rising energy prices and the impact it was having on their businesses. The majority did not consider that changing supplier was the answer to increasing costs. About half had been visited and the majority decided not to change. Those surveyed indicated they were not provided with information about how they can reduced their energy use and some did not think there was much scope in their business to reduce energy use.</p> <p>Overall, the research found that there is scope to educate culturally and linguistically diverse small businesses about their energy use and ways to reduce it. It noted that these businesses are unlikely to belong to industry associations so other strategies for reaching them need to be developed.</p>
<p>Consumer Utilities Advocacy Centre, <i>Improving Energy Market Competition Through Consumer Participation: A CUAC Research report</i>, December 2011.</p>	<p>The research highlighted a range of factors likely to reduce consumer engagement in markets for products like energy. Limited consumer capacity was identified as the major factor likely to reduce the effectiveness of consumer participation. Constraints on consumers' ability or willingness to engage with and process complex information about their choices reduces the effectiveness of their decision making. Issues such as search costs and consumer responses to discounts and bonuses are also likely to impact on the effectiveness of consumer decision making.</p> <p>It also refers to research which found that consumers were more likely to make an active choice in a market with limited rather than abundant options.</p>
<p>Wallis Consulting Group, <i>Australian Energy Regulator Retail Energy Pricing Guidelines</i>, June 2010</p>	<p>Main findings of qualitative research:</p> <ul style="list-style-type: none"> poor understanding of energy use in terms of how much used, but domestic users had a sense of whether their consumption was high or low compared to others, which businesses found harder; and

Source	Findings
	<ul style="list-style-type: none"> were unable to recruit anyone who had switched that had compared or considered more than two energy companies when making their choice. In most cases the switch occurred as a result of a direct sales contact from a retailer.

A.2 International research

Country	Source of information	Findings
United Kingdom	www.citizensadvice.org.uk	<p>The Energy Best Deal is a public awareness campaign delivered by Citizens Advice in the UK. Sessions are aimed at low income consumers and front-line staff who work with people at risk of fuel poverty.</p> <p>The campaign aims to:</p> <ul style="list-style-type: none"> make people aware of the savings that can be made by switching fuel providers or negotiating with existing providers; provide information about help available from energy suppliers and government for people struggling to pay their gas and electricity bills; and inform consumers about how they might save money by using less energy and sources of advice and help around energy efficiency.
United Kingdom	www.gov.uk	<p>On 11 April 2012, the UK Government announced that all major energy suppliers had committed to a number of actions to ensure household energy consumers get the best deal. This included:</p> <ul style="list-style-type: none"> on request, the supplier will help a customer identify, and then provide, the best available tariff to suit their needs at that moment in time and based on the information provided; the supplier will write to the customer to help them identify what the new best tariff options for them

Country	Source of information	Findings
		<p>are and how to get them when a fixed term contract is coming to the end of its term;</p> <ul style="list-style-type: none"> • suppliers will provide a second communication each year for most vulnerable customers assisted by the Warm Home Discount helping them on to the best tariff for them; • support for a second and larger Big Energy Week 2, to be co-ordinated by Citizens Advice, to support outreach events in communities to connect consumers, particularly the vulnerable, with sources of help with their bills; • with Government, suppliers will investigate the possibility of putting Quick Response (QR) codes on energy bills/annual statements to facilitate switching through mobile phones; and • suppliers will pass across historic consumption data to a customer's new supplier when they switch, as permitted by existing industry data flows.
USA	www.greenbuttondata.org	<p>Green Button allows electricity customers to securely download their own easy-to-understand energy usage information from their utility or electricity supplier. Armed with this information, consumers can use a growing array of new web and smart phone tools to make more informed energy decisions, optimize the size and cost-effectiveness of solar panels for their home, or verify that energy-efficiency retrofit investments are performing as promised.</p> <p>Green Button is an industry-led effort that responds to a White House call-to-action: provide electricity customers with easy access to their energy usage data in a consumer-friendly and computer-friendly format via a "Green Button" on electric utilities' website.</p> <p>Utilities committed to provide Green Button capability to nearly 12 million households in 2012. Two utilities - Pacific Gas & Electric and San Diego Gas & Electric - have implemented live functionality on their websites. Recently, nine major utilities and electricity suppliers signed on to the initiative, committing to provide more than 15 million households secure access to their energy data with a simple click of an online Green Button. In total, these commitments ensure that 27 million households will be able to access their own energy information, and this number will continue to grow as utilities nation-wide voluntarily make energy data more available in this common, machine-readable format.</p>

Country	Source of information	Findings
United Kingdom	Ofgem, <i>The Retail Market Review - Final Domestic Proposals</i> , 27 March 2013	<p>Ofgem proposes to:</p> <ul style="list-style-type: none"> • limit each supplier to offering no more than four core tariffs at any point in time. Each core tariff may offer a choice over payment method, online account management, and dual fuel – with these choices (and the associated discounts or surcharges) presented in a standard, easy-to-compare way. Complex tariffs which increase or reduce the price per unit as consumption increases will no longer be allowed; • to ensure that all fixed term offers are “no surprises, no lock-ins”. Fixed term will mean fixed (or pre-defined) prices for a given period of time. At the end of the fixed term, the consumer will roll on to the cheapest evergreen tariff unless they make an active choice to do otherwise. It is also proposing to tighten up the rules on how discounts and bundles are treated and presented, to make them easier to understand, value and compare; and • to help consumers who might already be disengaged. If a consumer is on an evergreen tariff that is no longer available and can save money by moving to a similar “live” tariff, then the supplier will need to make this happen. <p>Ofgem considers these changes are needed as there are currently too many tariffs in the market and many tariffs are unnecessarily complex - this is turning customers off.</p> <p>Ofgem is also proposing to create standard ways of communicating key messages and prompts, and make the routine letters and statements provided by energy suppliers more user-friendly.</p> <p>It also concluded that regulation has a role to play in providing confidence to consumers that they will be treated fairly. To address this it proposes to oblige all retailers to treat their customers fairly.</p>
United Kingdom	Which? <i>The Imbalance of Power</i> , December 2012	<p>Which? states that the current regime of competition in energy retail in the UK is failing consumers: around three quarters of consumers are paying more than they need to on expensive standard tariffs; up to 90% of consumers do not engage in the market. It states that it is almost impossible for consumers to see and understand the price they are currently paying or what other retailers can offer them.</p> <p>To address these concerns its proposals include:</p>

Country	Source of information	Findings
		<ul style="list-style-type: none"> • introduce unit pricing - i.e. prices displayed in a consistent format; • allow only one variable rate default tariff per fuel (e.g. same rates for different payment methods); • review the case for national pricing; • improvement of switching sites and the switching process; • ensure that market conditions in the retail and wholesale markets enable new entrants to thrive; • implement proposals relating to communications, complaints and market monitoring; and • the regulator should be enabled to introduce a fair price guarantee for the default open-ended variable rate tariff.
United Kingdom	SPA Future Thinking, <i>Price Increase Notification Letters, Summary Box on Bills, Tariff Information Labels and Annual Statements, Report of Consumer Testing to Support Template Development</i> , Prepared for Ofgem, October 2012	This report includes a discussion on the format of inserts in energy bill. Specifically SPA states that the research found that an A5 leaflet-style format was felt to be the least likely to be read as it looked unimportant and, crucially, did not have personalised information on the front page. These two factors meant that this version was felt to be more likely to be thrown away without being read than a more formal-looking A4 document on white paper. This was despite this version covering similar information to other versions.
United Kingdom	Department for Business, Innovation and Skills (UK), <i>Empowered Consumers and Growth: Literature Review - Final report</i> , 17 May 2012	<p>The Department for Business, Innovation and Skills (BIS) states that consumers need support to be empowered to make the best choices because:</p> <ul style="list-style-type: none"> • products and markets are becoming increasingly complex; • an ageing population finds itself unfamiliar and challenged to keep pace with new products; and • consumers receive increasing amounts of information which is difficult to process.







Country	Source of information	Findings
		<p>It suggests that consumers should have the tools to secure the best outcomes for themselves. An empowered consumer should be confident, knowledgeable and feel protected, and therefore tends to make optimal decisions by understanding their own preferences, the choices available to them and their rights and the means of complaining and seeking redress if their rights are breached.</p> <p>Various types of consumer detriment can arise when consumers have too little information, or too much information of inconsistent quality, and the market fails to deliver efficient and optimal outcomes. A lack of sufficiently accurate, timely information and constraints on the ability of consumers to process information can lead to non-optimal choices.</p> <p>Consumer empowerment can be strengthened through the provision of information and advice channels with the most successful being those that are easily accessible, strongly branded and introduced where there are insufficient incentives (acting on consumers, firms or both) for market based solutions.</p> <p>However, the over provision of information may be dis-empowering for consumers, whilst over-regulation and too much consumer protection can result in higher barriers to entry, reduced consumer choice, less dissemination of otherwise useful and potentially empowering information, and possibly reduce the incentives and benefits of the development of cognitive skills among consumers.</p>
United Kingdom	Department of Energy and Climate Change (UK), <i>Ensuring a Better Deal for Energy Consumers</i> , 2012	<p>It is currently only those most active “switchers” who can be confident they are on the best deal for them. The majority of consumers tend to be on their supplier’s standard variable tariff or on “dead” tariffs that are no longer open to new customers. This applies particularly to vulnerable people who are less likely to switch and often end up paying more than they need to.</p> <p>Significant savings can be made through switching - for example, those customers who have never switched and pay by standard credit could save up to £200 a year by switching supplier and paying by direct debit.</p> <p>There are various factors that deter people from switching. These include a lack of awareness of the savings that can be made from switching, complex tariff structures, a baffling array of tariffs and confusing information on bills, which make it difficult for consumers to compare tariffs easily.</p> <p>The Department sets out as a basis for discussion with stakeholders a package of proposed measures</p>

Country	Source of information	Findings
		<p>that are designed first and foremost to ensure consumers get the cheapest tariff offered by their supplier that meets their preferences.</p> <p>The proposals seek to strike the right balance between helping consumers in a market in which the majority currently do not engage, whilst maintaining consumer choice and incentives for suppliers to compete and innovate. They are focussed on achieving our objective of consumers getting the cheapest tariff available that meets their preferences and to encourage them to seek out even better deals with their supplier and across the market.</p>
European Union	European Commission, <i>The Functioning of Retail Electricity Markets for Consumers in the European Union</i> , November 2010	<p>An outcome of the liberalised electricity markets appears to be increased choice of suppliers and tariffs. If tariffs and products offered by different providers are transparent and consumers actively compare alternatives and choose the best alternative, consumers may enhance price competition in the market.</p> <p>In some Member States there is a choice of a wide range of suppliers and tariffs, while in other Member States choice is relatively limited.</p> <p>The study suggests that consumers value a wide choice of tariffs and suppliers and a positive link appears to exist between the extent to which consumers believe that their supplier offers a sufficient choice of tariffs and the extent to which consumers are satisfied with services and tariffs provided by their supplier. In addition, consumers tend to be more satisfied if there is a large variety of tariffs, suppliers and contract types.</p> <p>Generally consumers would like more choice in terms of tariffs offered by their current supplier and by alternative suppliers. However, if the choice becomes too complex, it may become difficult for consumers to compare alternatives and price transparency may be reduced.</p> <p>Price comparison tools seem to make it easier for consumers to compare alternative offers from different suppliers. However, consumers generally have limited experience using price comparison tools although such tools are available in most Member States. Similarly, consumers in most Member States have very little experience comparing offers from the same or alternative suppliers.</p> <p>Overall, the findings suggest that the markets are not very transparent and that consumers are not very active in terms of comparing alternatives. This indicates that, although there is competition in most markets (in terms of alternative offers and suppliers), the strength of competition in practice is lower than</p>

Country	Source of information	Findings
		<p>it could be.</p> <p>Mystery shoppers conducting the study have been able to find a less expensive tariff in more than six cases out of ten (62%). Individually, consumers could save about €100 if they switched to the cheapest offer.</p> <p>The European Commission wants a series of actions that will facilitate consumer choice and empower EU consumers on the energy market, including:</p> <ul style="list-style-type: none"> • raise consumer awareness and knowledge about alternative suppliers and the possible benefits from switching; • pro-actively provide information to consumers about suppliers and tariffs that is better tailored to particular usage patterns; • improve consumers awareness of third-party organisations such as regulators, ombudsman and consumer protection agencies; • improve and simplify the switching process; and • provide tools for consumers to help them compare offers and increase the awareness of these tools.
OECD	<p>Organisation for Economic Co-operation and Development, <i>Enhancing Competition in Telecommunications: Protecting and Empowering Consumers, Ministerial background report, 2007</i></p>	<p>Identified a number of behavioural economics traits (particularly in relation to the telecommunications market) that help to explain how, even where there is adequate information, consumers make irrational decisions in choosing an operator or service. Some of these include:</p> <ul style="list-style-type: none"> • choice or information overload - consumers having too many products or features to compare may experience increased anxiety about the possibility of making a bad choice, leading to random choice/failure to make any choice and resulting in missed opportunities for buyers/sellers; • hyperbolic discounting - consumers tend to be short-sighted when making decisions with immediate costs or benefits to be weighted against future costs or benefits (eg consumers may enter long-term telecommunications contracts because they place more value on the immediate benefits of the offer, rather than on the long-term costs of a contract and the inability to switch to lower-priced

Country	Source of information	Findings
		<p>alternatives);</p> <ul style="list-style-type: none"> • endowment - consumers may stay with the incumbent fixed line provider because of misplaced loyalty, a failure to acknowledge poor choices in the past, or an irrational consideration of sunk costs; and • defaults - consumers may tend to take a path of least resistance, particularly if they feel there is a 'normal' option (eg people may buy 'standard' bundles offered by telecommunications suppliers, even if they do not want the whole telecommunications bundle).

B Snapshot of consumer segments

	Confident switchers (17%) 	Cautious switchers (18%) 	Sceptics (22%) 	Show me the savings (18%) 	Leave me alone (17%) 	The stickers (8%) 
	<p>Confident they know the options available, likely to have switched, be currently looking for a better deal or intend to switch.</p>	<p>Fairly interested in switching and but lack confidence and need reassurance about consumer protection.</p>	<p>Confident they know the options and concerned about prices but unlikely to switch. They lack trust and find it too complicated to compare offers.</p>	<p>Fairly confident and concerned about prices but unlikely to switch. Can be swayed if they can save money. Looking for credible information.</p>	<p>Very low interest and confidence and highly unlikely to switch despite moderate concern about prices.</p>	<p>Highly confident with moderate interest and concern but extremely unlikely to switch. Happy with current provider</p>
Confidence in understanding offers/options	Very High	Fair	High	Fair	Very low	Very High
Interested in energy issues	Very High	Very High	Moderate	High	Very low	Moderate
Concern re: future prices	Extremely	Extremely	Very High	Very High	Moderate	Moderate
Likelihood to switch	High	Moderate	Low	Low	Low	Very low
Preferred communication	Internet, direct contact from retailer	Internet, comparison sites, no retailer	Online (general)	Internet including retailer websites	Online (general)	Direct contact from retailer, word of mouth
Effective messages	All messages esp. independent website	There are laws protecting consumers	Any that dispel misconceptions re trust/hidden fees	You can save money by switching	Prefer to 'opt in', may respond to a campaign about finding better value	After reducing energy usage, consider switching

Source: Newgate Research, *NSW Consumer and Stakeholder Research Report*, 20 September 2013.

C Consumer research participant feedback on community needs

The table below summarises qualitative research participants' suggestions for the information needs of particular segments in the community.

Table C.1 Qualitative research participants' suggestions for information needs

Segment	Characteristics	Information needs
Non-English speaking	<ul style="list-style-type: none"> • Wide range of different information needs based on factors including level of English proficiency, the culture they came from and how long they have lived in Australia • Some correlation with low income • Some will be unfamiliar with having choices or even the concept of paying for an energy utility 	<ul style="list-style-type: none"> • Easy-to-understand information • Provide translated information • Provide information to new migrants through settlement officers and migrant resource centres and train these people to help them • Leverage existing communications channels ie ethno-specific community groups that have excellent links into their communities would receive relevant training and communication materials to enable them to pass information on to these audiences • Provide telephone or face-to-face alternatives to website in appropriate languages. Booths in local shopping centres to be staffed appropriately
People with a disability	<ul style="list-style-type: none"> • Wide range of different disabilities with different types of impacts which means it is not possible to make generalisations about the needs of this segment • Many people with disabilities expect the same rights and responsibilities as others and want to make their own decision, not delegate it to a carer – yet they will need extra assistance to do this • Correlation with low income • May not have Internet access • Less likely to be able to change their consumption patterns 	<ul style="list-style-type: none"> • Easy-to-understand information • Leverage existing communications channels ie disability peak groups that have excellent links into their communities would receive relevant training and communication materials to enable them to pass information on to these audiences • Provide information to carers • Telephone or face-to-face alternatives to website including booths in local shopping centres where they already go regularly – some staff may need specialised training • Need to reinforce consumer protections

Segment	Characteristics	Information needs
Low income	<ul style="list-style-type: none"> • Could benefit significantly from changing to a better plan • Correlation with limited education, low English proficiency, or a disability • May not have Internet access 	<ul style="list-style-type: none"> • Easy-to-understand information • Provide information in places they already go eg Centerlink or Housing Assistance Officers • Telephone or face-to-face alternatives to website • Need to reinforce consumer protections
Older people	<ul style="list-style-type: none"> • Less likely to be aware they now have a choice • Likely to be more resistant to change • May not have Internet access or may be uncomfortable using the Internet • Prefer to speak to someone 	<ul style="list-style-type: none"> • Easy-to-understand information • Telephone or face-to-face alternatives to website • Need to reinforce consumer protections
Young people	<ul style="list-style-type: none"> • Moving out of home • Not familiar with choices available to them • Focused on saving money 	<ul style="list-style-type: none"> • Targeted advertising (eg Youtube clips) to capture their attention • Provide information in places they already go eg university • Include brochure in real estate agent information pack
Regional areas	<ul style="list-style-type: none"> • Less likely to be aware they now have a choice as Country Energy used to be their only option • Less likely to have Internet access • Prefer to speak to someone • May be more resistant to change 	<ul style="list-style-type: none"> • Telephone or face-to-face alternatives to website including booths in local shopping centre or agricultural shows • Leverage regional media • Need to reinforce consumer protections
No internet access	<ul style="list-style-type: none"> • May be uncomfortable using the Internet • Correlation with low income, low English proficiency and regional areas 	<ul style="list-style-type: none"> • Telephone or face-to-face alternatives to website
Small and medium businesses	<ul style="list-style-type: none"> • Difficult to generalise as a wider range of different needs and situations 	<ul style="list-style-type: none"> • Leverage existing communications channels ie provide materials and training to Chambers of Commerce for them to pass on information

Segment	Characteristics	Information needs
	<ul style="list-style-type: none"> • Not easy to communicate with • Time poor – typically want to know they can save a reasonable amount of money before they will invest the time in investigating options • Less likely to be able to change energy consumption behaviour due to business hours and needs • Reluctance to sign up for two year contract due to need to retain flexibility • Lack of knowledge about ability to change provider if they are in an office complex 	<ul style="list-style-type: none"> • Use local media
People moving house	<ul style="list-style-type: none"> • These people are ideally placed to be considering their options 	<ul style="list-style-type: none"> • Include brochure in real estate agent information pack