10 October 2017

Mr Alan Rai
Australian Energy Market Commission
PO Box A2449 Sydney South NSW 1235

Dear Mr Rai

Re: Consultation Paper—Notification of the end of a fixed benefit period (RRC0010)

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Market Commission's Proposed Rule Change on Notification on the end of a fixed benefit period.

Origin supports the requirements to provide customers with improved visibility of the discount benefits they have received under the duration of their contract to date. However, Origin is concerned that there is a higher risk of a negative customer experience if retailers are not provided with additional time to appropriately design, test and implement these reforms. As we note below, existing IT commitments for the Power of Choice rule change is placing pressure on our resources and will make it more challenging to smoothly implement some aspects of the proposed rule.

Information to customers

With respect to clauses 48A (1) to (3), Origin already advises all gas and electricity customers in simple and clear language before a discount period ends; we also ask customers to contact us or follow a web link to arrange a new energy plan. As part of this process, we contact customers over 30 calendar days before the benefit period ends by letter or email, depending on the customer's stated communications preference. Our communication is clear that a customer's current discount will not continue if they do not choose a new plan. We also advise customers of the expiry date of their fixed benefit on each of their bills. Origin therefore supports draft clauses 48A(1) to (3).

Origin also supports the provision of additional information set out in clauses 48A (4) and (5) for customers on energy plans with discounts. We believe that including dollar figures may assist customers to understand the implications of their benefits expiring and prompt their engagement. However, as we explain below, the rule change does become more complex when non-discount benefits are contemplated. This may have the unintended consequence of constraining product development in the market.

Drafting issues

Origin believes that a consistent application of the proposed rules is necessary if the benefits of price comparison is to be achieved across the industry. If retailers interpret certain requirements differently to their competitors, then it will diminish the utility of providing this information because customers will not be able to compare offers on the same basis. As presently drafted there is some ambiguity in the rules that could be clarified to ensure consistency. Below we outline areas where clarification should be provided by the Commission.

1) If a market retail contract for the sale of electricity between a retailer and a small customer includes a fixed benefit period that expires before the end of the contract, the retailer must in accordance with this rule, provide notice to the small customer that the fixed benefit period is due to end.

Clause 48A(1) only refers to the "sale of electricity". We note that the rule change request also mentions gas customers. It is unclear what was intended by the rule proponents.

Origin believes that a “fixed benefit period” is meant to apply to discounts because these are the primary benefit in the market at present. There are, however, other financial benefits that could be captured by “fixed benefit period” that are not discounts. For example, a retailer may offer the “first month free” without a discount or any other benefit. Does the expiry of the free month (which could be at the start of the contract) entail the end of a fixed benefit period?

Another issue arises where there are multiple benefits. A customer may sign up to a contract for 24 months and receive (for example) a 10% discount for the first twelve months and a 5% discount for the second 12 months. Does the end of “a fixed benefit period” include the first discount?

It is therefore important that the Commission clarify what “fixed benefit period” is meant to apply to. Is it primarily discounts or does it cover other financial benefits (such as a free month)? As we explore further below, Origin’s view is that this proposed rule change should apply to discounts but not other financial benefits.

5) In addition to providing the information specified in subrule (4), the notice must clearly state and compare—

a) the amount in dollars that was payable by the customer under the contract;
b) the amount in dollars that would have been payable by the customer under the contract but for receiving the financial benefit during the fixed benefit period; and
c) the retailer’s reasonable estimate of the amount that will be payable under the contract as a result of the expiry of the fixed benefit period.

Origin believes that “payable” is an ambiguous term in sub-clause 48A(5) and will need to be defined. For example, does “payable” mean an amount due that includes customer concessions, rebates, grants, late payment fees and feed-in tariff credits? Further, does “payable” include any Pay on Time discounts that were not obtained by the customer because they paid after the due date?

We presume the intention is for “payable” to be defined as new consumption charges (usage and supply) less any discount credit. This is exclusive of all other credits, which may include concessions, rebates, grants, any retail fees, and solar credits. If the Commission shares our view, it would be useful for “payable” to be defined in this clause accordingly.

Sub-clause 5 also refers to a customer’s “contract”. We presume that this is meant to refer to the “fixed benefit period”, as the contract may be evergreen. This also raises the “fixed benefit period” issue raised above.

It is also worth considering how a capped plan may interact with sub-clause 5(b). A capped plan typically offers a customer value that exceeds their cost. For example, a customer may receive $200 of energy for $100. Only if they use more than $200 of energy do they pay additional money. Under such a benefit, there is no amount a customer would have paid if they did not receive the benefit. It is not appropriate for a retailer to estimate the amount payable if a cap is exceeded because the amount is likely to be contingent on how much the cap is exceeded by. The Commission may wish to consider excluding such plans from sub-clause 5(b).

We also note that the requirements of sub-clause 48A(5) do not neatly fit with Origin’s Predictable Plan product. Under this product, customers pay the same amount for their energy each month (subject to a fair use policy). The amounts for these customers under sub-clauses 48A(5)(a) and (b) will be the same. This will be a confusing message for customers.

Origin believes that the above examples of a capped plan, Predictable Plan, or a month free demonstrates that the rule proposal best works when applied to discount products. The issue that has been identified by the Commonwealth, and other recent reviews, is customers not being aware of their

discount benefits ending. Accordingly, the Commission should consider limiting the application of this rule to discounts with a benefit period.

6) For the purposes of subrule (5), the amounts must be:

a) calculated by reference to the date on which the customer was last invoiced;

b) based on the average energy usage of the customer over:

i) the 12 months preceding the date on which the customer was last invoiced; or

ii) such lesser period the customer has been a customer of the retailer; and

c) expressed as annualised amounts.

Sub-clause 6(b)(i) assumes the customer was at the same supply address for the twelve months they were with the retailer. It is possible that a customer may have changed supply address early in the twelve-month period, and that this will impact on their usage profile (due to different insulation or heating and cooling). Origin therefore believes that sub-clause 6(b)(i) should not apply where a customer has been at a different supply address during the twelve-month period.

Implementation timing

Origin notes that the Government has requested an implementation date of 1 January 2018. However, Origin is concerned about the risk involved in implementing the requirements in clause 48A (5) by 1 January 2018. The Commission has indicated that it will make its final decision on 7 November 2017. Origin cannot reasonably commence much of its work until confirmation of the Final Decision by the Commission, particularly given some of the issues we have identified. Accordingly, it is difficult to see how Origin could reasonably scope, build, test and deliver the necessary system upgrades in less than 8 weeks.

As the Commission is aware, this difficulty is compounded by our retail business undertaking significant changes in preparation for Power of Choice reforms which are set to commence at the beginning of December this year. To meet this deadline Origin is deferring any inessential changes to our system, which effectively means any changes that are not required to comply with legal and regulatory obligations. This is because Origin is concerned that any additional upgrades could break our Power of Choice solution, and there is a risk that we may be able to fix and retest any solution in time for 1 December 2017.

Further, Origin's resources are currently directed towards the implementation of these system changes. Beyond designing and implementing the actual upgrades to our billing systems, this work includes ensuring that business process changes are properly designed and understood. Without these resources, we are concerned that systems changes associated with the rule proposal would not be fully tested prior to going live on 1 January 2018. Consequently, there is a high risk that any issues will be discovered post 1 January 2018, which will impact on customers affected and Origin's operations.

Following a Final Decision in November, Origin expects that scoping, building, testing and deploying this Rule Change could be achieved by 1 April 2018, if a Final Decision is not delayed by the Commission beyond 7 November 2017.

Should you wish to discuss the contents of this response, please contact Timothy Wilson on (03) 8665 7155 in the first instance.

Yours sincerely

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