



20 December 2013

Dr Malcolm Roberts
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

By e-mail: electricity@qca.org.au

Dear Dr Roberts

Requested amendments to customer notification and consent provisions in the Electricity Industry Code

Origin Energy welcomes this opportunity to respond to the Queensland Competition Authority (QCA) consultation paper on changes to the Electricity Industry Code (Electricity Code) requested by the Minister for Energy and Water Supply relating to customer notification and consent provisions for fixed term benefits. The consultation paper seeks stakeholders' views on the merits of the Minister's request to amend the Electricity Code so that:

- retailers are required to remind customers that their fixed-term benefits are going to expire before they do; and
- retailers are required to obtain explicit informed consent from customers for any benefits that apply for a fixed period¹.

The QCA has initiated this consultation after the Minister raised the issue of customer notification, specifically seeking an amendment to the Electricity Code to clarify that advance notice should be given to customers on 'evergreen' market contracts when the benefit period (eg discount) ends. This followed a small number of complaints to the Queensland Energy and Water Ombudsman where notice was provided of the expiry of the benefit on the customers' next bill. No customer was denied the benefits for which they signed up for and this notification practice was found to be in line with the Electricity Code requirements.

Origin is supportive of regulatory provisions to ensure customers are adequately protected such that they are notified of price changes and all benefits offered in a retail market contract are provided for. These protections are already contained within the Electricity Code and also the National Energy Consumer Framework (NECF) when it is implemented. The development of the NECF has involved years of consultation between industry, consumers and regulators. There is no evidence in the states that have adopted the NECF (ie NSW, TAS, ACT and SA) of issues having been raised with the required customer notification and consent requirements.

Origin believes that any further changes to the Electricity Code would go well beyond that required in other jurisdictions and the NECF. It is likely that further changes will place a considerable cost on the industry without realising any benefit to customers. It is noted that these issues and concerns have been raised by the QCA².

¹ Queensland Competition Authority, Requested amendments to customer notification and consent provisions in the Queensland Electricity Industry Code, November 2013, p3.

² Ibid, p1.

Origin strongly encourages the QCA to base its deliberations as to whether further changes are required to the Electricity Code on available and systemic evidence of market failure. Over 70% of customers in south east Queensland are on market contracts³ which demonstrates a customer's ability to assess information and value. For Queensland to move in a different direction to the NECF and the current Electricity Code requirements, in the short term, will be inefficient.

Customer Notification

Origin notes that the Electricity Code includes provisions to notify customers of price changes (clause 4.12.6) and requires retailers to provide notice to customers when their fixed term contract (clause 4.4.4) ends. We understand and appreciate the importance of satisfying these requirements as well as providing adequate communication with our customers.

It is important to note that Origin already provides numerous communications to our customers about the benefits they are receiving under their market contracts. These are in the form of the following:

- *At the time of entering into a contract* - we inform customers of the terms and conditions of their contract (including any benefit they will receive for the fixed term benefit period) before they sign up with us. They receive a welcome pack that includes the benefit details and they are again reminded of their benefit period when the transfer to Origin has been completed.
- *During the contract* - customers receive ongoing reminders on their regular energy bill of the benefit period and the type of fixed term benefit that the customer is on. Bills include current rates as well as amended rates if they are changed during a billing period (eg 1 July price changes). This provides clear information about the actual charges for individual customers.
- *At the time of expiration of the benefit period* - recent enhancements to processes will ensure customers receive proactive reminders in the lead up to the expiration of their benefit period.

It is our view that customers are informed about the duration of the benefit period and are able to access a range of new offers to suit their needs in the lead up to the expiration of that benefit period. Whilst the particular benefit they were on may no longer be available, customers are able to contact us to discuss options for alternative benefits.

Further, Origin wishes to highlight that customers may not see any price change at the end of the benefit period. This is as a result of customers being quoted undiscounted prices throughout the contract. For example, a retailer may offer a pay on time discount. The benefit is applied at the end of the bill and is only relevant to the customer if the customer pays by the due date on the bill. The rates will stay the same and it is only that the pay on time discount ceases at the end of the period. It should be noted that customers are informed of what will occur after the benefit period ends when they first enter into a market contract. The underlying agreement and disclosures do not end when the benefit period ceases.

³ Queensland Competition Authority, Requested amendments to customer notification and consent provisions in the Queensland Electricity Industry Code, November 2013, p2.

Origin is committed to ensuring that our customers have the information they need to make informed energy choices and we continue to look for ways to improve our processes to ensure customers receive adequate levels of communication.

Explicit Informed Consent

The Electricity Code requires retailers (including their marketing representatives) to gain explicit informed consent from a small customer when they sign a market contract. Retailers are also required to provide small customers with a written disclosure statement which specifies, among other things, the prices, charges, fees and service levels under the market contract, as well as how these may be changed during the term of the contract. Customers are reminded of the benefit and the period of the benefit as part of both the verbal explicit informed consent and the written information sent the customer.

Importantly, any fixed term benefits are key to a customer's choice of market contract and therefore always need to be explained in detail to the customer before the customer makes their selection.

Origin obtains explicit informed consent prior to entering into any market contract, including a market contract with fixed term benefits. This is required under the Electricity Code and Origin has not seen any evidence of market failure. To regulate further in this area, when there is no demonstrated need, will only add to the costs of providing retail services and restrict product offerings.

Conclusion

Origin considers that the current regulatory requirements contained in the Electricity Code and the future NECF place adequate requirements on retailers to provide communication to customers of price changes or changes to the contract terms and conditions and to obtain explicit informed consent. Origin urges the QCA to not simply add new and more elaborate requirements without holistic consideration of the overall impact that this has on the market and consumers. The benefits of any new requirements need to outweigh the costs.

On the matter as to whether amendments are required to the Gas Industry Code in relation to customer notification and consent, we believe that the above electricity discussion also applies to gas customers. Therefore, no further changes should be made to the Gas Code.

Should you have any questions or wish to discuss this information further, please contact me on (02) 9503 5674.

Yours sincerely,



Keith Robertson
Manager, Retail Regulatory Policy