



EnergyAustralia

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Queensland Competition Authority
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Submitted online at electricity@qca.org.au

Dear Sir/Madam

Customer notification and consent provisions in the Queensland Electricity Industry Code

EnergyAustralia welcomes the opportunity to respond to the Authority's Interim Consultation Notice ("the Notice") entitled *Requested amendments to customer notification and consent provisions in the Queensland Electricity industry Code*, which the Authority released for comment in November 2013.

We are one of Australia's largest energy companies, providing gas and electricity to nearly 2.8 million household and business customers, while also owning and operating a diverse range of generation and storage facilities across the east coast of Australia. With around nine percent retail electricity market share in south east Queensland, we are a challenger brand offering genuine competitive tension against the two incumbent retailers in that region.

As we will explain in this submission, the aspect of this consultation that causes us most concern is the proposal to mandate explicit informed consent (EIC) for benefit term renewals under evergreen contracts. We cannot stress too much how detrimental this would be to the competitive market in Queensland. It would produce a bad outcome for Queensland electricity consumers.

1. Proposed Code changes

In response to a request from the Queensland Minister for Energy and Water Supply¹, the Authority has issued a Notice canvassing Code changes in Queensland to introduce two new operational requirements for electricity retailers:

1. Retailers must issue a small customer with prior notification of the expiry of a fixed period benefit term in an evergreen contract at least 40 business days and no later than 20 business days before the expiry date.

¹ Queensland Competition Authority, *Requested amendments to customer notification and consent provisions in the Queensland Electricity Industry Code*, Interim Consultation Notice, November 2013, Appendix A.

2. Retailers must obtain explicit informed consent from a small customer for any proposed new benefit term under an evergreen contract.

The Notice also asks whether amendments such as these should be made to the Gas Industry Code, too.

2. Notification of a fixed-term benefit period expiring

We value our customers. We believe that if we proactively engage with them and keep them fully informed about their energy supply arrangements with us, they're more likely to appreciate our service and stay with us.

Therefore, regardless of what the energy laws in NEM jurisdictions currently require us to do, it is our policy and practice to send our customers advance notice when the benefit term of their evergreen contract with us is approaching expiry. That includes our Queensland residential and small business customers. Our market contract terms and conditions clearly commit us to do this.

We send these notifications between 40 and 20 business days prior to the benefit term expiry date.

The notification we send explains the terms and conditions that will apply after the current benefit term expires, including the following information:

- new benefit term period;
- tariffs;
- discounts;
- green electricity options;
- fees and charges (no exit fees apply to renewed benefit terms);
- the tariff and charges variation arrangements that will apply;
- payment options;
- availability of concessions and rebates (to residential consumers); and
- availability of complaints and dispute resolution options.

Our notification clearly explains to the customer how they can accept or reject our offer and what their options will be if they choose to reject it, including the option of choosing another retailer.²

While we understand that not all retailers in Queensland have been choosing to engage proactively in this way with their evergreen contract customers, we would prefer to see the issue resolved via competitive forces rather than the kind of additional code requirements proposed in the Authority's Notice.

3. Explicit informed consent to a new benefit term

We have genuine concerns about the proposal to oblige retailers to obtain customers' explicit informed consent (EIC) to a new benefit term under an evergreen contract.

Our main concerns are about:

- Negative customer experience;
- More customers on standing tariffs;
- Increased renewal process costs; and
- Diminished renewal offers.

² In other words, we address the items listed on page 3 of the Notice.

3.1. Negative customer experience

Under the prior notification renewal process that we described above, our customers receive more than ample time to consider our offer and, if they wish, to shop around and see what our competitors are offering. When it comes to accepting our offer, years of experience tells us that customers overwhelmingly prefer a “do nothing” deemed acceptance approach and to allow the new benefit term to commence without the hassle of having to phone us or submit written paperwork to give an explicit acceptance.

While from time to time there will be instances of customers saying they did not receive the renewal notification, these are the tiny minority. They are not reflective of the good experience of the vast silent majority, who receive the notification, consider it, are happy with it, and decide to allow the new benefits to proceed.

If we are to be obliged to obtain EIC on benefit term renewals in Queensland in future, it will undoubtedly drive complaints from consumers who are used to, and prefer, the convenience of the deemed acceptance approach.

It will also drive claims from some consumers who will say they responded to the renewal notification and provided EIC, when in fact they did not. Therefore, they defaulted onto the standing tariffs, and now want retrospectively to reinstate the original renewal offer that they really did not act upon. So, we’d be looking at substantially more inbound customer calls disputing their account, more rebilling situations and the possibility of more matters going to the ombudsman.

3.2. More customers on standing tariffs

It is highly probable that there would be a low customer response rate to a request from their retailer for EIC. In our experience, a response rate of any more than ten percent would be exceptional.

This low response rate would translate into a huge number of customers moving onto the standing tariffs, because that is where they would most likely default to if they do not respond to a retailer’s offer.

That would be a bad customer outcome and, from what we understand about the motivation behind this proposal, would be counter to the Government’s intentions. Queensland consumers would be paying more for their electricity than they need to.

3.3. Increased renewal process costs

An EIC process for renewals is a much more costly process. Depending upon the modes of acceptance a retailer chooses to use, there would at least be:

- inbound call costs;
- costs of developing online acceptance facilities;
- administrative costs for handling paper based acceptances;
- IT costs to change from a deemed acceptance to an explicit acceptance process;
- costs associated with contract and other customer collateral changes; and
- costs associated with higher complaint and dispute levels.

Then there would be the costs of any follow-up processes a retailer may choose to employ for non-respondents to their renewal offers; for example, outbound call costs and correspondence costs.

3.4. Diminished renewal offers

It is inevitable that retailers would recover the extra costs associated with these changes via financially less generous offers in the Queensland market.

4. Application to the Gas Industry Code

We do not see any reason why gas should be treated differently to electricity in respect of these matters.

5. Conclusion

While we appreciate the motivation behind these proposals, we believe that it is neither necessary nor desirable to amend the Electricity Industry Code to mandate the matters canvassed in the Notice. Indeed, we believe the proposal to mandate EIC would actually produce a bad outcome for consumers.

If you require any further information with regard to this matter, please contact me on (03) 9976 8363 or email malcolm.jones@energyaustralia.com.au

Yours sincerely

Mal Jones
Regulatory Manager