Retail Market Review Implementation

Bills & Marketing – First workshop

27 April 2018

Agenda

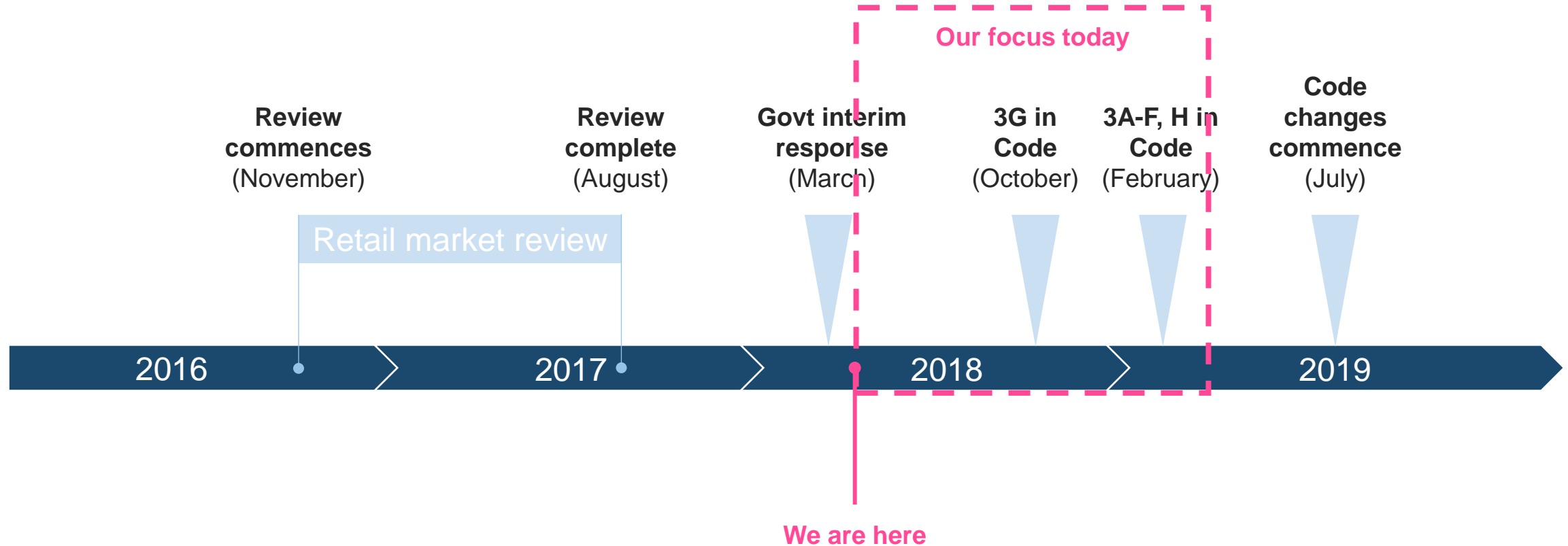| Time	Item	Presenter
	Welcome & introduction	Luke Hockley
	Overview of work ahead	ESC
	Headline matters	ESC
	Group discussion	All
	Next steps & close	ESC

Overview

Overview

Scope

- Independent Review into the Electricity and Gas Retail Markets in Victoria
- Recommendation 3A-H – *Marketing information on prices to be easily comparable*
- Two tranches – 3G (tranche 1), 3A-F, H (tranche 2)

Macro timeline – bills & marketing work stream in context

Review commences
(November)

Review complete
(August)

Govt interim response
(March)

Our focus today

3G in Code
(October)

3A-F, H in Code
(February)

Code changes commence
(July)

Retail market review

| 2016 | 2017 | 2018 | 2019 |

We are here

Overview

Approach

Clarify, for each recommendation

- practical meaning, desired outcome
- identify key issues, risks, opportunities

Design and test regulatory options

Draft and final decisions
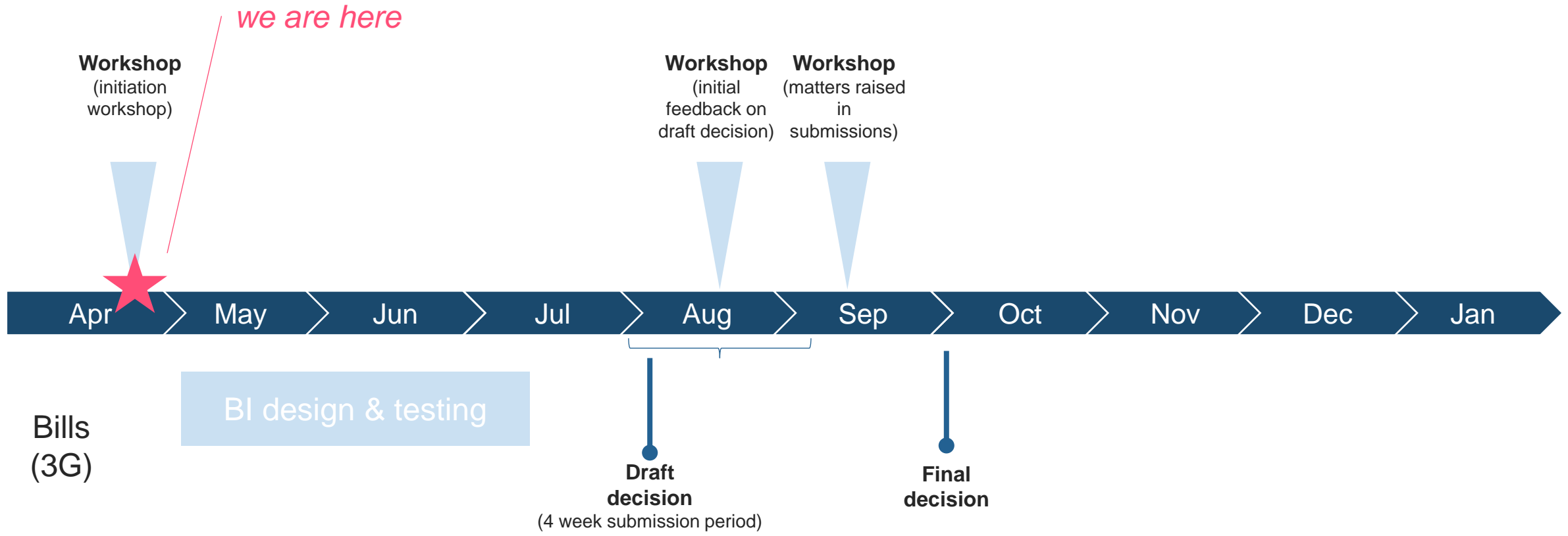
Process repeated for each tranche

Overview

Key points for stakeholder input

- Initiation workshop (desired outcome, risks, opportunities etc)

- Draft decision (formal submissions)

- Workshop on draft decision

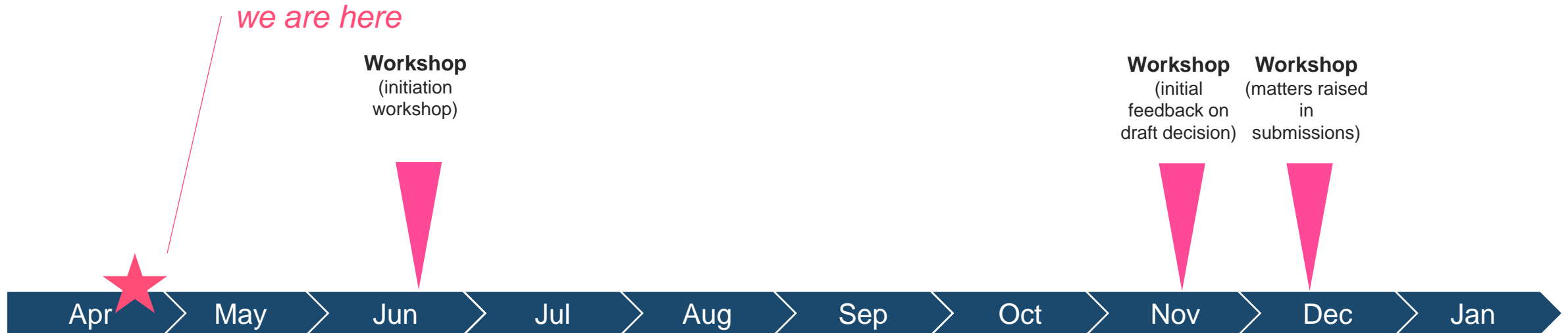- Workshop on submissions to draft decision
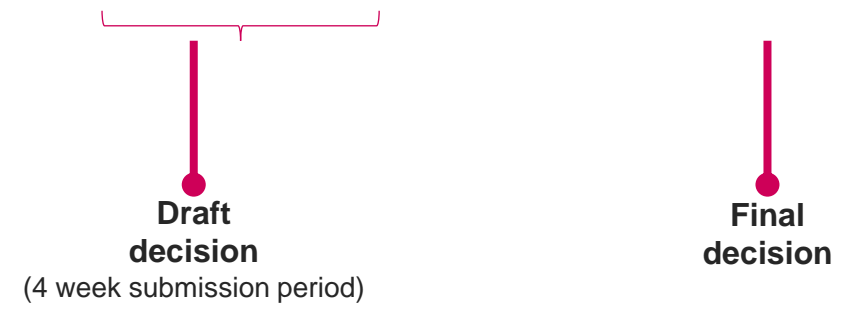
Process repeated for each tranche.

Timeline – bills

we are here

Workshop
(initiation workshop)

Workshop
(initial feedback on draft decision)

Workshop
(matters raised in submissions)

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan

Bills (3G)

BI design & testing

Draft decision
(4 week submission period)

Final decision

Timeline – marketing

we are here

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Marketing
(3A-F, H)

BI design & testing

Draft decision
(4 week submission period)

Final decision

Timeline – bills & marketing

we are here

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Final decision

Marketing (3A-F, H)

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Final decision

Headline matters

Working problem definition

Many Victorian customers are paying more than is necessary for their energy.

This is (in part) due to the difficulty customers experience identifying the energy deal that best suits them.

The difficulty that customers experience stems in part from the variety and complexity of the offers available in the market place, which include a range of: unanchored discounts, benefits, and fixed and variable charges.

In response to this complexity, even motivated customers appear to be reluctant to shop around. Other customers do not even try.

Recommendation 3G

Recommendation 3G is to require retailers to include the following information on customer bills:

- How customers can access the Victorian Energy Compare website
- The retailer's best offer for that customer based on their usage patterns
- The total annual bill for that customer based on the customers current offer and usage patterns.

Recommendation 3G in practical terms

In addition to the material they currently contain, bills would now also include:

- The annual bill (ie total amount energy consumed and $ payable) for that customer based on their current deal and energy usage pattern.

- Information about the retailer's best offer for that customer based on the retailer's knowledge of the customer's usage patterns, including:

  - What they would owe for the current bill if they had been on that 'best offer'

  - *What the anticipated annual bill would be for that customer if they were on the 'best offer'*

- *Practical information about how to switch to the 'best offer'.*

- Information about how the customer can access the Victorian Energy Compare website.

Linking 3G to the problem definition

A prompt - prompting customers to consider changing to a better energy deal.

Information - key information to customers about current and potential alternative deals in a clear and easily comparable way.

Simple choice architecture - choice architecture free of extraneous information (such as dozens or hundreds of subtly different offers).

Facilitate awareness - facilitating customer awareness of 'shopping around' aids by providing information about Victorian Energy Compare.

Outcome

Customers have a **low effort** means of identifying an offer that is more suitable to their **individual circumstances** (at a **point in time** when they are more likely than normal to be considering the suitability of their energy offer) along with information about how to access that offer.

Customers have a better understanding of their energy use and cost in annualised terms

Customers who want to search offers from other retailers with practical information about how to access Victorian Energy Compare.

The end result of the recommendation should be that more customers on offers that better suit them.

Group discussion

Meaning of key terms

"Best offer"

We have identified at least three ways of thinking about the term 'best offer':

- prescribed narrowly – the offer expected to lead to the lowest annual bill
- prescribed broadly – accounting for all features of the offer, including non-price features
- outcomes based – according to the retailer's judgement

Meaning of key terms

Q1. What are the advantages and disadvantages of each?

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Q3. How should discounts be accommodated? For instance, should the amount quoted for the 'best offer' be inclusive or exclusive of any discounts associated with that offer, or should it show both amounts?

Meaning of key terms

Q1. What are the advantages and disadvantages of each?

Q2. Which one do you prefer?

Q3. How should discounts be accommodated? For instance, should the amount quoted for the 'best offer' be inclusive or exclusive of any discounts associated with that offer, or should it show both amounts?

Q4. Are there are any other terms within the recommendation that you believe require clarification?

Opportunities

The recommendation does not specify *how* the information must be presented on bills. There may be other information that could be added to, removed from, or rearranged on the bill that could enhance the benefits for customers of the recommendation.

Q5. How can 3G be implemented to deliver the most benefits to customers? Are there specific ways we can include this new information on bills to draw out the best results?'

Risks and difficulties

Exploring the potential risks will help us understand the potential negative consequences of different implementation approaches.

Q6. Are there any potential risks for customers or retailers in implementing recommendation 3G? If so, how can we mitigate these risks when deciding on implementation details?

Q7. (For retailers) Are there any elements of this recommendation that you consider particularly difficult to implement? If so, please provide details.

Regulatory approach

Different regulatory approaches include principles/outcomes based approaches, which do not contain detailed specifications of compliant conduct, and prescriptive approaches, which do contain such details. There are also approaches that blend these two styles.

Q8. What are the advantages and disadvantages of different regulatory approaches that might be applied when implementing recommendation 3G?

Next steps and close
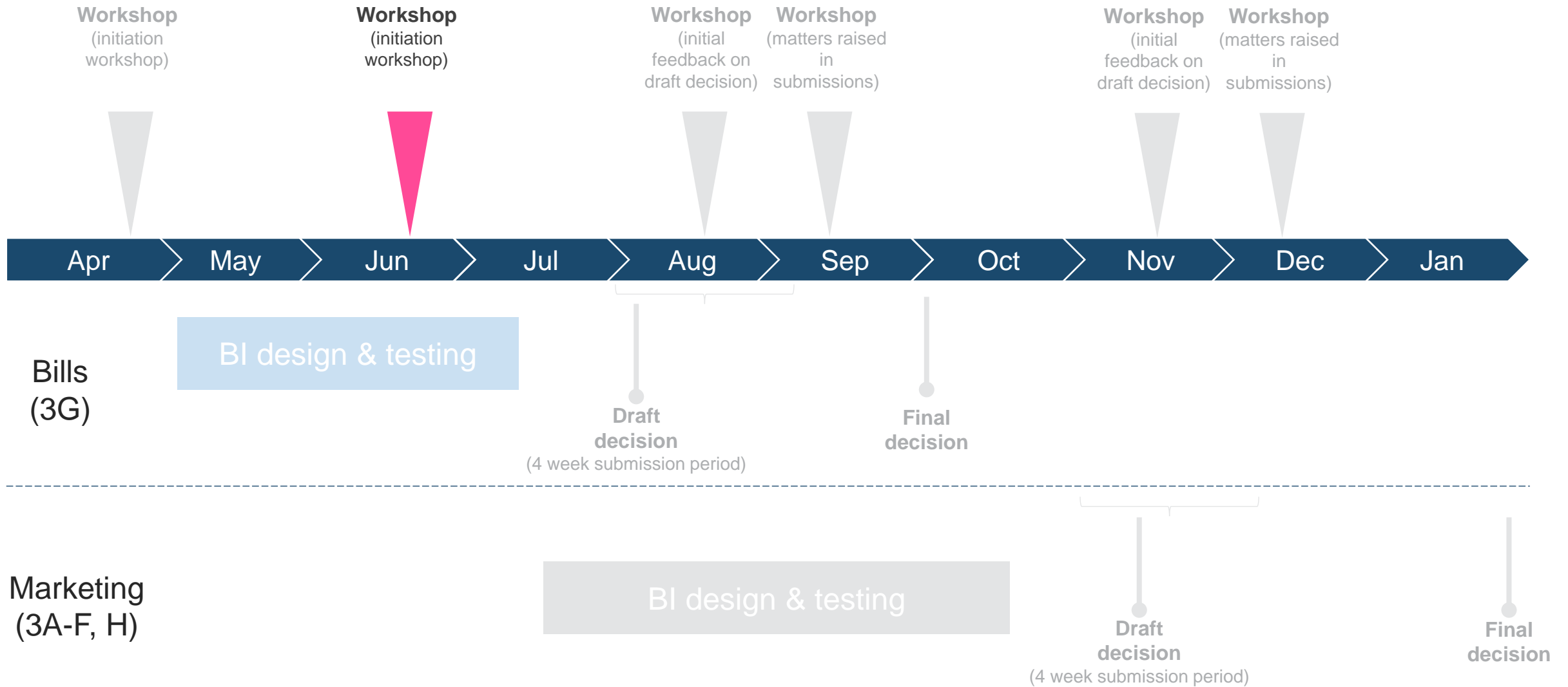
Follow up questions

Sources

Q9. What are the leading reports, frameworks and/or studies that you think we should consider in our work?

Q10. Are there specific policy and regulatory processes in other jurisdictions or industries that we should be taking account of? How do they relate to the recommendations we have been asked to implement?

Points of interaction

Q11. Are there any points of interaction between recommendation 3G and 3A-F & H that you think we should take account of when we implement the former?

Next steps

Workshop
(initiation workshop)

**Workshop
(initiation
workshop)**

Workshop
(initial
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draft decision)

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Bills (3G)

BI design & testing

**Draft
decision**
(4 week submission period)

**Final
decision**

Marketing (3A-F, H)

BI design & testing

**Draft
decision**
(4 week submission period)

**Final
decision**

Next steps

Follow up questions

- Please send responses by Friday 4 May

3G

- May/June – Design and testing
- August – Draft decision

3A-F, H

- June – Initiation workshop

Contact us

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