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Consequential amendments related to the Victorian Default Offer

AGL Energy (AGL) welcomes the opportunity to comment on the Consequential amendments related to the Victorian Default Offer Draft Decision (draft decision) issued by the Essential Services Commission of Victoria (ESC) on 8 May 2019.

AGL recognises that the Victorian Default Offer Draft (VDO) will start from 1 July 2019 and seeks the best customer experience by minimising the potential for customer confusion and allowing a smooth implementation for energy retailers. We have provided thoughts below on how this can best be achieved.

Draft Decision 1

AGL supports this draft decision and has no substantive comments.

Draft Decision 2

AGL has no substantive comments on this draft decision.

We recognise that this is complicated by the obligations to supply that exist under the Energy Retail Code but are generally supportive of the intent that in instances where the VDO is the best offer for that customer, all retailers should communicate the VDO to customers in transparent manner through the clear advice entitlement.

Draft Decision 3

AGL does not support the proposed drafting of this decision as we do not believe it is in the consumers' interest and is more likely to result in consumer confusion, distrust and potentially inertia.

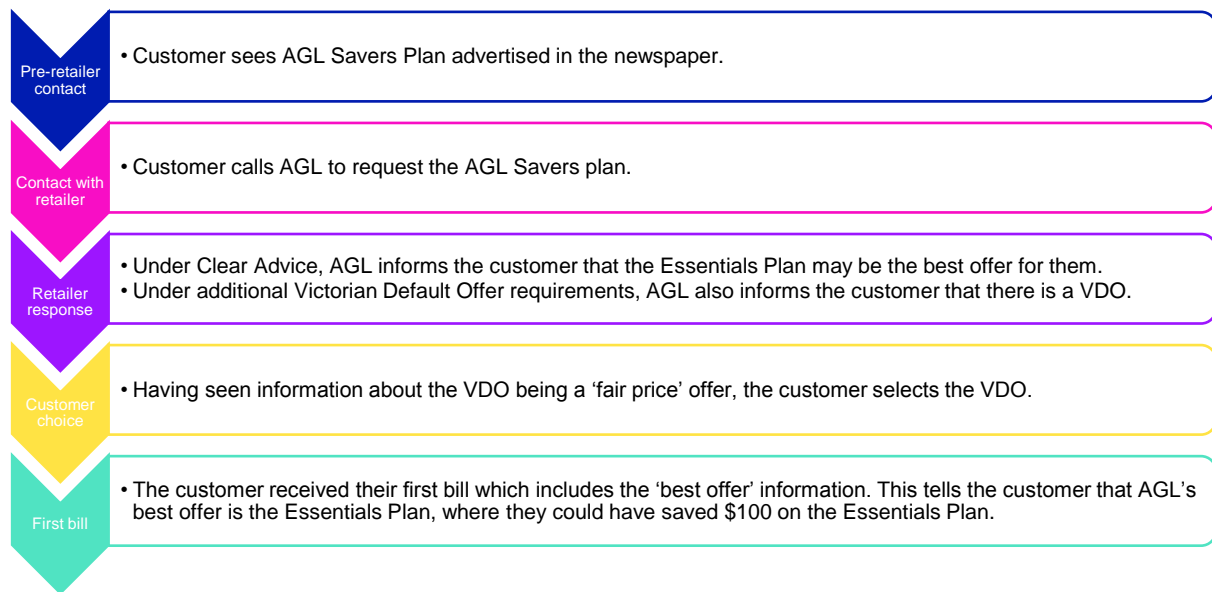
We believe this draft decision does not align and potentially contradicts the objectives of the October 2018 Clear Advice Entitlement and Best Offer changes. Further, AGL believe this requirement is unnecessary as we understand that retailers will be required to inform customers how to access the VDO through a bill message.

Customer experience

While we agree that customers should be made aware of the VDO, this should only be done where it is reasonably considered to be the best offer for the customer. Consider the following example in Figure1

where a customer may be easily confused due to the need to inform them of the VDO despite it not being the best offer for their circumstances.

Figure 1: Example of customer experience in accessing an energy plan



The practical application of this draft decision would likely lead to poorer outcomes for both consumers and retailers and would not engender trust or a positive experience.

By overloading the consumer with choice, or information that appears conflicting there are two key risks:

- i. **Encouraging customer inertia** – overwhelmed by the available information, consumers do not know how to prioritise it and fall back to using heuristics, which may well result in them making no decision at all.¹
- ii. **Fostering distrust** – The ESC has based a lot of their recent decision making on the premise that trust needs to be built between retailers and consumers.² Examples such as the above would counter this, by informing the customer of a 'fair price set by government' that may not be the best offer based on the customer's circumstances. The consumer may feel deliberately tricked or confused by the retailer.

We encourage decision-making that ensures clear, simply information to the customer to help build that trust and therefore recommend removing VDO references from Clear Advice Entitlement (CAE) requirements, unless it is the best offer for the customer.

We have included an example of a script engagement with a Victorian customer to elaborate on this point (see the confidential attachment A). This scripting does not include other obligations or resolving other customer queries but demonstrates both a poor customer experience as it will increase the length and complexity of the call for the customer.

¹ <https://www.aemc.gov.au/sites/default/files/content/c74a8d35-8472-4f81-a2b1-a68d6392a0e9/RPR-0004-Consultant-Report-5-Oxera-Behavioural-insights-into-Australian-retail-energy-markets.PDF>

² Essential Services Commission Victoria, *Building Trust Through New Customer Entitlements in the Retail Energy Market: Final Decision*, 30 October 2018



Implementation requirements

We also note the implementation timeframes as being overly restrictive to introduce this new obligation under the CAE. The CAE final decision was delivered on 30 October 2018 and AGL has invested heavily in developing a project and implementation plan to deliver the requirements. This final decision represents a substantial change management project for the business to ensure that relevant staff scripting, advice, training is developed, that internal processes and systems are upgraded, and appropriate risk and compliance frameworks are built around the obligations.

Retailers will not be receiving the full scope of the Energy Retail Code consequential amendments for VDO obligations until June, with an implementation date of 1 July 2019.

This draft decision will require adjustments to our existing change management project for CAE and best offer that is hampered by time constraints and introduces new risks that must be considered. As we have previously raised with decision-makers, retailers often rely on third party providers such as mail houses for the dissemination of information to customers (including billing and notification communications).

Given the time line, our mail houses will have already been briefed with content information and it will be unlikely that AGL can meet this new obligation. If retailers are not given appropriate time to implement changes, there is a risk to both retailer compliance as well as the overall consumer experience, such as engagement through our call centres and the thoroughness of staff training and comprehension of all new obligations.

If you have any questions, please contact Patrick Whish-Wilson at PWhish-Wilson@agl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux
GM of Energy Markets Regulation