

Submission to the Review of Electricity and Gas Retail Markets in Victoria



March 2017

The Alternative Technology Association (ATA) welcomes the opportunity to respond to the Victorian Government's independent *Review of electricity and gas retail markets in Victoria*.

Founded 36 years ago, the ATA is a national, not-for-profit organisation whose 6,000 members are (mostly residential) energy consumers. About 2,500 of our members are Victorian.

Our extensive experience in energy policy and markets informs our advocacy and research which, amplified by our close collaboration with fellow members of the National Consumer Roundtable on Energy, makes the ATA an important voice for energy consumers Australia-wide.

ATA has a uniquely twofold perspective as a consumer advocate. With the continuing support of the Energy Consumers Australia (and formerly the Consumer Advocacy Panel) we represent all small energy consumers in advocacy that seeks to improve energy affordability and the structure and operation of the National Energy Market (NEM). Additionally, we speak with authority on behalf of the growing portion of the consumer base that has an interest in demand-side participation and emerging energy products and services.

Overview

The ATA welcomes the review of energy retail markets. We have long been concerned about the lack of effective competition in the Victorian energy market, which has been characterised by obfuscated pricing and poor consumer engagement. We can think of no other market for basic essential services where the benefits of competition have only been realised by the most engaged and informed consumers, and where disengaged consumers are significantly cross-subsidising the informed and articulate.

This submission primarily addresses the fundamental issues of price dispersion and transparency, and third parties' participation in the market, because we have lacked the capacity for a more comprehensive submission. We trust that the review will also consider our contributions to the Stakeholder Consultation Forum on 8 February 2017, and wish to express our broad support of the submissions to this review by the Victorian Council of Social Service, the Consumer Action Law Centre, and the Consumer Policy Research Centre.

The benefits (or not) of competition

The introduction of competition to the Victorian energy retail market and the evolution of retail market practices has been a mixed blessing for Victorian consumers. Certainly, it has opened up the *possibility* of low prices – savvy, engaged consumers can save up to \$830 on electricity and \$480 on gas annual bills for typical usage, if they switch from the worst standing offer to the best market offer.¹ However this very fact has an ominous subtext: how can such price dispersion exist sustainably in a market for a basic, essential, and – significantly – uniform product? How many consumers have been engaged and savvy enough to find the cheapest prices? Why would around 10 per cent of customers (those on standing offers)² choose to pay an average of 30 per cent more for energy³ – especially when they are disproportionately vulnerable customers?⁴

Price dispersion

Wide price dispersion might indicate effective competition if prices corresponded to products with different qualities – but gas and electricity are ubiquitous, uniform products (even more than petrol is) with similar underlying cost for all retailers. Wide price dispersion *within* retailers is particularly difficult to understand, since it appears to be much greater than can be explained by the additional costs of complying with the few additional obligations that apply to standing offers. Wide price dispersion between retailers for products of similar quality can be seen in some markets – such as cars, clothes, or electronic devices – where certain brands have an inherent desirability and social meaning, and consumer engagement is high; but this does not sound like the Victorian energy market, which is characterised by low consumer engagement, poor consumer confidence,⁵ and high search costs.⁶

Price transparency and discounting

A fundamental problem with the Victorian retail market – and the retail markets in the rest of the NEM – is the lack of transparency of prices. The average consumer doesn't know how much energy they use, and doesn't know how to figure out the cost of an energy offer from the components (daily charge and usage charge) of the tariff – if they can find the tariff details in the first place. This makes it very difficult to compare offers. The government-backed *Victoria Energy Compare* comparator website can help: but it is complex enough to deter many consumers, and not widely known. Commercial comparators are easy to use but they only cover a selection of offers, and are often compromised by commission arrangements that are also not plainly disclosed to users.

Energy retailers as a rule do not advertise their prices – they advertise 'discounts'. Considerable anecdotal evidence suggests that consumers compare discounts to choose offers: a 30% discount is considered a better deal than a 25% discount. Most consumers probably don't realise that the discounts relate to different base prices – retailers typically apply the discounts to their own standing offers (which differ between retailers), and sometimes to 'base rates' that are not standing offers but their most expensive market offer. So one retailer's 30% discount

¹ May Mauseth Johnston, Victorian Energy Prices 2016: An update report on the Victorian Tariff-Tracking Project, St Vincent de Paul Society/Alviss Consulting, 2016

² ESC, Victorian Energy Market Report 2015-2016, 2016

³ AER, State of the Energy Market 2015, 2016

⁴ AEMC, 2015 Retail Competition Review Final Report, 2015

⁵ Energy Consumers Australia, *Energy Consumer Sentiment Survey Findings: December 2016, Victoria*, 2016

⁶ AEMC, *2016 Retail Competition Review: Final Report*, 2016

may still result in a higher price to another's 20% discount. Many consumers probably don't realise that most of the discounts are conditional on on-time bill payment, many require use of direct debit, and most only apply for a 'benefit period' of one or two years.

One solution – standardised price information using a tariff comparison rate

Standardised information about price would enable customers to more readily make comparisons between products. An example of this kind of approach is the *Tariff Information Label*⁷ used in the UK, which shows key information about tariff rates, other fees, and key contract conditions in a standardised format. It also uses a standardised *Tariff Comparison Rate*⁸ to enable comparison of price outcomes across different offers. The *Tariff Comparison Rate* calculates the effective per-kWh rate of an offer by calculating an annual bill for a household with typical consumption and dividing the total by the number of kWh consumed. A sample *Tariff Information Label* is shown in Figure 1 (right).

The ATA recommends that the Victorian Government require energy retailers to display *Tariff Comparison Rates* on all promotional and price information material, in order to reduce customer transaction costs, facilitate informed choice, and increase price transparency. To better reflect actual costs and convey the dynamic complexity of fixed+variable tariffs, the *Tariff Comparison Rate* could be specified for low, typical, and high usage households.

About your tariff	
Supplier	YourPower
1 Tariff name	Online electricity 2 year fixed
2 Tariff type	Fixed term fixed price
3 Payment method	Direct Debit
4 Unit rate	11 p/kWh
5 Standing charge	25 p/day
6 Tariff ends on	2 years
7 Price guaranteed until	2 years
8 Exit fees (if you cancel this tariff before the end date)	£20
9 Discounts and additional charges	Online account management discount – £10/year
10 Additional products or services included	Not applicable
11 Assumed annual consumption	3,200 kWh
12 Estimated annual cost	£423.25
13 Tariff Comparison Rate (TCR)	13.23 p/kWh

Figure 1: Example Tariff Information Label

Catalysing competition: reducing barriers for third parties

Increasing price transparency via a reform such as requiring the use of *Tariff Comparison Rates* should increase the effectiveness of consumer choice and help to build confidence. But as numerous studies show, many consumers avoid participating in the market as much as possible because the search costs are too high.⁹

A great opportunity exists for Victorian consumers in the form of third parties who act as energy advisors or brokers. *Energy Tailors*¹⁰ is one example: they use customers' meter data to find and recommend the cheapest available offer for them, charging a modest fee only if the first year's savings exceed it. Other similar businesses are emerging, navigating the complexity on behalf of customers and giving them advice or recommendations for offer choice, technology selection, and so on.

The opportunity these businesses provide is not only for middle income consumers who recognise the value of brokers and can afford an upfront outlay to find a better deal. Brokers can also be engaged by community service organisations who are assisting vulnerable households with their energy costs. In fact, assuming a broker's fee of around \$60, the Victorian

⁷ See https://www.ukpower.co.uk/home_energy/tariff-information-labels

⁸ See https://www.ukpower.co.uk/home_energy/tariff-comparison-rate

⁹ AEMC, 2016 Retail Competition Review: Final Report, 2016

¹⁰ <https://www.energytailors.com.au>

Government could fully subsidise brokers for concession households and recoup the cost via savings in concessions expenditure within twelve to eighteen months.

The rich data captured by Victoria's ubiquitous smart meters enables such services. However there is no clear pathway for third party access to meter data on behalf of customers, and this is inhibiting the growth of this new market. Technically, customers can access their own data and provide it to third parties; but in practice it is often difficult and requires customers to deal with the complexity that is discouraging them from being engaged in the first place. (The difficulty that ordinary customers experience in accessing their smart meter data is reflected in the low numbers of consumers who try to use their meter data in *Victoria Energy Compare*, and the high failure rate of those customers who do try. This data has been captured by DELWP over the last few years.)

In collaboration with the ATA and some other consumer organisations, *Energy Tailors* has been working with Victorian distribution businesses to have third party access frameworks added to their customer portals. This has been only partially successful, with most distributors being unwilling to invest the necessary resources for a service they are not required to provide (and thus, not able to recoup the cost through their regulated revenue).¹¹ This barrier may well continue to exist in any transition to competition in metering (as is currently being considered by the Victorian Government) because with retailers being ultimately responsible for meters, a split incentive will exist – third parties represent a competitive threat to retailers, especially if they are to act as energy brokers.

The ATA recommends that the Victorian Government require all parties responsible for household energy metering to provide access to smart meter data for third parties acting on behalf of customers with explicit informed consent. We note that explicit informed consent for accepting energy offers from retailers can be given over the telephone or online, as an alternative to in writing: the same avenues for consent are required for a third party access framework to work efficiently. Please refer to Attachment 1 *Supporting consumers' access to their energy data: Position Paper* for more information about the challenges and opportunities of third party access to AMI meter data.

Conclusion

Thank you for the opportunity to respond to the Victorian Government's independent *Review of electricity and gas retail markets in Victoria*. We also appreciate the excellent Stakeholder Consultation Forum held on 8 February, which gave us a good opportunity to both contribute more widely to the review than we have been able to in a written submission, and understand the views of other parties.

If you wish to discuss anything raised in this submission further, please contact Dean Lombard, Senior Energy Analyst, at dean@ata.org.au or on (03) 9631 5418.

¹¹ The distributors that have implemented it were able to do it at low cost during the initial development of their portal. For some others, the cost would have been higher because the functionality would need to be retrofitted to their existing portals.

ATTACHMENT 1



Supporting consumers' access to their energy data

Position Paper

Efficient and timely access to smart meter energy consumption data and associated services, for both individual consumers and third party service providers they may engage (henceforth referred to as "Customer Authorised Representatives"), is critical for Victorian consumers to achieve the full benefits of the smart meter rollout and participate in the emerging energy market. Customers own their smart meter data and they need to be able to authorise others to use it in order to fully realise potential benefits. In particular, people facing poverty and disadvantage often require assistance from third parties to help them better understand and manage their energy usage in order to lower their energy costs.

We have an immediate and extremely low-cost opportunity in Victoria to enable third party service providers to make use of the distributor portals on behalf of consumers. This would significantly improve the uptake of innovative smart meter data services and deliver greater benefits to Victorians faster.

Why is smart meter data important?

Since 2009, Victorian small energy consumers have been paying in the order of \$25 to \$50 per quarter extra on their energy bills for the Victorian Advanced Metering Infrastructure (AMI) program.

At the start of 2016, these costs total around \$1,000 each for 2.5 million households and other small users.

From a consumer perspective, besides the system operational benefits of remote reading, remote disconnect/re-connect and related services (benefits that are yet to be realised by many Victorians), the key benefits of smart meters are:

- at the system level: better granularity of energy consumption data, allowing for more cost reflective pricing; and
- for the end-user, the use of that detailed data for deeper understanding of consumption patterns, and for financial benefit (bill reduction) through retailer switching and optimisation of energy efficiency and other energy management measures, pursued by the consumer directly or financial counsellors and energy services providers on their behalf.

The latter is not only important to individual consumers in managing their day-to-day energy use, it is critical in the context of ensuring effective competition in the Victorian energy market.

The retail component of Victorian offers - in particular, those associated with standing offers in which disengaged consumers are overrepresented¹² - remain inexplicably high¹³; around double those of other jurisdictions.

At the same time, many new technologies in energy efficiency, demand management and distributed generation have fallen in cost on a per-kWh basis to below the level of retail tariff

¹² https://www.vinnies.org.au/icms_docs/221190_Victorian_Energy_Prices_July_2015.pdf

¹³ <http://www.esc.vic.gov.au/getattachment/fc947897-7d4f-4772-97c9-959e3baad0db/If-the-retail-energy-market-is-competitive-then-is.pdf>

rates. The uptake of these is a relatively easy way to drive down costs for Victorian energy users.

Access to Data: NEM-wide

The Australian Energy Market Operator (AEMO) was tasked with developing a procedure for Customer Access to Data which came into effect on 1st March 2016. Consumer organisations and Customer Authorised Representatives engaged in the process were frustrated by AEMO's reluctance to support a comprehensive outcome that meets the National Electricity Objective to promote the long-term interest of consumers.

Despite strong submissions from a number of consumer organisations and Customer Authorised Representatives in relation to verification, data formats (both summary and detailed), consumer engagement and the process governing data acquisition, AEMO have put forward a path:

- of minimal intervention, without standardisation of data formats or verification processes;
- that will still result in a highly inefficient and ineffective process for Victorian consumers and their Customer Authorised Representatives to access their AMI data; and
- that does not provide guidance on issues of capturing and auditing consumer consent between Customer Authorised Representatives, retailers and distributors

The final link in the supply chain to allow information flows between consumers and their smart meters and “unlock” the value of the AMI program for Victorians, **is not enabled by the AEMO process.**

Access to Data: Victoria-wide

As at May 2016, three out of five¹⁴ of the Victorian distribution network businesses have introduced web-portals through which consumers can access their energy consumption data. These are useful tools however require the customer to have a level of understanding of the electricity industry and a degree of technical sophistication that many consumers do not have.

Our experience with consumers who are interested in obtaining their energy consumption data for purposes of price comparison, for example, is that many are unable to easily do so. Even technologically savvy consumers find the process confusing and prone to error. For example:

- a) Consumers who save data on Macs rather than PCs can inadvertently change the file format, rendering it invalid for comparison sites;
- b) Obtaining data via a portal is a long process (more than ten minutes) for a customer who doesn't actually want the data in itself, but rather wants to compare their energy plans.

Jemena and United Energy have a single portal which does not enable Customer Authorised Representatives to legitimately access data on the customer's behalf¹⁵, due to:

- i. terms and conditions requiring the applicant to be the inhabitant of the property; and
- ii. a sign-up process which involves a confirmation email sent to the consumer's email address.

AusNet Services has two portals:

- 1) A customer portal which excludes Customer Authorised Representatives from using it, similar to Jemena and UED above, and

¹⁴ Jemena, UED, AusNet

¹⁵ Refer to Appendix.

- 2) A portal specifically designed for Customer Authorised Representatives. However this portal currently requires a “physical signature” consent form to be signed by the customer (despite this not being required on their customer portal) and as such does not facilitate *easy* access to data for a consumer going through this process.

CitiPower / Powercor do not currently have a portal but we understand that they are releasing a portal in mid-2016 that will address the issues raised above¹⁶.

In summary, whilst Victoria has self-service capabilities for access to meter data across the State, **in practical experience this does not yet translate to easy access for all consumers.**

Issues for Consideration in a Proposed Solution

Security

It is important that security and privacy of consumer personal information is safeguarded. By enabling Customer Authorised Representatives to register on a consumer’s behalf, *using the same information as a consumer would require if doing it themselves*, the same security provisions are kept in place. Currently, a malicious individual could impersonate a consumer and register directly on a distributor web portal, armed with the NMI, meter serial number, address, consumer name and phone number. This does not change if Customer Authorised Representatives gain the ability to register on a customer’s behalf.

Note additionally that the two impediments (terms and conditions, and email confirmations) that currently exist for Customer Authorised Representatives on distributor customer portals do not add any additional security to deter a malicious individual – such a person would ignore the terms and conditions and would simply create a new email address (note that the email address is not validated by the networks as they don’t possess that information). The impediments simply affect legitimate authorised representatives.

Consumer Consent

We believe that consumer consent to usage of their energy consumption information is important and that the responsibility and accountability for obtaining and storing consumer consent lies with the Customer Authorised Representative obtaining it. A distribution network cannot effectively and cost-effectively police this, and any attempt to do so negatively impacts consumers’ ability to *legitimately* obtain their meter data via Customer Authorised Representatives.

For example, requiring Customer Authorised Representatives to provide a “physical signature” of a consumer does not provide any additional security, as the distribution network does not have the signature of the consumer to validate against in the first place. Yet it forms a significant barrier for innovative Customer Authorised Representatives trying to reach as many consumers as possible.

As such we believe that Customer Authorised Representatives should be responsible for obtaining and storing Explicit Informed Consent¹⁷ from a consumer, in a process approved by the network business based on their own process for obtaining explicit informed consent. This would be a requirement network businesses place on Consumer Authorised representatives as a condition of using their service, and is necessary because currently Customer Authorised representatives are outside the scope of the National Retail Law and the Victorian Energy Retail Code. which Explicit Informed Consent can be obtained in person via a physical signature, over the phone via a voice recording, or over the internet via a checkbox which must be clicked before continuing (this is the same approach as Victorian networks take when obtaining direct customer consent for their customer portals currently), and would be able to be provided to the network businesses for verification on request. Customer Authorised Representatives would,

¹⁶ Based on a meeting on 11 April between David Rofe (CitiPower), Peter Wallace (Powercor) Damien Moyse (ATA), Dom Mendonca (Energy Tailors)

¹⁷ Explicit Informed Consent is defined in the National Electricity Rules.

only upon initially engaging with the Victorian networks, agree that they would do so in order to use their service.

Recommended Solutions

We believe that this situation could be remedied in Victoria with minimal cost impacts to industry or consumers. We propose two options:

Option A:

The web portals already developed by the Victorian networks could be enhanced to enable Customer Authorised Representatives to register on behalf of consumers. In particular:

- a) The text in the “Terms and Conditions” requiring the applicant to be an inhabitant of the property should be widened to include Customer Authorised Representatives acting on an inhabitant’s behalf.
- b) The sign-up process should be able to be legitimately completed by the third party without requiring the inhabitant to access their email account to verify.

The Victorian networks could develop a mechanism for third parties to authenticate themselves and log onto the website, and then submit via the website the same verification information required by the consumer when registering directly. The consumer’s meter data would then be returned to the Customer Authorised Representative and an audit log kept. It would be the Customer Authorised Representative’s responsibility to obtain and store customer consent, which could be provided to the network on request.

Option B:

Alternatively, Victorian networks could develop a separate Customer Authorised Representative portal or avenue for Customer Authorised Representatives (as distinct from the customer portal)¹⁸. This Customer Authorised Representative portal would enable and require the third party to:

- a) Attest to terms and conditions, including that they are a registered third party and that they have the customer’s consent;
- b) Enter credentials authenticating themselves as a registered third party (via a pre-arranged username and password)
- c) Enter the same verification information required by the consumer when registering directly
- d) Either enable the network to request for proof of customer consent from the third party OR provide the proof of customer consent as part of the request (whichever form of consent is appropriate given the channel that the customer has gone through – either voice, internet or in person)
- e) Gain access to the consumer’s meter data upon successful registration

The benefits of both these approaches are:

- a) The IT development required is very simple¹⁹;
- b) There is no lessening of security under this approach, security information is required of Customer Authorised Representatives just as for individuals;
- c) An audit log can be kept of Customer Authorised Representatives registering on behalf of consumers. There is a measure of control that the networks have in terms of notifying consumers when registrations have taken place;
- d) A third party must enter all the requisite information for registration to a customer’s account, when they want to login to see that customer’s details. Therefore if the third

¹⁸ This might be an approach that AusNet Services, who have already built a Customer Authorised Representative portal, might take.

¹⁹ Noting that the entirety of the Jemena/UED portal was built for approx. \$300,000, presumably the enhancement to enable Customer Authorised Representative registration on a customer behalf would be a very small fraction of that cost, multiplied across three web portals.

party's security credentials were compromised, this does not of itself compromise all consumer data.

In conclusion, we see easy access by Customer Authorised Representatives to energy consumption information on behalf of a consumer as a critical pre-requisite to enabling consumers to realise the benefits of smart meters through innovative services. We believe that this could and should be very simply enabled in Victoria through minor enhancements to the distribution network web portals.



Appendix: Registration Processes of each distributor

JEMENA:

Required Information to Register:

- NMI, Meter serial number, phone number, address, Customer name

Problematic Terms and Conditions:

- Clause 3: "In submitting a registration request, you represent that you are the occupier of the premises connected to the smart meter nominated in your registration details in respect of which you are requesting access to energy consumption data"
- Clause 6a: "You are provided with access to the Portal and/or IHD only for your personal use. "
- Clause 6e(1): "You must not attempt to use or misuse the Portal and/or IHD: for any unauthorised commercial purpose;"

Confirmation Email required?

- Yes, requires an email (username) to be provided up front, to which a confirmation email is sent. Upon clicking the link in the confirmation email, registration can continue

UNITED ENERGY:

Required Information to Register:

- NMI, Meter serial number, phone number, address, Customer name

Problematic Terms and Conditions:

- Clause 3: "In submitting a registration request, you represent that you are the occupier of the premises connected to the smart meter nominated in your registration details in respect of which you are requesting access to energy consumption data"
- Clause 6a: "You are provided with access to the Portal and/or IHD only for your personal use. "
- Clause 6e(1): "You must not attempt to use or misuse the Portal and/or IHD: for any unauthorised commercial purpose;"

Confirmation Email required?

- Yes, requires an email (username) to be provided up front, to which a confirmation email is sent. Upon clicking the link in the confirmation email, registration can continue

Consent Agreement:

- Seems to allow for Customer Authorised Representatives

"You must check this box to proceed. By checking this box, you confirm that you are the owner-occupier of the premises connected to the meter nominated in your registration form. If you are not the owner-occupier, you confirm that you have obtained consent from the tenants of the premises to access the metering and electricity data relating to that premises. You also acknowledge that you have read the end user terms of use and understand how we handle your personal information."

AUSNET SERVICES:

Customer Portal:

Required Information to Register:

- NMI, meter number, site address, customer name, email address, phone number, DoB (as security question for lost password), Free-form question and answer (as security question for lost password)

Problematic Terms and Conditions²⁰:

In "Registration":

- "In submitting a registration application, you warrant that you are the occupier of the property nominated in your registration details in respect of which you are requesting access to energy consumption data."

At end of reading terms and conditions, tickbox to confirm:

"I [Customer Name] confirm that I am the authorised account holder and accept these Terms of Use"

Confirmation Email required?

- Yes, requires an email to be provided up front, to which a confirmation email is sent to confirm registration.

Customer Authorised Representatives Portal:

This portal has been developed by AusNet Services for Customer Authorised Representatives to submit meter data requests. This portal automates part of the process of obtaining customer data however still requires physical signatures by customers and manual action by AusNet Services once the request has been submitted. Hence this does not solve the issues identified in this paper of easy access to data.

CITIPOWER / POWERCOR

Based on conversations with CitiPower / Powercor, we understand that they will enable Customer Authorised Representatives to obtain consumer data upon providing the required authorisation information. We understand that this is:

- NMI, meter number, site address, customer name

²⁰ We understand from AusNet Services that this is on purpose – that is, the portal is intended purely for direct customer access, not for access by Customer Authorised Representatives