19 October 2012

By email: electricity.sen@aph.gov.au

Sophie Dunstone
Committee Secretary
Senate Select Committee on Electricity Prices
Parliament House
CANBERRA ACT 2600

Dear Ms Dunstone

Re: Supplementary submission to the Senate Select Committee on electricity prices

As part of CHOICE's submission to the Senate Select Committee dated 21 September 2012, reference was made to the results of our nationally representative survey of 1,020 online Australian household energy decision makers, conducted in June 2012.

Graphs following on from initial submission

To assist the Committee, we have attached graphs that depict the results of our research referenced under the following headings (see Attachment 1):

- What do consumers think about electricity prices? (Figures 1, 2, 3 and 4)
- Helping households save energy (Figure 5)
- Making data available (Figure 6)
- Cost-reflective electricity pricing (Figure 7)
- Deploying new technologies (Figure 7)

Consumers are having difficulties navigating the electricity retail market

CHOICE has also released additional research from the same survey that highlights the low levels of confidence that consumers feel in their ability to navigate the energy retail market effectively. Specifically:

- Only about half of those who recently joined their retailer were confident they had made the best choice (Figure 8).

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- Confidence was even lower among those who had switched through door-to-door sales or telemarketers. 55% of those who recently joined their retailer in response to a direct marketing offer were not confident they made the best choice.
- One third of respondents who recently joined their retailer said they had tried to compare providers but had found it was too hard to work out the best choice (Figure 8).

These findings are significant as:

- It shows that electricity tariffs are a complex product that consumers have difficulties comparing when shopping around for a new deal.
- For consumers to make effective decisions and successfully engage with the energy market currently and as new products are introduced (for e.g. time of use tariffs), they need to be able to effectively assess the level of risk and reward associated with products.

Consumers' levels of satisfaction with their electricity retailers

CHOICE has also released research on consumers' level of satisfaction with their electricity retailers. As stated previously, CHOICE strongly supports genuine competition in retail electricity. However, there currently appears to be little product differentiation in Australia's electricity retail markets, as evidenced by our research. CHOICE believes that genuine competition is achieved when informed consumers make active purchasing decisions that result in a consumer finding a product that is the best fit for their circumstances and being confident in their decision.

Key findings include:

- Satisfaction with providers was low across the board, though TRUenergy's customers gave them a comparatively high rating for keeping them informed on key issues like price rises. (Figure 9)
- 25% or less of respondents rated their electricity provider as 'very good' or better across the categories of value for money, customer service, helping customers understand how to reduce usage, and updating them on key issues such as electricity prices. (Figure 10)
- Dissatisfaction with their previous company was the second-most frequently cited reason by survey participants who had switched in the past three years with looking for a cheaper option being the most common reason. (Figure 11)

Interestingly, our research found that despite claims that the Victorian market with its high churn

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rates is Australia's 'most competitive retail energy market'[1], Victorian consumers did not rate their providers significantly higher than other states as a whole in relation to the following factors:

- overall rating;
- value for money;
- customer service;
- helping customers understand how to reduce usage.

Indeed, while the high churn rates do not - based on our research - result in significantly higher levels of satisfaction, it appears that they may have resulted in higher retailer operating costs and / or profits. The retail margin was estimated to contribute 31.5% to possible future price increases for Victoria (compared to 12.1% at a national level) from 2010/11 to 2013/14.[2]

Response to questions on notice

The organisation One Big Switch (OBS) argues in its submission that a lack of transparency around plans and pricing for consumers is impeding the benefits of competition and they are arguing retailers should be forced to supply more information to customers including immediately informing the market of price rises and publicly releasing price rises for all plans and customers. Do regulations currently prohibit retailers supplying this information to customers and what is your organisations view of OBS's submission?

As discussed above, CHOICE has released additional research that highlights the low levels of confidence that consumers feel in their ability to navigate the energy retail market effectively. We agree that a lack of transparency around plans and pricing is impeding the benefits of competition.

We also note that in our initial submission, we recommended that there be a fast-track of the NECF obligations on retailers to supply Energy Price Fact Sheets and tariff information for the Australian Energy Regulator's price comparison site: www.energymadeeasy.gov.au.

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[1] Submission by Energy Retailers Association of Australia to the Senate Select Committee on Electricity Prices dated 14 September 2012

[2] AEMC, Possible Future Retail Electricity Price Movements: 1 July 2011 to 30 June 2014, Final Report, 25 November 2011, Sydney

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OBS also argues for easy to understand dash board information to be supplied to consumers to make it easier for them to understand their contracts and bills. What information should be included on such a dashboard for consumers?

We would refer the Committee to our initial submission, particularly the section titled 'Making data available'.

The scoping study conducted by the Federal Government for the consumer energy data access system (CEdata, previously referred to as the energy information hub) has recently been released and is accessible at www.ret.gov.au/ENERGY/ENERGY_MARKETS/ELECTRICITY_MARKET_DEVELOPMENT/DATA/Pages/default.aspx

Yours sincerely

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Attachment to supplementary submission to Senate Select Committee on electricity prices dated 19 October 2012

Figure 1: Concern about specific household expenses

Question: Please indicate how concerned or unconcerned you are about the current costs of each specific expense for your household. N=1020

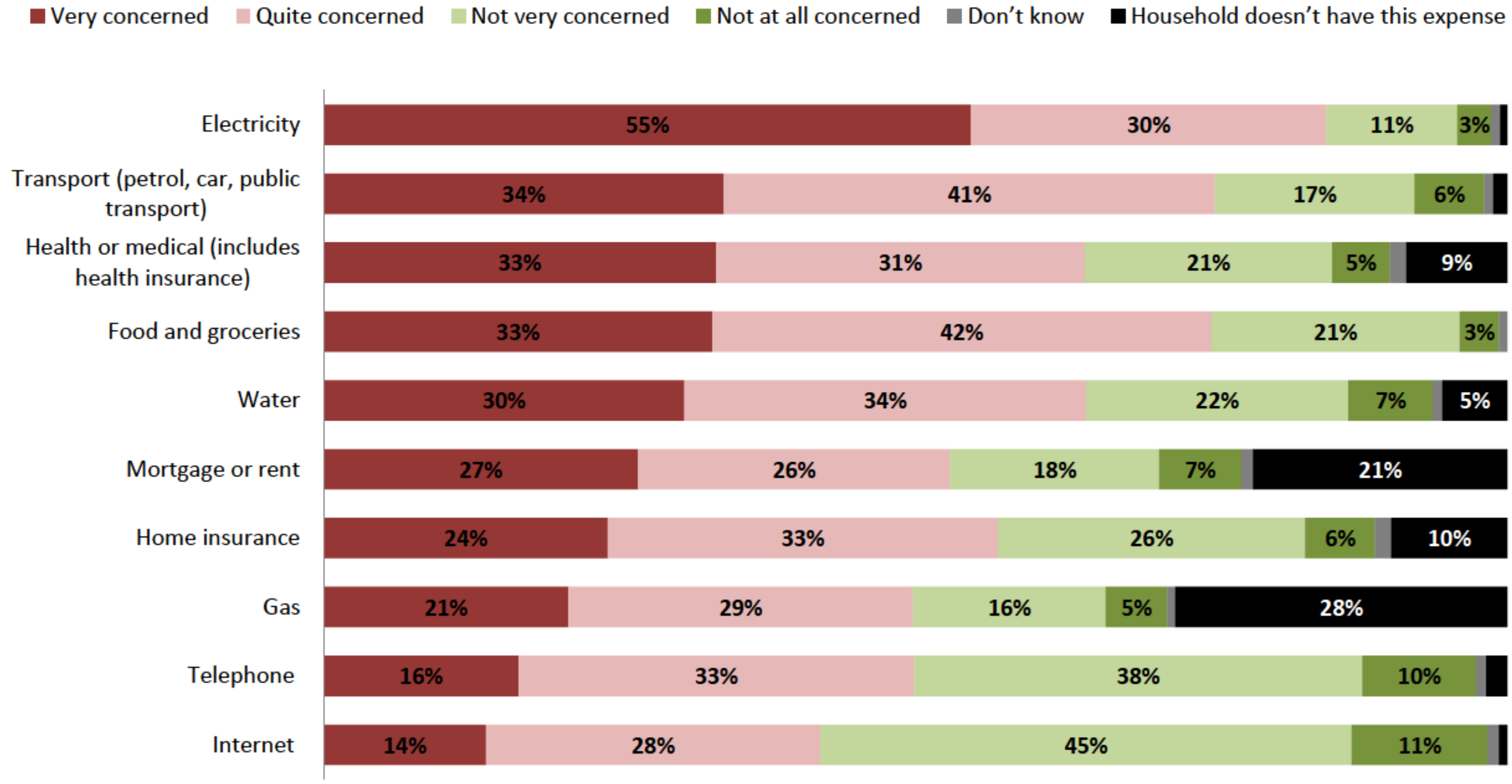

Figure 2: Perceived main reason for past rise in electricity prices

Question: Here is a list of possible reasons that electricity prices may have risen in recent years. Of these, which do you believe is the main reason that electricity prices have risen?

BASE: Respondents indicating they believed electricity costs had risen "a lot" or "a little" over the last few years, N=959

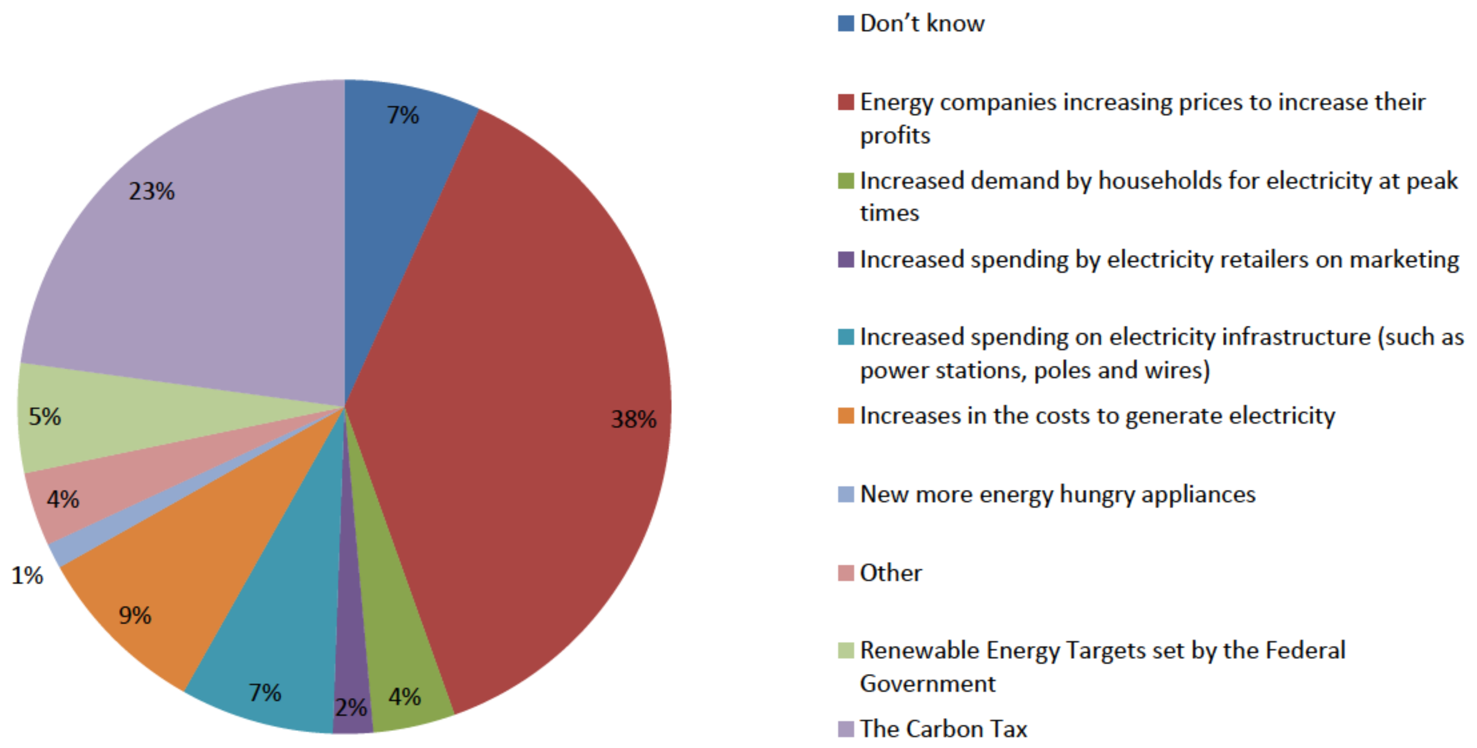

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Figure 3: Perceived main reason for future rise in electricity prices

Question: Here is a list of possible reasons which may lead to a rise in electricity prices in the next 5 years. Of these, which do you believe is the main reason that electricity prices may rise?

BASE: Respondents indicating they believed electricity costs would rise "a lot" or "a little" in the next few years, N=954

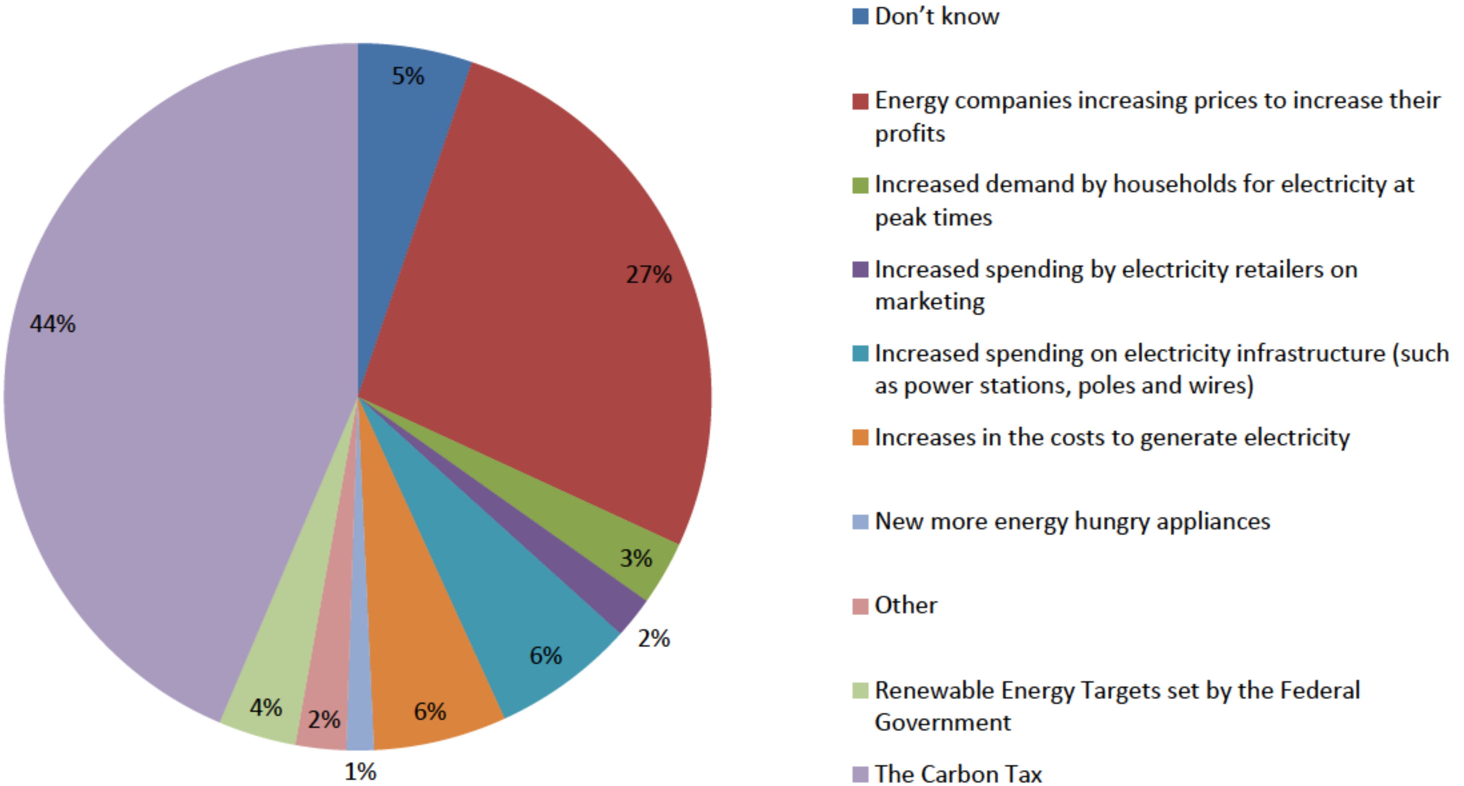

Figure 4: Perceived role of various institutions in minimising household electricity bills

Question: Here is a list of the different groups of people who could have an impact on the cost of electricity. Please indicate how important you believe each group's role is in helping minimise household electricity bills?

N=1020

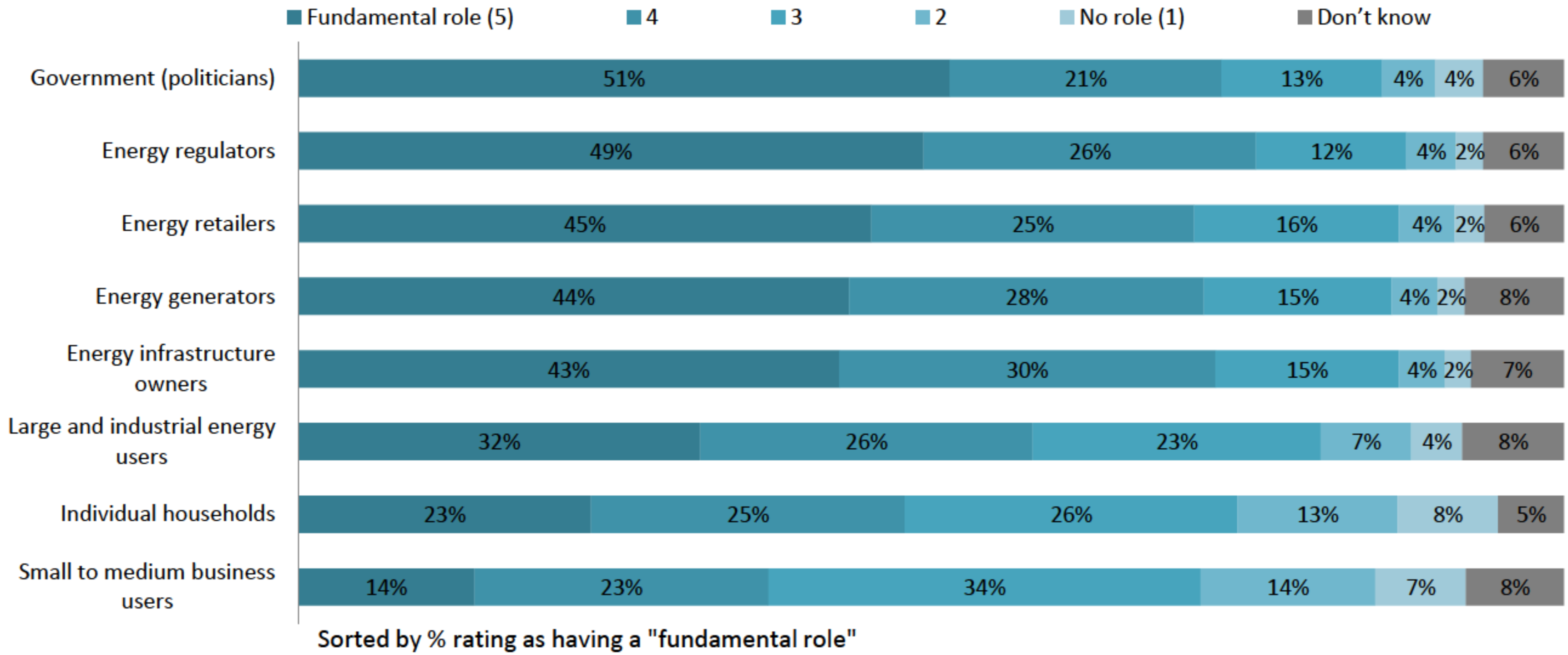

Figure 5: Reactions to ideas for reducing household electricity bills

There are many different possibilities when it comes to ways of saving electricity and reducing household energy costs. Here are just some ideas to which we'd like to capture your reactions. Please rate each idea in terms of how good you think it would be in helping reduce your household electricity.

N=1020

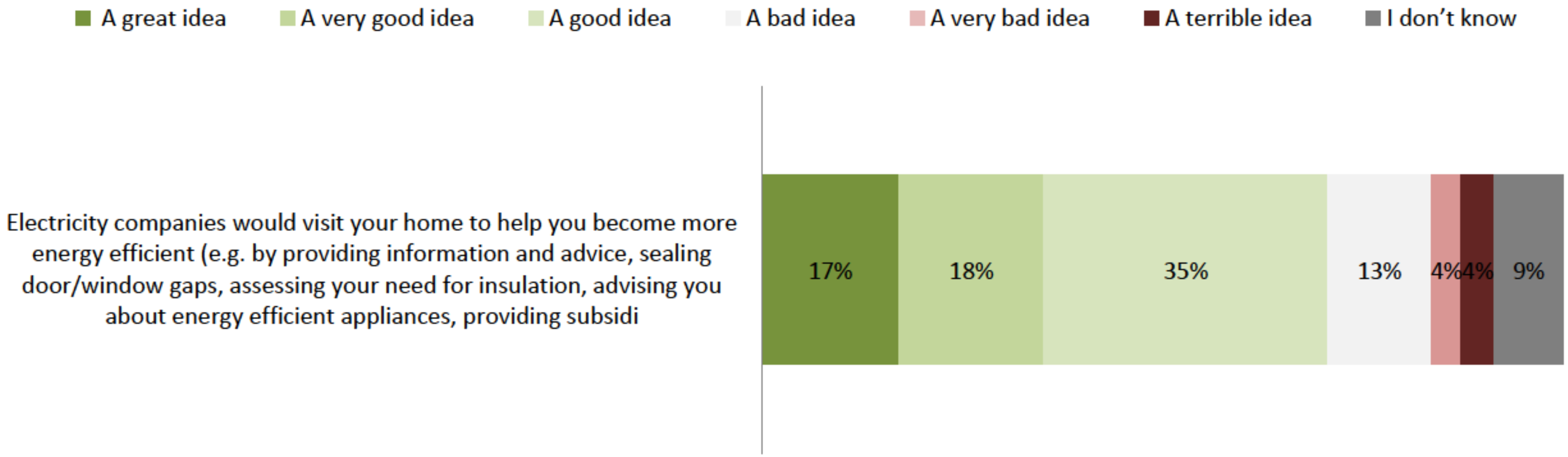

Figure 6: Reactions to ideas for reducing household electricity bills

Question: There are many different possibilities when it comes to ways of saving electricity and reducing household energy costs. Here are just some ideas to which we'd like to capture your reactions. Please rate each idea in terms of how good you think it would be in helping reduce your household electricity.

N=1020

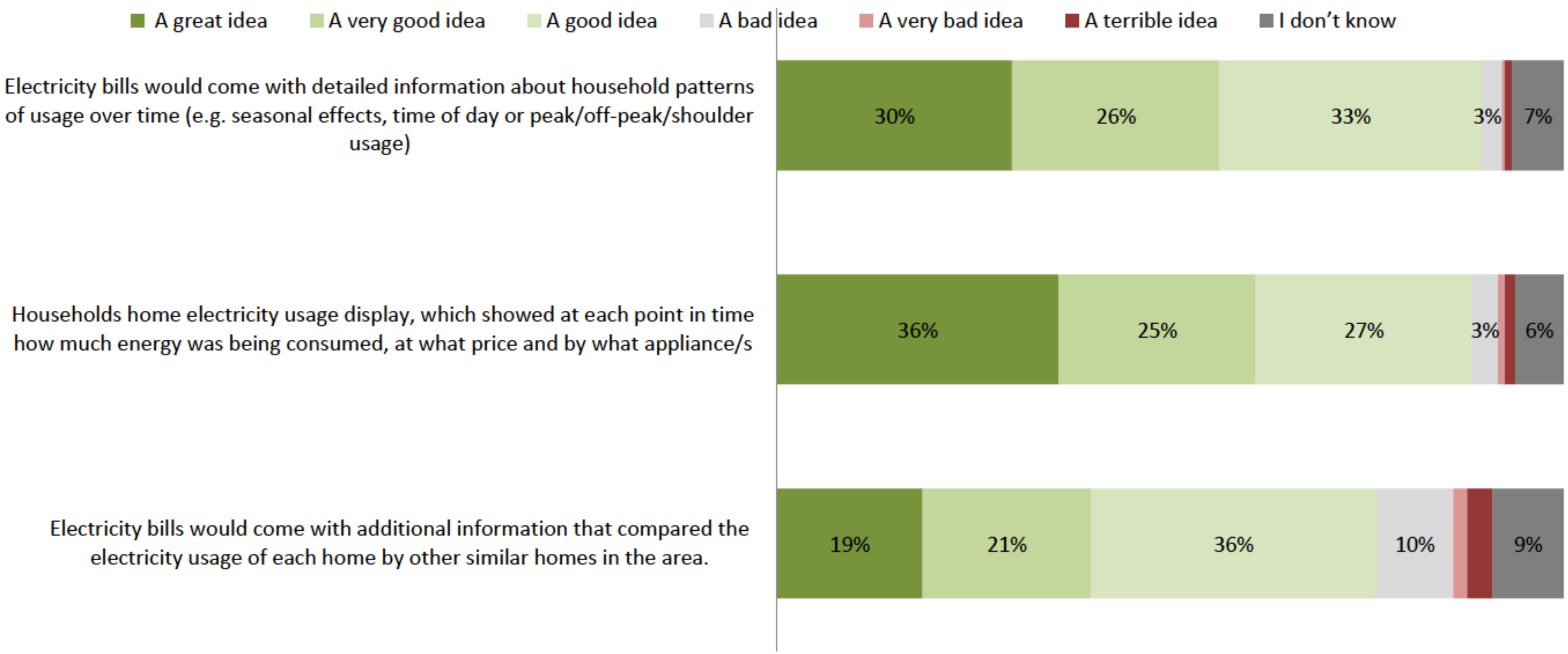

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Figure 7: Reactions to ideas for reducing household electricity bills

There are many different possibilities when it comes to ways of saving electricity and reducing household energy costs. Here are just some ideas to which we'd like to capture your reactions. Please rate each idea in terms of how good you think it would be in helping reduce your household electricity.

N=1020

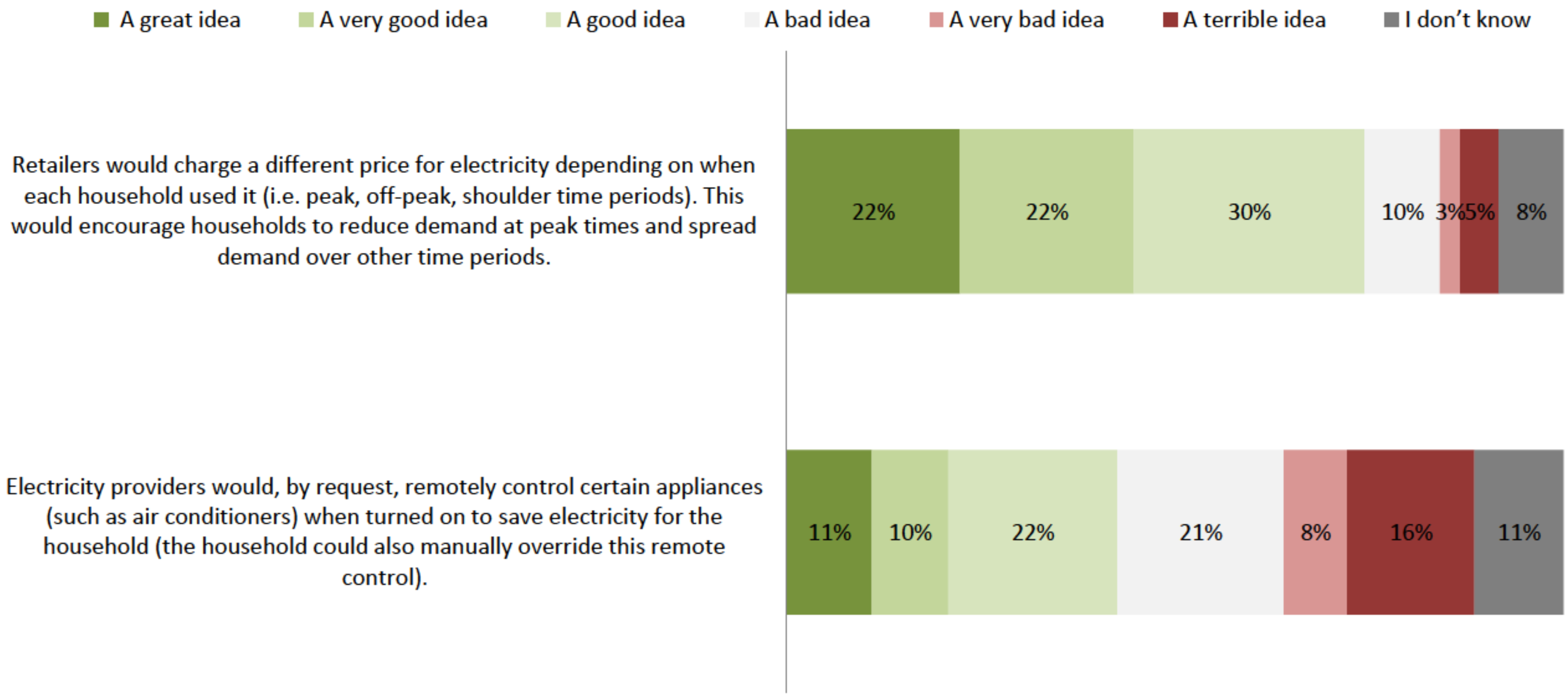

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Figure 8: Thinking about your decision to take out this electricity account with you current retailer to what extent do your agree or disagree with the following statements?

BASE: Those who could identify their electricity retailer, lived in an area with a choice of retailers and have been with their current retailer for 3 years or less(whether switching from another retailer or taking out an electricity account for the first time or after a break), N=413

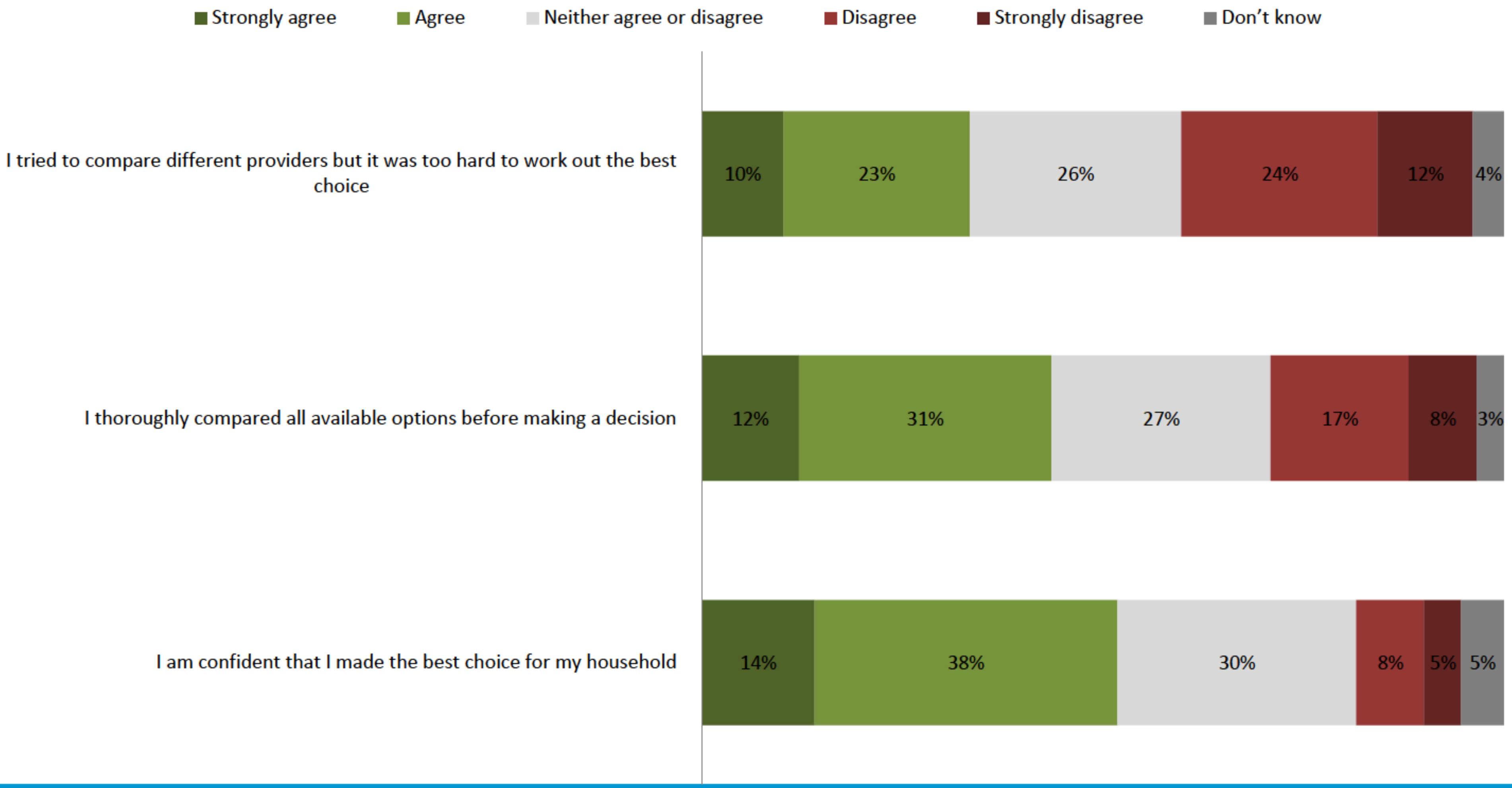


Figure 9. Based on the quality of their products and services and the value they provide, overall how would you rate (your current retailer) as a retailer of electricity?

BASE: All participants who were able to identify their electricity retailer, N = 993

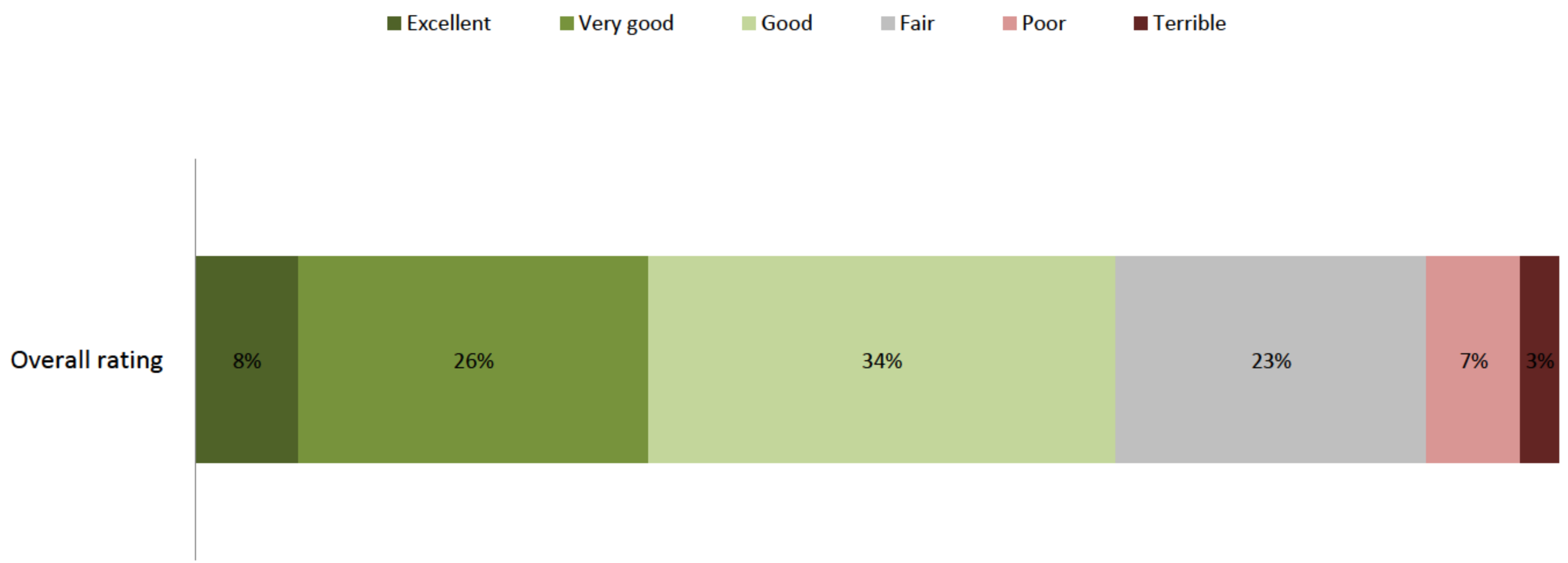


Figure 10. How would you rate your retailer in the following specific areas?

BASE: All participants who were able to identify who their electricity retailer was and who did not answer "not applicable" for the rating (sample sizes given below)

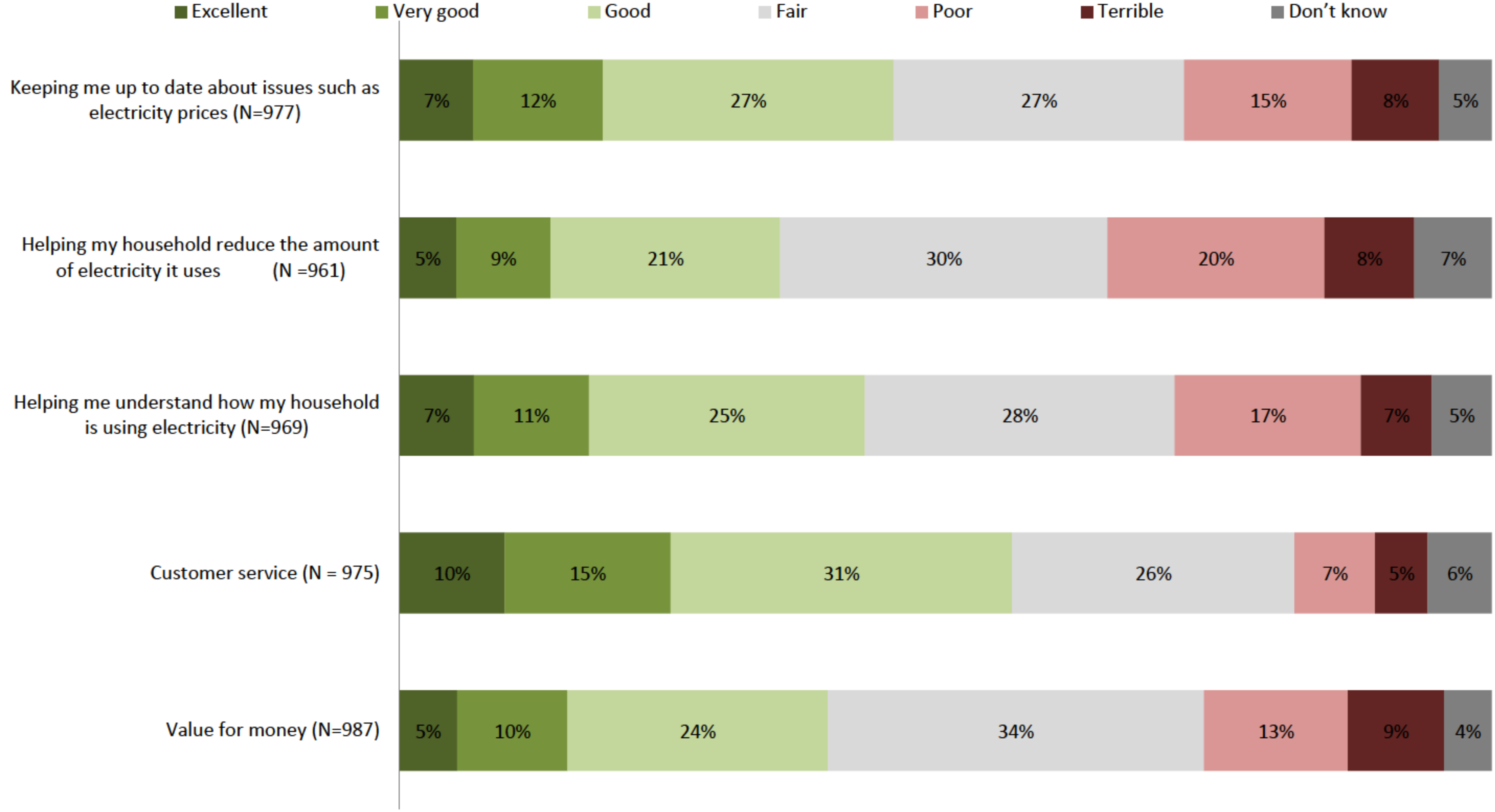
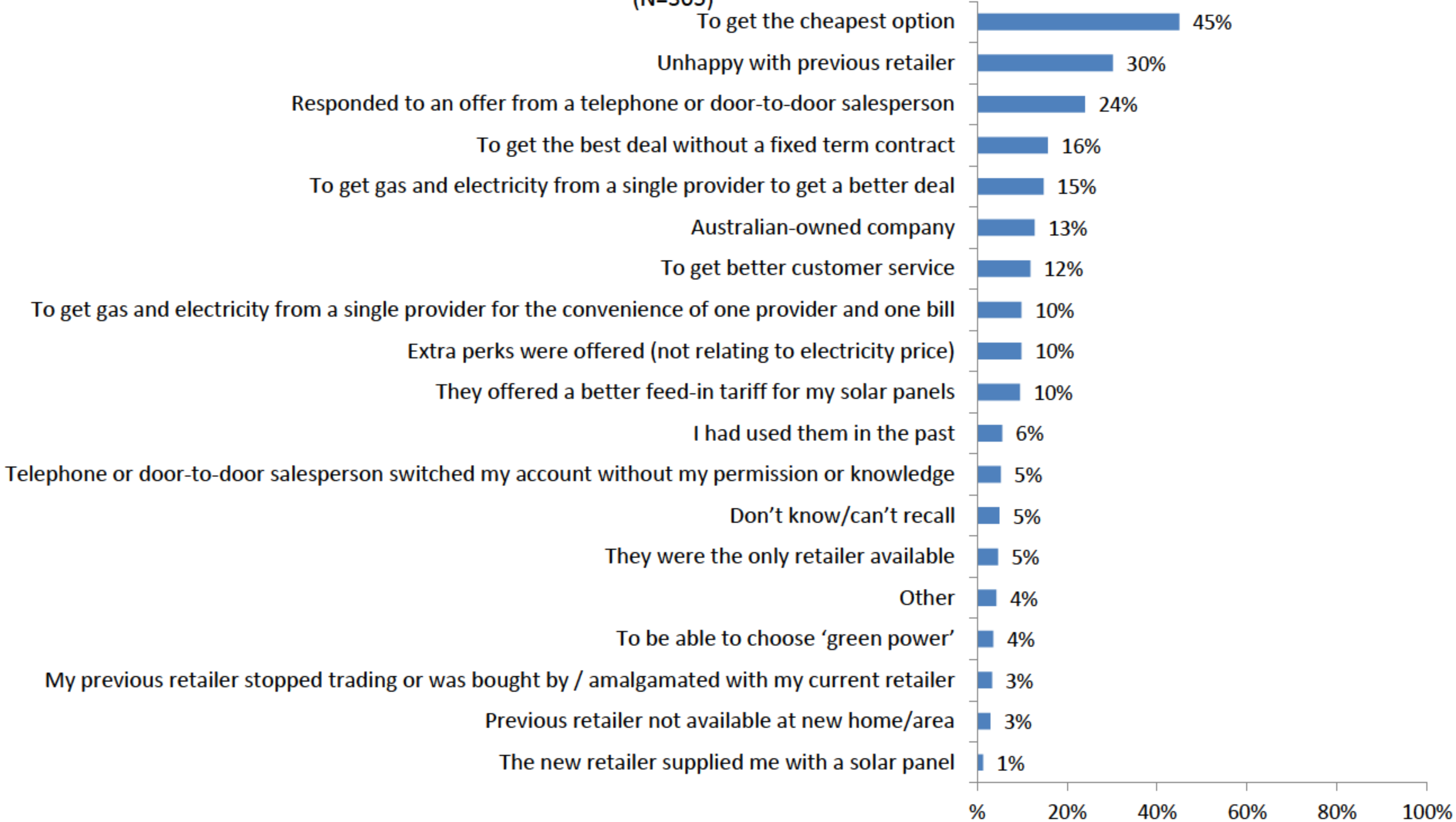


Figure 11. Which of the following were reasons that you switched to (your current retailer) from a previous retailer?

(Multiple responses were allowed)

Base: Those who could identify their electricity retailer, lived in an area with a choice of retailers and switched energy retailers in the past 3 years (N=305)



% of 305 respondents, multiple responses were allowed