SACOSS
South Australian Council of Social Service

Finding a Better Deal?

A SACOSS Energy Market Report
July 2014

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Executive Summary

Recent reports by the AEMC[1] and the Victorian Essential Services Commission (ESCV)[2] highlight that South Australia continues to have both the nation's highest electricity prices and highest rates of electricity disconnections for failing to pay bills on time. These concerning trends highlight the need for energy consumers to be getting the best deals that they can, in order to try to reduce the size of their bills.

South Australia's Energy Minister Tom Koutsantonis is quoted as saying[3]:

> *"What we need people to understand is that electricity should be treated like any other commodity in a supermarket. You should shop around and buy the cheapest one".*

However, the feedback regularly received from members and the wider community is that offers from retailers are confusing and that confidence in the energy market is low.

SACOSS believes that the community sector has an increasingly vital role in assisting the most vulnerable to spend as little as possible to access the essential services they need. Achieving this means householders making conscious and confident choices about the products on offer from energy retailers: embracing the good deals and rejecting the bad.

The St Vincent de Paul Society, Victoria (Vinnies) has been one of the more vocal observers of price movements in the Australian markets. To paraphrase Vinnies' Policy and Research Manager Gavin Dufty; "*Don't wait until you find the best deal, just find a better deal!*"

The aim of this report is to help those in the community sector, whose advice households trust, to give advice on how to navigate the market in order to secure a better deal for electricity and gas.

The report describes eight steps to follow when trying to get a better deal:

1. **Don't Panic**
2. **Know what deal you're getting now**
3. **Are you able to pay in full and on time?**
4. **Check the discount claims - beware the marketing spin**

[1] AEMC 2013, Residential Electricity Price Trends www.aemc.gov.au/market-reviews/completed/retail-electricity-price-trends-2013.html.

[2] ESCV Energy retailer's comparative performance report – Customer service 2012-13 Table 3.2, p. 31 available from www.esc.vic.gov.au/Energy/Energy-retail-performance-reports.

[3] The Advertiser / adelaidenow.com.au reporter Daniel Wills 25.09.13 in "*SA households spend a larger proportion of their income on energy bills than others in any mainland state*".

5. **Do you need a fixed term contract or one with no exit fees?**

6. **Get the best deal from your current retailer**

7. **How does your usage compare against what others are using?**

8. **Shop around. Compare offers from retailers**

Contents

Energy Made Easy?

Unfortunately, there is no straight-forward, easy way to get a better deal for electricity and gas. The simplest way is to try and squeeze the best deal out of the retailer you are already with. Based on our experiences, you can improve your chances of getting a better deal if you do a bit of preparation before contacting them or any competing supplier. Here are some steps to follow when trying to get a better deal:

1. **Don't Panic**
2. **Know what deal you're getting now**
3. **Are you able to pay in full and on time?**
4. **Check the discount claims - beware the marketing spin**
5. **Do you need a fixed term contract or one with no exit fees?**
6. **Get the best deal from your current retailer**
7. **How does your usage compare against what others are using?**
8. **Shop around. Compare offers from retailers**

1. Don't Panic

Some advice at the start: Don't Panic! Don't feel pressured to accept any contracts and remember that there is a 10 day cooling off period anyway.

2. Know what deal you're getting now

A fundamental challenge when chasing a *better deal* is to be sure what you're currently paying. Prices change, usage changes over time and with the seasons, retailers change terminology – it's easy to get confused.

Find as many old bills as you can. Ideally you want to be able work out how much energy you have used and how much you paid over the last year – in order to take account of changes in how much you use over the seasons.

Also, try to locate the name of the 'plan' or 'contract' you are on now. It'll be written on the bill somewhere and will likely have a name like 'Smartsaver10' or 'Advantage 7' or 'Fair Go 15' or 'Default' or 'Transition' or similar. Having this information can make comparisons easier later.

Do the same for gas if you have it. There are fewer retailers competing for gas than electricity.

It's worth noting that it is not unusual to find that the best deal for electricity comes from a different retailer than the one offering the best for gas. There is no reason to buy both electricity and gas from the same retailer unless you choose to for your own convenience.

3. Are you able to pay in full and on time?

The lowest priced offers in the market are all based on a 'conditional' discount of some percentage off the bill if it is paid in full by the due date. These Pay on Time discounts can be large but can also be confusing and misleading.

When chasing a better deal it is important to be realistic about your ability to pay on time. A day late and you can not only miss out on your discount but get a late payment fee as well. Electricity bills generally arrive every 90 days – four times a year. If you think it is likely that you will be late paying 2 or more of these then you are likely to be better off choosing a plan based on who offers a better deal without the conditional discounts.

4. Check the discount claims – beware the marketing spin

A key challenge for consumers seeking to exercise their choice in the market is the almost universal marketing approach by retailers of pricing by percentage discounts.

The Australian Competition and Consumer Commission (ACCC), refers to this as *Discounts off what?*[4] Retail offers tend to be promoted in terms of a certain discount from that retailers' *standing offer*. Each retailer has its own standing offer price. AGL's is the lowest and the others are priced up to 15% above.

This is illustrated by comparing market offers from the two biggest retailers: AGL Energy and Origin Energy (See 'Background Information' for more information). In this example, Origin's "*eSaver up to 16% electricity usage discount*"[5] was found to be more expensive than AGL's "*Select 8% South Australia residential electricity market offer*"[6]. So, to be clear, while it would be a reasonable interpretation from these names to assume that the Origin offer is for a discount twice that offered by AGL, Origin's product marketed as "*up to 16%*" was <u>MORE</u> expensive than AGL's product marketed as "*8%*".

5. Do you need a fixed term contract or one with no exit fees?

When trying to find a better deal, it's worth being clear on whether fixed term deals are of interest to you or not.

Most retailers will offer lower prices if you sign on for a fixed term (usually 2-3 years). Most retailers charge exit fees around $80 to $100 if you decide to leave the plan in the first year (because you

[4] The ACCC announced its intention to investigate this practice in 2013 and, in May 2014, instituted proceedings in the Federal Court of Australia against Origin Energy Ltd. Copies of ACCC media releases are attached as Annex A.
[5] Offer ID: OR29155MR
[6] Offer ID: AGL7334MR

have to move house or want to switch to another retailer). If you have annual bills of $2000 ($500 per quarter) this is around 5% of your annual total.

It is understood that many customers are reluctant to sign on to a fixed term contract with exit fees because they might have to move house before the contract term expires. All retailers offer a 'no exit fee' contract but it can be more expensive than their best 'fixed term' deal. However, it is perfectly reasonable to only be interested in a no fixed term deal – there are some still competitive offers out there.

6. Get the best deal from your current retailer

"OK, make me want to stay!"

The simplest approach to securing a better deal is to call your current retailer (their details will be on your bill) and ask them if you are on the best deal they can offer.

Remember, try to be clear on whether you are interested in a fixed term offer.

If they offer you what sounds like a better deal – ask them to make sure they have compared it with the plan you are on currently (and not just a % discount from their standard contract price).

If they are unable to offer a better deal then consider shopping around.

7. How does your usage compare against what others are using?

Before comparing retailers, it can be useful to know how your household's electricity usage (referred to as 'consumption') compares to others. Consumption is largely related to the number of people in a household. The Australian Energy Regulator (AER) has published figures based on household size and location[7]. For South Australia, average consumption is shown below.

People	Annual Consumption
1	4097 kWh
2	5074 kWh
3	6051 kWh
4	7026 kWh
5	8004 kWh …

[7] www.energymadeeasy.gov.au/bill-benchmark with the caveat that "… amounts are based on an average household in your localised zone. Individual usage will vary."

As at May 2014, indicative electricity bills for the average consumptions above would be[8]:

People	Annual Consumption	Indicative Annual Cost	Indicative Quarterly Bill
1	4097 kWh	$1,400 - $1,700	$380-$400
2	5074 kWh	$1,700 - $2,000	$450-$500
3	6051 kWh	$2100 - $2,500	$550-$600
4	7026 kWh	$2,400 - $2,800	$600-$700
5	8004 kWh …	$2,700 - $3,200	$700-$800

It's a rough guide only but it can be useful to know if your household is clearly using a lot more than the average. Having big bills does mean that it is more likely there is a better deal out there, somewhere. It might also be worth considering what opportunities there are to reduce consumption.

Gas use is more varied as it depends more on how many uses it is put to: Hot Water, heating, cooking, etc.

8. Shop around. Compare offers from retailers

If you have good access to the internet then consider using Energy Made Easy (www.energymadeeasy.gov.au) to see what retailers are offering and compare their costs against your consumption or the average consumption. Energy Made Easy converts all of the tariff information into an estimated annual cost – with and without discounts applied – it's probably the best way to cut through the spin about 'discounts' and estimate what you will end up paying. The website uses a variety of terms related specifically to energy; the following page contains a list of frequently used terms.

Alternatively, try calling one or two other retailers to see if there is a better deal out there. If payment difficulties are likely, consider the larger retailers first (such as AGL, Origin, Energy Australia etc.)

[8] Source: sample offer prices via www.energymadeeasy.gov.au.

Glossary[9]

Conditional discounts: a discount offered by energy retailer to customers if the customer meets certain requirements, such as paying the bill on time and/or paying by direct debit.

Controlled load (or off-peak tariffs): are cheaper rates of electricity that can be used for specific purposes like heating water or running other appliances overnight. Off-peak tariffs will always operate with another type of tariff such as single rate or time of use rate. This is called a two-rate tariff.

Evergreen: a term that is used to describe an energy contract that is automatically renewed at the end of the contract period, unless either party cancels the contract. Evergreen contracts have a fixed benefit period (see below).

Fixed benefit period: this is the time portion of a market retail contract where benefits (such as price discounts) are offered to the customer. If the contract is broken during this time the customer may be required to pay an exit fee.

Fixed term: this refers to energy contracts that have a specified timeframe and end date.

Non conditional discount: a guaranteed discount the customer will be eligible to receive when they sign up to an energy offer.

Readers interested in a discussion of the trends in the different components of electricity prices are encouraged to read the Australian Energy Market Commission (AEMC) Annual Residential Electricity Price Trends Report[10]. Readers interested in comparing energy costs between retailers are encouraged to visit the St Vincent DePaul Society's South Australian Tariff-Tracking Project[11] and the Australian Energy Regulator's *Energy Made Easy* website[12].

[9] https://www.energymadeeasy.gov.au/glossary
[10] http://www.aemc.gov.au/Market-Reviews/Completed/retail-electricity-price-trends-2013.html
[11] www.vinnies.org.au/energy
[12] www.energymadeeasy.gov.au

Background material

Which customers do retailers want?

One way to chase a better deal is to understand what retailers really want in a customer. According to 2012 analysis of the South Australian electricity market by Vinnies[13], the strongest trend in tariff offerings has been in relation to paying on time:

> *"The analysis in this report demonstrates that the retail market is more competitive for customers who pay on time than for those who pay late. The use of late payment fees combined with pay on time discounts means that customers on market offers can become severely penalised for paying late, or conversely, well rewarded if paying on time."*

In their 2013 update, Vinnies followed up by saying[14]:

> *"…the difference in annual bills between those paid on time and those paid late has increased since last year.*
>
> *The greatest risk for late paying customers is, however, that they would be worse off on half of the market offers compared to the standard contract offer."*

All other things being equal, the more energy a household buys, the more profitable they can be. However, this profitability can be eroded by a high '*cost to serve*' – the term used in annual reports to the stock exchange by AGL and Origin (with over 7m customer accounts between them including the majority of the South Australian household energy market). This *cost to serve* reported by the two largest retailers of between $95 and $135 includes the cost of acquiring new customers or retaining existing ones[15].

The average costs of winning or retaining a customer is estimated to be in the order of $70-$80 – around 4-5% of the average annual residential electricity bill. Both entities report that this acquisition/retention activity cost of $70-$80 applies to around a third of their entire customer base each year – around $200m per annum in aggregate.

Overall then it can be assumed that around 20-25% of retailers costs are in the acquisition/retention activity, the other costs relate to maintaining accounts such as billing systems, correspondence, loyalty programs and so on and the cost of buying the electricity in the wholesale markets (or largely from internal business units as is the case with AGL and Origin).

In summary, retailers want loyal customers that pay on time.

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[13] St Vincent de Paul Society, South Australian Energy Prices 2009-2012, August 2012 at www.vinnies.org.au/energy.
[14] St Vincent de Paul Society, South Australian Energy Prices 2012-2013, September 2013 at www.vinnies.org.au/energy.
[15] Source: AGL Energy and Origin Energy reports to the Australian Securities Exchange 2012.

Discounting

Discounts off what?

A key challenge for consumers seeking to exercise their choice in the market is the almost universal marketing approach by retailers of pricing by percentage discounts.

The Australian Competition and Consumer Commission (ACCC), referred to this in 2013 as *Discounts off what?*[16] Retail offers tend to be promoted in terms of a certain discount from that retailers' standing offer. Prior to energy price deregulation, these discounts were based on the benchmark AGL Standing offer – the price regulated by ESCOSA. However, since deregulation, each retailer has its own standing offer price that is not the same as AGL's. In fact, AGL's is the lowest and the others are priced up to 15% above.

This is illustrated further by comparing market offers from the two biggest retailers: AGL Energy and Origin Energy. In this example, an Energy Made Easy search return's AGL's best offer as its "*Select 8% South Australia residential electricity market offer*"[17] and Origin's as its "*eSaver up to 16% electricity usage discount*"[18]. It would not be an unreasonable interpretation from these names to assume that the Origin offer is for a discount twice that offered by AGL.

However, EME returned the following estimated cost (including all non-conditional and conditional discounts) for a single person on a two rate tariff (i.e. with off-peak hot water)[19]:

- AGL: $1,271 per annum
- Origin: $1,297 per annum

So, to be clear, Origin's product marketed as "*up to 16%*" is MORE expensive than AGL's product marketed as "*8%*".

We note that AGL's equivalent standing contract offer in this case was $1,383. The "8%" offer is therefore a genuine 8% reduction on the total cost of its standing offer. Origin's equivalent standing offer was $1,478 (7% above AGL's). Origin's "up to 16%" was in fact a 12% discount on the total cost of the equivalent standing offer, reflecting the application of the discount only to the "usage" component of the bill.

Repeating the above for a larger household (6 persons instead of 1):

- AGL: $2,580 per annum (against a standing contract offer of $2837, a 9% reduction)

[16] Refer to Annex A.
[17] Offer ID: AGL7334MR
[18] Offer ID: OR29155MR
[19] Energy Made Easy (EME) allows for comparison based on estimated consumption using benchmarks based on household size.

- Origin: $2,613 per annum (against a standing contract offer of $3,029, a 14% reduction)

So, as was the case for smaller consumption, Origin's "*up to 16%*" is MORE expensive than AGL's "*8%*".

Conditional discounts

Beyond the "off what?" question discussed above, the discounts on offer are often 'conditional' and tied to payment arrangements – either pay on time (PoT) or direct debit. For example, the aforementioned "*eSaver up to 16% electricity usage discount*"[20] from Origin comprises a 1% discount for direct debit and 15% for paying "in full and on time".

In general, direct debit discounts are in the 1-3% range while the pay on time discounts are much larger. Also, as illustrated in the above example of Origin and AGL, some discounts are presented as being off the 'usage' component but not off the fixed supply charge. Whilst other retailers offer discounts off the whole bill (such as by AGL, Red and Lumo).

Some offers also incorporate a late payment fee (e.g. AGL at $14.00 and Origin at $12.00) so households unable to pay by the due date run the risk of not only missing out on a discount but being further penalised.

In terms of the role of the community sector in providing advice to households, it is therefore critical to consider the likelihood that a household will be able to meet these payment conditions when comparing offers.

[20] Offer ID: OR29155MR

No exit fees vs. fixed term offers

All retailers are obliged to offer a "Standard Contract" with regulated terms and conditions (but not prices). They also offer "Market Contracts" that include some minimum requirements but are otherwise customised by the retailer. Most Market Contracts offered are based on a fixed term or with "benefits" (such as a nominated discount) that expire after a fixed period and come with "exit fees" (or *early termination fees*, ETFs).

These contracts are generally referred to as "fixed term" or "fixed benefit period" but often include terms and conditions that allow the retailer to vary the price for the duration of the contract. The potential for this to be an unfair arrangement has prompted a proposal to change the National Energy Retail Rules[21].

In South Australia, there is also a requirement for each retailer to offer a market contract with no exit fees (the Standard Contract is also of no fixed term and therefore cannot incorporate exit fees). The requirement applies to both electricity and gas[22].

SACOSS has observed that, while all retailers offer a number of options, for the majority a key distinction is made between the prices of "no exit fee" offers and fixed term offers. Relative newcomers to the South Australian retail market *Alinta* and *dodo* were, until very recently, the only retailers whose lowest cost offers have no exit fees[23]. Origin Energy appeared to remove exit fees from all products listed on Energy Made Easy in April 2014. For all of the others, their lowest cost offers are usually based on a 1, 2 or 3 year term (with a sliding scale of exit fees) and are priced from 5-15% below their lowest cost "no exit fee" offer.

The effect of this is to create two 'sub markets' – one for those households who prefer a 'no lock-in contract' arrangement and one for those who are prepared to enter into a multi-year agreement. This is illustrated below for an all-electric home using a typical 6000 kWh of electricity plus another 2,000kWh for hot water. Figure 1 displays the Energy Made Easy (EME) search results for the lowest cost product with no early termination fee (no ETF) from each of the 13 retailers as well as their overall best offer (all discounts included in both cases).

[21] Refer to Retail Rule Change Proposal RRC0001 available from the AEMC website at http://www.aemc.gov.au/Rule-Changes/Retailer-Price-Variations-in-Market-Retail-Contrac

[22] For electricity, refer to Electricity (General) Regulations 2012 Part 9A – Regulation of NERL retailers available from www.legislation.sa.gov.au/LZ/C/R/ELECTRICITY%20%28GENERAL%29%20REGULATIONS%202012/CURRENT/2012.199.UN.PDF. This requirement follows earlier moves by the SA government to raise the standards of retailers.

[23] The hardship performance of these retailers is discussed later in the report.

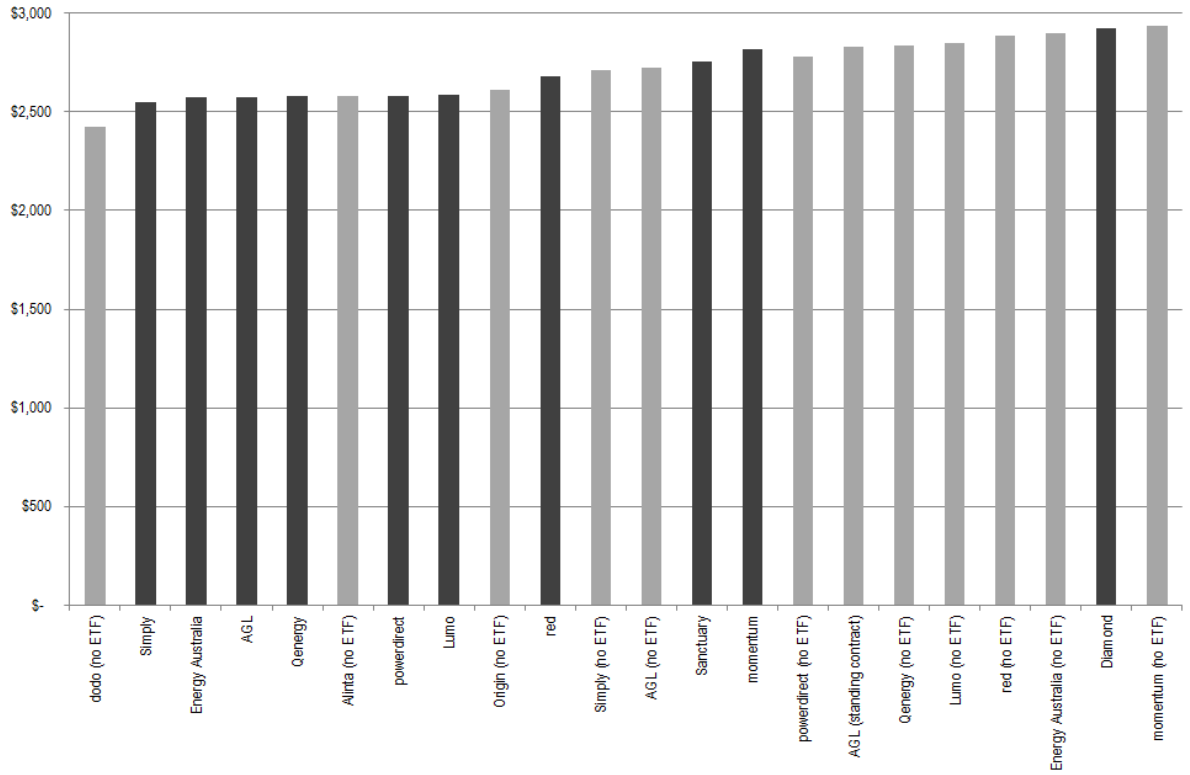

Figure 1: Lowest price no exit fee and overall lowest offers South Australia, by retailer. Source: Energy Made Easy[24]

The darker columns in Figure 1 are the fixed term offers while the pale ones are the 'no exit fee' offers from these same retailers.

As can be seen, the *Alinta Energy* and *dodo* 'no exit fee' offers are quite competitive. However, as at April 2014, the overall median 'fixed term' contract for the other retailers is 8% cheaper than the median 'no exit fee' contract.

Under the market rules, "exit fees" cannot be more than a reasonable estimate of the costs to the retailer resulting from the early termination[25]. This results in early termination fees that are similar between retailers and are highest in the first year of the contract – reflecting the fixed costs of acquiring a new customer. First year exit fees range from $22 (Diamond Energy) to $104.50 (Simply Energy) with an average around $75.

Our analysis has shown that, for any given retailer, the savings available from a 'fixed term' offer can be much greater than the exit fees charged for those with medium to high consumption (quarterly bills around $500 or more). However, those with relatively low consumption may find that this is not the case.

[24] Accessed 22nd April 2014: Annual consumption 6000kWh peak, 2000kWh off-peak hot water, postcode 5000, including all discounts.

[25] National Energy Retail Rules s49A "Early termination charges" at 49A (1), available at http://www.aemc.gov.au/getattachment/ea79d68b-6bb3-4d52-a63b-35353a9930a6/National-Energy-Rule-Version-1.aspx.

Not just the lowest price?

SACOSS is very conscious of the fact that the best interests of consumers are not just about lowest prices. The households of most interest to SACOSS are those who are at risk of accruing debt with an energy retailer and facing the prospect of being disconnected for their inability to pay their energy bills.

The Australian Energy Regulator (AER) publishes data about the performance of individual retailers. The AER publishes these statistics at www.aer.gov.au/Industry-information/industry-statistics/retail from where it can be seen that the two stand-out no-exit fee offers from earlier in this report (*Alinta* and *dodo*) are also stand-outs in less favourable ways. *Alinta* has the highest disconnection rate of any retailer (tracking at around 1.5% per quarter compared to the industry average of around 1.5% per year)[26] while *dodo* has the highest rate of complaints (over 9 complaints per 100 customers compared to the industry average of 2 to 3 per 100)[27].

In an effort to assist the community sector and households to make informed decisions about choosing an energy provider, SACOSS will be monitoring the performance of individual retailers in more detail over 2014 and intends to publish further analysis as more data becomes available. Consistent with anecdotal feedback from Financial Counsellors and HESS Workers[28], some retailers do not seem to have effective hardship programs. It is noted that the AER data shows that, for the July-September and October-December 2013 reporting periods, Diamond Energy, Sanctuary Energy and QEnergy had no more than 2 customers in their hardship programs. Alinta, Momentum and Red Energy all had between 20 and 40 electricity hardship customers over this same period. By contrast, AGL and Origin had between 2000 and 4000 customers on their hardship programs in SA.

It is difficult to form a conclusive view on all of these providers but a household with a reasonable likelihood of payment difficulties may be taking a risk by contracting with one of the smaller providers, simply due to their limited experience in dealing with the complexities of those households needing the tailored support of a hardship program.

[26] Source: SACOSS Analysis of AER data published as Disconnections (residential) – time series from http://www.aer.gov.au/Industry-information/industry-statistics/retail. Alinta's disconnection rate averaged 1.5% of its customer base in the final 3 reporting quarters of calendar 2013.

[27] Source: AER 2013-14 Q2 Residential customer complaints - by retailer.

[28] Household Energy Savers Scheme, a Commonwealth Government initiative.

Internet Access

The adoption of the National Energy Customer Framework (NECF) from February 2013 led to the launch of the AER's price comparison service *Energy Made Easy* for SA. A number of privately operated price comparison services are also available although some of these are not independent of the energy retailers.

SACOSS notes that access to comparison information relies heavily on access to the Internet. It is important to acknowledge the challenges this presents for lower income households, particularly the elderly. The Australian Bureau of Statistics (ABS) publishes data on household and personal Internet Access and Usage in 8146.0 – Household Use of Information Technology, 2012-13. According to the ABS, 17% of households do not have internet access. Further, Figure 2 relates households with and without internet access by equivalised household income quintile and shows that over 40% of households in the bottom quintile report not having home internet access.

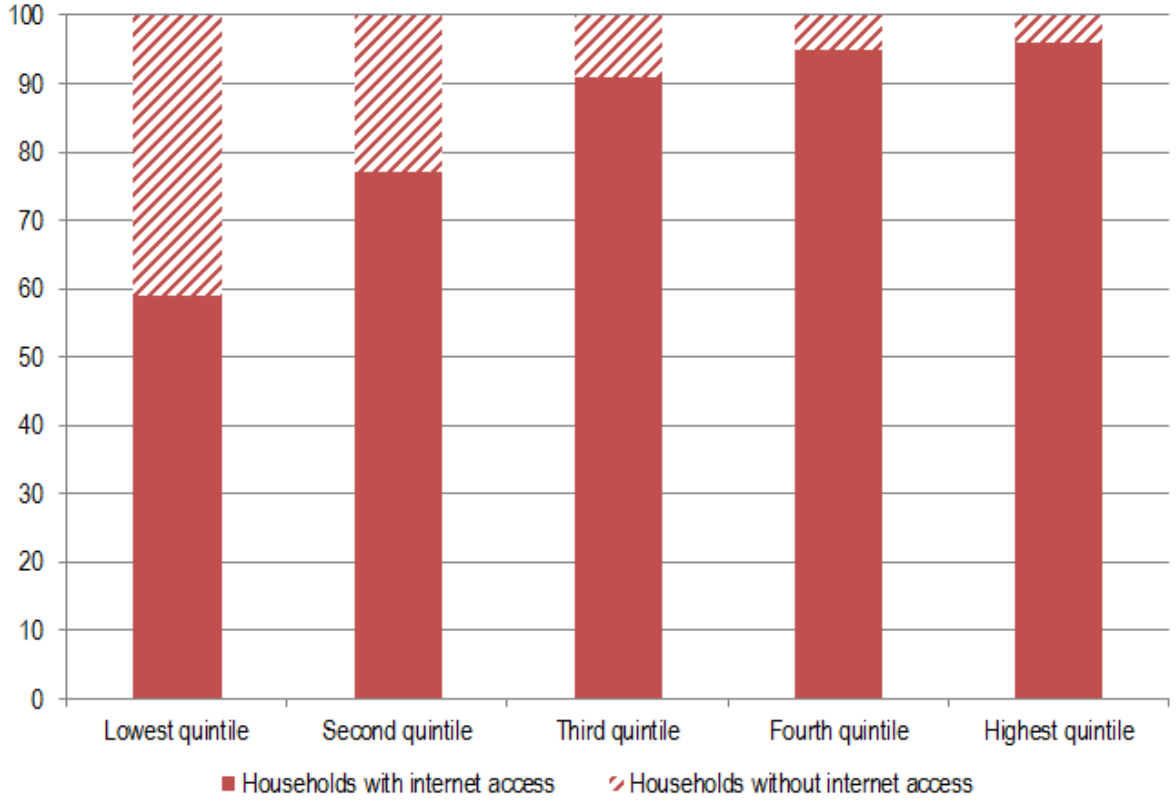

Figure 2: Household Internet Access by Equivalised household Income Quintile. Source: ABS 8146.0 2012/13

The issue seems to be more acute for older Australians (over 65) as illustrated in Figure 3. These figures indicate that a majority of older Australians do not access the internet. This is particularly the case for those without tertiary education qualifications as illustrated in Figure 4.

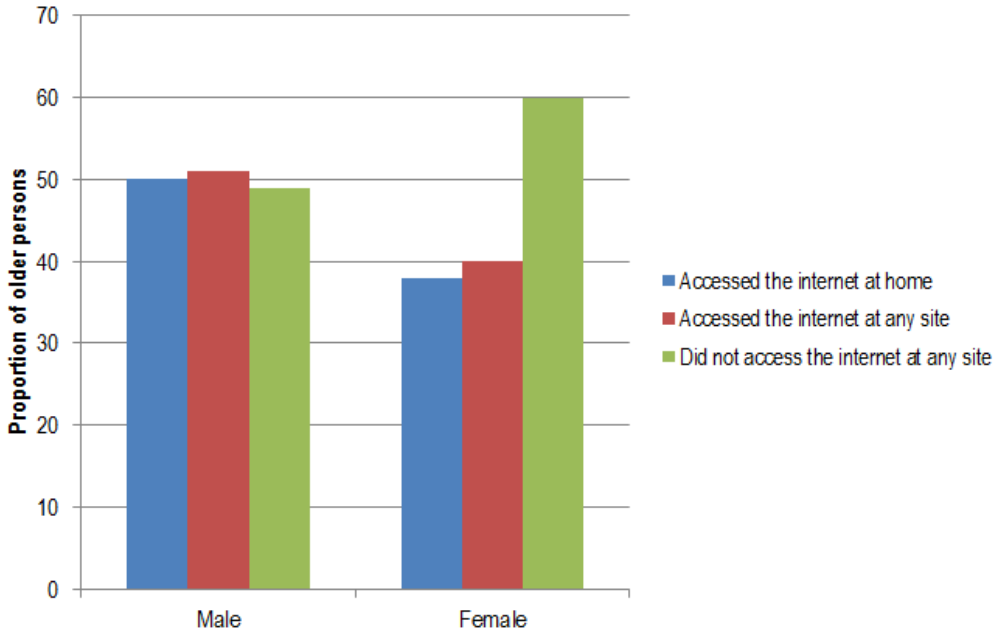

Figure 3: Internet Access by older persons. Source: ABS 8146.0 2012/13

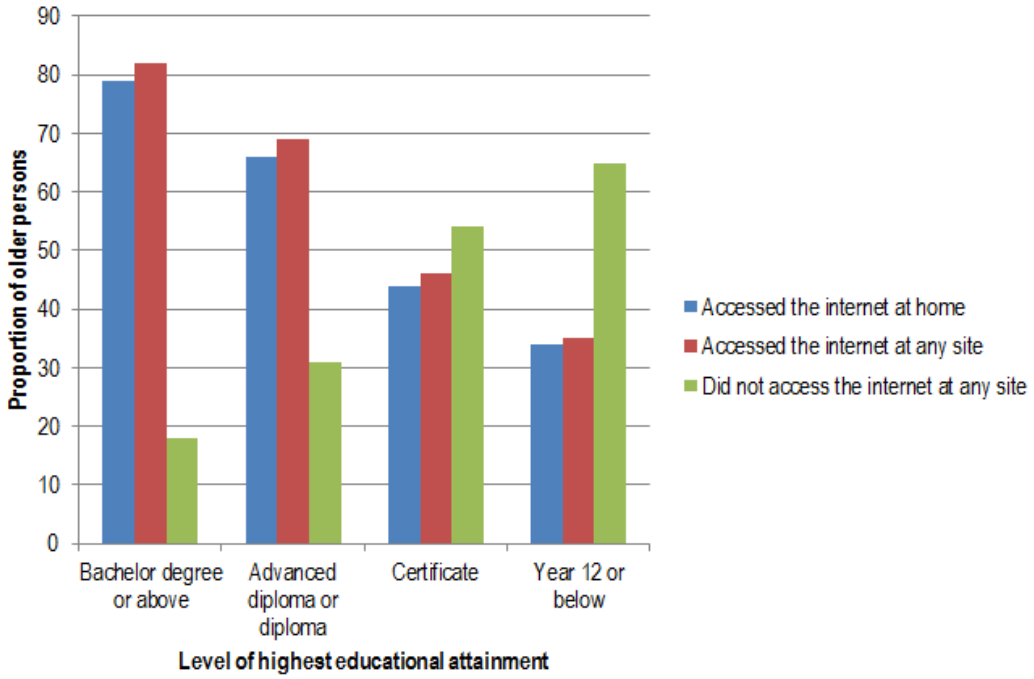

Figure 4: Internet Access by older persons in relation to level of education attainment. Source: ABS 8146.0 2012/13

ANNEX A – ACC Media Releases regarding *Discounts off what?* [29]

Discount off what? Energy plan promotions a concern

27 June 2013

The Australian Competition and Consumer Commission will be writing to energy retailers to put them on notice about possible misleading promotions.

In a speech to the Consumer Action Law Centre's energy workshop in Melbourne, ACCC Deputy Chair Delia Rickard said the ACCC is increasingly concerned about possible misleading conduct by energy retailers in their promotion of energy plans.

"These concerns relate to the promotion of discounts and savings off energy use and/or supply charges under those plans."

Ms Rickard said no one should be surprised that the ACCC will take a firm approach where it forms the view that misleading representations are being made to consumers about savings.

The Deputy Chair also spoke about other energy consumer issues which form part of the ACCC's compliance and enforcement priorities.

"The ACCC has taken court action and we've obtained significant penalties against energy retailers and their marketing companies for poor conduct in door-to-door sales.

"This includes misleading statements about the purpose of salesperson's visit, such as representing they were not there to sell anything, and making misleading statements about the price of products, and claims that consumers were being overcharged by their current supplier."

In opening the workshop, Ms Rickard said comparability is a dilemma facing Australian energy consumers.

"While retail competition and choice have delivered many benefits, unfortunately it is a difficult and complex process for the average consumer to compare and decide on which energy plan suits them best."

Ms Rickard discussed the Australian Energy Regulator's price comparator website, Energy Made Easy, which allows households to compare gas and electricity offers as well as consider their energy usage.

Ms Rickard also provided an update on some of the key developments which will provide consumers with a voice at the energy regulation table.

Release number: 144/13

[29] Available from http://www.accc.gov.au/media/media-releases.

ACCC takes action against Origin for alleged false or misleading representations[30]

8 May 2014

The Australian Competition and Consumer Commission has instituted proceedings in the Federal Court of Australia against Origin Energy Limited (Origin) alleging that Origin made false or misleading representations and engaged in misleading or deceptive conduct.

The allegations relate to representations made by Origin to residential consumers of electricity and/or natural gas in South Australia about the level of discounts off energy usage charges that could be obtained under Origin's DailySaver energy plans.

The ACCC alleges that Origin represented to consumers in early to mid-2013, on its website and in confirmation packs it sent to consumers, that under a DailySaver energy plan they would receive a discount off the energy usage charges they would otherwise pay Origin.

The ACCC alleges that Origin represented to consumers that they would receive:

- a discount of up to 16% off the electricity usage charges they would otherwise pay Origin, when in fact the rates charged to consumers under a DailySaver plan were approximately 4% higher than under Origin's standard retail contract; and
- a discount of up to 12% off the natural gas usage charges they would otherwise pay Origin, when in fact the rates charged to consumers under a DailySaver plan were approximately 1% higher than under Origin's standard retail contract.

"The ACCC alleges that, from day one, consumers on a DailySaver energy plan were short-changed on their discount," ACCC Chairman Rod Sims said.

"Power bills are one of the most significant continuing costs for households. As a result, representations by energy retailers about savings that can be achieved through discounted charges are likely to induce consumers to agree to commence an energy plan because of the opportunity to lower their power bills."

"This is the second proceeding commenced by the ACCC against an energy retailer in which it is alleged that the retailer has misled consumers about the level of discounts under energy plans featuring discounts. Energy retailers should be in no doubt that the ACCC will take appropriate enforcement action when it forms the view that a retailer has misled consumers about the savings they can obtain under energy plans," Mr Sims said.

The ACCC is seeking pecuniary penalties, declarations, injunctions, publication orders, a compliance program, redress for affected consumers, and costs.

In the ACCC Compliance and Enforcement Priorities for 2014, the ACCC announced its priority in dealing with consumer protection in the energy sector with a particular focus on savings representations, also referred to as 'discounts off what?

Release number: NR 108/14

[30] Available from http://www.accc.gov.au/media/media-releases.