



Energy Switching Websites

A policy briefing paper on recent CUAC initiated research into the performance of online energy market switching websites

May 2011

This briefing paper is based on work undertaken for CUAC by May Mauseth Johnston of Alvis Consulting Pty. Ltd. CUAC is grateful for the diligent and thorough research undertaken by Ms Johnston. Copies of the full report prepared by Alvis Consulting are available on the CUAC website at www.cuac.org.au

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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

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Overview of findings and recommendations

This paper summarises the findings of recent research commissioned by CUAC into the operation of price comparison, or switching, websites that serve Victorian energy consumers. The research was conducted by May Mauseth Johnston of Alviss Consulting Pty. Ltd. The research is part of a wider CUAC project on consumer participation and information in the competitive Victorian retail energy market. It aims to assess the consumer experience and understanding of the market as well as recommended approaches to improving its function.

In a retail energy market subject to competition, it is important that consumers have access to information upon which to make informed choices. Both in Victoria and in other jurisdictions, switching websites have an extremely important role to play to support consumers in finding the best energy offer for their particular set of circumstances. However, it is crucial that the switching websites on offer provide accurate and transparent services to consumers to ensure the quality of information upon which consumers make their choices.

The research was conducted into the services of eight privately operated switching websites and the Essential Services Commission's (ESC's) *Your Choice* website. Each of these sites was tested through a "mystery shopper" style process in which the listed offers on the website were compared to a standing offer contract in each of the five distribution areas. The results of five of these privately operated websites, as well as the ESC's *Your Choice* website, are displayed in this paper, as they are the only websites surveyed that offer the possibility for immediate transactions online.

The findings and recommendations in this paper require attention by regulators and policy makers. Consumer agencies such as the Australian Competition and Consumer Commission (ACCC) or Consumer Affairs Victoria (CAV) should examine the websites to ensure compliance with Australian Consumer Law. Similarly, energy regulators, the ESC and the Australian Energy Regulator (AER), along with the Government should consider the role of switching services in the market and the best approach to ensuring that they serve rather than hinder the long term interests of consumers.

The key findings of the research are:

Savings to be made

- Savings are likely to be made, regardless of which website a consumer uses, if they seek to switch from a standing offer to a cheaper market offer online. It still pays to shop around and the switching websites offer an avenue for this.
- However, although all five privately operated switching websites delivered consumer savings, not one website could consistently provide the best offer in each of the five distribution areas. Consumers could not be confident in the quality of the service that they were using.

Lack of accuracy in calculations

- Despite purporting to provide accurate comparisons for consumers, there was wide variance between the recommended offers from different websites. This was attributable in part to the fact that a number of websites did not include offers from all retailers.
- It was also clear that some of the calculations that were made by the websites were incorrect, producing inaccurate results.
- A consumer would need further information about the quality of the various switching websites to ensure that they were using a good service. This leads to consumers potentially missing out on hundreds of dollars of savings.

Lack of transparency

- Switching websites and services were not always transparent about the approach taken to calculating offers and any commission arrangements that they have with participating retailers. This information is important for independent observers and consumers in trusting the service that they are using.

Difficulties for consumers of gas to find better offers

- Consumers wishing to exercise their choice in the competitive retail gas market are constrained in their ability to use switching websites as not all provide a gas only comparison service and there are fewer gas retailers.
- The accuracy of switching services for gas is compromised because of the presence of seasonal tariffs, and the assumptions made by websites about a consumer's consumption profile, leading to potentially inaccurate or misleading results. This is further compounded by the large number of gas distribution zones and the difficulties for consumers in indentifying their zone (necessary knowledge to access accurate offers online).

More work needed to ensure the quality and reliability of the ESC's *Your Choice* website

- The *Your Choice* website, operated by the Essential Services Commission, includes most of the cheapest offers in the market. At the time this research was conducted the site was let down by its useability and the absence of offers from a number of retailers, even though all retailers are required to list offers on the site.
- A number of the links to Price and Product Information Statements that are required to be on the *Your Choice* website were also missing.

CUAC provided a briefing and an advanced copy of the report's findings on the research to the Essential Services Commission at its Customer Consultative Committee meeting in March 2011. The ESC has since held a number of meetings with CUAC and has put in place a process to address the findings and recommendations made in the research report.

In response to these findings it is recommended that:

Victorian Government

- That the Victorian Government initiates an investigation into consumers' ability to easily compare complex tariff structures. This should be supported by the establishment of appropriate policy frameworks to assist consumer participation in the market. The Government may wish to direct the Essential Services Commission to conduct such a review.
- The Victorian Government, potentially in collaboration with the State and Commonwealth regulators, should move to establish a regulatory framework for price comparison services that aims to ensure that all switching websites achieve high standards of quality, accuracy and transparency. This regulatory framework could be a voluntary code of practice as is the case in the United Kingdom, in which case the role of Government would be as both initiator and facilitator.
- The Victorian Government should ensure that appropriate resources are provided to the Essential Services Commission for the maintenance of the *Your Choice* Website.
- The Victorian Government should also ensure that the *Your Choice* website is promoted to Victorian consumers to assist them to identify an independent source of information on market choice.

The Essential Services Commission¹

- The ESC should consider the approach it takes to presenting offers on its *Your Choice* website. The ranking of offers in order of price would make it easier for consumers to assess the different offers. Other improvements to the website should occur in close consultation with consumer groups.
- The ESC should also be proactive in maintaining its website ensuring that offers from all retailers are included and that links to Price and Product Information Statements are up to date. Appropriate resources should be allocated for this purpose.

Consumer protection regulators

- Consumer regulators, either CAV or the ACCC, should conduct their own research into the switching websites to ensure their compliance with Australian Consumer Law. This should include an analysis of the accuracy of the representations made by the websites.

The findings and recommendations from this work will need to be considered by the AER and other relevant Commonwealth agencies as responsibility for the regulation of Victoria's retail energy market moves to the Commonwealth. The AER should consider the findings as it develops its own ideas for a price comparator website and should be aware of the potential problems with price

¹ As mentioned previously, CUAC provided the ESC with an advanced copy of the research and provided a briefing to its Customer Consultative Committee in March 2011. The ESC welcomed the report and met with CUAC to discuss processes to action the findings and recommendations relevant to their site.

comparator websites as it develops regulations around energy offer disclosure and marketing provisions. In doing this, the AER should work closely with both consumer groups and existing jurisdictional regulators.

Improving the quality of switching services will be particularly important if there is any introduction of time of use pricing. This will require changes in approaches to estimating the best offer for a particular consumer on the basis of that consumer's consumption profile. The introduction of an appropriate code for switching service quality will go a long way to providing consumer confidence in the system.

Introduction

Victorian consumers have been exposed to full retail competition in energy markets since 2002. This allowed Victorian consumers to choose their energy retailer based on price and service quality. However, until 2009 the Victorian government still maintained some retail price regulation. Since 1 January 2009, retail price regulation has been removed in Victoria and retail energy businesses are free to offer a variety of contract offers at prices of their choice. The era of Victoria retail price deregulation has coincided with a period of significant energy price rises across Australia. Australia Bureau of Statistics data indicates that electricity prices in Melbourne have increased by approximately 22 per cent over this period while gas and other household fuel prices have increased by approximately 16 per cent.²

Deregulated prices in a competitive retail market coupled with these sharply rising prices provides a significant impetus for consumers to shop around for the best possible offer for energy. Media articles and comments made by Government on rising prices consistently urge consumers to shop around for the best energy offer available.

Unlike the market for many products and services, energy retailers generally do not have retail outlets. Potential customers cannot walk into a local shop to assess different offers and select the one most appropriate for them. Instead, customers usually switch as a result an interaction with a door to door salesperson, telemarketer or as a result of proactive analysis of different offers online.

Increasingly, the internet is being used by consumers as a way to analyse different energy market offers. Consequently, there has been an appearance of a range of websites that offer switching and price comparison services to assist Victorian consumers to find a better electricity offer. A range of commercial sites are available that receive commission from energy retailers for referring consumers and consumers can also use the Essential Services Commission's (ESC's) *Your Choice* website to compare prices.

This briefing paper outlines the findings and recommendations of research commissioned by the Consumer Utilities Advocacy Centre into the quality of the various switching or price comparison websites available to energy consumers. The research was conducted for CUAC by May Mauseth Johnston of Alviss Consulting. Given the increasing prominence and availability of such websites and the impact that they have on the functioning of the retail energy market, such research was timely and appropriate.

Why do this research?

As discussed previously, switching websites are increasingly important for consumers wishing to find a better energy offer. The absence of retail shop fronts and the rising price of energy, in particular, underscores the importance of this medium for consumers to make accurate consumption choices. An efficient and effective competitive market relies upon consumers making rational choices in their

² Australian Bureau of Statistics (September 2010), Catalogue 6401.0 Consumer Price Index Australia Table 13, Canberra

interest. This maintains the pressure on competitive providers to keep prices down and standards of service high.

A necessary feature of a well functioning competitive market is accurate information to allow consumers to make effective comparisons and choice. As switching websites are key providers of consumer information, it is crucial that the information provided therein is accurate and appropriate to ensure that consumers can make the best choice in the competitive market. If this is not the case consumers will not be in a position to play their appropriate role in the market place and to exert competitive pressure on retailers.

This research has been conducted to assess whether the information provided on switching websites was accurate and appropriate for consumers wishing to analyse different energy offers. Improving information content on these services could play an important role in improving the effective functioning of the competitive market.

The research is part of a wider and ongoing CUAC project on consumer participation and information in the competitive Victorian retail energy market. It aims to assess the consumer experience and understanding of the market as well as approaches to improving its function.

What are the findings?

The research analysed eight privately operated switching websites and the ESC's *Your Choice* website. The five websites that allowed consumers to conduct an instant online price comparison were tested with the entry of comparable search information for electricity for each of the five Victorian distribution areas. This was also done for the *Your Choice* website, the site established by the regulator to ensure consumer access to information about the market and the various energy offers available. Of the three remaining websites, two required phone calls to analyse offers and the remaining website had offers that were years out of date. The results from these three websites are not listed in this paper due to the difficulties in extracting information from phone services and, in the case of the out of date website, because there was little point in pursuing this.

All websites were assessed in relation to the methodology that they use to compare offers, the openness about their commission arrangements, the accuracy of their calculations, and how they dealt with difficult issues like postcodes that stray over distribution area boundaries (a situation that results in two different tariffs for the same postcode).

The key findings of the analysis are highlighted below.

Significant savings to be made

The results from an analysis of the five privately operated sites that offered immediate results, and the ESC's *Your Choice* website, indicated that a consumer could expect to find savings by moving from a standing offer to a market offer. Results from the five privately operated websites indicated that a consumer switching from the standing offer contract used by the mystery shopper for the purposes of the analysis could expect to make savings regardless of which site was used. Chart 1 (see below) indicates the magnitude of the anticipated savings according to each of the websites tested. Furthermore, the analysis of the ESC's *Your Choice* website indicated that retailers will

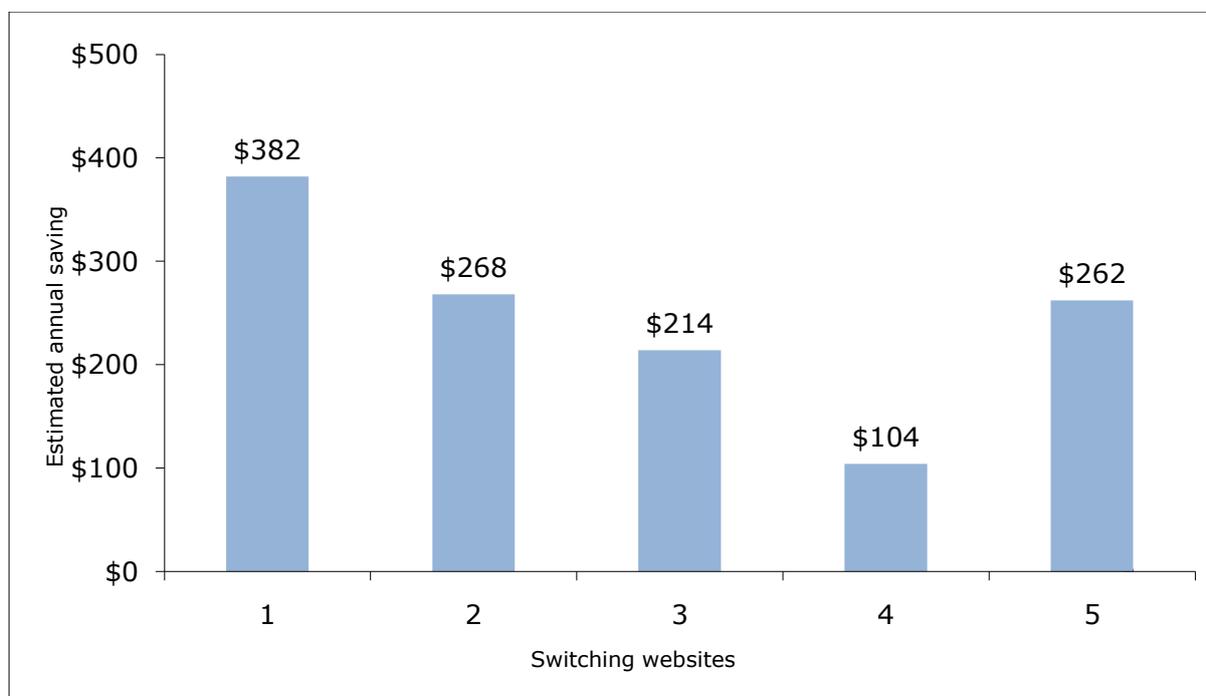
usually put their most competitive offer on this site and, therefore, the consumer would expect to find savings using this avenue.

This underscores the importance of furthering the work to inform and educate consumers about how to participate in the market and find ways to save money through changing providers.

Better deal versus the best deal

The analysis of the five privately operated switching websites that allowed for online comparisons indicated that the different websites recommended different energy market offers with different levels of savings, despite the same data having been entered for the same post codes. This indicates that some of the switching websites are not delivering the best offers to consumers. A quick example of this is provided in the following chart that shows the level of variance in recommended offers for a high consumption household in the Citipower distribution area.

Chart 1: Estimated annual savings between standing offer and best market offer across the five websites in the Citipower distribution area for a high consumption household



Source: Mauseth Johnston, May (2010) *Energy Switching Sites: An analysis of energy price comparison and switching sites available to Victorian consumers*, Alviss Consulting, Melbourne

The chart shows that the annual savings that a consumer could expect from switching through a comparison service would vary significantly depending on which site the consumer chose to use. Similar levels of variance were evident across other consumption levels and electricity distribution areas. The implication of this is that consumers cannot rely upon a particular website to find them the best offer. Consumers would need to use a variety of websites, expending time and effort, in order to find the offer that was right for them. The switching websites vary significantly in terms of their service quality but it is extremely difficult for a consumer to identify any differences between the sites. Consumers are not provided with information as to which comparison website is the best.

The wide variation in the recommendations made between these websites is due to a number of factors. Some of these factors were detected in the CUAC research and include:

- Different retailer representation on different websites. Some retailers only included offers from 5 out of the 13 retailers limiting their ability to provide consumers with the most appropriate offer.
- Different approaches to including one off, loyalty, or sign up bonuses in estimates of annual savings. In some cases the presentation of bonuses may be misleading consumers because of the strict criteria required to receive bonuses (e.g. the discount is only received if all payments are received by the due date. Bonuses may also only apply to the first year of the contract and the price per kilowatt hour may be higher in the second year).
- Calculation errors resulting from mistakes in the formulas used to calculate the “recommended offer” and estimated annual savings.

Given the above, it is appropriate that full disclosure is made as to how a particular switching website works and how it may produce different results from other like websites.

Findings

- Savings are likely to be made, regardless of which website a consumer uses, if they seek to switch from a standing offer to a cheaper market offer online. It still pays to shop around and the switching websites offer an avenue for this.
- However, although all five privately operated switching websites delivered consumer savings, not one website could consistently provide the best offer in each of the five distribution areas. Consumers could not be confident in the quality of the service that they were using.
- Additionally, despite purporting to provide accurate comparisons for consumers, there was wide variance between the recommended offers from different websites. This was partly attributable to the fact that a number of websites did not include offers from all retailers.
- It was also clear that some of the calculations that were made by the websites were incorrect; resulting in misleading results. Websites also adopted different approaches to the inclusion of bonuses and discounts.
- A consumer would need further information about the quality of the various switching websites to ensure that they were using a good service. This leads to consumers potentially missing out on hundreds of dollars of savings.

Problems with gas offers

Only two of the switching websites analysed as part of this project allowed for searches of gas only offers, across all gas distribution zones. A further website that allowed for gas only searches did not have any gas market offers listed. The switching sites analysed as part of this research, therefore, do not offer a comprehensive service to Victoria’s gas customers.

A further difficulty with gas offers relates to assumptions made about savings in the presence of seasonal tariffs. Gas offers are usually structured with a winter peak price and a rest-of-the-year off-peak price. Given that most websites provide calculations of estimated annual savings, this means that websites must make assumptions about a customer's gas consumption profile as there was no mechanism to enter peak and off peak gas consumption. It is not clear to consumers that the switching site is making an assumption about their consumption profile that could result in the presentation of a misleading savings projection.

The complexity of the gas distribution system, with many distribution zones often crossing postcode boundaries that cannot be identified by consumers, also creates problems for consumers wishing to compare gas offers.

These issues highlight the difficulties confronting Victorian consumers that may wish to find a better gas offer. The gas market is significantly more concentrated than the electricity market with fewer retailers. It is important, therefore, for competitive pressure to be maintained through consumer participation. However, consumers may not be able to find gas switching services on the switching site of their choice and the switching sites available do not necessarily provide a sufficiently diverse range of offers to allow the consumer to access the optimal offer for their situation.

Findings

- Consumers wishing to exercise their choice in the competitive retail gas market are constrained in their ability to use switching websites as not all provide a gas only comparison service and there are fewer gas retailers.
- The accuracy of switching services for gas is compromised because of the presence of seasonal tariffs and the assumptions made by websites about a consumer's consumption profile lead to potentially inaccurate or misleading results. This is further compounded by the large number of gas distribution zones and the difficulties for consumers in identifying their zone.

Transparency among the switching websites

For consumers to have certainty about the quality of the switching website that they are using and the accuracy of the calculations provided, it is important that consumers can easily find out how the businesses make their switching recommendations and the websites methodology for calculating savings. This includes the need for transparency about the approach taken to including discounts or bonuses included in offers. Inconsistency in approach between websites in the way that they treated discounts was a factor in calculation of estimated consumer savings.

It is also important that switching sites are transparent about their business model to ensure that they do not unconscionably direct consumers to retailers who may be paying more generous commissions to the switching sites. Previously switching websites for health insurance products in Australia have been found to be unreliable as a result of some of these problems. Unfortunately, not all of the websites are sufficiently transparent about their operations to allow for consumer confidence.

The table below highlights each websites approach to transparency and provision of information about calculation methodology.

Table 1: Transparency of the various switching websites

	Information about participating retailers	Information about their business model	Information on calculations/assumptions	Details of offers/rates
Site 1	Claims to have all energy plans available listed but this analysis did not find market offers from all retailers*	Very limited	Detailed description	Yes but no link to Price and product information statement (PPIS) and the rates listed already include discounts
Site 2	States that they have most plans	States that they receive commissions/fees from participating retailers	Detailed description but difficult to find on website	Yes and with links to information based on PPIS
Site 3	States that they have all offers that are “readily available” (this analysis indicates that they don’t)	States that they receive commissions/fees from participating retailers	Detailed description	Yes, with link to PPIS
Site 4	Claims that they have all electricity and gas offers*	States that they receive commissions/fees from participating retailers	Very limited	Yes, easy access to information about rates and calculated discounts
Site 5	States only that they have agreements with numerous retailers	States that they receive commissions/fees from participating retailers	None	Yes and with links to information based on PPIS
Phone based services³	Indicated that they had plans from most or major retailers	Yes (when asked)	Yes but needed some prompting	Yes (when asked)

* Difficult to verify with absolute certainty as the sites only lists energy plans deemed to offer a saving. However, these sites do recommend some retailers’ standing offers without suggesting the same retailers’ discounted market offers.

Source: Mauseth Johnston, May (2010) *Energy Switching Sites: An analysis of energy price comparison and switching sites available to Victorian consumers*, Alviss Consulting, Melbourne

As the table indicates, there are a number of sites that do not provide sufficient information to provide peace of mind to a consumer using their service. Given that each of these websites claims to provide an effective service, it would be desirable for there to be absolute transparency so that consumers could, in fact, verify that this was the case. Additionally, it is necessary that websites are transparent about their ability to provide information about all the offers available. This analysis suggests that some websites claim to have more plans available than they actually do.

³ Phone based services refer to MakeltCheaper and Energywatch, the two switching sites that require telephone contact in order to recommend plans/offers.

Findings

- Switching websites and services were not always transparent about the approach taken to calculating offers and any commission arrangements that they have with participating retailers. This information is important for independent observers and consumers in trusting the service that they are using.

The ESC's *Your Choice* Website⁴

The ESC maintains the *Your Choice* website in order to provide consumers with an independent site to compare energy market offers. It is a requirement that retailers place one standing offer and at least one market offer on the *Your Choice* website. The *Your Choice* website allows consumers to compare offers but also provides a range of information about consumers' rights and responsibilities in the retail energy market. The website allows consumers to enter information about their current energy market offer and then to compare this with some of the other offers that have been provided to the site. Each offer listed on the site should include a link to the offers Price and Product Information Statement (PPIS), which is a product information statement that is required by regulation and must meet certain content requirements.

The research commissioned by CUAC found that the ESC's *Your Choice* website contained nearly all of the best value market offers often recommended by the privately operated switching sites. This indicates that retailers see value in listing their best offers on the site and the site could easily become a more widely promoted and trusted information source for Victorian consumers.

However, the research also found that some retailers failed to list market offers on the *Your Choice* website. A number of retailers were found not to be listing market offers on the *Your Choice* website despite a requirement of the ESC's Guideline No. 19 on Energy Price and Product Disclosure. In the final decision for that guideline, it states that, as a result of Orders in Council, "specified retailers who have an existing offer to sell electricity or gas that is generally available for acceptance by persons designated as small customers must publish at least one existing offer for those customers. These offers are to be published on both the retailers' and the *Your Choice* websites."⁵

Furthermore, the site is not as user friendly as it could be. For example, unlike the privately operated sites, the *Your Choice* website does not order offers according to price. This requires a consumer to go to considerable effort to identify, among the many offers, the best option for them. Additionally, the *Your Choice* website does not attempt to make an estimate of annual savings that could be expected by a switch to one of the offers that the site lists. The recently added tool that allows consumers to compare two different offers goes some way to addressing this but is still not quite as user friendly as some of the commercially operated switching sites.

⁴ As mentioned previously, CUAC provided the ESC with an advanced copy of the research and provided a briefing to its Customer Consultative Committee in March 2011. The ESC welcomed the report and met with CUAC to discuss processes to action the findings and recommendations relevant to their site.

⁵ Essential Services Commission (2009), *Energy price and product disclosure final decision*, p. 9, available at <http://www.esc.vic.gov.au/>

A further problem identified with the *Your Choice* website was that a number of the links to PPIs were missing. The purpose of having these links is to provide accurate and standardised consumer information and it is essential that these links are maintained by the site's administrators in order to preserve the integrity of the site.

Findings

- The *Your Choice* website, operated by the Essential Services Commission, includes most of the cheapest offers in the market but is let down by its useability and the absence of offers from a number of retailers, even though all retailers are required to list offers on the site.
- A number of the links to Price and Product Information Statements that are required to be on the *Your Choice* website were missing.
- The lack of savings calculations or rankings according to price reduces the sites 'friendliness' to users.

How can we improve the system?

Improving consumers' ability to compare complex tariffs and offers

It is clear from the research that the way that tariffs are structured by retailers can present a barrier to the ability of consumers to easily compare different offers. The inclusion of various discounts and rebates for different consumer actions; the presence of different contract time periods; and the ability of a retailer to alter tariffs despite the presence of a multi-year contract can all confuse consumers and potentially lead to a situation where the consumer is unable to compare the price for what is a homogenous product.

In examining an appropriate regulatory structure to ensure that the presence of switching sites serves the consumer interest, the Victorian Government should conduct an analysis of the ability of consumers to compare energy tariffs and, therefore, participate effectively in the market. Such a review should, of course, consider the broader context and examine approaches to improve consumer knowledge of energy and engagement with their choices in the competitive market.

Recommendations

- That the Victorian Government initiates an investigation into consumers' ability to easily compare complex tariff structures. This should be supported by the establishment of appropriate policy frameworks to assist consumer participation in the market. The Government may wish to direct the Essential Services Commission to conduct such a review.

Privately operated switching sites

As described previously, the CUAC commissioned research highlights some serious flaws in the accuracy and transparency of switching websites available to Victorian consumers. The question arises, therefore, as to how these websites can be improved to better service the Victorian consumer.

As an essential and unique service, the energy market and its participants are subject to more extensive regulation than is the case in markets for most consumer products. This is to ensure that consumers are protected and provided with a reliable, safe and affordable electricity supply. As major providers of information to consumers in the market, switching websites are *de facto* energy market participants. However, unlike other participants in the market they are not subject to such strict regulation to ensure their practices are in accordance with government objectives in relation to the energy market. They do not require licenses to operate for example. This may have led to the situation that has been revealed in CUAC's research where there is significant potential for consumers to be misled or confused by material provided by the switching websites.

Victoria is not the only energy market that has confronted this issue. In 2002, concerned at the performance and transparency of switching websites, the consumer group Energy Watch⁶ introduced a voluntary code of practice for switching websites in the United Kingdom. The findings of the CUAC commissioned research indicate that such an approach may well be appropriate in the Victorian context.

A voluntary code, such as that administered in the United Kingdom, could be a least cost approach to monitoring switching website performance and transparency. Code participants could use their participation in such a code as a mark of the quality of their services. For such a code to be effective it must be backed up with appropriate enforcement and auditing provisions as well as a competent and sufficiently resourced agency to oversee the code.

Given the findings of the CUAC commissioned research some basic features of a voluntary code should be:

- A commitment to accuracy and to make all endeavours to provide all available offers from all energy retailers.
- A requirement for switching sites to allow for consumers to search for electricity, gas or dual fuel offers.
- A requirement for switching sites to be independent from energy retailers and the provision of unbiased recommendations.
- A requirement for openness about methodologies used to provide the comparison service.

The introduction of such a voluntary code could vastly improve the operation and effectiveness of switching sites and provide consumers with confidence that the site that they were using was reliable. It should go a long way to correcting some of the significant weaknesses of the current

⁶ Subsequently becoming Consumer Focus

arrangements that have been identified in the CUAC commissioned research. It is worth noting that the introduction of a voluntary code in the United Kingdom has not resulted in the consolidation of the market power of a particular switching website. UK consumers can still access a range of different switching websites who participate in the code.

Alternatively, a compulsory code with similar provision could be introduced by Government and overseen by a regulator (either the ESC, AER or ACCC). It is important that an analysis of both voluntary and compulsory regulatory arrangements for switching providers be fully analysed before determining the most appropriate approach.

The box below indicates some of the features of the UK's Confidence Code.

Box 1: The Confidence Code, a voluntary code of practice for online domestic price comparison services

The Confidence Code is the voluntary code of practice administered by Consumer Focus (formerly Energy Watch) in the United Kingdom. It has nine requirements which participant sites must adhere to and these are outlined below:

1. **Independence and impartiality:** This requires the switching website to be independent of any energy retailer, to identify commission arrangements with retailers and to not display advertisements from energy retailers on their website.
2. **Tariff and price comparisons:** This requires the comparison website to use their best endeavours to show all available tariffs for all available payment types for all retailers.
3. **Control and management:** This requires providers to maintain control of their website content and to use its own tariff database and calculator.
4. **Payment methods:** The website must provide consumers with explanations of the various payment methods.
5. **Results and filters:** This requirement sets some guidelines as to how a price comparison site must display results including requirements to display at least ten of the cheapest tariffs available and the provision of opt in search filtering including the ability, for example, to search for only green tariffs.
6. **Quality of service and energy efficiency:** This allows websites to rate energy retailers about issues such as customer service. It also requires switching websites to include information about energy efficiency.
7. **Accuracy and updating tariffs:** This requires switching websites to ensure the accuracy of the listed offers and state the date that it was last updated.
8. **Annual audit:** The switching provider must comply with annual and ad hoc audits of compliance undertaken by consumer focus.
9. **Complaint handling:** The switching provider must establish and operate an effective mechanism for handling and replying to consumer complaints/enquiries.

Source: Consumer Focus (December 2010) The Confidence Code: A voluntary code of practice for online domestic price comparison services

Recommendations

- The Victorian Government, potentially in collaboration with the State and Commonwealth regulators, should move to establish a regulatory framework for price comparison services that aims to ensure that all switching websites achieve high standards of quality, accuracy and transparency. This regulatory framework could be a voluntary code of practice as is the case in the United Kingdom, in which case the role of Government would be as both initiator and facilitator.

The *Your Choice* Website⁷

As a major source of unbiased consumer information on energy offers and consumer rights, the ESC's *Your Choice* website is an important resource for consumers in Victoria's competitive retail energy market. CUAC'S research analysis indicates that offers listed on this ESC website are often among some of the most competitive offers of retailers. However, the CUAC commissioned analysis found that the ESC could do a number of things to improve the usability of its website including:

- ranking offers on the basis of price;
- improving the approach to providing calculations of savings; and
- ensuring that links to PPISs are readily available and up to date.

The ESC should also monitor compliance with Guideline No. 19 and associated Orders in Council that require the provision of a market offer from every retailer for inclusion on the *Your Choice* website. It is significant that offers from a number of retailers are not included on the ESC's website. If the website is intended to provide complete information for consumers and regulations have been put in place to achieve this, it is only logical that the website administrators should follow up with retailers to ensure that offers are listed.

CUAC notes that the ESC conducted a recent upgrade of its *Your Choice* website, which included the introduction of a savings calculator tool. While CUAC welcomes these improvements, we are concerned that they occurred in the absence of consultation with consumer groups to ensure the appropriateness of the changes. It would be desirable that any future reforms to the website could occur with full consultation and with the expertise of consumer voices included in the process.

CUAC would urge the ESC to adopt a proactive approach to maintaining and improving the *Your Choice* website. It is crucial that effort is put into ensuring its accuracy and the presence of PPISs as well as to ensuring that the information is appropriate for the consumer audience.

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As mentioned previously, CUAC provided the ESC with an advanced copy of the research and provided a briefing to its Customer Consultative Committee in March 2011. The ESC welcomed the report and met with CUAC to discuss processes to action the findings and recommendations relevant to their site.

Recommendations

- The Victorian Government should ensure that appropriate resources are provided to the Essential Services Commission for the maintenance of the *Your Choice* Website.
- The ESC should consider the approach it takes to presenting offers on its *Your Choice* website. The ranking of offers in order of price would make it easier for consumers to assess the different offers. Other improvements to the website should occur in close consultation with consumer groups.
- The ESC should also be proactive in maintaining its website ensuring that offers from all retailers are included and that links to Price and Product Information Statements are up to date. Appropriate resources should be allocated for this purpose.

An investigation by consumer protection regulators

Given the findings of the research, it is possible that some of the representations made by the switching websites are in breach of consumer law. It would be appropriate for consumer protection regulators, either CAV or the ACCC to undertake an audit of the switching websites to ensure that they are compliant with consumer law. This would be an appropriate first step to improving the performance of switching websites in the interest of consumers.

Recommendation

- Consumer regulators, either CAV or the ACCC, should conduct their own research into the switching websites to ensure their compliance with Australian Consumer Law. This should include an analysis of the accuracy of the representations made by the websites.

Moving to a national regulator: Challenge and opportunity

It is expected that responsibility for the regulation of Victoria's retail energy market will be transferred to the national Australian Energy Regulator (AER) in 2012. A national consumer protection regime has already been developed by the Ministerial Council on Energy (MCE) and the AER is developing, in consultation with stakeholders, a range of regulatory guidelines to support the national retail market regulations. The findings of this document will be of use to the AER as they develop their approach to ensuring the adequacy, accuracy and functionality of available consumer information in the market. Additionally, the AER should consider the findings of this paper as they develop their own price comparator website as a replacement for the ESC's *Your Choice* site and other jurisdictional price comparator sites.

It is imperative that appropriate engagement with consumer representatives occur in the development of these guidelines and tools to ensure a transparent and effective retail market.

Time of use pricing: A major challenge

The need to improve the operation and transparency of switching websites is underscored by the introduction of time of use pricing (currently time of use pricing is a voluntary option for Victorian consumers). Time of use pricing allows for different electricity prices depending on the time of day at which the electricity is consumed. It is enabled by the introduction of smart meters in Victoria that read energy consumption every half hour and sends this information to distribution businesses via a wireless communications network. Under such an arrangement, consumers will pay more for electricity consumed at peak periods (usually weekdays) as compared to off-peak periods (usually at night and on weekends).

It is likely that, in the advent of mandatory reassignment of consumers to time of use pricing, that consumers would take some time to adjust to this new pricing arrangement. It will also create particular challenges for consumers wanting to shop around for a different energy offer. Consumers will need to be aware of their consumption profile in order to make the best choice in the market. Switching websites will need to accommodate the provision of more consumption information by consumers in order to estimate the best available offer for a particular consumer. A robust approach to managing the quality, transparency and effectiveness of switching websites would be important if we transition to this new pricing environment.