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RESPONSE TO ISSUES PAPER

Attn: Eva Wong and Rebecca Holland
RE: Australian Competition and Consumer Commission – ACCC inquiry into retail electricity supply and pricing – Issues Paper
By Email: retailelectricityinquiry@acc.gov.au

21 . 06 . 2017

Australian Competition and Consumer Commission – ACCC inquiry into retail electricity supply and pricing – Issues Paper

Thank you for the opportunity to respond to this Issues Paper.

CitySmart is a sustainability agency that specialises in customer engagement and behaviour change in the energy sector and particularly households and small business. Our programs and research, delivered with our academic and corporate partners are designed to improve the quality of communication and depth of understanding around low-interest topics such as electricity.

In the last two years, CitySmart, in conjunction with QUT (Queensland University of Technology) has conducted several research projects focusing on electricity consumer behaviors, traits, barriers and motivators. The most current research activities included a literature report, national qualitative and quantitative research and creation of a new customer segmentation model using cluster analysis from the research. The model is designed to assist the identification of the motivators and goals of households so that they can be targeted with more meaningful value propositions.

We welcome the opportunity to contribute to a discussion that seeks to improve consumer participation in the electricity market.

Australia's energy industry is indeed in transition. That change is happening across many fronts and it is targeting many issues that are all important for Australia's energy future.

For consumers, the key issue (indeed the only issue for many) is without doubt the price of their energy bills. Ten years of hyper escalating prices has deeply damaged trust between consumers and all industry participants. This alone makes the task of keeping consumers engaged very difficult.

The promise of reduced prices through competition has failed. Competition in the industry is measured by the number of Retailers offering products to consumers rather than the number of consumers actively changing suppliers and a visible drive for market share.

Customers generally remain indifferent to opportunities to reduce their electricity bills, yet these same consumers actively participate in changing products in other low interest sectors such as; internet contract, mobile phone contracts and mortgage rates.

This suggests that the electricity market has yet to develop into an accessible, understandable and easy-to-transact marketplace.

This enquiry has a significant opportunity to make recommendations that will influence further market maturity.



Responses to questions raised in the inquiry

Question 7. What are the impediments to competition between electricity Retailers

A common and accessible language should be used by the industry.

A decision by an energy consumer to change suppliers typically occurs following consideration of available options. Whilst the extent of information searches conducted by consumers seeking to change suppliers can vary widely, it is the common activity.

Chief amongst the impediments to completing an effective comparison of options is the language employed across the industry to explain tariff components, payment options, and various fees and charges. Inconsistency in language used by different Retailers, industry commentators, advocates and Government sites creates confusion and serves to make comparison more difficult. The previously mentioned literature review across Australian network regions identified startling variations between information offered in different locations.

CitySmart and QUT believe that this is a major impediment to customers when researching and analysing competing pricing offers. The industry would be well served if it adopted a common customer centric dictionary for key fees, charges, terms and conditions in order to easily and simply understand differences between options.

Question 8. What are the impediments that customers face in choosing a retail electricity service and any differences between customer types and NEM areas.

The Need to Build Trust in The Market:

Our research shows that energy consumers are conflicted around the trusted sources of information. The research indicates a low level of trust across Australian consumers towards Retailers, with many consumers suspicious of Retailers motives. They perceive that tariffs promoted by Retailers are not designed with the consumers best interest in mind. Given the long term contractual nature of the products on offer, this lack of trust in available options can be a significant barrier to changing suppliers.

Comparison sites offer an opportunity to address this trust issue by offering presumably unbiased information, however commercially operated comparison sites may possibly suffer from a similar bias suspicion when they seek to promote one retailer ahead of another.

Without trusted sources of information, consumers rely on media and popular opinion to source their information or truth.

Importantly, trust needs to be built from the customer perspective, not the industry perspective. To achieve this, CitySmart and QUT believe the industry needs to build capacity in the advocacy area and develop improved sources and pathways to trusted information.

Question 9. How customers' ability to make informed choices about electricity can be improved

Reconsider how we engage with Vulnerable Customers:

Traditionally, vulnerable customers have been treated and targeted as a unique group of customers with common traits.

Our research has identified that at-risk customers in fact are not all alike.

Indeed, our segmentation model of energy consumers identified material numbers of vulnerable customers within each distinct customer segment. The implication of this finding is that vulnerable customers need to be targeted with a range of offers to "cut-through" to more of these customers.

This means we need a new approach to how we engage with vulnerable customers to create improved change and ensure this change is sustained.



CitySmart and QUT would be happy to share their research about vulnerable customers with the inquiry.

Recognise how energy consumers research decisions:

Any activity designed to investigate alternate suppliers or compare prices between suppliers requires customers to conduct an information search.

We now know that different segments of customers conduct this search in different ways. Some households adopt a passive approach and use readily available information such as word of mouth, media or google whilst others conduct highly detailed research activities. Information that is difficult to interpret is often excluded from this search or incorporated wrongly into a decision. Customers will fill in knowledge gaps using any source available to them.

Customers cannot often validate the usefulness of the information they gather.

In addition, decisions of this nature are often made at the household level, not by individuals, therefore understanding household dynamics is key to understand how information is accessed, assessed and then decisions made.

CitySmart and QUT both support any effort that can be made to improve the accessibility and trustworthiness of information for consumers.

Better Use of Technology:

Technology on its own is obtuse. However, when deployed effectively, it will add great value for customers seeking to understand or compare electricity prices or change suppliers.

CitySmart and QUT have seen that different customer groups prefer to use and interact with technology in diverse ways to access information. From a communications perspective, many customers now prefer digital engagement. It is a (relatively) quick and easy channel, requires little emotional effort and they can access it under their own terms and in their own time. It is configurable to meet the needs of a wide array of users (mobile users, email lovers, chat-bot fans, static website searchers) but only if the providers of the information are aware of the need to provide diversity in their digital channels.

From a decision-making point of view, our research indicates a trend towards on-demand and real-time information streams to assist with understanding an environment (such as energy usage and cost) but only when that information is provided in a simple and easy to understand format.

Given the continued growth in prominence of technology in the energy market, CitySmart and QUT both support the continued development of technology options for consumers in the energy market.

About CitySmart

CitySmart is a sustainability agency that has a proven track record in helping households and small businesses to understand and reduce their energy costs. CitySmart has unique insights into energy consumer behaviours, attitudes, motivations, goals and obstacles which comes from first-hand experience. Our programs include:

- Ezy Green Home Energy improvement program helping households access financed solar power, solar HWS, green power, better tariffs, standby power boards and higher efficiency appliances.
- WattSavers program helping small businesses self-audit their energy consumption and providing guidance, workshops and incentives to help lower their energy bills.
- A joint research project with QUT into the impacts of communications and incentives on household energy consumption behaviours.
- Reduce Your Juice, Australia's first gamified digital energy efficiency program that is not only helping thousands of our most vulnerable households lower energy costs by more than 12%, but increasing their sense of control over energy costs.
- T3 energy efficiency program, helping tenants access LED lighting in commercial premises.



- A current national research project in conjunction with QUT and seven Networks across Australia examining how households make decisions about finding, assessing and changing tariffs and the barriers and motivators that impact this activity. This project has yielded a fresh view of energy consumer segmentation that suggests much can be done to tailor communications that will resonate and cut through.

CitySmart recognise the significance of this issues paper for electricity consumers, industry participants and policy makers and would welcome the opportunity to discuss our views raised in this submission.

Conventional education and awareness approaches in the electricity industry need to evolve to better meet the needs of today's consumer.

Summary of recommendation for the enquiry

1. *Standardise the language – nation and industry wide lexicon*
2. *Build trust – repair and maintain*
3. *Reconsider how we engage with vulnerable customers*
4. *Improve accessibility and trustworthiness of information*
5. *Make better use of technology for consumers benefit*

Next Steps

CitySmart and their academic Partner QUT would be pleased to provide more information surrounding our research findings in relation to our submission and have the ability to undertake trials and further research in these areas as required.

Should you have any questions in relation to this submission or the research project mentioned, please contact our Commercial Projects Manager, Reid Ossington at reid.ossington@citysmart.com.au or on (07) 3007 7003.

Yours faithfully

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