

EnergyAustralia Response – Noting Paper 200 - Action Initiation Framework – 26 July 2021

Action initiation

EnergyAustralia appreciates the opportunity to provide feedback on this paper. We look forward to the workshop tomorrow.

Objectives and Principles

Overall, we consider the Objectives and Principles in the Paper are a reasonable starting point for guiding the development of the framework for Action Initiation in the CDR context.

We strongly agree with **Objective 9**. The CDR should intervene or impose specific requirements only where there is an established case for government intervention and where the private sector cannot be expected to otherwise provide adequate outcomes. Determining what the policy outcomes are will be key. If the outcome for the energy sector is to encourage customer engagement (via third parties) and increase switching, we note that switching alone is not an effective indicator of competition and switching rates in the National Electricity Market are already high compared to international standards.

Further, the retail energy sector has implemented many retail reforms in the last 3-4 years which aim to facilitate customer engagement by improving price transparency, customer notification of changes to their energy pricing, and implementing a regulated electricity price (the Default Market Offer and Victorian Default Offer price) for the segment of customers who do not engage.

We therefore support a “wait and see” approach before introducing the Action Initiation framework. This will allow the effect of these energy sector reforms along with the first version of the CDR in the energy sector to fully take effect.

Principle 15 provides that the CDR does not displace the role of sectoral regulation. It further states the CDR does not regulate activities due merely to them being enabled by CDR data or Action Initiation.

We recognise that sectoral regulation has a role to play where it regulates actions by Action Service Providers (ASPs) (Energy Retailers). However, the interaction between CDR and sectoral regulation is complex and the separation between what should be addressed by CDR reform as opposed to sectoral reform will not always be clear.

Specifically, the CDR may introduce new sector entrants or new channels of instruction at an unprecedented scale which could raise new risks that are not adequately addressed by sectoral regulation. Given the CDR raises these risks, we contend **it is Treasury or the Government’s role to identify these risks and ensure that the sector’s regulatory bodies assess whether updates to sectoral regulation are required.**

For example, a possible use case for Action Initiation is a customer instructing an Accredited Action Initiator (AAI) to facilitate a switch to a new energy plan with a new Energy Retailer. There are likely to be several variations of this Facilitated Switching. Two possible models are:

- A. After a customer expresses that they’d like to switch to the new plan recommended by the AAI, transferring the customer to the Retailer which would obtain the required explicit informed consent (EIC) to complete the switch and interact directly with the customer to onboard them i.e. AAI is not further involved after the customer is transferred to the Retailer.
- B. After a customer expresses that they’d like to switch to a new plan recommended by the AAI, the AAI does not transfer the customer to the Retailer, but instead they obtain EIC on behalf of the Retailer and then act on behalf of the customer to help onboard the customer with the Retailer.

Energy sector regulation requires and prescribes very specific obligations regarding the presentation of information to a customer when they are choosing an energy plan and obtaining a customer’s EIC to enter an energy plan contract and switch providers. While Energy Retailers can partner with Third Parties so that Third Parties obtain EIC on behalf of the Retailer, obtaining EIC in this way has not always been a robust process.

In addition to obtaining EIC, Energy Retailers must meet other complex obligations around the onboarding of a customer including registering a customer for life support needs and applying concession entitlements to the customer's account.

If Facilitated Switching were adopted as a type of Action Initiation, it is unclear whether the AAI would have a contractual relationship with the Retailer through which the Retailer would be able to manage compliance with EIC and onboarding obligations. (Note that under the current data sharing implementation of the CDR, an ADR is unlikely to have a contract with the Energy Retailer for the purposes of data sharing). It may be appropriate to review sectoral regulation to ensure that obligations regarding EIC, and customer onboarding apply directly to AAIs. For example, under the Energy Retail Code (Vic), some marketing obligations apply to Third Party Retail Marketers (businesses contracted with or receiving commissions from Retailers), but life support obligations do not apply. It may be appropriate that AAIs are directly regulated by those obligations.

We also submit that CDR Rules should be designed to operate well with sectoral regulation. The impact on the customer journey should be considered holistically, especially as both AAI and ASPs could both be interacting with the customer at the same time during the start of the customer's relationship with the ASP and this may result in customer confusion.

Use cases

EnergyAustralia emphasises that the DSB and Treasury should focus on Action Initiation use cases that would have commercial value to AAIs and customers. In our view, use cases which will offer more value are those that apply to more than one sector; are not prevented by regulatory or other barriers; and offer real convenience to the customer in reducing what a customer has to undertake.

Below we set out possible use cases for the energy sector. Our overall observation is that there does not appear to be much value to the use cases we have identified applying to the energy sector. In most of the use cases the customer will still have to do the same actions, with the change being that they deal with the AAI instead of the ASP.

Importantly however this could have a negative impact to the customer/ASP relationship where the customer has fewer or no interactions with the ASP. In the energy sector, fostering a relationship with the customer is important to Energy Retailers - not just to build customer loyalty but to support compliance with obligations which require the customer to engage with Retailers (e.g. offering family violence protection, hardship assistance and life support protection). Treasury should be cognisant of the impact that Action initiation may have on the relationship between ASPs and their customers and determine whether that produces positive outcomes for customers.

We agree with the potential application of the following use cases (detailed in the Paper) to the energy sector:

- Use case 1: Tell Us Once personal information management – particularly around the updating of contact details.
- Use case 2: Personal finance management – in particular monitoring bills and ensuring there is sufficient funds to pay and paying bills.
 - However, this is another example of where the customer not receiving bills from their Retailer or not reading them because they have engaged an AAI, could have a detrimental effect. Bills convey important messaging about changes to a customer's energy plan and in Victoria information about best offers which are available to a customer.

Other possible use cases are as follows.

1. Facilitated Switching – Model A

Description

After an ADR provides an energy plan recommendation, the customer expresses that they'd like to switch to the new plan and instructs the AAI to facilitate the switch. The AAI does so by transferring the customer via a special channel to the incoming Retailer so that the customer can complete the switch. The Retailer obtains EIC and completes the onboarding of the customer for the new energy plan.

Benefits and Value

Low. Limited convenience value in the customer being passed on to the incoming Retailer.

Priority

Low. We question whether there are any issues with customers being able to easily switch today.

Actions

Describe each action to fulfil the use case.

Action 1: Incoming Energy Retailer switches the customer

Action 1 Description: Incoming Retailer transfers the customer to it.

Action 1 Instruction: Customer instructs the AAI to facilitate the switch by passing them to the incoming Retailer via a special channel. The AAI indicates to the Retailer which plan the customer wishes to be signed up to.

Action 1 Constraints: N/A.

Risks and Issues

- *What are the risks to be considered when performing or instructing this action.*
- *What issues (if any) are likely to occur. Where possible, clearly identify issues that may arise in in the instruction layer as opposed to issues that are likely to occur in the action layer.*

2. Facilitated Switching – Model B

Description

After a customer expresses that they'd like to switch to a new plan recommended by the AAI, the AAI does not transfer the customer to the Retailer, but instead they obtain EIC on behalf of the Retailer and then act on behalf of the customer to help onboard the customer with the Retailer.

Benefits and Value

Low. Some convenience value in that the customer is only dealing with the AAI from the time they seek the plan comparison to when they have completed signing up with the Incoming Retailer. However, we expect that there would still be back and forth between the AAI and the customer, as the AAI may need to obtain information needed to onboard the customer (e.g. type of life support equipment and concession eligibility details). It may therefore be easier for the customer to deal directly with the Energy Retailer.

Priority

Low. We question whether there are any issues with customers being able to easily switch today.

Actions

Describe each action to fulfil the use case.

Action 1: Incoming Energy Retailer switches the customer

Action 1 Description: Incoming Retailer transfers the customer to it.

Action 1 Instruction: AAI facilitates the switch by interacting with the customer, instead of the Retailer. AAI obtains EIC on behalf of the Retailer.

Action 1 Constraints: N/A.

Risks and Issues

- *What are the risks to be considered when performing or instructing this action.*
Compliance with EIC such that EIC is not obtained in a compliant way.
- *What issues (if any) are likely to occur. Where possible, clearly identify issues that may arise in in the instruction layer as opposed to issues that are likely to occur in the action layer.*

Action 2: Incoming Energy Retailer onboards the customer

Action 2 Description: Incoming Energy Retailer onboards the customer but instead of dealing with the customer they deal with the AAI.

Action 2 Instruction: Customer asks for the AAI to onboard the customer on their behalf. AAI obtains information from CDR data or the customer to help complete the customer's onboarding journey on

their behalf. It registers the customers for life support requirement with the Retailer, completes concession forms for the customer and undertakes eligibility checks with the Retailer, and provides all other information the incoming Retailer needs.

Action 2 Constraints: N/A.

Risks and Issues

- What are the risks to be considered when performing or instructing this action

AAI does not onboard the customer correctly. Current obligations do not directly apply to AAIs.

- What issues (if any) are likely to occur. Where possible, clearly identify issues that may arise in in the instruction layer as opposed to issues that are likely to occur in the action layer.

As discussed above, this could have a negative impact to the customer/Energy Retailer relationship where the customer has fewer or no interactions with the Energy Retailer.

Under either Model, one issue to be resolved is how the incoming Retailer would be able to authenticate the customer for the Action Initiation, when only the outgoing Retailer has the customers details etc. This would be addressing the risk that Third Party agents may make fraudulent sales and switch a customer when they do not wish to switch. One way to address this risk would be to allow authentication with the outgoing Retailer but this does not follow the pattern of authentication with the ASP receiving the instruction to switch the customer (the incoming Retailer).

3. Meter upgrades/exchanges

Description

Arranging meter upgrades/exchanges on behalf of the customer.

Benefits and Value

Low. Benefits are low because even though the customer has delegated arranging for a meter upgrade to the AAI, the customer still needs to engage with a business i.e. the AAI in place of the Energy Retailer. The convenience benefits are therefore negligible unless the customer is already dealing with the ADR to undertake other actions. Moreover, unlike the Facilitated Switching use case, this does not apply across sectors, so its benefit is further limited.

Priority

Low.

Actions

Describe each action to fulfil the use case.

Action 1: Arranging meter upgrade

Action 1 Description: Retailer engages with relevant market participants to replace existing meter and notifies the customer as to when this will occur.

Action 1 Instruction: AAI is instructed by the customer to engage with the Retailer to arrange the meter upgrade/exchange.

Action 1 Constraints: N/A

Risks and Issues

- What are the risks to be considered when performing or instructing this action

- What issues (if any) are likely to occur. Where possible, clearly identify issues that may arise in in the instruction layer as opposed to issues that are likely to occur in the action layer.