

# Principles for a Voluntary Code of Practice for Price Comparison and Switching Services

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As energy retail competition gathers pace in Australia, the price comparison and switching (energy brokerage) industry is becoming an increasingly important source of consumer information. This document sets out some guiding principles under which a voluntary code of practice for energy price comparison and switching services could work. It has been developed to be used by switching service operators, governments and community and consumer organisations as they work together to develop best practice standards for the growing price comparison and switching industry.

## Background

As part of the Australian Energy Market Agreement, governments across Australia are committed to the introduction of full contestability in retail energy markets, along with price deregulation where competition is shown to be effective. At present, retail competition is at different stages in the various Australian jurisdictions. Most National Energy Market jurisdictions have now introduced full contestability. However, while Victoria has removed retail price regulation, other markets retain price caps.

This shift towards competitive and contestable markets requires active and informed consumers if it is to succeed. In a competitive market, consumers must be able to make active decisions on the basis of price and service quality in order to keep prices at efficient levels and provide an incentive for reasonable levels of customer service.

## *Price comparison and energy switching services*

With the move to full retail contestability and increasing consumer concern about energy prices, price comparison and energy switching services have proliferated. These services are increasingly used as the source of information upon which energy consumers base their choice of retail offer.

Switching services usually claim to be able to find consumers a better energy deal. In many cases, they do so. However, there are ongoing concerns about the consistency, accuracy and transparency of some switching sites. This has been most clearly demonstrated in the successful prosecution of Energy Watch for misleading conduct,<sup>1</sup> but has also been highlighted in research. When switching sites provide poor quality information, this undermines the effectiveness of consumer decision making and therefore affects efficient market operation.

## *A voluntary code*

Both research by the Consumer Utilities Advocacy Centre Ltd. and CHOICE and positions put by the Independent Pricing and Regulatory Tribunal (regulators of the New South Wales (NSW) energy market) and the NSW Office of Fair Trading, suggest that a voluntary code of conduct would be an appropriate approach to improving standards among price comparison and switching services.<sup>2</sup> Such a code of conduct would be developed jointly by consumer agencies, industry participants and governments and would require participating providers to adhere to minimum performance standards in the conduct of their price comparison and switching services.

Participating providers would be able to advertise the fact that they were a code participant providing them with a competitive advantage over non-participating services. Consumers could have more confidence in the information provided by participating services and retail energy markets would be strengthened as a result of the better quality information available to consumers.

A voluntary code of practice for price comparison and energy switching services has operated effectively in the UK and aspects of this code have guided the development of the principles.<sup>3</sup>

## **The principles**

The guiding principles for a voluntary code of practice for price comparison and switching services are:

### ▶ *Accuracy and completeness*

The price comparison or switching service must provide consumers with an accurate and unbiased comparison of energy offers from all available retailers for their particular circumstance based on relevant factors such as distribution area, meter type, presence of solar panels etc. The price comparison or switching service should also endeavour to provide as many of the available offers from each retailer as possible. Updates to tariffs should occur as soon as possible after they are updated by retailers. Customers should also be able to access the relevant regulated product disclosure statement.

### ▶ *Impartiality*

The price comparison or switching service should be independent of any retailer and should disclose clearly and consistently any commission arrangements with, or payments received from, each retailer. Any commission arrangements should not impact on the way offers are presented to consumers.

<sup>2</sup>

CUAC (2011) *Energy Switching Sites—A policy briefing paper*, at: [www.cuac.org.au/index.php?option=com\\_docman&task=doc\\_download&gid=36&Itemid=30](http://www.cuac.org.au/index.php?option=com_docman&task=doc_download&gid=36&Itemid=30)

CHOICE (2012) *Between a door-knock and cyber-space: The problems with electricity switching sites*, at: [www.choice.com.au/supercomplaint](http://www.choice.com.au/supercomplaint)

Office of Fair Trading (2012) *NSW Fair Trading response to the CHOICE Super Complaint on electricity switching sites*, at: [http://www.fairtrading.nsw.gov.au/pdfs/About\\_us/Super\\_complaint\\_on\\_electricity\\_switching\\_websites.pdf](http://www.fairtrading.nsw.gov.au/pdfs/About_us/Super_complaint_on_electricity_switching_websites.pdf)

### ► *Transparency in calculations*

The price comparison or switching service should provide accurate details of how a savings calculation has been arrived at. Most importantly, the service should be clear as to whether any discounts, rebates or other incentives are included in the savings calculation. Customers should be able to access calculations with no discounts, rebates or incentives included in the calculation to enable an accurate comparison. Additionally, consumers should be told if any assumptions have been made about their consumption that may affect the accuracy of any comparison (e.g. assumptions about seasonal consumption).

### ► *Complaint handling*

The price comparison or switching service should establish an effective consumer complaint handling procedure that is in accordance with the Australian Standard on complaint handling.

### ► *Provision of useful consumer information*

The price comparison or switching service should have an easily accessible page on their website that provides users with information about the energy market and the choices available to them along with their rights and responsibilities as consumers. The information should assist consumer understanding of their choices including the availability of standing offers and market offers as well as information about energy pricing and retail price regulation where applicable.

### ► *Protection of consumer data*

Data provided by consumers in the course of any price comparison or switching transaction should be kept private. It should not be shared with any other party without the consent of the consumer. Any requirement to share information with any energy retailer in the course of a switching transaction should be clearly explained to the consumer. This protection should be in accordance with relevant privacy legislation and principles.

### ► *Compliance with relevant laws and regulation*

The price comparison or switching service must operate in compliance with the Australian Consumer Law and any relevant energy marketing regulations.

## Next steps

These principles have been developed by the Consumer Utilities Advocacy Centre Ltd (CUAC) based on its research into switching sites in Victoria. CUAC is seeking endorsement of these principles by the switching and price comparison industry, government and consumer organisations. CUAC is also seeking commitment from government and the industry to work with consumer and community agencies to develop an effective voluntary code based on the above principles.

If you would like to endorse these principles, be involved in the development of any voluntary code of practice or engage further in this process please contact David Stanford from CUAC on 03 9639 7600 or at david.stanford@cuac.org.au.

## Endorsement for the principles

These principles have been endorsed by the following organisations:

