



Part of Energy Queensland

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22 October 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Ms York

RRC0036 – National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule

Ergon Energy Queensland Pty Ltd (Ergon Energy Retail) welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) in response to the National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule Consultation Paper.

Ergon Energy Retail acknowledges that some customers have difficulty understanding their electricity bills and may not feel sufficiently confident to engage in the retail market. However, we strongly disagree with the suggestion that this situation has been created and perpetuated by retailers.

As noted by the Australian Competition and Consumer Commission (ACCC) in its *Retail Electricity Pricing Inquiry—Final Report*¹, the National Energy Retail Rules (NERR) and other energy laws require electricity bills to contain a substantial amount of information. Certain information is required by all customers all of the time, while other information is not. When combined and presented on a two to three-page bill which is issued four times per year, we agree that the provision of this information can be overwhelming and confusing for some customers.

It is Ergon Energy Retail's view that the volume of information retailers are legally required to present on their bills is core to this issue. We note that the list of required information detailed in Rule 25 of the NERR has not changed since 2012, and agree that it is an appropriate time to review these requirements.

Our customer research has revealed unequivocally that many customers would prefer simplified bills containing less information because reducing the quantity of information provided would allow essential information to be presented more clearly. We note that this customer insight aligns with the intent of the proposal to facilitate "*simpler and more understandable bills*"². We are therefore concerned that the proposal will replace one set of prescriptive information requirements with another, stifling innovation and penalising retailers who have invested heavily in better understanding the diverse needs of their customers and redesigned their bills to be more approachable. Further, a more prescriptive or standardised

¹ Australian Competition & Consumer Commission, Restoring Electricity Affordability and Australia's Competitive Advantage, Retail Electricity Pricing Inquiry – Final Report, June 2018 (ACCC, 2018), page 289

² Better Bills Rule Change Request, page 6

approach to bills may have a perverse outcome of preventing retailers from differentiating from others and being responsive to their customers needs.

In our view there is a clear trade-off between simplifying bills and relying on bills to educate and empower customers. We acknowledge that a simplified bill is not necessary or appropriate for all customers and we are committed to ensuring customers continue to have equitable access to this information via other channels and means.

While bills are a key feature of the retailer-customer relationship, they are not the only factor which influences customer engagement and decision-making. Many customers use comparison services, including www.energymadeeasy.gov.au, which use basic information provided on bills supplemented with additional information provided by customers, to search for the best deal. However, many customers with low energy literacy or limited comprehension would find it difficult to use even the most basic information to engage in the electricity market.

Ergon Energy Retail's detailed comments in response to the AEMC's consultation questions are provided in the attached table.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact me on 0467 782 350 or Barbara Neil on 0429 782 860.

Yours sincerely



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Encl: Ergon Energy Retail responses to consultation questions

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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CHAPTER 3 – THE CURRENT SITUATION

QUESTION 1 – Understanding energy bills

1. Do you agree with the statement of issues by the proponent, that bills are no longer fit-for-purpose because there are gaps in content, the information is too dense, and the language is too complex? Please explain your view.

Ergon Energy Retail agrees there are opportunities to enhance customer bills. This is why Ergon Energy Retail has been progressing its Bill Redesign project intended to provide customers with an electricity bill that suits their needs while facilitating customer understanding.

We consider the primary purpose of the bill is to inform customers how much electricity they have used, how much they need to pay by when, and the options for payment.

Nonetheless, Ergon Energy Retail has developed its bill to ensure that all prescribed items of information required by Rule 25 of the National Energy Retail Rule (NERR) and other provisions are presented in such a way that complies with retail law while making sense for customers.

In relation to the proponent's statement of issues, we offer the following comments:

Terminology - We recognise that the electricity sector is complex and understanding electricity bills may be challenging for some customers. It is for this reason we have invested significant time and effort in presenting our bills in ways that customers can understand while meeting the information requirements of Rule 25 of the NERR.

In our view, it is appropriate that the NERR does not prescribe language and comprehension parameters for bills. Ergon Energy Retail considers that retailers, in consultation with their customers, are best placed to determine the appropriate

	<p>language, tone, and methods of presenting relevant information to facilitate bill payment. Further, retailers are incentivised to ensure their bills are easy to understand to avoid unnecessary enquiries from customers.</p> <p>That said, we acknowledge the potential for some terms used on bills to be made consistent to avoid confusion.</p> <p><u>Information density</u> - We agree that the current bill information requirements on retailers are excessive and can be reduced to lessen complexity. However, we dispute that this action will avoid “<i>sub-optimal outcomes for consumers in this market</i>”¹ and question how a result could be measured.</p> <p><u>Inclusion of additional information</u> - We recognise that the bill information requirements were developed at a time when use of digital technology was not as ubiquitous. However, we dispute the suggestion that the bill is a tool to “<i>improve consumer confidence when navigating the energy market</i>”². Retailers use both the bill but also other communications to inform customers of assistance tools available. We therefore question the benefit of simplifying bills to make space for this kind of information, negating the gains made by a simplified bill. We consider that other, newer digital channels and other communication opportunities are more appropriate.</p> <p><u>Bill delivery</u> - We note that while the NERR does not prescribe how bills are delivered, section 319 of the National Energy Retail Law requires that bills must be served on a person, personally, by post/fax, or electronically (with customer consent). However, we agree that retailers should be offered more flexibility in how bills and other information can be delivered and would appreciate the opportunity to engage with the AEMC on how this can be achieved.</p> <p><u>Need for a guideline</u> - We disagree that an enforceable guideline for retail bills is necessary, particularly one as detailed as the Retail Pricing Information Guideline which applies to energy marketing. In our view, energy plans are more complicated than bills and are not confined to an A4 page. To this end, the rule change simply provides for the swapping of onerous information requirements from the NERR to an Australian Energy Regulator (AER) guideline.</p>
<p>2. If you consider there are issues with billing, do the NERR billing provisions cause or contribute to these issues? Please explain your view with reference to the specific requirements listed in Table 3.1.</p>	<p>As noted in our response to question 1.1, Ergon Energy Retail considers there is potential for customer electricity bills to be simplified while continuing to meet the information needs of customers. However, we question whether revising the presentation, information and language used in electricity bills will resolve the literacy and comprehension issues that some customers may experience.</p> <p>Presentation of all required information on a bill is a complex undertaking for retailers. Customers prefer information on a bill to be presented concisely and in a way that enables the</p>

¹ Better Bills Rule Change Request, page 4.

² Ibid, page 5.

	<p>reader to find the relevant information quickly. Customers dislike bills that are more than two pages, contain large amounts of space and are difficult to navigate. As such, designing a bill that can be viewed and understood quickly is a priority.</p> <p>In relation to the requirements listed in Table 3.1, Ergon Energy Retail offers the following comments:</p> <ul style="list-style-type: none"> - Rule 25(f) – Amount payable Many customers have trouble understanding how the bill is calculated, particularly when amounts in arrears and credits are included. - Rule 25(r) – Payment methods Ergon Energy Retail offers numerous payment methods for customers at no extra expense (i.e. we do not currently charge merchant fees). All payment methods are presented on the bill for customer convenience. - Rule 25(s) – Availability of rebates and concessions Rebates, concessions and relief schemes do not apply to all customers, are text heavy and take up a large amount of bill space. - Rule 25(u) – Customer complaints A specific section for customer complaints is, in our view, unnecessary. Simply providing the phone number for general enquiries should be acceptable as most retailers have one single point of contact. - Rule 170(1)(a) - Electricity consumption benchmarks Ergon Energy Retail has received numerous enquiries from customers as to the veracity of this graph when included on their bill. In our view, each customer is unique and there are too many variables in a household to correctly depict such information on a comparison graph. <p>To address these issues, Ergon Energy Retail previously initiated a Bill Redesign project to ensure our bills continue to meet our customers’ needs.</p>
<p>3. What other factors also contribute to the billing issues you have identified (e.g. lack of educational tools or campaigns)?</p>	<p>Ergon Energy Retail acknowledges that the presentation of the information required by the NERR on each bill can be confusing for some customers.</p> <p>Customers have told us they prefer more simple bills with less information, allowing for essential information to be provided in a clear manner.</p> <p>Most customers are only interested in basic information – how much they need to pay, by when, and how the bill compares to previous bills. However, low levels of energy literacy is an enduring problem for the energy industry.</p> <p>To assist customers to understand their bills, Ergon Energy Retail has developed a range of tools such as household energy usage calculators, tariff comparisons and high bill calculators, as well as webpage to assist customers in understanding their bill³.</p>

³ <https://www.ergon.com.au/retail/residential/billing-and-payments/understanding-your-bill>;
<https://www.ergon.com.au/retail/residential/home-energy-tips>

QUESTION 2 – Receiving energy bills

<p>1. Do you agree there is a need to specify requirements for retailers on how they issue and deliver bills? Please explain your view.</p>	<p>Ergon Energy Retail acknowledges that some items of information are fundamental to a bill (e.g. amount payable and due date). We also suggest that customers are interested in read type (estimate vs actual), and number of days in the billing cycle. This to us suggests that Ergon Energy Retail's customers do not require a significant proportion of the information required under the NERR to be presented on bills. We also consider that other information is not necessarily appropriate for inclusion on every bill and exacerbates the comprehension challenge for customers.</p> <p>We accept that some customers require more information about their electricity usage, but question whether this information should be included on every customer's bill. Notwithstanding, we note that it is in the interests of the retailer to include information which is relevant and clear to the customer to ensure timely payment and overcome the need for follow up action.</p> <p>We also suggest that a printed bill issued four times a year is no longer the only method of communication with customers. Ergon Energy Retail now offers online customer portals which enable customers to view bill details and set preferences for communications.</p> <p>As such, the imperative to ensure the prescribed information is included on the bill is no longer as strong.</p> <p>While Ergon Energy Retail is required to offer paper bills to customers at no charge in accordance with the terms of the standard retail contract, given recent trends in digitalisation, we believe that customers should be offered greater choice in how they receive the information relevant to them.</p>
<p>2. Do you have a view on how best to give effect to the principle of consumer choice driving billing issuance and delivery? Please explain your view.</p>	<p>Many studies have concluded that customers feel empowered when they have choice. However, the choice currently available to customers with respect to bill content is limited. We therefore consider that the existing bill information requirements are outdated, especially in this technological age.</p> <p>Customer choice is evolving and the prescriptive nature of Rule 25 of the NERR limits the ability for retailers to deliver against changing customer expectations. While certain key information is fundamental to electricity bills, other existing requirements are less important, and retailers should be able to engage with their customers to determine the information delivered on bills or other means.</p>

QUESTION 3 – Materiality of the issues

<p>1. Which, if any, parts of a bill are confusing to customers, and how does any confusion affect a customer's ability to engage with the market to better manage their energy?</p>	<p>Ergon Energy Retail is committed to ensuring customers have access to the information and tools they need to understand and manage their electricity use.</p> <p>However, Ergon Energy Retail does not agree that customer engagement in the electricity market is hindered by the presentation of information in retailers' bills. Customers</p>
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	<p>continue to install solar photovoltaic systems in large numbers, and despite many customers having digital meters recording detailed usage, most customers remain on basic tariffs.</p> <p>That is, many customers do not engage in the market by choice. In our view, the main issue is a general lack of energy literacy which is unlikely to be addressed by the rule change proposal.</p> <p>As noted in our response to question 1.3, Ergon Energy Retail has developed a range of tools to assist customers to understand their bills.</p>
<p>2. How do current billing arrangement meet or not meet customer requirements? Please specify whether your comments relate to all customers or specific segments of customers.</p>	<p>We acknowledge that the bill is the main point of contact between customers and their retailer, noting that the primary purpose of the bill is to inform customers how much electricity they have used, how much they need to pay and by when. In this context, the current billing arrangements are effective and appear to meet most customers’ requirements.</p> <p>However, based on customer feedback, we agree there is the potential to improve both bill content and presentation to ensure key details are located quickly and are easily understood. As mentioned, not all customers want or need the full suite of information currently required on bills, which we suggest creates unwanted complexity for our customers.</p> <p>Customers’ technology practices are evolving, and it is imperative electricity billing changes with these practices. As such, we consider that customers (and not the AER) should be defining how they receive bills and bill content.</p>
<p>3. Do you have suggested improvements to billing arrangements that address any issues you consider are material? Please explain how your proposed solutions are compatible with the trend towards increasing digitalisation, the move to a two-sided market, and the introduction of the Consumer Data Right in energy.</p>	<p>Customer feedback indicates there is potential to improve bill content and presentation to ensure key details are located quickly and are easily understood.</p> <p>We maintain that the information on a bill relevant to most customers is the amount payable, due date and bill comparison with previous periods. While we acknowledge that some customers appreciate the inclusion of more information, we consider that this additional information could be easily delivered via other, digital means for those customers who want it.</p> <p>Ergon Energy Retail has been responsive to customers’ needs and has invested in technology to give customers access to usage information through technologies such as our online My Account portal.</p>

SECTION 5 – RELATED PROJECTS AND RESEARCH

QUESTION 4 – Related projects and research

<p>1. Are there other research findings or projects the Commission should consider in making its determination; what are the most relevant</p>	<p>Ergon Energy Retail continuously engages with its customers to understand what they want from their electricity retailer. From this, we are of the view that consumers find it difficult to reconcile the energy usage of specific items in their household with the amount payable on their bill.</p>
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<p>research conclusions and project linkages?</p>	
<p>2. What key lessons should the Commission take from good practice regulatory frameworks for bills in comparable Australian sectors, or energy retail markets overseas?</p>	<p>Ergon Energy Retail considers that simplicity should be key for future bill arrangements. That is, only key information should be presented on customer bills, while customers should be redirected to other channels for all other information requirements.</p> <p>Other forms of communications which can also be used to educate and inform customers include but are not limited to:</p> <ul style="list-style-type: none"> • product campaigns (mail, SMS, email, radio, print and social media); • moving house enquiries; and • website and portal promotions.

CHAPTER 4 – SOLUTIONS

QUESTION 5 – Proposed solution

<p>1. To what extent would the proposed solution address the identified problems and their causes, and promote the NERO?</p>	<p>Ergon Energy Retail acknowledges there is potential for electricity bills to be improved via a revision of the content requirements to better meet the needs of customers. However, we question the premise of the rule change proposal that replacing existing bill information requirements with a mandatory enforceable guideline published by the AER and supported by civil penalties, will improve consumers' confidence and their ability to better participate in the market. In our view, the proposal removes the ability for an electricity retailer to remain responsive to their customer and opportunities for bill innovation.</p> <p>We note that measuring improvements in customer experience is difficult as there is insufficient detail in the proposal to determine or test the extent to which the proposed solutions would address the issues raised.</p>
<p>2. Do you consider the proponent's solution could be modified to be more effective? Please explain your view. Please explain the benefits, costs, risks and implementation issues associated with the proponent's solution.</p>	<p>Ergon Energy Retail suggest that the rule change proposal:</p> <ul style="list-style-type: none"> • lacks evidence to support its claims; and • fails to consider the costs which will be incurred by retailers to implement new billing arrangements, changes to billing systems, and customer education. <p>In the current economic climate, we do not believe it is an appropriate time for retailers to be delivering more expensive system and process changes.</p> <p>Ergon Energy Retail is also concerned with the over-simplistic claim that benefits will outweigh costs when no analysis is offered. We also note the lack of analysis of the likely risks and issues associated with implementation of the reform.</p> <p>Finally, due to the complexity of system changes required arising from changes to retailer billing systems, Ergon Energy Retail suggests a minimum implementation period of two years would be appropriate.</p>

ALTERNATIVE SOLUTIONS

QUESTION 6 – Rules-based approach

<p>1. Are there rules-based solutions that the Commission should consider (e.g. filling gaps in rules 25 and 170 of the NERR, a principles-based bill format provision, or using opt-out provisions for information pertaining to certain bill functions)? Please explain (i.e. benefits, costs and risks).</p>	<p>Ergon Energy Retail acknowledges the potential for the NERR to be revised to better reflect contemporary technology and customer preferences for the delivery of information.</p> <p>We note that requirements enshrined in the NERR provides certainty and are less risky for retailers as expectations are clear. We also note that rules are more difficult to change. However, while guidelines more readily allow for change, the ability for the AER to continuously amend guidelines has significant consequences for retailers.</p>
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QUESTION 7 – Non-rules-based approach

<p>1. Are there non-rules-based approaches — such as an industry code, a non-binding guideline or other industry initiatives — that the Commission should consider addressing the issues raised by the proponent and their causes? Please explain (i.e. benefits, costs and risks).</p>	<p>Ergon Energy Retail acknowledges that a non-rules-based approach in the form of an industry code could be an appropriate alternative in meeting the intent of the proposal while providing retailers with greater flexibility over the information required in bills.</p> <p>If the existing requirements were removed, we expect retailers will act to simplify bills by removing information that customers have said is confusing or of little value. However, more detailed information would be available online or via other means to ensure customers who are not digitally engaged would not be disadvantaged.</p> <p>Ergon Energy Retail acknowledges the flexibility benefits of an industry-based approach to determine bill content, and while this would likely deliver simpler bills, such an approach is not without risks.</p>
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QUESTION 8 – Hybrid approach

<p>1. Are there hybrid approaches — a suite of rules and non-rules approaches — that the Commission should consider addressing the issues raised by the proponent and their causes? Please explain (i.e. benefits, costs, risks, and balance between principles-based and prescription and rules/non-rules)?</p>	<p>Ergon Energy Retail acknowledges the potential for a hybrid approach to meet the intended outcomes of the proposal. A revision of bill information requirements which considers the changing expectations of customers, digital technology, innovation and other trends, could identify key items for future bill, while enabling retailers to be responsive to customer needs. Ergon Energy Retail agrees with the suggestion by the Australian Energy Council that the rules could be revised to require bills to include essential items which deliver on the primary purpose of the bill, while flexibility is offered with respect to the delivery of other information.</p> <p>Such an approach could, in our view, be a workable middle ground in delivering simpler bills for customers while ensuring more detailed information remains available for those customers who seek it.</p>
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CHAPTER 5 – ASSESSMENT FRAMEWORK

QUESTION 9 – Assessment framework

<p>1. Is the proposed assessment framework appropriate for considering the rule change request? Are there other considerations that should be included?</p>	<p>Ergon Energy Retail considers the proposed assessment framework to be largely appropriate for this rule change proposal. However, Ergon Energy Retail remains concerned that the proposal lacks specific information for stakeholders to enable an informed assessment of the proposal.</p>
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