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12 May 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Re: Submission on National Electricity Amendment (Meter Read and Billing Frequency) Rule 2016

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft rule determination that amends the requirement on retailers under the National Energy Retail Rules (Retail Rules) to issue a bill every 100 days, from the current minimum of three months.

We are pleased the AEMC's draft determination retains rule 24's firm obligation on when retailers must issue a bill rather than adopting the rule change proposed by Ergon Energy. Retention of a defined billing period is consistent with Part 6 of the Retail Rules that recognises the importance of accurate and timely bills by mandating requirements around bill content and frequency. For energy customers, regular, frequent bills greatly assist in both managing their costs and in understanding how they use energy.

We welcome the decision not to adopt a "best endeavour" obligation as we consider that would have significantly eroded a key customer protection under the Retail Rules. Additionally, "best endeavour" obligations are more difficult rules to enforce as they require consideration of a broader set of factors in assessing whether they have been breached. We also support the AEMC's decision not to amend rule 21(1)(c) as we consider the current rule clearly sets out when retailers may base a bill on estimated consumption, when metering data is not available.

However we remain concerned about any changes to rules concerning billing frequency. The current rule facilitates a simple, predictable and easy to understand billing cycle. In contrast, a 100 day cycle is more complex and results in a customer being billed on different days of the month from one billing period to the next. This may create uncertainty and impact on a customer's ability to anticipate a bill and in turn budget their energy costs. We also consider there are a number of advantages that may be lost with the move away from a quarterly billing cycle, including seasonal comparisons and set billing days.

Comments on the preferred rule

While the AEMC's preferred rule addresses some of the issues arising from the Ergon Energy proposal, we are concerned that any reduction in billing frequency erodes the strong protections currently in place for energy customers.

By increasing the maximum billing period from every three months to 100 days the rule provides retailers with a larger window to issue a bill based on actual consumption. In its rule change proposal, Ergon Energy estimates that this extended window will result in 99 per cent of its customers receiving a bill based on actual consumption.

The preferred rule aims to address customers concerns about estimated bills by increasing the number of bills issued based on consumption, albeit with lesser frequency. However, in seeking to balance accuracy with timeliness it may exacerbate other billing issues such as irregular and delayed bills. In particular, delayed bills are problematic as they can lead to unexpectedly high bills and cause financial difficulties for some customers.

A further issue in seeking to balance timeliness with accuracy is that the preferred rule is more complex than the current clear obligation on retailers to issue a bill every three months. Under the revised rule customers may receive between 3 to 4 bills a year or approximately seven every two years in contrast to current requirement of four bills a year.

While we recognise there are incentives on retailers to issue bills at regular intervals the risk remains that some retailers will use the full 100 days. Longer billing cycles impact on customers by increasing the cost of that bill proportionally. For the majority of customers this may cause no issues but for some customers, particularly those already struggling to meet the costs of their energy bills, any extension could be significant.

Conclusion

We recognise the AEMC's preferred rule enshrines a firm obligation on when retailers must issue a bill and seeks to strike a balance between accurate and timely bills. However, we consider the current arrangements in the Retail Rules provide an appropriate framework for customers and it is appropriate to highlight the potential impacts with extending the billing cycle.

If the AEMC would like to discuss any of the issues raised in this submission please contact Tom Stevens-Downie on (03) 9290 6984.

Yours sincerely



Paula W. Conboy
Chair