

Australian Energy Market Commission
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Better Bills Consultation Paper

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Australian Energy Market Commission's ('AEMC') *National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule Consultation Paper* ('Consultation Paper').

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

The AEC welcomes the intent of this rule change. The steady increase in the number of billing requirements over time has resulted in bills becoming dense, confusing and leading to an information overload for customers. The bill is an information piece and customers should accordingly find the information presented on the bill to be accessible and easy to understand. While the Consultation Paper recognises this objective, the AEC does not agree with the proposed solution for achieving it. The AEC considers that developing a mandatory 'Better Bills' guideline designed to standardise bills and information will stifle innovation and hinder the ability of retailers to deliver to their customers bills that meet their individual preferences.

As the market and technology continue to evolve, the AEC considers that the billing requirements in rule 25 of the National Energy Retail Rules ('NERR') need to be simplified to enable bills to focus on their primary purpose – that is, to provide customers with information regarding the cost of their energy services. Other purposes currently delivered by the bill, such as consumption information, are better delivered through other means, and retailers should be encouraged to innovate and develop information delivery mechanisms that meet the needs of their customers into the future.

With this in mind, the AEC encourages the AEMC to consider changes to the NERR that would ensure customers are provided the information they need on the bill, whilst incentivising retailers to enhance and improve complementary approaches to delivering customers a more holistic information ecosystem. In practice, the AEC considers that a more future proof approach to regulating rule 25 would be to have a set of primary or mandatory pieces of information that provide the customer with essential information necessary to pay their bill. Beneath these primary rules would be a set of secondary requirements that the retailer can provide more flexibly, in accordance with customer preferences. This tiered approach preserves the bill as a means to receive essential information, but also provides a layer of flexibility that will ensure the content and presentation of bills can maintain pace with future regulatory reforms, such as the Consumer Data Right and two-sided markets.

While the bill remains an important tool to deliver information to customers today, it should be recognised that it is no longer the sole or even primary means of information delivery offered by retailers under the existing framework. Increasingly, customers are opting to engage with their retailer

digitally, outside of the regulatory framework. It is critical that this rule change process does not result in greater barriers for positive interactions between retailer and customer, nor builds redundancy into the system as a means of solving yesterday's problem.

The purpose of an electricity bill

The AEC considers that there are four key purposes for the current bill. First and foremost, the bill's primary purpose is to act as a tax invoice – notifying a customer the amount, and when, they need to pay their retailer for energy consumed since their last bill. This purpose is regulated by the NERR, but also clearly has crossover with obligations in other laws.

Secondly, the bill serves as an information tool, with retailers required to provide customers access to information about faults, emergencies, complaints, and the availability of interpreter services and government concessions. While useful to a customer who spends time reading their bill, or who has a bill on hand, this information is likely more frequently accessed through other means, either when engaging with a retailer directly, or online.

Thirdly, the bill assists a customer to better understand their electricity use. Rule 25 requires a retailer to provide a customer energy consumption benchmarking, a breakdown of the type of read the bill was based on, the average daily consumption, comparisons against previous bills, and details about consumption. This information is being increasingly delivered by retailers to their customers digitally. The AEC surveyed its retail members, and many offer a mobile application that allows a customer to dynamically access their consumption history and gain vastly more insights – presented in a more understandable and dynamic manner – about how their property consumes energy. Of those who were not offering a mobile application, all offered some form of online portal that customers could log into to gain usage information at any time. This is particularly relevant given the percentage of customers receiving bills by email is increasing each year with retailers often integrating the delivery of bills with these online information portals.

The final purpose suggested by the rule change proponent is the use of the bill as a tool to assist customers seeking to engage in the market. In recent years, the Australian Government has implemented a number of key changes to the regulatory framework that has diminished the ability of a customer to effectively utilise the bill as a tool to compare energy offers. These changes have focused on providing customers with targeted information that will simplify the comparison process, at the expense of accuracy. Primary to this is the decision to implement a reference price that enables customers to “compare apples with apples”. While the reference price does simplify comparison, it actually decreases the role of the bill in that comparison. This is because the reference price encourages customers to choose a new offer based on the maximum percentage discount off the reference price, rather than choosing an offer based on a calculation of the customer's individual bill. Increasing the complexity, the reference price itself is not comparable to any discounts shown on the bill.

The AEC expects the function of the bill will further deviate away from a tool to enable engagement, at least in circumstances where customers use the bill to compare offers manually. Recent upgrades to the Government's price comparator Energy Made Easy has enabled customers to simply upload a pdf copy of their bill and the comparator will advise whether there are cheaper offers available. In future years, customers will be able to empower third parties to act on their behalf by utilising data provided through the Consumer Data Right to identify and switch them to a cheaper deal.

Overall, the AEC sees viewing the bill as a total information piece as a key contributor to the problems identified in the Consultation Paper, specifically bill confusion arising from having ‘unnecessary

content', which makes bills 'too information-dense and complex'.¹ Addressing these issues requires regulators and rule makers to reconsider how information is provided to customers and the merits of other avenues for the delivery of certain information. Recognising the benefits of having diverse approaches to information delivery will help the AEMC navigate the challenges of future regulatory reform.

Evolution of customer engagement

The way retailers and customers engage and interact with one another continues to evolve. Traditionally, the delivery of a paper energy bills from the retailer to customer was the primary means of engagement. While some customers still prefer (and therefore receive) paper bills, many customers have adjusted to new modes of engagement. This includes digital and e-billing practices, but also a substantial growth in customers using interactive services like mobile applications or a web portal to trace their electricity usage in real time. It is expected that the uptake, and sophistication, of these interactive services will continue to grow once reforms like the Consumer Data Right and more dynamic services offered in conjunction with two-sided markets commence.

Importantly, these interactive services provide customers with certain types of information (such as historical billing data) that is more accessible and easier to understand than when printed on a bill. Unfortunately, the current requirements in rule 25 apply to all customers, with no ability for customers and retailers to agree to opt out of receiving this information. The rules should be flexible enough to allow for customers who prefer to use these digital services to have duplicative or unwanted information removed from their bill; this will help make the bill less information dense. Furthermore, acknowledging the growing role of interactive services is necessary if the changes made as a result of this consultation process are to be future proof. It would be an undesirable outcome for both customers and retailers if the approach taken becomes quickly outdated because it could not properly adjust to future market, regulatory and/or technological progress.

The AEC recently surveyed its membership to seek to identify current engagement tools and approaches to information delivery offered outside of the regulatory framework. This information is competitively sensitive so the AEC is unable to share individual approaches, but considers the following advice is pertinent to better understanding the current, or status quo, scenario when identifying the costs and benefits of regulatory reform.

How are retailers engaging with their customers today?

The nine responses the AEC received were from retailers that represent the overwhelming majority of customers in the NEM. All these retailers have developed a digital portal service while five out of nine offer a mobile app. The functionality of these digital engagement options tends to be similar. The essential information (e.g. how much a customer owes, how much electricity was used and the option to pay) feature prominently on the home screen, with there then being tabs or sidebars for access to additional information. The digital interface of a web portal or app makes many types of additional information more accessible and easier to understand than when printed on a static paper or pdf bill. For example, customers can track the breakdown of their current or historical electricity usage by hovering over interactive graphs that will show their monthly, daily or sometimes even hourly usage details. Energy costs are broken down into easy to comprehend time periods as a means of avoiding jargon such as the price per kilowatt hour (e.g. \$4.07 per day or \$15.47 per week). This is an illustration of how some information requirements (in this case, information about the particulars of energy consumption) are better served through other avenues; having them on the bill too is not only duplicative, but also less effective.

¹ AEMC, 'National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule', Consultation Paper, p9.

The flexibility of digital services appears to give customers greater control over the information they want to receive through the ability to self-serve. Customers can follow a tab or link that contains the heading of the information they are looking for, rather than being required to read through all required information to find what they want. The clear separation of information into different categories can help ensure customers do not feel overwhelmed or confused when searching for a particular piece of information. It also allows information to be personalised to the customer's circumstances – for example, some retailers allow customers with solar panels to receive information about the value and time of their solar exports back into the grid.

All retailer respondents said they use e-billing and three retailers provide the customer with the option to pay without needing to open the full bill (i.e. an 'amount due' appears in the body of the email and the customer can click 'pay now', at which point they are re-directed to a secure payment option). Two retailers said they are either intending to or are considering rolling out a similar function for their e-billing in the near future.

Three retailers stated they currently offered non-standard products to customers, which can be challenging to bill in accordance with the rigidity of rule 25, requiring manual interventions. The nature of these products varied from retailer to retailer but includes virtual power plant products, trial-based 'new energy' services, fixed amount plans, and peak demand pricing (e.g. customers with a smart meter can receive notifications about when to reduce their usage). The need for these services to be delivered alongside comprehensive digital solutions meant customers were receiving information that had no relevance to their plan or was duplicative. To what extent this is an issue today is not clear; however, it is likely that there will be an increase in non-standard products once future reforms like those envisaged in the Energy Security Board's recent consultation on two-sided markets commence. It is therefore important that the billing requirements do not unnecessarily complicate the ability of retailers to offer non-standard products going forward.

Accessibility and non-digital information delivery

The gradual evolution of digital services appears to be why the proponent raises concerns about the ability of customers to receive paper bills if that is what they prefer. Advice from our retail members suggests this concern is immaterial, with all providers offering paper bills to customers on request, albeit in some instances this would require a customer to change their retail product. Furthermore, it is required under law that retailers can only offer electronic bills if the customer provides explicit informed consent.²

Certainly, customers who are not digitally engaged should be able to access the benefits of the competitive retail market. However, the AEC does not consider that this should mean that all retail offers need to provide this service. Customers have different preferences as to how they engage, and the AEC encourages the AEMC to ensure the rules enable choice, without seeking to homogenise retail offers to a point where in efforts to ensure that no customer misses out, all customers are held to the same standard. When the NECF was implemented, it was intended that the standard retail contract would provide customers with a "full suite" of customer protections, while the market retail contract would allow retailers and customers to enter into agreements that better met their needs. In recent years this distinction has diminished, in its place a desire for all customers to be able to obtain the cheapest deal, with the highest level of protections. The AEC considers this shift has limited the ability for customers to find cheaper, simpler offers that meet their needs, as seen in other industries. Significant customer benefits arise from enabling customers the ability to pay for a service that they consider valuable. A clear example of this is in the airline industry, where significant competition occurs between discount providers and full-service providers, with customers choosing whether or not they wish to pay for that additional service.

² *National Energy Retail Law (South Australia) Act 2011, s319.*

The AEC expects that retailers will continue to offer paper bills and non-digital engagement tools for as long as there are customers seeking these services. Ensuring the future rules enable this outcome is critical, but it should not come at the expense of innovation and enhanced customer experiences.

Proponent's proposed solution

The proponent's proposed solution to the problems identified in the Consultation Paper is to transfer the responsibility of making rules regarding information provision on the bill to the Australian Energy Regulator ('AER'), by conferring upon the regulator the power to develop a mandatory guideline that would set out how retailers need to present their bills. The experience of the AEC and its members working with AER guidelines is that they tend to conflate rule making and enforcement powers. Rather than serving as a guiding instrument that provides retailers with flexibility in the way they meet outcome-based principles, the content of the guideline becomes prescriptive. It therefore turns into another legal instrument itself rather than, as its name suggests, a guideline for the rules.

In the current context, the AEC is concerned that a mandatory guideline will not address, especially over the long-term, the identified problems. The rule change proposal infers that customers will benefit from greater consistency in retail billing practices and highlights a number of concerns that it suggests are decreasing the ability of customers to utilise the bill in its current format. The AEC expects that this objective will see the guideline be more prescriptive than principled, and ultimately will restrict the capacity for retailers to consider information delivery as multi-channelled, rather than via a single bill. Its prescriptive nature will limit the ability of retailers to innovate and tailor bills towards the particular interests of their customers (this can include customers on different tariffs, but also different focus groups – some retailers, for example, prioritise servicing small businesses). The ability to innovate is likely to grow in importance as reforms designed to incentivise demand side participation gain greater prevalence. A paper bill, or even a static digital bill, cannot be optimised for a customer who needs more comprehensive information to be able to make decisions that benefit them. Additionally, engagement reforms such as the Consumer Data Right will incentivise retailers to develop other products that have more complex or tailored tariff structures that might otherwise be too difficult to sell to customers.

Given these aforementioned issues, the AER's primary function as a regulatory enforcement body means it will likely have a structural bias in favour of expanding the number of requirements in a guideline to eliminate potential grey areas. While this might sound desirable for consumers, it has the unintended consequence that guidelines only ever grow in size and become more complex as new requirements create their own grey areas, and the problem becomes cyclical. The AER's Retail Pricing Information Guideline ('RPIG') is a useful illustration of this effect. The RPIG has undergone several version changes since its introduction in September 2011 and has now more than doubled in size. Its responsibilities have extended well beyond its original purpose, and now needs to operate in conjunction with the Electricity Industry Code that implements the Default Market Offer and the reference price, and the ACCC's compliance guidance relevant to that Code. The growing complexity of the RPIG led to the AER delaying proposed amendments to it for 2019.

Civil penalties

The AEC has some concerns with the proponent's proposal for any breaches of the guideline to be subject to a civil penalty. There is a real risk that the inclusion of a civil penalty will create uncertainty for retailers with respect to whether they are compliant with the guideline, noting it will be based on 'objective and outcome-based principles' contained in the NERR.³ To avoid potential non-compliance, retailers may include more information than is necessary, which would be counter to the objective of

³ AEMC, 'National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule', Consultation Paper, p1.

simplifying bills for customers. If the AEMC decides to pursue the proponent's solution, there needs to be clarity around how the AER will monitor enforcement.

An alternative solution

Noting these concerns with the proposed solution, the AEC has been considering alternative and preferable solutions to improve electricity bills, in particularly ways to simplify rule 25 of the NERR. As it currently stands, rule 25 places 24 requirements on retailers in relation to the content of bills. The regulatory focus on delivering all information to customers via the bill appears to rest on the assumption that the electricity bill is a customer's sole means of access to information, which as explained above, is not true for many customers today.

Of primary concern to retailers is for the rules to not presuppose that customers only obtain information about their energy service via their energy bill. In practice, retailers are seeking to optimise their information delivery 'ecosystem' – a tailored and fit for purpose suite of information delivery options that align with the complexity of the offer, value, and customer preferences. This will include digital tools, static information, and dynamic or continuous delivery channels.

This desire for flexibility notwithstanding, the AEC accepts that there could be unintended consequences if retailers and customers are given complete flexibility to use the retail contract to agree about when and how information is delivered. It may be beneficial to seek to develop and include in the rules a clear objective for information delivery, highlighting that retailers are expected to develop and implement processes and systems that enable customers to make informed choices about their energy usage, payment options, and engagement.

A proportionate response, in conjunction with this objective, might be to require retailers to provide all customers with a bill that contains some mandatory pieces of information pertinent to the bills primary purpose. All other information would still be required to be made available to customers but could be developed and delivered using other mechanisms.

The AEC considers that the mandatory items on the bill should be limited to those that deliver on its primary purpose. That is, to assist a customer in understanding their energy costs.

The other pieces of information in rule 25 do not need to be included on every bill. In practice, customers are most likely to require this information when seeking to undertake specific tasks, other than paying the bill. To ensure balance, the rules could require retailers to provide this information to customers in an accessible format and in a timely manner, however allow flexibility as to the presentation of that information and its delivery.

Alternative drafting for rule 25 is included in appendix A.

Practical implications of this alternative approach

The AEC expects that for the vast numbers of customers currently utilising digital information tools, there would be a reduction in the use of the bill itself, in favour of increased digitalisation.

For other customers who are yet to, or are unable to, transition to digital information tools, the AEC expects the bill would continue to act as the primary information delivery mechanism, until such a time as the customer opted into seeking a more dynamic energy product that warranted greater granularity, or the retailer identified alternative mechanisms that better delivered on the objective of enhanced customer engagement and understanding.

This staged approach would reduce the need for the AEMC to identify and propose a single implementation date, instead enabling retailers to develop and enhance their information delivery mechanisms in the lowest cost manner, without decreasing the availability of data in any way.

The need for additional guidance

The AEC does not consider that the case has been made that a guideline, or additional guidance, is necessary in enabling retailers to deliver their customers better bills. There are shared incentives between retailers and customers for better energy bills. Customers are empowered to understand their energy costs and engage in the market more effectively when information delivered is clear and timely. At the same time, retailers benefit from having a more engaged and knowledgeable customer base being able to participate more fully in the market with less confusion.

The proponent and others have suggested that there has been a ‘market failure’ relating to bills, as retailers have failed to deliver simple and understandable bills. The AEC suggests that the failure that led to this outcome has in fact been the density of information required to be included in bills, and the lack of a clear objective as to what the bill is intended to deliver.

These issues are resolved by the AEC’s proposed changes that would set a clear objective for the bill, and limit required information to particulars that delivered on that single objective. As evidenced by the significant steps retailers have taken to deliver information effectively outside of the regulatory framework through digital and other means, the AEMC can take comfort that given the opportunity to simplify and enhance the understanding of bills and energy cost information, retailers will take steps to improve the experiences of their customers.

The imposition of a guideline at this time will limit innovation in information delivery, at a time where technological enhancements and digital engagement with retailers is gathering steam. The AEC encourages the AEMC to promote this evolution towards more two-way customer engagement, and enable retailers to continue to innovate, whilst ensuring those customers who are unable to engage digitally continue to have access to the information they need through more traditional methods.

Implementation

Regardless of which solution the AEMC intends to pursue, it is important that the implementation timeframe placed on retailers does not lead to unnecessary compliance costs. The AEMC should consider implementation approaches that provide retailers with time to phase in the regulatory changes and therefore control and minimise compliance costs. For example, if new rules were to commence from a particular date, there could be a rolling implementation period that might enable retailers to minimise redevelopment cost by allowing them to optimise their implementation timing based on their needs. This would allow retailers to develop and implement new bills in conjunction with other essential system changes, but also ensure that their information ecosystem meets the needs of their customers.

Next steps

Noting the compressed timeframe for this important consultation, the AEC and its members would welcome the opportunity to engage more closely with the AEMC about some of the identified issues in the coming weeks. For example, while this Consultation Paper is focussed on rule 25, there are other requirements, like the AER’s RPIG, that impact the content and presentation of bills that might benefit from a broader consideration as to how retailers should deliver information to customers. Retailers sharing further information about their experience with the RPIG may also be useful in helping the AEMC better understand the pros and cons of pursuing a prescriptive guideline.

The AEC looks forward to continuing to engage with the AEMC to ensure bills are delivered in a way that is to the long-term benefit of customers.

Any questions about this submission should be addressed to Rhys Thomas, by email to Rhys.Thomas@energycouncil.com.au or by telephone on (03) 9205 3111.

Yours sincerely,



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Appendix A: Alternative drafting of Rule 25

25 Contents of bills (SRC and MRC)

(1) Objective for information delivery

(a) Retailers are expected to develop and implement information delivery tools, including bills, that enable customers to make informed choices about their energy usage, payment options, and increase engagement in the retail market.

(2) A retailer must prepare a bill so that a small customer can easily verify that the bill conforms to their customer retail contract and must include the following particulars in every bill issued for a small customer:

- (a) the customer's name and account number;
- (b) the address of the customer's premises for the sale of energy and the customer's mailing address (if different);
- (c) the *meter* identifier;
- (d) the billing period;
- (e) the *pay-by date* for the bill and the *bill issue date*;
- (f) the total amount payable by the customer, including amounts of any arrears or credits;

~~(g) tariffs and charges applicable to the customer;~~

~~(h) the basis on which tariffs and charges are calculated;~~

~~(i) whether the bill was issued as a result of a *meter* reading or an estimation and, if issued as a result of a *meter* reading, the date of the *meter* reading;~~

~~(j) the values of *meter* readings (or, if applicable, estimations) at the start and end of the billing period;~~

Note:

~~For details on the application of this subrule to different types of meters, see Schedule 3, Part 4, rule 8.~~

~~(k) particulars of the average daily consumption during the billing period;~~

~~(l) if a bill was issued by the same retailer for the corresponding billing period during the previous year, particulars of the average daily consumption during that previous billing period;~~

~~(m) the estimated date of the next scheduled *meter* reading (if applicable);~~

~~(n) details of consumption or estimated consumption of energy;~~

~~(o) for residential customers—energy consumption benchmarks in accordance with Part 11;~~

(p) any amount deducted, credited or received under a government funded energy charge rebate, concession or relief scheme or under a payment plan;

~~(q) if the customer has provided a *security deposit*, the amount of that deposit;~~

- (r) details of the available payment methods;
- (s) reference to the availability of government funded energy charge rebate, concession or relief schemes;
- (t) a telephone number for account enquiries and complaints, the charge for which is no more than the cost of a local call;
- ~~(u) a telephone number for complaints (which may be the same as that for account enquiries), the charge for which is no more than the cost of a local call;~~
- (v) a separate 24 hour telephone number for fault enquiries and emergencies, the charge for which is no more than the cost of a local call, being the telephone number for the distributor and giving the name of the distributor;
- (w) contact details of interpreter services in community languages;
- (x) clear advice as to how customers can obtain the particulars included in rule 25(3)
- ~~(x) any proportionate billing information in accordance with rule 22.~~

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

- (23) The following particulars must be provided to any customer in a format and manner that is accessible to them, as agreed between the retailer and customer. This information must be provided in a timely manner.

- (g) tariffs and charges applicable to the customer;
- (h) the basis on which tariffs and charges are calculated;
- (i) whether the bill was issued as a result of a *meter* reading or an estimation and, if issued as a result of a *meter* reading, the date of the *meter* reading;
- (j) the values of *meter* readings (or, if applicable, estimations) at the start and end of the billing period;

Note:

For details on the application of this subrule to different types of meters, see Schedule 3, Part 4, rule 8.

- (k) particulars of the average daily consumption during the billing period;
- (l) if a bill was issued by the same retailer for the corresponding billing period during the previous year, particulars of the average daily consumption during that previous billing period;
- (m) the estimated date of the next scheduled *meter* reading (if applicable);
- (n) details of consumption or estimated consumption of energy;
- (o) for residential customers—energy consumption benchmarks in accordance with Part 11;
- (q) if the customer has provided a *security deposit*, the amount of that deposit;
- (x) any proportionate billing information in accordance with rule 22.

(4) The retailer must include amounts billed for goods and services (other than the sale and supply of energy) in a separate bill or as a separate item in an energy bill.

Note:

This subrule is a civil penalty provision for the purposes of *the Law*. (See the National Regulations, clause 6 and Schedule 1.)

(35) **Application of this rule to standard retail contracts**

This rule applies in relation to standard retail contracts.

(46) **Application of this rule to market retail contracts**

This rule applies in relation to market retail contracts (other than prepayment *meter* market retail contracts).