

4 February 2021

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

Lodged via the AEMC's website

Dear Ms York,

Re: Bill contents and billing requirements (RRC0036) – Draft determination

Simply Energy welcomes the opportunity to provide feedback on the draft determination for the bill contents and billing requirements rule change.

Simply Energy is a leading energy retailer with over 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a consumer-centric retailer, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Simply Energy broadly supports the Australian Energy Market Commission's (Commission) draft rule. The new billing rules are still at an early stage of development and Simply Energy is keen to ensure that the rules provide necessary consumer protections while not stifling retail market innovation. Simply Energy will encourage the Australian Energy Regulator (AER) to develop billing guidelines that adopt future-proof principles-based rules that support the continuing transition and evolution of the retail energy market.

Simply Energy's submission provides feedback on the proposed implementation timeframes and the development of billing guidelines.

Implementation of the new rule

Simply Energy understands that the Commission must prescribe the effective date of the new rule as it will replace the existing billing rules from that date. However, Simply Energy considers that the proposed four-month implementation period does not sufficiently account for the significant uncertainty around the changes that retailers will need to make to their bills to comply with the AER's billing guidelines. For that reason, the Commission should consider allowing a longer implementation timeframe to minimise retailers' implementation and compliance costs. Simply Energy proposes that, at a minimum, the Commission should provide retailers with six months to make any changes that arise from the AER's billing guidelines.

Simply Energy does not consider that a delay of a few months would have substantial negative impacts on customers. As there is limited evidence that the current format of bills is resulting in significant customer detriment, there would be minimal benefits in rushing the implementation of this reform.

If the Commission is committed to retaining the effective date of 4 August 2022, Simply Energy proposes that the AER instead be provided a shorter time to develop the billing guidelines. The proposal to provide the AER with 12 months to finalise the guidelines appears overly long, especially when the Commission is clearly specifying the objectives and development principles for the guidelines. In addition, the AER will be able to draw upon stakeholder views provided to the Commission as part of this consultation process, which means that the AER's review will start from a relatively advanced base. Simply Energy considers that nine months would be more than sufficient for the AER to consult with stakeholders and develop the first version of the billing guidelines.

Development of billing guidelines

Simply Energy agrees with the Commission that a range of regulatory approaches are needed to strike the right balance between enabling market innovation and protecting consumers. Simply Energy considers that the new billing rules should include some prescriptive minimum requirements that ensure all consumers have access to the most critical information in an easily understandable and standardised way. Beyond those critical minimum requirements, the regulatory framework should rely on principles-based rules that promote retail market innovation and incentivise retailers to provide bills that align with their customers' preferences.

Prescriptive rules

An energy bill is the key regular interaction between an energy retailer and a customer. As highlighted in the draft determination and stakeholder submissions, bills currently serve multiple purposes. Simply Energy supports the AER undertaking consumer research that focuses on understanding whether the current format of bills is meeting the 'needs' of consumers. A key outcome of the development of the billing guidelines should be an understanding across the industry of the purpose of an energy bill and the information that is critical to be provided to a customer through a bill.

Prescriptive rules can be useful in ensuring that critical information is presented in a standardised way across all retailers. Consumers should be able to choose any retailer and be able to easily and quickly comprehend the information presented on their bill. Because prescriptive rules are generally clear and unambiguous, it also means that compliance monitoring is relatively simple, and the AER can quickly respond to any identified non-compliance.

Principles-based rules

Technology and customer preferences have evolved rapidly in recent years, which is expected to continue as two-sided markets evolve and regulatory reforms, such as the Consumer Data Right, are implemented. In this context, prescriptive billing rules would become quickly outdated and irrelevant. In a rapidly changing market, such as the retail energy market, outcomes-focused rules will require fewer regular amendments and can provide effective regulatory oversight while allowing retailers to innovate and respond to changes in the market. As noted above, prescriptive rules will continue to have a role in targeting specific issues, such as setting standardised formats for critical billing information.

Adopting principles-based rules would incentivise retailers to learn the 'wants' of their customers and develop opt-in billing formats that meet their customers' billing preferences. Energy retailers are best placed to understand what their customers value in relation to billing and respond to those values. Simply Energy will encourage the AER to specify the expected outcomes for consumers in the billing guidelines and provide retailers with the discretion to decide how they will achieve those outcomes for their customers.

Simply Energy will also urge the AER to ensure that the mandatory billing guidelines do not introduce more prescription than is needed to meet the minimum needs of consumers. The Commission's proposed guideline development principles should help guide the AER to set proportionate rules that balance consumer protection and market innovation. However, Simply Energy would support the Commission having some oversight of the AER's final billing guidelines to ensure that they align with the guideline development principles.

Concluding remarks

In closing, Simply Energy urges the Commission to revisit the implementation timeframes due to the significant uncertainty of the changes that retailers will need to make to comply with the new billing guidelines. Simply Energy looks forward to engaging in the upcoming stages of this reform and working actively with the AER to develop billing guidelines that ensure energy bills meet the long-term interests of consumers.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive, flowing style.

James Barton
General Manager, Regulation
Simply Energy