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Our Ref: AER22005833
Your Ref: RRC0049
Contact Officer: Simone Tyson
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20 July 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO box 2603
SYDNEY, NSW, 2001

Dear Ms Collyer,

Re: Electricity consumption benchmarks rule change (RRC0049) consultation

The Australian Energy Regulator (AER) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) consultation paper on the National Energy Retail Amendment (Electricity Consumption Benchmarks) Rule 2023 (the consultation paper). This submission follows our rule change request lodged with the AEMC on 9 May 2023, seeking to remove rule 169 of the National Energy Retail Rules (NERR).

Summary of rule change rationale due to obsolescence of primary use

Rule 169 requires the AER to publish electricity consumption benchmarks. This rule previously supported retailers in fulfilling their obligations under the now-deleted rule 170 of the NERR, which required a retailer to provide a comparison of the customer's electricity consumption against the electricity consumption benchmarks on their bill.

As outlined in the AER's rule change request, new requirements in the Better Bills Guideline must be implemented by retailers no later than 30 September 2023. Under the new requirements, retailers will no longer be required to include electricity consumption benchmarks on bills, making the primary purpose of rule 169 obsolete.

Consideration of secondary uses of electricity consumption benchmarks

In drafting the rule change proposal, the AER considered secondary uses for the electricity consumption benchmarks following the removal of benchmarks from bills.

1. Energy Made Easy and Basic Plan Information Documents

The AER is responsible for the development and maintenance of the government's independent price comparison website, Energy Made Easy. Energy Made Easy users can input their details to generate estimated energy plan prices for the period selected. We acknowledge that some consumers using Energy Made Easy cannot access or provide usage history relevant to their current situation (for example, consumers who have moved into a new property), so a secondary use for the data collected to prepare the benchmarks has been to develop separate energy consumption benchmarks for Energy Made Easy.

These benchmarks are used on Energy Made Easy to generate price estimates for users who cannot or do not provide their actual usage information. However, the most accurate price estimates are generated when users provide their National Metering Identifier (NMI) so that their actual usage data can be pulled from the Australian Energy Market Operator (AEMO).¹ Users can also provide their usage information in other ways, including by manually inputting their usage details from their bills to generate personalised price comparisons. More personalised price comparisons benefit consumers by giving them the most accurate information possible and helping them make the best decision for their circumstances. Therefore, we are redesigning Energy Made Easy to support consumers in obtaining more personalised price comparisons.

As part of this process, we are currently testing improvements to the user journey on a beta Energy Made Easy website, which makes providing your NMI the default option for price comparisons. These improvements were informed by initial research undertaken for the AER by the Behavioural Economics Team of Australia (BETA). For example, this research found that the NMI option is much easier than most users realise, and that with the right guidance it can be easy for people to find and input their NMI. Early usage data from the first month of the Energy Made Easy beta test indicates that the improvements have been very successful in supporting consumers to receive more personalised price comparisons. The default NMI option is by far the most popular, accounting for 63.5% of all price comparison searches on the beta site (compared to an estimated 25% on the 'normal' website in the 2022–2023 financial year). In contrast, the 'quick compare' option based on the electricity consumption benchmarks data has been used in 24% of searches on the beta site (compared to an estimated 45% on the 'normal' website in the 2022–2023 financial year).²

By nudging users towards using their own data to compare plans, the updated user journey is significantly increasing the number of consumers receiving fully personalised price comparisons and significantly decreasing the number of consumers relying on the 2020 benchmark figures for estimates. This nudge will be further supported by new requirements in the Better Bills Guideline, which obligate retailers to feature the customer's NMI clearly and prominently at the front of their bill. Those users who are unable to use their NMI to generate accurate price estimates (for example, those who have recently moved house) will continue to be able to compare plans using existing benchmarks. However, we note that research conducted for the AER by BETA in 2022 found that moving house accounted for a minority of visits to Energy Made Easy, with high prices being the main driver.

Basic Plan Information Documents (BPIDs) are also published on Energy Made Easy. These documents contain important information about energy plans, and retailers are required to direct consumers to BPIDs under the AER's Retail Pricing Information Guidelines. The benchmarks prepared by the AER for Energy Made Easy are used to provide price estimates in BPIDs in a consistent manner for representative levels of electricity consumption. To continue to support this function, the 2020 benchmark figures will continue to be used until data more tailored to the consumer's usage is available.

2. Default Market Offer

The Default Market Offer (DMO) price is based on a cost of supply stack that includes network, wholesale electricity, environmental and retailer costs for a given annual usage amount that the AER has determined to be broadly representative. The DMO price applies to

¹ This option is not available for users comparing gas plans, as there is no equivalent capability for gas meters.

² Figures for the beta test site are based on a sample size of 13,799 comparison searches since it was launched on 20 June 2023.

fixed rate and time of use offers for residential (with and without controlled load) and fixed rate offers for small business (without controlled load) customers in each of the distribution regions in NSW, southeast Queensland and South Australia. The AER also determines time of use consumption patterns for residential time of use offers, which retailers use to develop their tariffs and allow compliance with the DMO price to be assessed.

The data collected for the 2017 electricity consumption benchmarks was originally used in the first DMO to:

- allocate the proportion of controlled load usage for controlled load circuits 1 and 2, in cases where residential customers have multiple controlled load circuits
- allocate the proportion of usage attributable to peak, off-peak and shoulder periods for time of use profiles.

The AER has not subsequently used the electricity consumption benchmarks developed under rule 169 for the purpose of determining the DMO. Instead, the AER uses other sources of data to determine broadly representative annual usage amounts and time of use profiles. These data sources primarily include usage data obtained from network businesses, interval meter data obtained from AEMO, and billing data collected from electricity retailers by the ACCC for its *Inquiry into the National Electricity Market*.³ We may use insights from these same data sources to update the benchmarks if rule 169 remains in place, noting that the rule does not require us to collect new primary data for each update.

3. Other secondary uses

While the data gathered by the AER in developing the benchmarks includes a range of useful information, the AER has been restricted by privacy risks and consent barriers in its ability to both use the data for other purposes and to share the data with others. We have no reason to expect that these risks and barriers will change if new benchmarks are developed, so it is most likely that future benchmarking data will be similarly restricted.

However, we note that there are a range of other sources of energy billing and consumption data currently available. The ESB's recently published Bill Transparency Consultation Paper includes a summary and assessment of the breadth, granularity and frequency of such data sources, including data collected by market bodies, state-based regulators, government departments, peak bodies, university-based researchers, and consumer groups.⁴ For example, as noted above, the ACCC's NEM Inquiry dataset is a highly granular annual dataset used by the AER to determine broadly representative annual supply amounts for calculating the DMO. We also use this data to report on energy pricing and affordability in our annual retail market reports, along with other data sources such as:

- plan pricing information submitted by retailers to Energy Made Easy and Victorian Energy Compare
- information submitted to the AER by network businesses in response to Economic Benchmarking Regulatory Information Notices and Regulatory Information Orders
- information from the Australian Bureau of Statistics, including Consumer Price Index and Household Income and Wealth data.

³ ACCC, [Inquiry into the National Electricity Market 2018–2025](#)

⁴ ESB, 2023, [Bill transparency consultation paper](#), pp. 74–77

4. Secondary uses of benchmarks moving forward

Analysis undertaken in developing the latest DMO (which was informed by consultation with stakeholders on the issues paper and draft determination) has found that the annual usage amounts for residential customers determined in 2019 remain 'broadly representative', including in jurisdictions with high uptake of household solar.⁵ As such, the AER are comfortable that the existing benchmarks remain relevant for use in both Energy Made Easy price comparisons and BPIDs in the near term.

To address longer-term needs, we are working across government to look at sources of data for developing average consumption figures for Energy Made Easy in the future. As work continues to deliver consumer metrics identified in the Energy Security Board's data strategy, further data will be gathered regarding consumer behaviours, household characteristics and energy usage. The AER is in early discussions with CSIRO and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) regarding possible data sources as part of the National Energy Transformation Partnership. This work is still being scoped, but may provide opportunities for gathering broader data than that required to develop benchmarks within the confines of the current regulatory requirements.

The needs of Energy Made Easy are being actively considered as part of the use case scenarios for this work, in recognition of its continuing importance for helping consumers navigate an increasingly complex market. We envision Energy Made Easy playing an important role for consumers in the energy transition and we have made investments towards this goal, including through the improvements to the price comparison user journey which are currently being tested in the beta site. As more complex energy services and tariff structures (such as demand tariffs and time of use) become more common, we need a comparison engine that can respond more flexibly to both the changing market and evolving consumer needs and expectations. As a result, the relevance of periodically updated average electricity consumption benchmarks will continue to decrease. We believe consumers would be better served by a more tailored and responsive approach to the data underpinning price comparisons on Energy Made Easy, which could draw on ongoing efforts to innovate in this space outside of the update timeframes embedded in the rule.

Process of developing new electricity consumption benchmarks

The current rule 169 requires the electricity consumption benchmarks to be updated every 3 years. As the current benchmarks were published in December 2020, the AER would need to publish new benchmarks by December 2023 if the rule change is not progressed.

Previously, benchmarks have been developed using a time and resource-intensive 'bottom-up' approach. This approach has typically taken approximately 12 months and included engaging a consultant to survey consumers across NERR jurisdictions on their household characteristics and behaviour, matching this dataset to data provided by AEMO and distribution businesses, and pooling and weighting the sample where required before developing the final benchmarks.

If benchmarks are required to be developed in 2023, the AER will look at a minimal high-level refresh process using data from distribution businesses to apply an overall uplift to the published benchmarks. We are unlikely to collect data directly from consumers as part of this process. It is likely that the new benchmarks would be published on the AER website but not

⁵ AER, 2023, [Default market offer prices 2023–24: Final determination](#)

immediately updated in Energy Made Easy, so that we can continue to prioritise existing site development work to support consumers to navigate the energy market.

We understand some stakeholders may see value in the AER developing electricity consumption benchmarks, particularly if those benchmarks could be improved in some way. However, developing improved benchmarks would be a time-consuming and costly exercise. We believe these costs are difficult to justify given the limited utility of electricity consumption benchmarks in light of:

- the removal of the obligation for retailers to present them on bills
- analysis undertaken for the DMO indicating that usage has not materially shifted since the benchmarks were developed, suggesting these remain appropriate for use in Energy Made Easy and BPIDs in the short term
- the likelihood that any new benchmarks developed will not be updated on Energy Made Easy in the short term, due to resource constraints and existing priorities
- the decreasing relevance of periodically updated average consumption benchmarks in the broader context of the evolving market and changing consumer needs and expectations.

Furthermore, we see a range of initiatives and opportunities emerging to obtain and apply energy consumption insights in ways that may be more relevant into the future. We therefore consider that a rule is not an appropriate way to ensure such insights are available, as it constrains the options for delivering these insights.

For further information, please contact Simone Tyson (Director, Consumer Engagement & Insights) on 08 8213 3490.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Jolly', with a stylized flourish at the end.

Stephanie Jolly
Acting Executive General Manager
Consumers, Policy and Markets

Sent by email on: 20 July 2023