



THE HON ANGUS TAYLOR MP
MINISTER FOR ENERGY AND EMISSIONS REDUCTION

BETTER BILLS

AEMC Rule Change Request

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1. NAME AND ADDRESS OF RULE CHANGE PROPONENT

The Honourable Angus Taylor MP, Minister for Energy and Emissions Reduction.

Address: c/o the Department of the Environment and Energy, GPO Box 787 Canberra ACT 2601

2. SUMMARY

In accordance with Part 10, Division 4 of the *National Energy Retail Law (NERL)*, I, the Hon Angus Taylor MP, Minister for Energy and Emissions Reduction, request that the Australian Energy Market Commission (**AEMC**) make changes to Part 2, Division 4 of the *National Energy Retail Rules (NERR)*.

I propose amendments to Rule 25 to allow for the development of an enforceable **Better Bills Guideline**. The Better Bills Guideline would be developed by the Australian Energy Regulator (AER) and provide a single point of reference to industry on the required form, content and delivery of energy retail bills.

By standardising bills across the retail sector and ensuring delivery of clear and accessible information to all consumers, the Better Bills Guideline will help reduce market complexity while strengthening the ability of consumers to make informed decisions.

3. CONSUMERS DESERVE BETTER BILLS

Information in consumer bills is a critical part of the energy market and is currently the primary tool to inform consumers about what their energy consumption and associated costs are.¹ Bills are therefore a key factor influencing consumer confidence, engagement and decision making.

Under the NERR, bills must include a range of information such as account details, consumption details and pay by date, but no standard format is prescribed. This lack of specific guidance has resulted in an inconsistent approach to bills across the retail sector, with many bills being too complex and information dense to understand.²

In its 2018 inquiry, the ACCC received feedback from many stakeholders in relation to bills and encouraged the Australian Government to review the regulatory requirements for bill content.³ In their submissions to the ACCC, stakeholders not only argued that the “*lack of a consistent bill format and the amount of information included on a bill {was} confusing*” but that this made it “*difficult for consumers to easily determine how a bill {was} calculated*”. In addition, one stakeholder pointed out “*that the information on*

¹ [Australian Competition & Consumer Commission, Restoring Electricity Affordability and Australia’s Competitive Advantage, Retail Electricity Pricing Inquiry – Final Report, June 2018 \(ACCC, 2018\).](#)

² *ibid*

³ *ibid*

bills {was} 'information overload' {and defeated} the purpose of informing consumers about their service".

In a 2018 research project involving 3000 customers, AGL also identified that participants were generally dissatisfied with the complexity and lack of transparency of their bills, finding them difficult to understand and relate to.⁴ In addition, the Department of the Environment and Energy can attest to the large volume of correspondence received from members of the public who are struggling with bill comprehension.

Improvements in the mandated requirements of bills through a Better Bills Guideline can make a difference. Research conducted by the Australian Government's Behavioural Economics Team (BETA), which involved surveys of over 4000 Australian energy consumers, found that simplifying the content and design of bills led to clear increases in consumer confidence to engage in the market.⁵ Bill simplification, including clear and attractive presentation of information, was also shown to increase bill comprehension.

Given the important role bills can play in educating and empowering consumers, it is timely that the AEMC consider a bill's most effective form and function. Indeed, the required content of bills has not been reviewed since the NERL commenced in 2012.

4. THE CURRENT RULE INCLUDING STATEMENT OF ISSUES

Rule 25 of the NERR currently provides that retailers include specific information in small customer bills. This includes information regarding consumption and applicable tariffs and charges, amongst other particulars.

No standard nomenclature or format

The current rule does not, however, stipulate standard nomenclature or format for retail energy bills. For example, retailers must provide information on the components of applicable tariffs, but often describe them in different ways such as 'supply charge', 'service to property charge', 'service charge' or 'fixed charge'. In addition, retailers often present required information in inconsistent formats. This can lead to confusion for the consumer when trying to understand their bill and in particular, compare offers.

Information dense

In addition, some of the information currently required to be in bills may lead to unnecessary complexity and be of little interest or value to customers. This can lead to information overload and may be a source of frustration leading to sub-optimal outcomes for consumers in this market. In its 2018 inquiry, the ACCC stated that the list

⁴ AGL, Chris Clarke and Teresa Lee, Foresighting Forum 2018, Energy Efficiency & Behaviour Change, https://www.youtube.com/watch?v=ykoe_1LncCs&feature=youtu.be, 2018

⁵ Behavioural Economics Team of the Australian Government, Department of the Prime Minister and Cabinet, [Electricity Information to Fit The Bill, December 2018](#)

of specific information retailers are required to include in bills “*should be reviewed to determine which pieces of information remain essential*”.⁶

A missed opportunity

The current rule also fails to acknowledge the full potential of bills to improve consumer confidence when navigating the energy market. For example, bills represent an opportunity to raise awareness of key tools and services available and could benefit from prominent links to ombudsman schemes and the Australian Government’s energy price comparison website, Energy Made Easy. Greater awareness of these services would assist customers in understanding their rights and navigating available offers.

Gaps in delivery

The NERR do not stipulate how bills are to be issued or delivered to consumers. Accessibility must however be a key regulatory consideration particularly given the recent trend of retailers using web portals, mobile apps and email to provide consumers with consumption data along with basic billing information.⁷ The ACCC highlight the importance of access to paper bills noting that not all consumers are confident with or have access to the internet and could be easily disadvantaged in a completely electronic environment.⁸ Consumer choice in this circumstance appears paramount.

Complementary guidelines

Under the NERL, the AER must develop *Retail Pricing Information Guidelines* which set out comprehensive, mandatory requirements with which retailers must comply in presenting pricing information and marketing offers to customers.

The Guidelines play an important role in educating consumers and empowering them to engage in the retail energy market to make more informed and efficient decisions. But the story is incomplete without a complementary approach to energy bills. It makes little sense to empower the AER to specify clear and detailed requirements as to presentation of offers in the market, but provide no analogous power in relation to bills. This is particularly so given the frequency of a consumer’s exposure to a bill is likely to be much higher than exposure to a new retail offering.

By specifying the content and form of information presented in bills (through the Better Bills Guideline), in addition to energy plans, we aim to create a comprehensive best practice consumer experience.

5. DESCRIPTION OF THE PROPOSED RULE

The following amendments to Rule 25 are proposed to allow for the development of an enforceable **Better Bills Guideline**. The Better Bills Guideline would be developed by

⁶ ACCC, 2018.

⁷ *ibid*

⁸ *ibid*

the AER and provide a single point of reference to industry on the required form, content and delivery of energy retail bills.

In basic terms, this rule change proposal addresses the inconsistent and often unhelpful content and format of current retail energy bills as well as their delivery. Through the Better Bills Guideline we are seeking ***simpler and more understandable bills*** for all energy consumers.

Proposed amendments

The following text is proposed to replace the current Rule 25 in its entirety.

25 Better Bills Guideline

- (1) The AER must, in accordance with the retail consultation procedure, develop, maintain and publish the Better Bills Guideline (the **Guideline**).
- (2) The objective of the Guideline (the **Better Bills Objective**) is to improve the experience of small customers in relation to billing for retail supply of energy.
- (3) The supporting principles of the Better Bills Objective (the **Supporting Principles**) are:
 - (a) ensure small customers can:
 - (i) easily identify key information;
 - (ii) easily verify that the bill conforms to their retail contract;
 - (iii) easily verify how much energy they consume and how their bill is calculated;
 - (iv) confidently query or dispute bills; and
 - (v) confidently navigate the market and seek the best offer.
- (4) In making the Guideline, the AER must have regard to the Better Bills Objective and the Supporting Principles.
- (5) The Guideline may specify:
 - (a) requirements as to the content and form of retail energy bills;
 - (b) requirements as to the manner of issue or delivery of a retail energy bill to a small customer; and
 - (c) any other requirements that the AER considers necessary to give effect to the Better Bills Objective and Supporting Principles.
- (6) The Guideline may specify requirements that vary, including by reference to:
 - (a) the type or types of customer;
 - (b) the type of energy supplied to a customer;
 - (c) the regulatory requirements that apply in a given jurisdiction;

- (d) the tariff type or types payable by a customer;
 - (e) the billing timeframes applicable to a customer; and
 - (f) the manner of issue or delivery of a bill to a customer, including by e-mail or other electronic means.
- (7) The AER may publish on its website:
- (a) a sample bill (or bills); and/or
 - (b) an explanation of the key terminology in a retail energy bill.
- (8) The AER may, from time to time, amend the Guideline in accordance with the retail consultation procedure.
- (9) In issuing a bill to a small customer, a retailer must comply with the Guideline.
- (10) This rule applies in relation to standard retail and market retail contracts.

Intent of proposed amendments

The Australian Government wants to ensure that energy consumers are informed and confident and that they are able and willing to engage in the market. The Better Bills Objective and Supporting Principles listed at r 25(2) and (3) are intended to provide clarity as to both the main intent of this new bills framework and key elements to be addressed in achieving that intent. It is the Australian Government's expectation that any improvements to energy bills mandated in the Better Bills Guideline are made on the basis of consumer testing and research through the AER's consultation process and in consideration of these objectives.

The intent of the proposed amendment at r 25(5)(b) is to ensure that methods of bill delivery (e.g. paper bills vs electronic delivery) may be mandated where it is in the best interest of a consumer. At present, consumers are not always offered choice in how they receive a bill. While some retail offers do guarantee paper bills, the majority of retailers are moving away from providing that option, thus removing any practical choice for consumers. Moving to electronic billing is convenient and beneficial for some consumers, and often comes at a lower cost, but for other consumers it can present a real barrier to engagement with the market.⁹

In developing the Better Bills Guideline, the Australian Government therefore encourages consideration of how best to allow consumers to determine the preferred method of delivery for their circumstances. Such an assessment should take into account the benefits to consumers, particularly the vulnerable or less engaged cohort, of paper versus electronic bills. It should also gauge the specific costs borne by retailers in providing paper bills, versus the savings available through electronic bills (including how such costs and savings are passed on to consumers).

⁹ It should be noted that different approaches to e-billing can result in lesser or greater barriers for consumers. That is, e-billing that requires a consumer to log-in to a password protected portal (versus receiving an electronic copy of a paper bill via e-mail) can potentially result in greater consumer disengagement.

Regarding the ‘differential requirements’ power listed at r 25(6), the proposed amendment intends to acknowledge the simple fact that there is no ‘*one size fits all*’ solution for energy bills. Consumer segmentation and testing will be essential to ensure that the different needs and requirements of small customers are understood and addressed through the Better Bills Guideline.

Finally, regarding r 25(7), the purpose of the sample bill (or bills) is to reflect the requirements of the Better Bills Guideline, thereby assisting with retailer compliance and consumer comprehension.

Civil penalties

The Australian Government proposes that this new rule be subject to a civil penalty if a retailer fails to comply. Ensuring that breach of this rule can result in a financial penalty will act as an effective deterrent to non-compliance.

Other issues for consideration

The Australian Government encourages the AEMC to consider how the rule framework can incentivise energy retailers to play a collaborative role in supporting development of the Better Bills Guideline. Industry may, for example, be well placed to support underlying research and consumer testing. Retailers may also have valuable insights into effective bill content and presentation that could assist the AER in developing its approach – in particular in relation to guideline requirements that would apply to certain types of consumers in different ways.

It may also be important to consider this rule change proposal in the context of the broader information provision regulatory framework. In reviewing this rule change proposal, the AEMC may, for example, consider amending related sections of the NERR such as those regarding the frequency of delivery of bills (Rule 24).

Additional issues to consider and address in the Better Bills Guideline should be canvassed through AER’s retail consultation procedure and we encourage engagement with the ACCC to seek insights into stakeholder views that were canvassed during its 2018 inquiry.

Timing of implementation

The Australian Government seeks commencement of the rule as soon as possible. That said, achieving the best outcomes for consumers through the development of an effective Better Bills Guideline will necessarily involve comprehensive stakeholder engagement, effective behavioural insight analysis and thorough consumer testing. The AEMC should, therefore, take both the nature of the new rule framework and appropriate transitional requirements into account.

6. CONTRIBUTION TO THE NATIONAL ENERGY RETAIL OBJECTIVE

The National Energy Retail Objective, as stated in the NERL, is:

“to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.”

The Australian Government views this rule change proposal as, fundamentally, promoting the efficient operation of energy services in the long term interests of consumers. Specifically, the proposal aims to address poor consumer confidence through more effective delivery of billing information, thereby improving a customer’s capacity to participate in the market in the long term.

A consumer armed with clear knowledge and understanding of the prices they pay can adjust consumption and make choices about provision of services. By promoting transparency and consistency, the Better Bills Guideline will ensure consumers are in the best position to decide what works for them and who they engage to provide their required energy services.

In aggregate, better informed and engaged consumers also drive competition. This can put downward pressure on prices and encourage improvements in the quality of service, and is clearly in the long-term interests of consumers.

Given the second arm of the rule-making test in s 236(2)(b) of the NERL, it is also noted that the implementation of this proposed rule is inherently compatible with the development and application of consumer protections for small customers. Measures to encourage a consumer to engage with the market, and to assist a consumer to seek out a better offer, are well aligned with existing consumer protections in the NERL and National Electricity Law. The Australian Government considers the proposed rule is, at its core, a means to empower consumers to take advantage of the benefits of the existing regulatory framework and competitive energy retail markets.

7. COSTS AND BENEFITS OF THE PROPOSED RULE

The Australian Government considers that the benefits of the proposed rule change strongly outweigh the costs.

The proposal benefits consumers and the efficient operation of the market by:

- improving the transparency and consistency of billing information across the retail sector;
- increasing consumer confidence to participate in the market and make informed decisions;
- increasing knowledge of Energy Made Easy and other resources; and

- driving improvements to competition.

Costs and risks of the rule change are minimal and include:

- Short term transitional costs: to comply with the Better Bills Guideline, retailers will be required to transition to new billing systems. While there may be short term transitional costs passed onto the consumer, the benefits in the long term are considered to outweigh these.
- Impact on innovation: the requirement to develop transparent and consistent bills may limit the ability of retailers to innovate and this may be detrimental to consumers. In developing the Better Bills Guideline, the AER could consider how the proposed framework could allow for innovation where it is in the clear interest of consumers to do so.
- Consumers remain disengaged: There is no silver bullet to improve consumer engagement; however, the Better Bills Guideline is intended to complement other Government initiatives such as the Retail Pricing Information Guidelines, Energy Made Easy, the Default Market Offer and the reference pricing requirements. Together these initiatives strive to better inform consumers about their energy plan and usage and ultimately empower them to actively engage in the market and seek the best deal. Better engagement drives effective competition, which ultimately puts downward pressure on retail prices to the benefit of all consumers.