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Thursday, 22 October 2020

Ms Stephanie Flechas
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By email: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Ms Flechas

RE: RRC0036 - Bill contents and billing requirements, consultation paper

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on proposed amendments to the National Energy Retail Rules (NERR) to simplify small customer energy bills.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power supports measures to empower all types of customers to better engage with the retail market. New technology will continue to enable energy customers to engage in different ways. Customers will have more diverse needs and greater expectations for retailers to provide them with simplified and personalised information. We consider that it is timely to review the National Energy Retail Rules (NERR) to ensure the regulations allow retailers the flexibility to tailor bill energy information to assist customers manage their energy affordability while still providing relevant customer protections.

Our submission below is in response to key concerns outlined in the consultation paper based on our small business customer experience, rather than addressing specific questions posed by the AEMC.

¹ Based on ERM Power analysis of latest published information.



Proposed rule change

ERM Power supports the identified need to simplify the content of information presented in bills. We consider that customers should receive information to enable them to understand their costs and consumption, to access and assess their options, and to take action where appropriate. Further, customers should have a choice in how they receive their energy bill and any other useful information.

ERM Power considers that a bill should not be a catch-all for all types of energy information. We caution the AEMC to not lose sight of what the primary purpose of an energy bill is – to enable a customer to check the amount due, help explain anything unexpected and retrieve information such as contact details. We are concerned that often the bill is viewed as the default instrument for all information for customers.

We do not support the proposed solution put forward by the proponent to standardise energy bills. We consider that a mandatory Better Bills Guideline developed by the Australian Energy Regulator would be counter-initiative to empowering customers, particularly for small business customers. We consider the proposed rule change conflates the purpose of the bill and information required to enable customers to engage in the market. It also doesn't recognise the diversity of small customers and their needs, especially in terms of the level of their engagement with their energy bill.

We also don't agree with the proponent's view that inconsistent bill formats across the sector are leading to confusion for customers to understand their bill. Our experience on bill design research has shown that beyond the level of asking customers 'what are the top 3-5 most important things you need to see on a bill', it becomes very subjective. Having a detailed level of prescription, particularly on the form and placement of information on a bill, in our view achieves very little additional benefit for the customer. Rather, it restricts a retailer's ability to provide innovative solutions to enrich an energy bill to meet customer needs now and in the future.

ERM Power is also concerned that the proposed rule change takes a one-size fits all approach and a mandated Better Bills Guideline will restrict information flows. Technology has enabled new services and resulted in a fragmentation of customer needs. Our small business customers are likely to engage with their bill very differently from residential customers and may benefit from a more tailored approach to meet their needs. For example, most information on small customer bills is retrospective (i.e. consumption). An example of a more proactive, valuable outcome for a small business customer could be to have real time tracking on an App to enable them to monitor their energy usage and take any subsequent action, if required, in real time.

Further a more flexible approach to bill content requirements provides opportunities for our small business customers to receive a similar level of service to that of our C&I customers, if they so choose. Our C&I energy bills are profoundly different to small customer business bills in that they are very detailed, with every component of the cost stack as a line item. This materially boosts transparency and comparability of the truly contestable components (i.e. energy and environmental schemes) of a bill and allows our C&I customers to determine if they are getting a fair value. Some small business customers would benefit from a more granular level of detail on each cost element to enable them to better assess if they are receiving a reasonable offer and to manage their energy affordability. Real beneficial outcomes could be achieved for this segment of customers, if the regulations provided retailers with the flexibility to deliver this. We are not convinced that a mandatory Better Bills Guideline will enable us to provide this level of customer service.



Alternative approach

ERM Power supports an approach that enables retailers to be able to provide an energy bill in a format, and with information, to best suit the diverse needs of their customers (including small business). We consider that retailers should be able to undertake different approaches to enrich their customer bills through consideration of an individual's characteristics, preferences and ability to engage with their retailer.

As such, ERM Power proposes that the AEMC should consider a hybrid approach to meet the rule change objective. That is:

- Minimum information and accessibility requirements, covering the functional aspects of a bill, to be retained in the NERR for all small customers.
- A requirement that the bill needs to be provided to the customer in a form, agreed between the customer and retailer, that allows that particular customer to easily retain a copy or is easily made available.

We consider that this approach would still provide customer protections, particularly for the most vulnerable, and allow retailers to be able to innovate their bills to meet the evolving needs of customers. That is, different customer segments have different requirements that could be delivered through a smaller list of minimum bill contents leaving retailers the discretion to tailor the bill content to the market segment they service.

While this rule change is an opportunity to provide better customer outcomes there will be no optimal standard that is suitable for all small customer circumstances. Before determining a way forward, the AEMC should ensure any proposed approach is tested with customers as part of its assessment framework.

Assessment framework

The AEMC proposes to assess the rule change request against the criteria of: transparency of information; consumer engagement, choice and participation; and, regulatory and administrative burden. ERM Power recommends that the AEMC also assess the rule change proposal through an additional key criterion - incentivising retailer innovation and flexibility to assist customers make informed choices. That is, will the proposal of a mandatory Better Bills Guideline, with prescribed bill format and content, enable retailers to meet customer future expectations and allow for the efficient and streamline delivery of future market reforms (i.e. Consumer Data Right).

The proponent proposes that 'clearer energy bills may help small customers engage with the retail market to find better offers, driving competition'. While we agree that simplified energy bills may help small customers to better understand their energy bill, we consider that customer empowerment to engage with the retail market can be achieved in alternative and more effective ways. There are tools that are readily available, such as EnergyMadeEasy and the reference price, which have been developed for the purpose of assisting customers to make informed decisions, noting that some small customers will always be disengaged in the market.

We recognise that there will always be small customers who do not have access to electronic means and protections should be made for this segment. However, we are concerned that, as proposed, additional regulation to protect a small segment of customers comes at a broader cost for all customers. We would ask the AEMC to consider the cost to all small customers of a potential significant change to a retailer's billing system which may not actually meet the needs of other small customer segments. ERM Power proposes that there are other ways to protect the segment of customers to which the proponent has concerns for (such as an opt-in to receive paper bills).

As such, ERM Power recommends that the AEMC adequately seeks to understand how each small customer segment engages with their energy bill as part of its cost/benefit assessment. A small business customer may engage differently than a residential customer with their energy bill. Any proposed rule change should be backed by sufficient data and quantitative research to identify the actionable needs, in order to achieve the objective of empowerment. Further work would also be needed to ascertain if customer behaviour has changed due to



Covid-19. For example, a small customer may have only ever paid their bill at the Post Office but due to Covid-19 restrictions they may now pay electronically and may continue to do so.

Furthermore, in assessing the proposed rule change the AEMC should consider that any changes to billing systems require a long lead time. Given the future substantive retail regulatory pipeline, particularly the Consumer Data Right any significant changes to IT systems is unachievable before July 2022.

We also encourage the AEMC to look to the UK experience for learnings. In December 2018, the UK energy regulator OFGEM, made a decision to remove highly prescriptive requirements for customer communication (including energy bill format and content). They had found certain prescriptive requirements failed to increase the proportion of customers reading communications from their retailer and taking action. Instead, a principle-based approach was introduced while retaining some prescribed requirements.^{2,3}

Other contributing factors

We consider that the current regulatory environment often fails to recognise the diversity of small customers; often has a cascading impact to bills; and, can result in further customer bill complexity and confusion.

For example, Rule 5 of the NERR allows a business customer, who is or would be a small customer, to enter into an agreement in writing with the retailer to the effect that at least two or more of its business premises are to be aggregated for the purpose of determining whether the upper consumption threshold has been met. The customer is then treated as a large customer for the purposes of Division 3 of Part 1, Part 2 of the NERR and Part 2 of the National Energy Retail Law (NERL); a sensible approach. If this business customer's market offer ends before they enter a new market contract, under the NERR, the multi-site business customer automatically reverts to being treated as a small customer and is subject to the relevant requirements. We see this as being impractical. These customers should continue to be treated as aggregated despite no longer being under the market offer, in which case Rule 25 should not apply. These customers' attributes have not changed, despite the expiry of the market contract and so customer service delivery including bill format should be consistently applied.

The recent customer switching rule change is another example of where new AEMO procedures will lead to customer bill confusion. Manually read estimated transfers are compounded for switches of large business customers that are made up of various small sites (multi-sites) and who usually receive consolidated bills. We will be required to adhere to the minimum requirements, and this becomes complex with a final bill based on an estimate. Any site with a manually read interval meter will have subsequent adjustments made, bringing complexity to customers under a consolidated arrangement where sites previously final billed will need to be adjusted. Operational impacts on final customer billing under the new switching rules were not adequately explored prior to these changes being made.

The above two examples do not result in optimal outcomes for small business customers. ERM Power is concerned that as proposed, the proponent's rule change, will add to this confusion for small business customers rather than resolve it. As such, it is integral that the proposed rule change is not considered in isolation to other regulations which impact customer bills. Additionally, as future reform changes come to fruition, any bill format and content requirements should be flexible to accommodate these changes as efficiently as possible.

² https://www.ofgem.gov.uk/system/files/docs/2018/09/annex_3_final_proposed_package_of_changes_to_customer_communication_rules.pdf

³ <https://www.ofgem.gov.uk/publications-and-updates/final-decision-domestic-supplier-customer-communications-rulebook-reforms>



Conclusion

ERM Power agrees that the current regulations are overly prescriptive. We consider that the regulations do not acknowledge the diverse requirements of different small customer segments. We consider that the bill has become a catch-all for a wealth of information to assist customers to engage in the market, and in doing so, has become less effective. We encourage the AEMC to provide clarity in what the rule change is aiming to achieve. We see the objective of a 'simplified bill' as a separate objective to 'customer empowerment', which can be achieved through other tools. ERM Power does not support the proposed rule change for a mandated Better Bill Guideline as this is a one-dimensional solution which does not support future small customer needs. Instead, we encourage the AEMC to undertake customer research and develop an alternative approach that supports retailer flexibility to deliver energy bills for a diverse segment of small customers.

ERM Power welcomes the opportunity to discuss with the AEMC our experience with small business customers. Please contact Carmel Forbes at carmel.forbes@shell.com or 07 3364 2404 if you would like to discuss this further.

Yours sincerely,

[signed]

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