



22 October 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission (AEMC)
GPO Box 2603
Sydney NSW, 2000

Dear Chair,

National Energy Retail Amendment (Bill contents and billing requirements) Rule – RRC0036

The Queensland Council of Social Service (QCOSS) thanks the Commission for the opportunity to provide a submission in relation to the above.

QCOSS is Queensland's peak body for the social service sector. Our vision is to achieve equality, opportunity and wellbeing for every person, in every community.

QCOSS supports the stated aim of the proposed rule change "to simplify energy bills, so households and small business owners can better understand and manage their bills."¹

People facing hardship and experiencing difficulties with energy bill payment have difficulty understanding their bills, as well as understanding what action to take based on the bills they receive.

A universally understandable bill can reduce or remove the role of energy bill complexity in compounding a person's vulnerability or hardship. The role of the bill in either creating or exacerbating difficulties should be minimised if not eliminated.

Further, needless bill complexity puts increased demand on limited community sector resources who are supporting clients to increase capacity in understanding their energy bills.

Please find the following documents enclosed in support of our submission:

- Making energy bills clearer Rule change request RRC0036

Thank you again for the opportunity to provide our submission. We welcome further discussion from the AEMC on specific elements or issues.

Yours sincerely



Aimee McVeigh
Chief Executive Officer

¹ AEMC. (2020). Consultation Paper National Energy Retail Amendment (Bill contents and billing requirements) Rule. Retrieved from https://www.aemc.gov.au/sites/default/files/documents/rrc0036_-_bill_contents_and_billing_requirements_-_consultation_paper_fv.pdf



SUBMISSION TO THE AEMC

Prepared for:

Queensland Council of Social Service (QCOS)

20 Pidgeon Close

West End, Queensland 4101

Making energy bills clearer Rule change request RRC0036

Prepared by:

Etrog Consulting Pty Ltd

Melbourne

Australia

+61 403 444141

dprins@etrogconsulting.com.au

www.etrogconsulting.com.au

Date: 22 October 2020

Author(s): David Prins

DISCLAIMER

This document has been prepared by Etrog Consulting for the Queensland Council of Social Service (QCOSS). Etrog Consulting and its authors make no representation or warranty to any other party in relation to the subject matter of this document as to the accuracy or completeness of the material contained in this document.

The information in this report is of a general nature. It is not intended to be relied upon for the making of specific financial decisions.

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
2.	BACKGROUND.....	2
3.	RESPONSES TO QUESTIONS POSED BY THE AEMC IN ITS CONSULTATION PAPER.....	3
3.1.	QUESTION 1 – UNDERSTANDING ENERGY BILLS	3
3.1.1.	Purposes of the energy bill.....	3
3.1.2.	Energy bills are no longer fit for purpose.....	5
3.2.	QUESTION 2 – RECEIVING ENERGY BILLS	12
3.3.	QUESTION 3 – MATERIALITY OF THE ISSUES	12
3.4.	QUESTION 4 – RELATED PROJECTS AND RESEARCH.....	13
3.5.	QUESTION 5 – PROPOSED SOLUTION	14
3.5.1.	Summary of the proposed solution.....	14
3.5.2.	Our views on the proposed solution	14
3.6.	QUESTION 6 – RULES BASED APPROACH.....	15
3.7.	QUESTION 7 – NON-RULES-BASED APPROACH.....	15
3.8.	QUESTION 8 – HYBRID APPROACH	16
3.9.	QUESTION 9 – ASSESSMENT FRAMEWORK	16
APPENDIX A : ILLUSTRATION OF INCONSISTENCY BETWEEN RETAILERS REGARDING HOW BILL BENCHMARKING IS SHOWN.....		19
A.1	1 ST ENERGY	19
A.2	AGL.....	19
A.3	ENERGYAUSTRALIA.....	20
A.4	ORIGIN ENERGY.....	20
A.5	POWERSHOP.....	21

22 October 2020

1. INTRODUCTION

This report has been prepared by Etrog Consulting Pty Ltd for the Queensland Council of Social Service (QCOSS). It responds to rule change request project RRC0036, initiated by the AEMC on 24 September 2020.¹

The AEMC has requested that submissions to the rule change request should be received by 22 October 2020. This report has been developed in consultation with QCOSS and other Queensland based consumer advocates, with the understanding that QCOSS is intending to submit this report to the AEMC as part of its own submission to the AEMC.

QCOSS is the state-wide peak body in Queensland representing the interests of individuals experiencing or at risk of experiencing poverty and disadvantage, and organisations working in the social and community services sector. QCOSS therefore focuses on the interests of residential customers, and examines the impacts of regulatory processes and decisions on those experiencing or at risk of experiencing poverty and disadvantage in particular.

The remainder of this report is structured as follows:

- Section 2 provides background to the rule change request and this response.
- Section 3 provides our detailed responses to questions posed by the AEMC in its consultation paper.

¹ Documentation on the project can be found on the AEMC website at <https://www.aemc.gov.au/rule-changes/bill-contents-and-billing-requirements>

22 October 2020

2. BACKGROUND

On 17 April 2020, the AEMC received a rule change request from the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP, to amend the National Energy Retail Rules.

The rule change proposal seeks to simplify energy bills, so households and small business owners can better understand and manage their bills, and find a better energy deal. It covers both gas and electricity bills.

Under the National Energy Retail Rules (NERR), retailers are required to prepare an energy bill complying with 26 content requirements.

The proponent considers the rules should be changed to contain an objective and outcome-based principles for energy bills, which would underpin a mandatory AER guideline with specific requirements on content and format.

The Minister also proposed that requirements are needed on how a bill is issued or delivered to small customers.

On 24 September 2020, the Commission published a consultation paper for the rule change request.

22 October 2020

3. RESPONSES TO QUESTIONS POSED BY THE AEMC IN ITS CONSULTATION PAPER

Our responses to the questions posed by the AEMC in its consultation paper are informed by our own expertise and experience and that of QCOSS. On 19 October 2020, QCOSS convened a special meeting of its Essential Services Consultative Group (ESCG) to discuss this response to the Minister's rule change request and the AEMC's consultation paper. Community organisation representatives brought to this meeting many examples of problems that their clients have found with their energy bills. Between them, the organisations represented had helped hundreds of clients with energy bills across the major retailers operating in Queensland.

The meeting was convened for one hour, with an option to continue discussions for a further half hour. Many of the delegates stayed the full one and a half hours, and continued to engage afterwards with further information by email. There was considerable passion in the meeting regarding deficiencies in existing energy bills and ideas for improvement.²

Please note: we use the term 'energy bill' to refer either to a paper bill, or to a PDF or similar file that is formatted as a paper bill.³ Bill presentation through apps and interactive portals are considered in section 3.2 below.

3.1. QUESTION 1 – UNDERSTANDING ENERGY BILLS

3.1.1. Purposes of the energy bill

A key overarching point that was made at the ESCG meeting was that the (paper) energy bill is the customer's key regular point of contact with their retailer. The bill serves many purposes including the following:

1. The main purpose of the bill is to provide the customer with the actual bill / invoice / statement / payment methods information. This segment of the bill tells the customer how much they owe, methods of payment, and when payment is due. It should provide sufficient information to enable the customer to **understand** why their bill is the amount that it is.
2. If the customer is looking to compare their current offer with other offers from their current retailer, or offers from other retailers, then their current bill is their starting point or primary reference point from which to decide what course of action to take.

Similarly, if they are interested in on-site investment: investing in new appliances, changing the time of day when they use appliances, investing in solar PV or battery storage, in all these cases the energy bill is their key starting or reference point.

² The meeting focused largely on electricity bills, but the discussion was just as relevant to gas bills as to electricity bills.

³ Some energy retailers offer the option for the customer to receive what effectively is the 'paper bill' as a file attachment to an email, or downloadable from a website or other online portal, as an alternative to receiving the bill printed on paper and delivered by Australia Post.

22 October 2020

If the bill is not understandable or not sufficiently comparable, these can be barriers to taking action or making decisions. It may mean that the customer does not take advantage of better offers or make efficient investments, because they cannot fathom whether that is a good direction in which to go or not.

Worse, if they misunderstand their bill, they may make the wrong decisions.

3. The bill contains all kinds of miscellaneous information that the customer may not need to access every bill cycle, such as who to contact if the customer has a complaint, how to contact the ombudsman and who to contact on moving house.

Considering the main purpose of the bill, at all times this miscellaneous information needs to be clearly 'out of the way' to ensure it is not misconstrued as being part of the main elements of the bill (per point 1), and as such seen as needing to be 'understood' as part of the 'how much do I owe, by when, and how do I pay' actions.

When this miscellaneous information is relevant to the person, the bill is currently where customers look to find that information too.

4. Other:

- a. The bill may be used to *initiate* a person to take steps towards switching offers or providers, such as by alerting them to whether they are on the best offer or not. A requirement to include such alerts has recently been implemented in Victoria.

This should be seen as secondary to the main purpose of the bill as detailed in point 1. It should only be considered where tested and genuinely proven to both support the intended outcome and preserve the effectiveness of the main purpose of the bill.

- b. The bill may play a role in providing *tailored elements for specific audiences or situations* so as to answer *likely* customer questions or address bill-specific needs. For example, in the situation that a customer's bill is materially higher than usual the provision of relevant explanations as to what may be reasons for the large bill, or the reprioritising and highlighting of information about available support options, could potentially alleviate some bill shock.

In our view, the ability to tailor bills to key scenarios has merit. However, we think there is higher priority work to be done first to get the essential information right.

These findings are consistent with previous findings of the ACCC, which wrote:⁴

An electricity bill with clear information is a critical part of the market and it is the tool through which consumers understand how much they consume, how their bill is calculated, and how to ask a question or dispute a bill. While a bill may perform other functions, for example, referring consumers to tools to compare offers, it is essential that a consumer is able to easily identify key information when looking at a bill.

⁴ Retail Electricity Pricing Inquiry, Final Report, ACCC, 2018

22 October 2020

3.1.2. Energy bills are no longer fit for purpose

ESCG members reported that clients facing hardship and experiencing difficulties with energy bill payment in Queensland had **major** difficulty understanding their bills and what actions they needed to take based on the bills they received. Some of the root causes of this difficulty in understanding that were raised were as follows:

Bill-related factors that inhibit achievement of the main purpose of the bill:

- Overall complexity of the bill.
- Inconsistent and changing bill formats.
- Bills are information-dense and are not logically organised.
- The language, presentation and units of measurement used on bills are unnecessarily complex.
- There are gaps in bill content.

Bill-related factors that inhibit a person from comparing offers or switching to a better deal:

- Lack of standard nomenclature across retailers on key terms that would reasonably need to be standard to allow comparison between offers.
- Overall complexity may disempower a person from attempting an effective comparison at all.

The community services sector plays an essential role in supporting people experiencing vulnerability and hardship. With energy costs being among the highest costs of living after housing / rent, and in recognition of the current complexity of the energy sector, the effectiveness of community services in providing support to customers in need is a significant consideration. COVID-19 has only increased this need.

Some key bill-related factors that are viewed as unreasonably increasing the level competency required to effectively maintain skills in energy support services include:

- Unnecessary overall complexity of bills, including the overall number of different concepts that need to be understood
- Lack of standard nomenclature overall and across retailers.
- Inconsistent and changing bill formats.
- Bills are information-dense and are not logically organised.
- The language used on bills is unnecessarily complex.
- There are gaps in key bill content, and these gaps can be different across retailers.

There are additional considerations:

Many of the people supported by the community sector may be experiencing personal crisis situations. A person in a crisis situation typically has further reduced capacity to take in complex information.

22 October 2020

Many people supported by the community sector face multiple challenges. They may be in need of support with their energy, while also experiencing other personal challenging circumstances that are demanding their focus and attention. In these situations, they may not be able to devote sufficient cognitive energy to a complex and difficult to understand energy bill.

In each of the above instances, a universally understandable bill can reduce or remove the role of energy bill complexity in compounding a person's vulnerability or hardship.

Lack of standard nomenclature

The Minister's rule change request highlighted:

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'.

ESCG members highlighted that they had come across the standard residential tariff being described in six different ways on customers' energy bills and in Energy Made Easy. Sometimes peak electricity usage was not obviously distinguished from controlled load.

Similar findings arose in the 'Apples with Apples' report in January 2017:⁵

The use of confusing and unclear terminology was a primary source of frustration for workshop participants who simply wanted to compare "apples with apples". The different terminology on retailers' bills in particular made it difficult for customers to make direct comparisons between offers. For example, retailers vary in their descriptions of Tariff 11 (i.e. some call it 'Peak' and others 'Tariff 11 Residential'). For customers with Tariff 31 and 33, it was even more confusing with descriptions of these tariffs varying widely including 'Dedicated circuit', 'CTL2', 'Controlled Load' and 'Controlled supply (economy)'.

In some instances, the terminology used on bills was not only confusing, but also misleading. For example, some retailers use the term "Peak" to describe Tariff 11 on their bills. ...Many customers saw the term "Peak" on their bill and assumed they were on a "Time of Use" tariff. As a result, they then incorrectly selected 'Time of Use' as their tariff type when entering their information into the Energy Made Easy price comparator. This affected the results they were given about the offers suitable for them. Greater consistency and accuracy of the terms used by retailers to describe tariffs and charges is a key requirement to maximise the ability of consumers to shop around with confidence.

⁵ QCOSS & CCIQ (January 2017), *Apples with Apples: Outcomes of electricity price deregulation education activities in South East Queensland*, unpublished report to the Queensland Department of Energy and Water Supply

22 October 2020

QCOSS noted in its March 2019 submission to a discussion paper on Review of the National Energy Retail Law in Queensland⁶:

Despite QCOSS and other consumer advocates highlighting terminology on bills as an important issue, the AER has not extended the language requirements in its Retail Pricing Information Guideline (RPIG) to bills and contracts. In the final RPIG, the AER notes that the language requirements outlined "...do not extend to contracts or to bills. However, retailers should seek to maintain consistency across these documents wherever possible". Unfortunately for consumers, retailers have not sought to do this voluntarily. In the absence of any action being taken by the AER or retailers, QCOSS recommends that DNRME address this matter as a state-specific derogation through the NERL (Qld).

ESCG members reported inconsistency regarding whether tariff rates were shown including or excluding GST.

This made it difficult for customers to compare offers or compare bills with those of their friends to see who was getting a better offer.

Many customers were misled into thinking that they would pay less for electricity at off-peak times when actually they were on a flat rate anytime tariff where the charge was the same whenever they used electricity.

Some ESCG members felt that some of the issues arose from energy retailers more used to serving the southern states simply importing the terminology used there into Queensland, without consideration that Queensland customers were used to different nomenclature. Alternatively, the retailers were using the same template for all customers, despite differences between them. For example, retailers were presenting infographics with monthly usage figures for customers still on accumulation meters and quarterly meter reads and billing. This was leading to misunderstandings about the billing period, about why usage was exactly the same in each of the three months, and so forth. This highlights to us that in some cases, different wording and different presentation of graphics may be applicable to different jurisdictions.

ESCG members emphasised that differences such as the split between customers with and without smart meters, solar PV, complex tariffs, and other factors, need to be handled in a way that remains customer-centric throughout.

Inconsistent formats

The Minister's rule change request stated:

In addition, retailers often present required information in inconsistent formats.

ESCG members also reported inconsistent formats.

One example was where sometimes the off-peak component of the charge was put on the bill above the peak component charge.

⁶ See https://www.qcoss.org.au/wp-content/uploads/2019/05/20190401_SUB_NERL_Review_FNL-1.pdf, page 9

22 October 2020

Customers expected the largest bill component to be placed at the top of the bill. Seeing a small off-peak amount misled them into thinking that their usage was lower than on a previous bill, whereas in fact they were not comparing like with like.

Font size is important, as many customers struggle to read the smallest fonts used on some bills. One comment we received was that some older people simply cannot read the small font, and give up trying.

Appendix A shows comparisons provided by an ESCG member showing inconsistency between retailers regarding how bill benchmarking is shown. This could cause difficulties for a customer switching retailer who has been used to one format and now has to understand a different format.

Bills are information-dense and are not well organised

The Minister's rule change request noted:

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 of specific information retailers are required to include in bills "should be reviewed to determine which pieces of information remain essential".

ESCG members agreed that there was too much information on each bill. However, it might be difficult to determine what is "essential" rather than "non-essential". They saw it more as what were the priority items and what were lower priority items. The priority items ought to be presented first in a clear consistent and grouped manner, with other items shown on later pages or on a bill insert (and clearly identifiable as 'this is not your bill, it is other information').

At a first pass, priority items might include:

- How much is owing;
- When payment is due;
- To what period of time the bill relates;
- What the payment methods are;
- Sufficient information to allow the customer to verify their bill against or understand their bill in relation to their contract / energy offer;
- Who to contact with any queries;
- How frequently the person gets billed;
- If the amount is based on an estimate or actual meter read; and
- If the energy offer is expiring soon, this information should be included.

22 October 2020

Other information such as how to contact the ombudsman, what to do if you are moving house, and other languages in which information can be provided, are not necessarily superfluous, but should not get in the way of the priority information presentation. This information may be useful to customers from time to time, but not necessarily at every billing cycle. It could be placed after all the priority items, with sufficient demarcation of where the bill ends and this information starts. This would enable the customer to stop reading at the point where they need no further information at the moment, rather than as of now where they have to read or scan the whole bill to find all the immediately important information.

The language, presentation and units of measurement used on bills is unnecessarily complex

ESCG members agreed that some of the language was too complex, or simply not written in language that customers would understand. One specific issue is the use of terminology and abbreviations of “credit” and “debit”.

One bill example was a bill showing a total balance of \$387.88 cr. The customer concerned had not understood that the small letters “cr” meant that her account was in credit and thought he owed \$387.88. “Credit” and “Debit” are accounting terms. They may even be more commonly understood in relation to payment methods (i.e. by credit or debit card). Their abbreviations to “cr” and “dr” make them even less likely to be understood.

If the bill had said “We owe you \$387.88”, the customer would have understood.

We have seen bills with a column “UOM” without further explanation as to what it meant.⁷

Another bill showed on the front page:

CURRENT TRANSACTIONS (Incl GST)		
Electricity Charges	\$378.12	
Other Transactions	\$0.01	Cr
TOTAL CURRENT TRANSACTIONS (Incl GST)	\$378.11	

It was not clear what the “other transactions” were, but the next page showed:

Other Transactions		
24/08/2020	ROUNDING	\$0.01 Cr
Total Other Transactions		\$0.01 Cr

It is still unclear why \$378.12 needed to be “rounded” to \$378.11 with a \$0.01 credit adjustment.

Complexity is not only in language. It can be in presentation. In some cases, a single quarterly bill was split into six or more time periods, because rates changed, or a state relief period kicked in, or there was a meter change, etc.

⁷ From the context, we believe it stood for “Unit of Measure”

22 October 2020

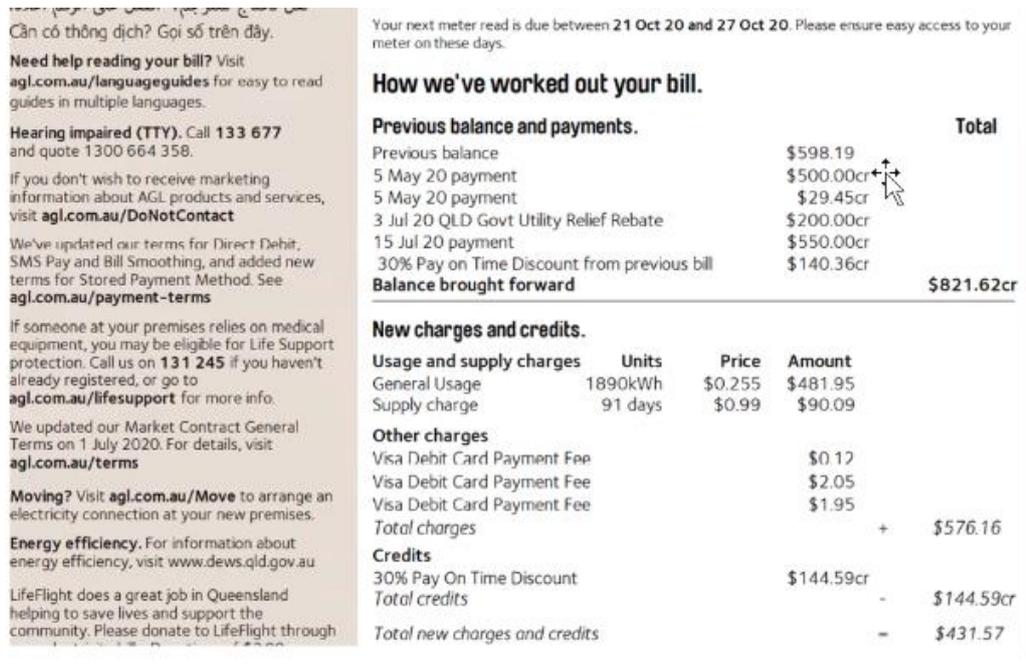
In other cases, multiple numbers were bundled up into one calculation, without explanation or sub-totalling.

One such example below shows what are effectively ledger entries reproduced on the bill, presented in chronological order. Bill statements often resemble accounting ledgers, when other formats might be more understandable to customers.

Serious consideration needs to be given to exactly what representation of information is useful and understandable to a customer.

A cost-stack or ledger-style format may be accurate from a cost-calculation perspective. However, the following questions need to be considered:

- What relevance does that format have to a customer, and to how they value, use and need to understand their energy use?
- Could that outcome be achieved more effectively through different presentation?



Can có thông dịch? Gọi số trên đây.
Need help reading your bill? Visit agl.com.au/languageguides for easy to read guides in multiple languages.
Hearing impaired (TTY). Call **133 677** and quote 1300 664 358.
 If you don't wish to receive marketing information about AGL products and services, visit agl.com.au/DoNotContact
 We've updated our terms for Direct Debit, SMS Pay and Bill Smoothing, and added new terms for Stored Payment Method. See agl.com.au/payment-terms
 If someone at your premises relies on medical equipment, you may be eligible for Life Support protection. Call us on **131 245** if you haven't already registered, or go to agl.com.au/lifesupport for more info.
 We updated our Market Contract General Terms on 1 July 2020. For details, visit agl.com.au/terms
Moving? Visit agl.com.au/Move to arrange an electricity connection at your new premises.
Energy efficiency. For information about energy efficiency, visit www.dews.qld.gov.au
 LifeFlight does a great job in Queensland helping to save lives and support the community. Please donate to LifeFlight through www.life-flight.org.au

Your next meter read is due between **21 Oct 20** and **27 Oct 20**. Please ensure easy access to your meter on these days.

How we've worked out your bill.

Previous balance and payments.		Total
Previous balance	\$598.19	
5 May 20 payment	\$500.00cr	
5 May 20 payment	\$29.45cr	
3 Jul 20 QLD Govt Utility Relief Rebate	\$200.00cr	
15 Jul 20 payment	\$550.00cr	
30% Pay on Time Discount from previous bill	\$140.36cr	
Balance brought forward		\$821.62cr

New charges and credits.			
Usage and supply charges	Units	Price	Amount
General Usage	1890kWh	\$0.255	\$481.95
Supply charge	91 days	\$0.99	\$90.09
Other charges			
Visa Debit Card Payment Fee			\$0.12
Visa Debit Card Payment Fee			\$2.05
Visa Debit Card Payment Fee			\$1.95
Total charges			+\$576.16
Credits			
30% Pay On Time Discount			\$144.59cr
Total credits			-\$144.59cr
Total new charges and credits			-\$431.57

In the above fragment from an energy bill, it is unclear why two sets of pay on time discounts are shown. The small payment fee entries could have been aggregated. The payments made could have been sub-totalled, and separated from the Utility Relief Rebate.

(In other cases, ESCG members complained that payments made over the period were shown only in aggregate, rather than shown as individual records, making it difficult for the customer to be sure that all payments made had been reflected on the bill.)

It can be worked out that this account is still in credit, and no payment is due, but that information appears elsewhere on the bill.

There was confusion and lack of uniformity reported regarding:

- Units of measure: dollars and cents; kWh and MWh;

22 October 2020

- Quarterly bills showing average *daily* usage (kWh) and/or *daily* cost (\$) by *month* – the latter with or without any fixed charges included, showing changes from month to month and as compared to the same period last year, but no calculations showing % changes between periods, which might have allowed the customer to make more effective comparisons.

Future complexity

Queensland has recently introduced tariffs for residential customers that include maximum demand charges. Bills including components charged per kW as well as per kWh and fixed supply charges and any other tariffs used such as controlled load tariffs will now be starting to appear on bills, and these will require explanation. Further energy reforms may in future entail customers receiving bills from two or more different parties, again potentially requiring customers to understand more complex arrangements, and to attempt to learn the lexicon, processes and layouts of multiple companies' documentation.

Gaps in content

Gaps in content that were reported included:

- Where a customer was on peak and off-peak rates, no information on the times of day or days of week when those peak and off-peak rates actually applied.
- No information on when a customer's current offer expires.
- Lack of clarity on whether a customer's "pay on time" or other discount was a discount off the whole bill, or only the per kWh energy charge component, i.e. not including any fixed charge.
- Lack of clarity that a bill was based on an estimated meter reading and that the customer has the right to provide their own meter reading instead. It was suggested that an estimated bill could be differently coloured or differently shaded to draw attention that further action is required by the customer in order to obtain a bill based on an actual meter reading.
- Not all retailers included information on Centrepay payments.

References to websites for information

References to websites can be useful for those who have Internet access readily available, but reference to a website to obtain important information should not be critical to understanding the bill or finding the priority items.

Educational tools or campaigns

The AEMC asked:

What other factors also contribute to the billing issues you have identified (e.g. lack of educational tools or campaigns)?

22 October 2020

Certainly when new tariffs are introduced, such as maximum demand tariffs, educational tools and campaigns are required to educate customers in their application. New tariff structures such as “solar sponge” in South Australia may mean that electricity is cheaper at midnight than at midday, breaking the axiom that customers believe that electricity is cheaper at night than during the day. This requires customer education.

However, in general, we wish to avoid “blaming the customer” for lack of understanding of bills, as if all can be solved through “campaigns and customer education”, and suggesting that the problem is “uneducated customers” and the solution is to educate them. If the bill design is fundamentally flawed, the solution is to fix the bill design, not to mandate bill education.

3.2. QUESTION 2 – RECEIVING ENERGY BILLS

We understand that particularly for many of the younger generation, their lifestyle revolves around smartphone apps.

Some retailers have developed and are developing apps that some customer segments find particularly useful, and are working to provide an integrated communications approach spanning apps, email and other communications channels.

For other retailers, electronic billing implies nothing more than emailing a PDF attachment or making available the PDF on their website. The PDF has exactly the same format and content as the paper bill would have – just the delivery method is different.

There is a digital divide. Many are not Internet or app savvy, and there are those who do not have Internet connections. Internet service may not be reliable or affordable in regional, rural and remote areas.

Thus for many, including many vulnerable customers, the paper bill is still essential, and has not been replaced by the Internet or by smartphone apps.

This is not a case of either / or. Both digital and paper bill delivery are needed to meet the needs of different customers.

3.3. QUESTION 3 – MATERIALITY OF THE ISSUES

Given the importance of the energy bill for multiple purposes, as discussed above, the issues with the bills give rise to significant materiality. As discussed above, lack of bill understanding can lead to difficulty understanding what payments are required when, and can lead to customers not being on the best tariffs to suit their individual circumstances. Poor bill design can lead to customers missing out on opportunities for customer choice of retailer, leaving customers “trapped” in their existing energy contract arrangements.

Financial counsellors and other energy support workers spend thousands of hours helping customers understand their energy usage and bills, often having to make up for the shortcomings of the bill with their own toolkit of approaches to help their client understand, such as drawing up spreadsheets of their own to explain the different components of the bill. This is a draw on limited community resource that could be saved if bills were better designed and more easily understood.

22 October 2020

3.4. QUESTION 4 – RELATED PROJECTS AND RESEARCH

We believe that a thorough literature review would unearth quite a few studies that have already been taken into bill design in Australia and internationally.

The Minister's rule change request referred to the December 2018 report *Electricity information to fit the bill*, from the Behavioural Economics Team of the Australian Government (BETA),⁸ which found that that clear and accessible information on electricity bills improves consumers' confidence in making decisions in the electricity market.

We note that the AEMC references I section 3.5 of its Consultation Paper on the rule change request the BETA report and other key projects and research relevant to this rule change request that the AEMC is already aware of and will consider.

The AEMC's Consultation Paper references in section 3.1.4 the state of Victoria, where the NERR has not been adopted in its entirety. Instead, the Victorian Energy Retail Code applies as the legal framework for retail contracts and billing provisions.

We are aware of work with focus groups undertaken by the Queenslanders Disability Network (QDN) as part of its *Bright Sparks* project. QDN delivered this project to almost 1000 people with disability in South East Queensland between November 2016 and June 2017. The project operated through the QCOSS *Switched on Communities* Grants, and was funded by AGL and the Queensland Government, to deliver targeted programs to assist people who experience disadvantage or financial hardship to get better outcomes in the competitive energy market. As part of the project, QDN developed a video, and a 20-page handbook to help people with disability to learn how to save on electricity bills. The handbook contained a section for customers on how to read and understand their electricity bill.⁹

In addition, we expect that other submissions to this rule change request consultation might reference other studies.

We propose that the AEMC should undertake its own literature review on best practice in energy bill design and publish its findings. The AEMC should commission focus groups and other research to determine what issues customers have with bills and what formats and contents they prefer. While we have provided some examples in this report, we do not contend to have provided full analysis, and our research is Queensland-centric. The AEMC should study this issue across the NEM jurisdictions that have adopted the National Energy Retail Law.

⁸ Available at <https://behaviouraleconomics.pmc.gov.au/projects/electricity-information-fit-bill-redesigning-electricity-bills-support-consumer-engagement>

⁹ See <https://qdn.org.au/hot-issues/energy> for more information on the *Bright Sparks* project

22 October 2020

3.5. QUESTION 5 – PROPOSED SOLUTION

3.5.1. Summary of the proposed solution

The proponent recommends replacing the existing rule 25 of the NERR to require the development of an enforceable guideline. The mandatory guideline would be developed by the AER and “provide a single point of reference to industry on the required form, content and delivery of energy retail bills”.

The proposal is to make rule 25 of the NERR principles or outcomes-based. The AER would be required to have regard to an objective and principles set out in the NERR when prescribing the guideline’s contents.

The proposed guideline objective is “to improve the experience of small customers in relation to billing for the retail supply of energy”. The proposed principles are “to ensure small customers can: easily identify key information; easily verify how much energy they consume and how their bill is calculated; confidently query or dispute bills; and confidently navigate the market and seek the best offer”. The rules would establish aspects of bills that the guideline could specify, including requirements as to the content and form of energy bills and the manner of issue of these bills.

3.5.2. Our views on the proposed solution

We see merit in the AER developing and administering a mandatory guideline, complementing existing mandatory guidelines that the AER administers. Any such guideline should not constrain innovations that can improve outcomes for customers.

Our support for this solution would be predicated on understanding the AER’s views. We have not discussed this with the AER, and we consider it important that the AEMC does discuss this matter with the AER. This solution will only be appropriate if the AER is a “willing regulator” on this matter. We would need to understand whether the AER sees this as being part of its general regulatory role, whether the AER has the available resource to pick up this role, and to what extent the AER would be willing and able to be responsible for monitoring and ensuring retailers’ ongoing compliance with the new mandatory guideline.

We note that when the AER took on responsibility for development and administration of the rate of return guideline, legislation was put in place that was quite prescriptive regarding the processes through which the guideline would be developed, including a mandatory Customer Reference Group. The AEMC should consider how much prescription would be appropriate for this guideline, and with what frequency the guideline should be reviewed (say every three years, or on request if the guideline would otherwise stifle innovation).¹⁰

¹⁰ Information on the changes to the legislation and Rules to implement the binding rate of return guideline in 2018, and the consultation process that led to the final implemented changes, can be found on the COAG Energy Council website.

22 October 2020

We do not agree that the details in the existing current rule 25 should necessarily be removed, and believe that should be subject to further review, informed by customer research.

We are concerned regarding the proposed objective “to improve the experience of small customers in relation to billing for the retail supply of energy”. This seems to be a one-off objective for the development of the initial guideline. An ongoing objective is required.

The objective ought to be written in a way that its achievement (or otherwise) can be evaluated and measured, and any guideline should include obligations on the appropriate party to conduct such an evaluation of the achievement of the objective on a regular and frequent basis – perhaps annually.

We believe that the AEMC’s proposed principles are fit for purpose, but the AEMC may need to consider additional principles based on points we raised above. These may include ensuring that customers can access payment assistance schemes and concessions, and access other information such as how to contact the ombudsman and what to do if they move home. In addition, the principles might include that the bill layout should reflect the relative importance of these matters for customers, and that the bill layout and language used should be simple to understand, logical, and consistent across retailers.

The rule change request and the AEMC’s consultation paper raise a concern that the ability of retailers to innovate may be limited by the requirement to develop transparent and consistent views. Development of the guideline must therefore consider how to allow for innovation when it is in the clear interest of consumers to do so.

We agree that it is important that the implemented solution should not stifle innovation. We suggest that better designed bills may encourage innovation, because innovation will be easier when delivered to a better informed consumer audience.

3.6. QUESTION 6 – RULES BASED APPROACH

We could alternatively support a rules-based approach where the NERR are strengthened, though this may unnecessarily clutter the NERR with prescription that is not best placed in the Rules.

3.7. QUESTION 7 – NON-RULES-BASED APPROACH

The AEMC’s consultation paper sets out that industry collaboration, initiatives, non-binding guidelines and education programs are all non-rules based measures that could be implemented to address issues related to bill confusion and consumer choice in how they receive their bills. These could complement or avoid the need for changes to the NERR.

Industry bodies could develop an industry code, which could form the basis of a formally registered code (either voluntary or mandatory) covering energy bills’ content, format and delivery. Another option could be for the AER to publish non-binding guidelines that retailers could follow to help consumers understand their bills.

22 October 2020

However, the AEMC's consultation paper cautions that in its retail electricity pricing inquiry (2017-18) the ACCC analysed how energy bills could be made easier to understand, and found that:¹¹

... there are significant risks in giving retailers freedom to choose what information is relevant to consumers. We consider that the risks associated with giving retailers complete flexibility to deliver billing information to consumers significantly outweigh the benefits.

While the solution proposed here may not give retailers complete freedom to choose how to present bills and what formats to use, we would suggest adopting a cautious approach, and therefore we do not support a solution that empowers retailers to produce their own guideline, or an AER guideline that is not mandatory.

3.8. QUESTION 8 – HYBRID APPROACH

The AEMC's consultation paper states that a solution does not have to be exclusively rules or non-rules based. The rules can be complemented with non-rules based approaches. The AEMC welcomes feedback on hybrid solutions that could effectively deliver information covering the functional aspects of bills, and address concerns regarding how consumers receive bills.

We suggest that there are hybrid approaches – a suite of rules and non-rules approaches – that the AEMC might consider to address the issues raised by the proponent and their causes and the issues and causes that we have raised here. We look forward to seeing proposals from the AEMC on that basis.

3.9. QUESTION 9 – ASSESSMENT FRAMEWORK

As this rule change request relates to aspects of the NERR, the AEMC may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the National Energy Retail Objective (the NERO).

The NERO 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 AEMC must also, where relevant, satisfy itself that the rule is “compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers” (the “consumer protections test”).

Where the consumer protections test is relevant in the making of a rule, the AEMC must be satisfied that both the NERO test and the consumer protections test have been met. If the AEMC is satisfied that one test, but not the other, has been met, the rule cannot be made.

11 *Retail Electricity Pricing Inquiry, Final Report, ACCC, 2018*

22 October 2020

There may be some overlap in the application of the two tests. For example, a rule that provides a new protection for small customers may also, but will not necessarily, promote the NERO.

Under s. 244 of NERL, the AEMC may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will, or is likely to, better contribute to the achievement of the NERO.

To determine whether the proposed rule will, or is likely to, contribute to the achievement of the NERO, and is compatible with the consumer protections test, the AEMC proposes the following criteria to guide its assessment of the rule change request:

- Transparency of information;
- Consumer engagement, choice and participation; and
- Regulatory and administrative burden.

The first two of those criteria are portrayed by the AEMC as being qualitative in nature. The third is portrayed by the AEMC as being quantitative.

The AEMC proposes that the two qualitative criteria will be evaluated based on the AEMC's consideration of what benefits may ensue. We propose that the AEMC's consideration of the benefits should be based on strong consumer research. Actual customers and their advisers, including financial counsellors who assist customers to understand and interpret their bills, are best placed to advise the AEMC regarding the benefits of implementation of the rule change. It is not something that the AEMC should consider in a vacuum.

The AEMC's consultation paper suggests that the quantitative criterion constitutes only additional costs incurred by retailers and the AER. We suggest that this is only part of the equation. The AEMC has apparently omitted to consider offsetting:

- Cost savings and efficiencies for retailers, due to various factors including the following:
 - Fewer call centre, social media and other enquiries that come from customers attempting to understand the bill.
 - More customers being able to pay their bills on time because they understand the bill better. This will help retailers' working capital and reduce customer debt.
 - The more customers able to understand and pay their bill on time, the fewer bill variations with more complex details such as carry-over amounts owing or multiple split items will be required. This will result in an administrative saving for retailers, and a further reduction in the likelihood for customer confusion from such bills.
 - Reduced customer angst will increase customer loyalty and reduce retailers' switching costs.
 - The retailers' marketing activities will be more efficient because customers will be able to compare offers more effectively and require less explanation of competing offers from retailers.

22 October 2020

- Fewer customers will switch tariff and retailer for the wrong reasons. Those switches often result in switching back or a further move to another retailer when the customer realises that their first move was a mistake. This will reduce the effort and resources that retailers will need to deploy to address those customers' issues, as well as reducing switching costs.
- The changes have the potential to increase customer trust in the electricity supply industry, which will reduce costs to all parties as fewer issues are questioned by customers due to distrust. Customers will be more amenable to positive relationships with retailers, trialling new products and services, and generally increasing the productivity and value of the retailer-customer relationship.
- Cost savings and efficiencies for customers.
- Efficiencies, increased capacity, and ability to redirect resources to other energy consumer priority needs for supporting community organisations, who as discussed above now spend many hours deciphering and understanding energy bills and supporting their clients. Clearer bills will reduce that resource burden.

Less quantifiable but still of great importance are the health and financial benefits that may be delivered to those who experience stress and either make poor choices, or no choices at all, based on their inability to understand their bills.

Community sector organisations, staff and volunteers may not currently be able to invest the required time and effort to develop and maintain the high level of competence required to support people optimally with their bill. Simple and easily comparable bills will increase their ability to upskill confidently and sufficiently, and expand the capacity of the sector to provide important support on matters of affordability, with flow-on health impacts that are affecting many people.

22 October 2020

APPENDIX A: ILLUSTRATION OF INCONSISTENCY BETWEEN RETAILERS REGARDING HOW BILL BENCHMARKING IS SHOWN

This appendix shows comparisons provided by an ESCG member showing inconsistency between retailers regarding how bill benchmarking is shown. This could cause difficulties for a customer switching retailer who has been used to one format and now has to understand a different format.

A.1 1ST ENERGY

Your household daily consumption (kWh)	32.41	
Household size without swimming pool	Average daily consumption benchmark (kWh)	Rating
	8.32	X
	12.57	X
	14.45	X
	18.29	X
	21.95	X

Compare your electricity usage with similar households in your area.

How it works:

- Select the household size that represents the number of people in your home.
- Compare the 'Average daily consumption benchmark' to 'Your household daily consumption'.

To find out more about how average household energy usage is calculated and get some energy efficiency tips, visit www.energymadeeasy.gov.au

This benchmark applies to residential electricity consumption. It is calculated based on figures provided by the Australian Energy Regulator (AER) and is indicative only. Consumption benchmarks exclude some large appliances, such as pool pumps, and generation systems (e.g. PV). For more information or useful energy efficiency tips, visit www.energymadeeasy.gov.au

A.2 AGL

AGL

How much energy are you using?

Bill period: 19 Mar 2020 to 19 Jun 2020 (93 days)

Compare with other homes in your area.



22 October 2020

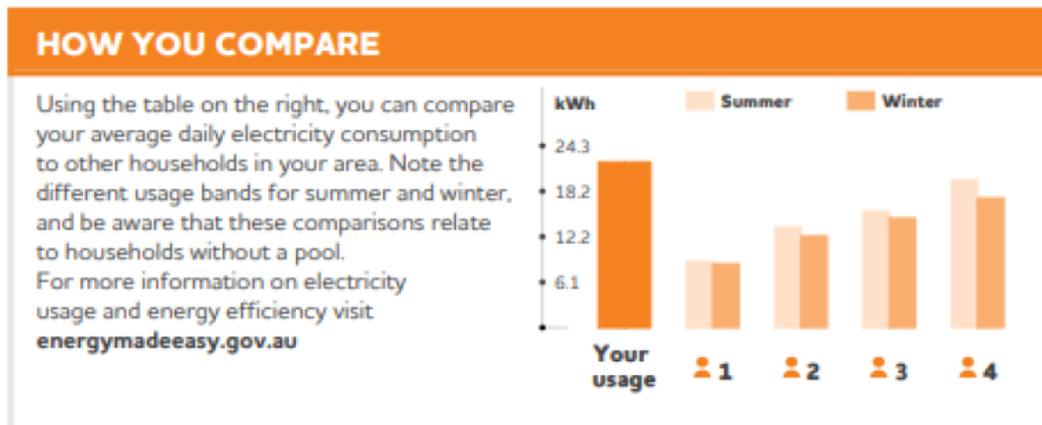
A.3 ENERGYAUSTRALIA

COMPARE USAGE

	Average
👤	8.32
👤👤	12.57
👤👤👤	14.45
👤👤👤👤	18.29
👤👤👤👤👤	21.95

Your average daily usage (kwh): 19.1910
 You use the same as a 5 person household.
 Visit www.energymadeeasy.gov.au to compare household usage and see where you fit.

A.4 ORIGIN ENERGY



22 October 2020

A.5 POWERSHOP

Average daily usage compared to other households in your area during spring

Number of people in your household	Average daily consumption (kWh)*
	20.8
	16.9
	13.9
	11.7
	8.2

Your average daily consumption (kWh)

2.9

To find out more about how average household energy usage is calculated, visit energymadeeasy.gov.au.

* For households without a pool or gas connection