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Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms Collyer

Bill contents and billing requirements draft rule determination

Thank you for the opportunity to make a submission on the Australian Energy Market Commission (AEMC)'s consultation on the draft rule determination for bill contents and billing requirements.

The Australian Competition and Consumer Commission (ACCC) is Australia's competition regulator with the purpose of making markets work for consumers, now and in the future. The ACCC plays an active role in the Australian energy sector, where we are undertaking a long-running inquiry into the National Electricity Market and enforce the Electricity Retail Code and electricity-specific provisions of the *Competition and Consumer Act 2010*.

The ACCC supports the proposed draft rule to amend the National Energy Retail Rules for the Australian Energy Regulator (AER) to develop a mandatory guideline on the preparation and issue of bills to small customers. As outlined in our previous submission, we consider that ensuring that bills are clear and useful to consumers is best realised by a mandatory AER guideline informed by behavioural insights research and consumer engagement.

Taking the time to develop an informed guideline presents opportunities both to acknowledge varying consumer preferences by testing flexible approaches to bill content requirements and to consider the value of a bill in helping consumers compare offers. We consider that providing clear, accessible and personalised information, particularly to help shop around for the best offer, will lead to more engaged and informed consumers. Increased consumer comprehension drives market competition, which is in the long-term interest of consumers and contributes to the advancement of the National Energy Retail Objective.

The case for an AER mandatory guideline

In our first submission, we highlighted that direct and enforceable regulation is appropriate where there may not be strong commercial incentives for retailers to comply with requirements, such as providing clear billing information and prompts to switch to a better offer.

While there are clear benefits to consumers of direct and enforceable regulation, a mandatory AER guideline can be responsive to changes in an ever-evolving market. The guideline will provide the opportunity for the AER to react quickly to industry developments, such as the introduction of the consumer data right and increased digitalisation, while also providing certainty to the industry. A billing guideline strikes the right balance between prescription and allowing for innovation. It can establish essential baseline protections for small customers and standardise key terms to minimise confusion, while also providing flexible options for other content, such as tiered, or opt-out, approaches and allow for timely revisions. We consider the draft rule's principle to 'protect all small customers while enabling retail market innovation, retail competition and consumer choice' will ensure this balance is prioritised in the AER's guideline development.

The development of a mandatory guideline also creates the opportunity for further research, consumer testing and consultation on how energy bills can most benefit consumers. In our previous inquiry, many stakeholders expressed their concerns in relation to bills and the lack of standardised terms, the inconsistency of bill formats and the amount of information included.¹ We concluded that any improvements should be made on the basis of consumer testing and consumer research, and warned of the significant risks in giving retailers freedom to choose what information is relevant to consumers. A mandatory guideline must also consider the cost to serve customers, so that the guideline delivers a net benefit to consumers. This will require engagement with retailers in developing the guideline.

In its development and revision of the Retail Pricing Information Guidelines (RPIG), the AER has undertaken consumer research and stakeholder consultation. It has also commissioned, jointly with the ACCC, research from the Behavioural Insights Team on *Testing Comprehension of the Reference Price* to provide new insights on the ways consumers understand electricity offers.² The AER will be able to build on this valuable experience in engaging with behavioural insights in developing the bill contents and requirements guideline.

We consider the AER is well placed to produce an effective and well-targeted mandatory guideline given the AER's experience, and ongoing commitment to improve consumer outcomes through the use of consumer and behavioural insights in AER guidelines and initiatives.³ We consider that the AEMC's proposed 12-month guideline development period will allow the AER to learn from existing consumer testing and research, conducted by both industry and government, while also conducting new research that builds upon this and reform initiatives implemented by the Victorian Government.

Factors to consider in the development of the guideline

We consider that there are a number of opportunities for the AER guideline to not only increase consumer comprehension of energy bills, but also to assist them to compare offers and switch. The AER should first establish what key information is necessary on a bill and how that can be clearly communicated. It should also test the value of including comparison information and tools on an energy bill, and the best way to do so.

The ACCC is conscious of the balance between necessary information and 'information-overload' when it comes to bills. In our previous inquiry, submissions highlighted that bills currently contain unnecessary and complex content, which limits consumer comprehension of bills.⁴ We also suggested how to improve the content and format of bills.

¹ ACCC, *Retail Electricity Pricing Inquiry – Final Report*, June 2017, pp.287-9.

² <https://www.accc.gov.au/business/industry-codes/electricity-retail-code>

³ AER, *AER Strategic Plan 2020-25*, December 2020, p.12.

⁴ ACCC, *Retail Electricity Pricing Inquiry – Final Report*, June 2017, pp.287-9.

We emphasised that accessibility must be considered in energy billing, as not all consumers are confident with, or have access to, the internet.⁵ Vulnerable consumers can easily be disadvantaged in an electronic environment, so access to paper bills, free of charge, is still important.

Given the varying preferences of consumers, we consider the development of an AER guideline provides an opportunity to research the value of flexible approaches to billing requirements. Although certain billing information may be identified as essential for all consumers, it is clear that many would prefer less information than currently appears on bills. As already noted in stakeholder feedback, a flexible approach to billing content may provide for standardised tiers of content that provide consumers with different content options or levels of detail depending on the product they select, their billing medium or their individual billing preferences.⁶

The opportunity to compare

We are particularly interested in the additional comparison function of an energy bill to help consumers find the best deal, given the evidence that consumers are ‘inattentive’ and the best time to attract attention is when something is top of mind. The arrival of a bill is the best natural trigger point to engage consumers and attract attention. We recommend that the AER consider the comparison function of an energy bill in its development of the guideline through consumer research and consultation. There are a number of comparison tools available that could be incorporated into energy bills, such as links to comparator websites, QR codes and a reference price.

We previously recommended strengthening the requirement to mention the government-run comparator websites, such as Energy Made Easy (EME). We suggested that retailers could be required to clearly and prominently display a link to the comparator website with a statement explaining that it can be used to check whether the consumer would be likely to save on their bill if they switched. Since the release of our previous inquiry final report in 2018, a number of developments have created other opportunities for consumers to compare energy offers, which present additional options to enhance billing content. The AER will be able to examine these options in its consumer testing and development of the guidelines.

An example of innovative regulation is the British government’s requirement for energy bills to contain a QR code. Customers can scan the QR code with their smartphone or tablet to make instant cross-market comparisons, with tariff and consumption data uploaded directly to price comparison sites for customers to compare offers.⁷ Although QR codes may not be appropriate for all billing formats and consumer types, technological innovations such as this demonstrate the value in simplifying the comparison process for consumers to reduce the time they need to invest in finding better offers. The AER may wish to explore how links or codes on bills could be used to streamline the EME user experience and further broaden its appeal and profile. The AER’s intention to compliment the independent price comparator with a switching service⁸ promises a powerful tool for navigating the market and as many consumers as possible should have the confidence and awareness to use it.

The AER could also research the value of comparison tools on bills for consumers who do not have access to the internet. One such tool is the reference price, as set out in the

⁵ Ibid, p.289.

⁶ Draft Rule Determination – National Energy Retail Amendment (Bill Contents And Billing Requirements) Rule, December 2020, p16.

⁷ <https://www.gov.uk/government/news/qr-codes-on-energy-bills-put-consumers-in-control>

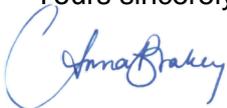
⁸ AER, *Strategic Plan 2020-2025*, December 2020, p.12.

Electricity Retail Code. The Electricity Retail Code requires electricity service providers in New South Wales, South Australia and south-east Queensland to provide a comparison percentage to the reference price when they advertise electricity offers. Having a comparison percentage to the reference price on a customer's bill could be an accessible point of comparison for considering alternative offers outside of price comparison websites.

The ACCC considers that further research is needed into the effectiveness of different comparison tools on an energy bill. Consumers may also benefit from a tiered approach to specifying comparison information with different methods more appropriate for different circumstances. We encourage the AER to consider these issues in its research and guideline development to deliver optimal outcomes for consumers.

If you have any questions in relation to this submission, please contact Lyn Camilleri, General Manager, Electricity Markets Branch, on (03) 9290 1973.

Yours sincerely



Anna Brakey
Commissioner