



31 January 2022

Australian Energy Regulator
Consumers, Policy & Markets Branch

Lodged via email: ConsumerPolicy@aer.gov.au

RE: Better Bills Guideline – draft decision

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to provide feedback on the Australian Energy Regulator's (AER) Better Bills Guideline draft decision.

About Shell Energy in Australia

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of gas, electricity, environmental products and energy productivity for commercial and industrial customers. Shell Energy is the second largest electricity provider to commercial and industrial businesses in Australia,¹ offering integrated solutions and market-leading customer satisfaction² built on industry expertise and personalised relationships, to over 4,500 customers (around 18 terawatt hours per annum). We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120-megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

www.shellenergy.com.au

General Comments

Shell Energy supports the AER's objective to create a Better Bill Guideline that *'ensures bills meet the needs of consumers, now and into the future in an efficient way that minimises cost and enables industry innovation'*.³ However, we have reservations that the Draft Guideline meets this objective for all small customers, particularly for small – medium business enterprise (SME) multi-site customers.

Shell Energy continues to believe that a more effective way for the AER to meet its objective is for the Better Bill Guideline to be separated out into residential and small business customer bill requirements as detailed in our previous submission to this consultation.⁴ We consider that only minimum information and accessibility requirements, covering the functional aspects of a bill, should be specified in a small business customer Billing Guideline. This provides retailers with the flexibility to tailor a small business bill and provide information via other more suitable channels, without overwhelming small business customers with information not relevant for their circumstances.

Our key concern is around SME multi-site customers who are effectively large enterprises that have multiple small sites aggregated under a single contract arrangement. These customers will typically receive a consolidated invoice which covers multiple property addresses. A consolidated bill typically includes a PDF with a summary of the first page of the total amount owing and a one-line breakdown for each property on subsequent pages. It is formatted in such a way to also allow the customer to meet other corporate obligations (i.e., includes an ABN for use as a tax invoice). Supplementary data is then provided which contains all the

¹ By load, based on Shell Energy analysis of publicly available data

² Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2020.

³ AER, Notice of Draft Instrument – Draft AER Better Bills Guideline – version 1 – December 2021

⁴ <https://www.aer.gov.au/system/files/Shell%20Energy%20-%20Submission%20to%20Better%20Bills%20Guideline%20consultation%20-%2017%20September%202021%20%28suitable%20for%20publication%29.pdf>



relevant data that sits behind the consolidated bill, such as energy usage. A customer can use this data to perform any analyses required to better understand their energy needs.

While our customer base is mostly over the 100MWh per annum consumption threshold and hence falls outside the protections of the National Energy Retail Rules (NERR), there are times, given the function of the existing regulatory framework, we are required to consider SME multi-site customers as a standing retail contract small customer. This is a direct result of how the current regulatory framework is drafted and does not deliver any practical benefits or protections for these business customers. This can result in suboptimal outcomes and restricts innovations for this customer segment. Our submission focusses on the unintended consequences of the Draft Guidelines for this cohort of customers.

Requirement to present billing information using a tiered approach

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).

The billing information requirements for these SME multi-site customers are outside of Rule 25 of the NERR - given the level of sophistication, resources, and engagement, this customer segment does not need the consumer protections set out in the NERL. In addition, the approach these SME multi-site customers take to energy procurement is vastly different to small, single site business and residential customers. They do not sign up to an energy contract through an online portal, comparator sites or through contact to a call centre. Rather, they engage brokers or run tender processes to assess service and prices from potential energy retailers, who respond formally to tender invitations/ requests by completing templates or adhering to tender format requirements. These customers typically require tariff detail unbundled and at a granular level, inconsistent with the presentation of tariff information to small customers which bundle network and energy costs. We have observed that our SME multi-site customers do not use their bill to compare offers, in fact often it is the accounts payable area that receive bills as just another invoice to pay, quite separate to the customers' energy procurement personnel looking to ensure the company has the best contract.

An issue raised in our previous submissions to the AER⁵, the AEMC⁶, and which is still unclear with the draft Guideline, is the implication for SME multi-site customer bills. There are circumstances where these customers automatically revert to being treated as a single site small customer under the regulatory framework and subject to the relevant consumer protections requirements of the NERR for a short period. For example, if the SME multi-site customer's energy contract ends before they procure a new contract or they are in the middle of transferring to another retailer. These customers are only classified as a small customer on a standing offer due to the technicalities of the regulatory framework. The customer's buying behaviour, level of sophistication and needs have not changed.

However, under the draft Guideline these ex-aggregated multi-sites, who were previously part of a consolidated invoice, will receive a bill in a different format and with different information to that of their previous energy bills. For example, the ex-aggregated multi-sites customer will receive information about EnergyMadeEasy, Energy Ombudsman contact information, and potentially a 'best-offer' message - information which is not relevant to the SME multi-site customer given their energy procurement approach. Rather than enabling the customer to understand their bill, the tiered approach outlined in the draft Guideline is impracticable, costly to serve and confusing for the ex-aggregated multi-site customer. Shell Energy does not consider that this approach meets the Billing Principle; that the AER must take into account - *'whether the requirements in the billing guideline are effective and proportionate to the expected benefits that result from achieving the relevant part of the bill objective'*.⁷

Shell Energy recommends the AER **exclude from the Better Bills Guideline ex-aggregated SME multi-site customers** - those who receive a single bill in respect to the provision of customer retail services at two or more premises and are only classified as a small customer for a short period due to technical drafting of the

⁵ <https://www.aer.gov.au/system/files/Shell%20Energy%20-%20Submission%20to%20Better%20Bills%20Guideline%20consultation%20-%2017%20September%202021%20%28suitable%20for%20publication%29.pdf>

⁶ https://www.aemc.gov.au/sites/default/files/documents/rule_change_submission_-_rrc0036_-_erm_power_-_20201021.pdf

⁷ AER Draft Better Bills Guideline – Notice of Draft Instrument for consultation, pg 8



regulatory framework. This will allow SME multi-site customers to continue to be treated as aggregated and will enable retailers to continue to deliver a streamlined bill format and effective customer service.

'Best offer' information

As noted in our previous submission, Shell Energy considers that the concept of 'best offer' is not practical for SME multi-site customers. Shell Energy does not consider the benefit for SME multi-site customers are proportionate to the resulting retailer costs. We note that the Essential Services Commission of Victoria (ESCV) excluded multi-site customers from 'best-offer' obligations in Victoria, noting in its Final Decision that *'there is merit in excluding multi-site customers. This is on the basis that, when aggregated, these customers are often not small businesses of the sort targeted by these changes'*.⁸ Shell Energy recommends that the AER align with the ESCV's approach.

While single-site customers are dependent on generally available offers made by retailers, SME multi-site customers are contracted via sophisticated contract negotiation process using third party brokers, direct submissions to tender requirements, and other means. The pricing and contract terms and conditions over the term of the contract are fully transparent to the customer and vigorously reviewed by their legal and finance team. Price to the multi-site customer, in essence, is not just determined by the offer in the general market, but on a variety of other factors such as network costs, current wholesale price and other benefits that can be offered by the retailer to the customer. A requirement to regularly provide multi-site customers with a 'best offer' is likely to cause confusion to multi-site customers and is impracticable for consolidated invoices.

Further, a 'best offer' will be misleading for a small business customer who has a sculptured tariff or varied load. The 'best offer' is only suitable for residential customers whose loads are more predictable and even patterned rather than business customers. For example, a small business customer such as a restaurant who was trading 6 days per week in the past 12 months may reduce its service to 5 days per week. Providing a 'best offer' calculation based on a historical 6 days of energy usage will be a misleading representation of future usage for this customer and will not actually provide any valuable information for the customer's current and future needs.

If the AER considers a 'best offer' message is required, we recommend the AER take a similar approach to the ESCV and **exclude small business premises where the customer receives a single bill in respect to the provision of customer retail services at two or more premises.**

Conclusion

Shell Energy continues to support an approach where a Billing Guideline 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. We recommend that the AER consider the different information needs of residential, small business customers, and ex-aggregated multi-site customers when it comes to energy bills. There are risks of unintended consequences if the one-size fits all approach of the Draft Guideline proceeds. Real beneficial outcomes could be achieved for all small customers if the Guidelines provide retailers with the flexibility to deliver this.

Shell Energy welcomes the opportunity to discuss our submission further with the AER. Please contact Carmel Forbes at [REDACTED] or [REDACTED]

Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs
[REDACTED] – [REDACTED]

⁸ Essential Services Commission 2018, Building trust through new customer entitlements in the retail energy market: Final Decision, 30 October 2018