31 January 2022

General Manager – Strategic Policy and Energy Systems Innovation Branch
Australian Energy Regulator
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Notice of draft instrument: Draft AER Better Bills Guideline

Alinta Energy welcomes the opportunity to respond to the Australian Energy Regulator's draft Better Bills Guideline.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of more than 3,000MW and 1 million electricity and gas customers has a strong interest in the development and application of the Guideline, which will have a significant impact on the way energy retailers prepare and present billing information to their customers.

While the draft Guideline's objectives and some of its requirements are logical, other parts are likely to be of limited benefit to consumers and will simply add to the cost of participating in the energy market for retailers. We suggest an appropriate approach would be for the AER to both grant and support flexibility where retail bills already comply with the intent of the Guideline, or for the AER to consult directly with retailers where they propose changes to their billing systems to meet both the spirit of, and practical compliance with, the Guideline.

Areas of the draft guideline that we have concerns with are discussed below.

Best offer requirement

Experience in Victoria with the 'Best offer' requirements under the Energy Retail Code has revealed limited benefits associated with the obligation on retailers. Customers receive a message informing them of the availability of a better offer, yet very few customers act upon the message.

A key reason for low customer engagement with the best offer information is that the requirement is superfluous to the primary purpose of the bill; to inform customers of their usage, costs, how to pay and by when. Customers generally do not engage with bill messages and this additional information on the front of the bill distracts from what consumers are principally concerned with when they receive their bill. Better offers may also involve direct debit arrangements, which some customers may not wish to adopt.

We do not believe the benefits of including the better offer requirement in the guideline will exceed the cost of implementing it for all customers covered by the National Energy Customer Framework for gas and electricity (noting that if placed on every bill, the message will be printed twelve times a year for monthly billed customers).

Plan Summary

The addition of the proposed plan summary to the bill will impose significant costs and involve complex design, testing and implementation challenges for retailers despite containing information that is repeated in other parts of the bill.

In relation to customer switching, the AER's own research, undertaken by BETA, indicated that a plan summary did not further customer comprehension on the calculation of their bill as customers are already familiar with the invoice structure common across retailers.[1] BETA's research also indicated that the inclusion of a plan summary was not a trigger for customer switching or comparison of offers across retailers.[2]

Duplicating data on the bill is likely to result in customer confusion. It would be preferable for the obligation to require retailers to make it clear how bills are calculated; given customer familiarity is already high with this existing detail in bills.

Tiering of information and design principles

Alinta Energy supports good design principles and the presentation of clear, logical and easily comprehensible information on retail energy bills. However the tiered approach to information set out in the draft Guideline will, we consider, require almost all retailers to amend their current bills in order to comply, automatically imposing material costs (in addition to the substantial costs imposed by the better offer and plan summary requirements). Any potential benefits have not been quantified, and would, in any case, be difficult to reliably measure.

Given the opaque nature of potential benefits (but certain costs), Alinta Energy recommends that the AER allow some flexibility within the Guideline to allow retailers to present additional information on the front page that could allow retailers to inform customers of benefits associated with their plan, access to monthly billing or other promotional and marketing messages. Placing such messages after the first page of the bill substantially reduces customer engagement.

We propose that, if tiering is to proceed, this free text/bespoke retailer information be allowed in addition to tier one information on the first page of the bill, and that tier two information may appear on any page after the first page and would not take precedence over other information a retailer chose to include on their bill.

With respect to the design principles, Alinta Energy supports their intent, but is unclear how some of these principles would be regulated in practice. For example, retailers cannot guarantee that customer comprehension or understanding has been improved, and it would be extraordinarily inappropriate and highly subjective for a compliance obligation to be measured through focus groups and feedback from customer interviews, as well as imposing additional ongoing cost on retailers. Each retailer would apply different approaches to surveys and questionnaires; this lack of consistency would not demonstrate any (subjectively assessed) improvements in customer understanding in a uniform way. This aspect of the Guideline requires further discussion with Industry prior to its finalisation.

We appreciate in drafting the Guideline, the AER has needed to consider a broad range of matters and feedback from BETA's research and other consultants, engage with

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[1] BETA (2021), *Improving Energy Bills Final Report*, page 46.
[2] Ibid., page 44.

stakeholders through its workshops and consult more widely in order to arrive at a workable solution to implement the Final Rule.

However, Alinta Energy believes that the "better offer" and "plan summary" requirements should not be incorporated into the Guideline at this stage given the lack of demonstrable benefits for making these changes and substantial cost facing authorised retailers should they need to add these elements.

In addition, whilst we accept that the design principles and tiered approach has merit, we strongly recommend flexibility in both implementation and enforcing compliance with the Guideline and strongly encourage the AER to work closely with retailers as they present their proposed solutions to implement the Guideline. Specifically, before significant investment in changes can be made, Alinta Energy believes retailers will need to consult closely with the AER to ensure that their approach will satisfy the requirements of the final Guideline. This is particularly important given the uncertainty on whether any changes to billing systems and the resulting bill will comply with the requirements of the Guideline. As previously stated this concern is greatest around compliance with subjective design principles.

Whilst we appreciate the March 2023 time frame for full compliance, this may also require flexibility from the AER to allow these (potentially iterative) discussions to occur and be incorporated into any design changes. We also note that other significant projects (such as the Consumer Data Right) will require material investment by all retailers over the same period.

Alinta Energy welcomes close engagement with the AER as it finalises the Guideline in April 2022. Please contact David Calder (Manager, Regulatory Strategy) on [redacted] in the first instance.

Yours sincerely,

Graeme Hamilton
General Manager, Government and Regulatory Affairs

Question 1: Given the requirement of the rule for the guideline to take effect by 31 March 2023, what actions need to be taken to ensure that this can occur? How might risks or challenges be overcome?

Once the Guideline is finalised, retailers will need to work closely with the AER to ensure that billing and related system changes proposed will comply with its requirements. The AER will ideally allow access to subject matter experts working on the Guideline to provide confidence that retailers are implementing systems and processes that will be compliant. This may also require flexibility with respect to the 31 March 2023 deadline, to provide a transitional period that acknowledges the iterative consultative process with the AER and its impact on retailers' implementation schedules.

Further engagement with the AER on compliance with design principles, is paramount given the subjective nature of compliance with a "principle"

Question 2: Noting the proposed consistency and simplification of bills in the draft Guideline, would this reduce the cost to serve? If so, how and by how much?

Question 3: Beyond the Guideline, in what other ways could the retail market regulatory framework be simplified? What impact would this have in terms of quantified relative costs and benefits?

There is no evidence that consistency and simplification of bills under the Guideline will reduce cost to serve. Retailers have individual billing systems, customer relationship management systems and other process that differ and have been adapted over time to comply with regulatory obligations and the retailer's own commercial objectives. *Any* change to complex IT systems will result in costs.

Question 2 is based on the premise that costs arising from customers being unable to adequately understand their bill (and subsequent cost to service impacts arising from inbound contact centre inquiries) will decrease once the Guideline is in force and bills are issued in line with its requirements. While the costs of implementing the draft Guideline (assuming it was the final) can be estimated by retailers, Alinta Energy is concerned that there has been only anecdotal evidence and no quantification of benefits associated with elements of the Guideline.

While we acknowledge the AER is seeking to identify opportunities to decrease cost to serve, any change to billing processes and systems will result in increased cost to serve with certainty, while the benefits of the change are unknown and not quantified. This is not consistent with the AEMC's rule determination, where they note:

> *The Commission agrees that consideration of **costs**, **relative to benefits**, will be an important part of the guideline process, as indicated by principles concerning costs and proportionality to which the AER must have regard. As such, the Commission considers that the AER **would have regard** to the **costs and benefits of each billing requirement** in **developing** and amending the guideline.*[3]

We do not believe the full benefits resulting from the Guideline's implementation in its current form have been demonstrated. This is particularly the case for the proposed Better Offer and

[3] AEMC (2021), *Rule Determination - Bill contents and billing requirements*, page 35.

Plan Summary requirements, which both involve significant and complex changes to retail billing systems and processes, and ongoing costs to maintain compliance. The burden of proof of any regulatory change, that the benefits of the additional regulation outweigh its implementation and ongoing costs, appropriately sit with the proponent. It should not rest solely on those impacted by the change to demonstrate the counter case. . It is therefore the responsibility of the AER to provide evidenced based cost benefit analysis, in the absence of which further consideration must be given to the value of, and introduction of any guideline

While the Guideline may present an opportunity to streamline and simplify the regulation of bill contents in NECF jurisdictions, differences will remain with Victoria and the Guideline itself is additive to the existing (comprehensive) regulatory framework retailers need to comply with. The Guideline regulates not just bill content, but the flexibility of retailers to communicate, differentiate and compete via the bill. Piecemeal regulatory changes over a number of years (customer switching, retail price information guideline changes, etc.), have added to, rather than reduced, the complexity of regulation, whereby we question its relevancy as a consideration in this instance.

It is outside of the scope of the AER's Notice of the draft Guideline consultation to undertake a full review of the regulation of energy retail markets. We anticipate further significant changes through the implementation of the CDR, embedded networks and Energy Security Board market design initiatives in the short to medium term and do not see an opportunity when a full review of the regulatory regime could be undertaken. Nevertheless, it will be overdue when it is undertaken.

Question 4: Are there any significant reasons why the proposed design principles should not be adopted? What are the relevant benefits and quantified costs the AER should consider? We invite stakeholders to provide evidence of research and testing with their responses.

Practically measuring consumer comprehension of bill contents and information following the implementation of the Guideline (as a key output of the design principles) will be difficult to undertake consistently and objectively. Retailers engage in customer research and feedback to test new products and also changes to bill design, but historically these have been undertaken on a private, competitive basis. Requiring retailers to undertake mandatory research to confirm the efficacy of design principles set out in the Guideline adds significant cost and an excessive regulatory oversight.

We would welcome further discussion with the AER on its expectations regarding measuring the usefulness of the design principles and comprehension and the AER's expectations (in particular relating to part 18 of the draft guideline).

Subjective principles based design criteria cannot be included in the Guideline as compliance obligations.

Question 5: What are the costs and benefits associated with the proposed tiering requirements?

Question 6: Do stakeholders consider there is other information that should be included in the standardised plan summary to enhance comprehension and make it easier to compare plans? E.g. benefit conditions, payment options (direct debit only), bill frequency. What are the relative costs and benefits of including this information?

Question 7: Do stakeholders consider there is specific or different information that should be provided for small and medium businesses who fit the definition of 'small customer'? What type of information is required and why? E.g. Australian Business Number, Australian Company Number, bill issue date. What are the relative costs and benefits of requiring this information?

(Question 5), Alinta Energy is skeptical of the value of including some of the tier one information on the first page of the bill. For example, while including the National Meter Identifier or Delivery Point Identifier/Meter Identification Reference Number on a bill may assist when a customer wishes to switch retailers, for the majority of customers most of the time, it is a technical detail that adds nothing to the comprehension of their bill. When customers require their meter identifier for the purposes of switching retailers or resolving an issue with their retailer, it can be readily found on the second page of most retailers' bills now. There is also the complexity of managing small customers with multiple NMIs/DPIs/MIRNs and placing these separately on the front page. This proposal is one clear example of imposing additional costs on retailers, with no demonstrated customer benefit.

Tiering will automatically require bill redesign, reordering and testing, which will involve significant costs and resources to implement. Most customers are familiar with their *existing* bill formats, which are similar across the diverse pool of active retailers today. Changing the status quo will also create search and comprehension costs on customers. Allowing retailers to determine the order of tier two information and other information they wish to include on a bill after the first page would be one way of minimising the cost of implementation.

Changes to existing billing systems and processes will inevitably increase the cost to serve and Alinta Energy urges the AER to work collaboratively with retailers to minimise this cost and support flexible approaches where these are consistent with the objectives and requirements of the Guideline.

(Question 6) As discussed earlier in this response, Alinta Energy does not support the inclusion of a plan summary as it duplicates information included elsewhere in the bill and will be costly to implement. It is also considered tier two information, meaning that it will not be prominent (on the first page) of the bill, reducing the likely engaging customers will have with the data it contains. Adding an increasing number of variables to the plan summary will amplify the cost of its implementation and management over time. Conditional product features like direct debit are provided to the AER under the Retail Price Information Guideline currently for the provision of basic and detailed plan information documents.

(Question 7) Alinta Energy believes small business customers have adequate awareness of their bill as an invoice for an input cost to their business activities. It is unclear what additional benefits might be associated with including information they are intimately aware of (such as their ABN and ACN).

Question 8: What are the quantified costs to retailers of providing better offer information of the type described above?

Question 9: What are the benefits to customers and the market?

Question 10: What are the challenges associated with providing better offer information in a bill where the customer does not have a smart meter or has an accumulation meter?

Question 11: Other than billing information, what barriers or challenges do customers face when seeking to access the best energy plan for them?

Question 12: What other feedback do stakeholders have in relation to the approach proposed/methodology above?

(Question 8) The cost of implementing the better offer information described in the draft Guideline is material for Alinta Energy. We will provide this information in confidence separately from this response. The cumulative cost of implementing all elements of the draft Guideline are significant and come at a time where retailers are required to manage other substantial changes caused by regulatory and other market interventions (in particular the CDR). The obligation to undertake the better offer calculation on the basis of either 100 days or billing frequency will be onerous for customers billed on a monthly basis.

(Question 9) As we discuss above, Alinta Energy believes the benefits of presenting better offer information on bills is limited. In Victoria, as a 'call to action', the best offer requirement has not led to customers contacting retailers to take up or learn more about an offer that may be more suitable to their circumstances. Measuring the likely benefits, while difficult, should be required to adequately assess the full costs and benefits of imposing this new requirement on retailers.

(Question 10) Where customers do not have a smart meter, the accuracy and timeliness of data used to calculate a better offer will invariably be less than where advanced metering is installed. This will be a challenge for many electricity customers as the roll out of advanced meters continues and will not likely be resolved for gas customers for the foreseeable future.

(Question 11) We would refute the assertion that retailers somehow make it difficult for customers to access better offers that may be available to them. It is in a retailer's interests to provide products and services that best meet the needs of their customers and retain their business , given the initial costs to market too and acquire customers are significant.

Question 13: What do stakeholders consider are the most appropriate measures of impact or success for the Guideline?

Question 14: How should impact or success be communicated?

(Question13) It will be difficult to measure the benefits of the Guideline objectively in our view. Once changes have been made by retailers to comply with the Guideline, there will be ongoing costs of managing this compliance in addition to the implementation costs (and the opportunity costs for retailers of diverting resources to implementation). The AER could commission additional surveys to measure customer awareness and engagement with elements of the Guideline over time, but we regard this as a subjective and unreliable approach.

Given the complexity of the regulatory environment for retail energy, it is challenging to isolate the impacts of one part of the regime given the overlap that exists at present. This will be further challenged with the introduction of the CDR and changes through the ESB's recommendations (particularly in relation to Distributed Energy Resources).