

Submission to Australian Energy Regulator – Better Bills Guideline

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Australian Energy Regulator
Consumer Policy Team, Attn. Mark Feather
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Dear Consumer Policy Team

Thank you for the opportunity to provide a submission on the *Better Bills Guideline*. Consumer Policy Research Centre (CPRC) aims to create fairer, safer and inclusive markets by undertaking consumer and policy research and working with leading regulators, policymakers, businesses, academics and community advocates.

Our submission draws on CPRC's partnership report with Dr Larissa Nicholls and Dr Kari Dahlgren, *Consumer Experiences following Energy Market Reforms in Victoria: Qualitative Research with Community Support Workers FINAL REPORT*.¹

We also draw on CPRC's outreach work where we have been working with various consumers experiencing vulnerability to access the Power Saving Bonus – a Victorian Government program to provide concession card holders \$250. Where COVID restrictions have allowed, the CPRC Outreach team has provided in-person assistance to households predominantly in public housing estates across Melbourne. This in-person support enables our Outreach team to collect valuable insights about consumer experiences in the Victorian energy market, including how people interact with their energy bill, key information provided on or missing from energy bills and consumers' experiences in Victoria's energy market. The team also supports consumers in identifying their eligibility for Utility Relief Grants (URGs), ensuring concessions have been applied and providing a tariff check via the Best Available Offer. Between 1 March and 15 July 2021, the Outreach team provided in-person support to 2,667 individuals to apply for the Power Saving Bonus and the experiences of those individuals is the basis for some of the key findings outlined in this submission.

¹ Consumer Policy Research Centre, 'Consumer experiences following energy market reforms in Victoria (quarter 4 final report)', *interviews report for the Essential Services Commission*, June 2021 <https://www.esc.vic.gov.au/sites/default/files/documents/Q4%20ConsumerExperiencesEnergyMarketReforms%2022062021%20%281%29.pdf>

We welcome the AER's design principles, clear reference to inclusive design to improve consumer comprehension of energy bills and tiered approach to information requirements on the first page of bills. The BETA findings provide clear evidence for the need to simplify key information to facilitate greater consumer comprehension. In this submission we outline our response and recommendations to key information and bill design elements.

Concessions

For the 6.6million concession-card holders around Australia, quickly identifying whether entitlements have been applied to a bill is key to ensuring energy bills are affordable.² Our outreach team identified 548 (21%) of households eligible for the Power Saving Bonus did not have their Annual Electricity Concession (a 17.5% saving for concession card holders on energy bills in Victoria) applied to their bill. As identified by Nicholls and Dalhgren, there are a range of other factors why consumers miss out on concessions, including:

- 'low customer awareness that concession details need to be updated regularly;
- customers with expired concessions not contacted by their retailer to seek current concession details;
- concessions not applied to bills even when concession details are current in the retailer's system;
- minor client name spelling differences between Centrelink and retailer systems prevent access to concessions and especially impact migrants with unfamiliar names or non-traditional name structures;
- pay-on-time discounts understood by some households as receipt of applicable concessions; and
- concessions are sometimes applied to an electricity bill but not a gas bill with the same provider'.³

While the research found that once identified, retailers 'are usually willing to backdate missed concessions for up to 12 months',⁴ the responsibility lies with consumers to notify their retailers whenever their concession details change and to identify missing concessions. Including concession information as a standardised line item (e.g. "concession applied/expired/NA") may be a useful prompt where eligible consumers have missed out on a concession.

Ensuring concessions data is up-to-date on bills can be onerous for consumers, especially those experiencing vulnerability. While beyond the scope of the Better Bills guideline, we encourage the AER and retailers to consider how an effective concessions process can be automated by retailers, to avoid unnecessary burden for consumers experiencing vulnerabilities and to ensure bills are more affordable. As outlined in our submission to the Essential Services Commission (ESC) on the review of the Payment Difficulty Framework (PDF), there are currently examples of retailers delivering this kind of automated process.⁵ An automated process would reduce costs for both consumers and retailers – improving

² <https://www.afr.com/politics/federal/djokovic-gets-vaccine-exemption-to-play-at-australian-open-20220105-p59lwc>

³ CPRC, 'Consumer experiences following energy market reforms in Victoria', 28-30.

⁴ Ibid., 7.

⁵ CPRC, *Submission to the Essential Services Commission – Energy payment difficulty framework implementation review*, 3rd December 2021, <https://cprc.org.au/publications/submission-to-the-esc-on-payment-difficulty-framework-implementation-review/>

affordability for low-income consumers on concessions, which in turn may reduce retailer costs through avoided hardship debt and program costs.

Recommendation 1: the AER categorise information relating to concessions as tier 1 information

Recommendation 2: the AER and retailers consider a process to automate concessions validation

Bill layout

The BETA comprehension testing found 20-30% of consumers could not identify key information on BETA's experimental bill – including amount due, due date, NMI and discount applied.⁶ Standardising the location of tier 1 information on the first page of the bill would enable ease of identifying key information. It would also support community workers and financial counsellors to assist consumers more easily – to quickly identify arrears and due dates, whether concessions have been applied, key information for assistance mechanisms, information required for switching or dispute resolution and to develop educational materials for increasing energy literacy in the community.

Standardising key information can also help to implement new government reforms and initiatives. Our Outreach team found delivering the Victorian Government's Power Saving Bonus was complicated by the variable locations of NMI information across different retailer bills, especially when assisting consumers over the phone. Standardised location of tier 1 information can therefore better enable policymakers, regulators, consumer groups and retailers to develop communications about future energy reforms that might require key information – for example, NMI and account number to switch via government comparator or Consumer Data Right processes.

Recommendation 3: the AER standardise the location of tier 1 information

Email notification requirements

As identified by Nicholls and Dahlgren, retailers have tended to push towards email billing which has the effect of reducing the visibility of key bill information, undermining attempts to educate and engage energy consumers, limiting the efficacy of Best Available Offer information, and reducing opportunities for consumers to address missing concessions.⁷ BETA's research found 14% of respondents reported they did not open emailed bills.⁸ However, the actual rate may be significantly higher taking into account consumers who rely on their mobile as their primary internet connection (9.6%), consumers with a high digital exclusion (11%), as well as differences between stated and revealed behaviour.⁹ A further issue with electronic billing was uncovered by CPRC's Outreach team where the link for an email bill had "expired", preventing outreach staff to assist the consumer. Accordingly, there is significant value in the AER requiring key details to be embedded in the body of the bill

⁶ Behavioural Economics Team of the Australian Government, *Improving energy bills: final Report – A report for the Australian Energy Regulator*, October 2021, 33.

⁷ CPRC, 'Consumer experiences following energy market reforms in Victoria',

⁸ BETA, *Improving energy bills*, 14.

⁹ Thomas, J., Barraket, J., Parkinson, S., Wilson, C., Holcombe-James, I., Kennedy, J., Mannell, K., Brydon, A. *Australian Digital Inclusion Index: 2021*. (Melbourne: RMIT, Swinburne University of Technology, and Telstra, 2021), <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

notification email to help prompt consumers to engage with their bill. CPRC suggests this information could be limited to the amount due, due date, best available offer, concession applied/not applied, NMI and even simplistic usage.

Recommendation 4: the AER consider developing a minimum information requirement for information contained in emails – even where the full bill is attached

Best Available Offer

We welcome the AER’s proposal to introduce the Best Available Offer on bills for NECF states. As outlined in our previous submission, CPRC has found this mechanism invaluable in quickly assisting consumers experiencing vulnerability to move onto better offers. While it hinges on another consumer protection, in particular to Victoria’s PDF, Nicholls and Dahlgren found retailers are increasingly proactive in ensuring consumers experiencing payment difficulty are on the best available offer – automatically checking for better offers as a matter of standard process.

We recognise that adopting the same language as the Best Available Offer as developed by the ESC provides some harmonisation between Victoria and NECF states, and therefore should be cheaper and quicker for national retailers to implement. However, we would highlight the issues with the current wording of the Best Available Offer.¹⁰ CPRC urges the ESC and AER to consider further behavioural testing here to improve consumer comprehension as part of a process of continuous improvement. We also suggest that Best Available Offer information be presented in neutral colours rather than in branded colours – insights from our Outreach team suggests some consumers disregarded the best available offer as “marketing” rather than a regulated price disclosure mechanism.

Recommendation 5: the AER and ESC continue conduct further behavioural testing to improve consumer comprehension of the Best Available Offer framing

While the introduction of the Best Available Offer mechanism is welcomed, CPRC’s own experience when assisting consumers in public housing found it is as important for retailers to implement effective call centre training to ensure they can quickly and seamlessly assist consumers to move to the Best Available Offer with ease. As outlined in our submission to the ESC, some retailers have largely automated the process to switch to their best offer.¹¹ For others, it can take Outreach staff up to an hour to facilitate this switch, with common steps in the switching process suggesting “a ploy to make people give up in frustration”.¹² In conducting mystery shopping exercises, CPRC has found some call centre staff are completely unaware of the Best Available Offer mechanism, routinely identifying (quarterly) bills without the required Best Available Offer information. Ultimately, if retailers inadvertently or deliberately create significant barriers when consumers seek to switch offers, they undermine the efficacy of this reform.

Recommendation 6: the AER audit the retailers’ implementation of the Best Available Offer to ensure the mechanism works as designed

¹⁰ CPRC, ‘Consumer experiences following energy market reforms in Victoria’, 31-32.

¹¹ CPRC, *Submission to the ESC – PDF implementation review*.

¹² *Ibid*.

Our Outreach team has found evidence of widespread unawareness of the Best Available Offer mechanism on bills among the low-income cohort targeted for the Power Saving Bonus. Of the 2,667 households our Outreach team supported between 1 March and 15 July 2021, 50% (1,324) households were not on the Best Available Offer, missing out on an average annual saving of \$167. Moreover, of those households where CPRC identified a Best Available Offer left on the table, 13% (175 households) were able to save in excess of \$300.¹³

To ensure consumers the benefits of this mechanism, a well-resourced awareness and education campaign that is supported by the industry will help consumers, financial counsellors, community workers and retailers themselves become more acutely aware of the new entitlement.

Recommendation 7: the AER engage in a consumer facing awareness raising campaign to highlight the introduction of the new mechanism

While adopting tiered information and principles for bill design may improve awareness and uptake of this mechanism, we suggest there may also be value in considering a mechanism to default consumers experiencing vulnerability to the Best Available Offer.¹⁴ Drawing on Energy Consumers Australia's *Consumer Sentiment Survey*, Byrne and Martin found statistically significant evidence that lower income consumers are less likely to engage in search and switching behaviour.¹⁵ Byrne and Martin point to evidence elsewhere 'implying lower-income households suffer disproportionately from behavioural biases'.¹⁶ In our view, it may be more beneficial for retailers to switch low income consumers with concessions onto the Best Available Offer, regardless of whether they are in payment difficulty, to avoid accruing arrears among those least able to pay.

Recommendation 8: Retailers consider a mechanism to default vulnerable consumers to the Best Available Offer

Implementation and evaluation of reforms

To ensure retailers are compliant with the guidelines within the stated timeframe, there may be value in the in AER developing a "white label" bill artifact, to help ensure new/smaller retailers are compliant with the guideline. The AER might consider using the experimental bill developed by BETA as the basis for the "white label" compliant format.

Noting the AER has proposed retailers are best placed to design their own bills, we would echo others who have proposed a shift to outcomes-based regulation relating to disclosure documents – placing the onus of good consumer outcomes on industry itself.¹⁷ We note the BETA study found this relatively simple and "clean" experimental bill delivered 65% comprehension among consumers. The AER might consider this "white label" bill could

¹³ Ibid.

¹⁴ Ibid.

¹⁵ David P Byrne Leslie A Martin, *Consumer Search and Income Inequality* (February 2, 2021). Available at SSRN: <https://ssrn.com/abstract=3773860>

¹⁶ Ibid.

¹⁷ <https://www.bi.team/blogs/beyond-disclosure/>

provide a useful benchmark for comprehension testing of retailers' own bill designs, requiring retailer designs exceed the BETA bill and ideally, continue improving on this comprehension rate, as measured by the BETA RCT methodology with results published or provided to the regulator.

Recommendation 9: the AER consider ongoing comprehension testing of retailers' bills, using the BETA experimental bill and results as a benchmark

For further discussion regarding our research and the contents of this submission, please contact Ben Martin Hobbs, Senior Research and Policy Manager at

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Yours sincerely



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