

Notice of Draft Instrument:

Draft AER Better Bills Guideline

20 December 2021

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Contents

1	About this document	5
1.1	Introduction	5
1.2	Background.....	6
1.3	Role of the Better Bills Guideline	7
1.4	AER enforcement of the National Energy Retail Rules and National Energy Retail Law	10
2	Version history and effective date	12
3	Overview of consultation and research	13
3.1	AEMC rule change development and consultation	13
3.2	AER consumer and behavioural insights	13
3.3	AER consultation and engagement	16
4	Submissions to this draft Guideline and Notice of Draft Instrument .	18
4.1	Publishing submissions.....	18
5	Implementation considerations	19
5.1	Implementation costs and timeframes	19
5.2	Opportunities to simplify the retail market regulatory framework to reduce cost to serve	21
6	Design principles	24
6.1	Research and Stakeholder Submissions	24
6.2	AER position	28
7	Requirement to present billing information using a tiered approach	30
7.1	Research	30
7.2	Stakeholder views.....	32
7.3	AER Position.....	33
8	Better Offer	40
8.1	Research.....	40

8.2 Stakeholder views.....	40
8.3 AER position	41
9 Monitoring and measuring the impact of the Guideline.....	45
10 Delivery of bills	46
11 Attachment A – Victorian ‘best offer’ requirement	48

1 About this document

1.1 Introduction

Bills are currently a key source of information and engagement between consumers and energy retailers. Consumers expect bills to be simple and easy to understand. Small customers rely on their energy bill for information about how and when to pay, and to understand their energy usage, costs and how to get help. By providing simple information that is easy to understand, bills can help build customer trust and confidence in their retailer and the energy market. The information in bills also helps customers to make confident decisions, such as making sure they are on the best deal for them or shopping around for a better deal.¹

However, over time, energy bills have become cluttered, complex and confusing. This can lead to household and small business customers paying more than necessary for their electricity and gas and to confusion among customers about paying bills.²

The Australian Energy Regulator (AER) is seeking to address this problem and improve consumer outcomes. During 2020–2025, we are prioritising:

- improving consumer outcomes while reducing cost to serve by boosting consumer and behavioural insights and applying them across AER initiatives, including this Better Bills Guideline;
- developing a vulnerability strategy to inform work across the AER and consideration of consumer issues; and
- advocating to simplify the retail market regulatory framework to encourage effective competition and reduce cost to serve.

Our Better Bills Guideline ('the Guideline') presents an opportunity to address the current issues with energy bills. There are many current and potential engagement points between consumers, retailers and the market, and the purpose or style of engagement is likely to change in the transitioning market. For example, as Ron Ben-David's submission to our September consultation noted, distributed energy resources, microgrids, virtual power plants, dynamic operating envelopes, time of use tariffs, dynamic tariffs, demand-side management and peer-to-peer trading will all come with their own informational requirements for particular consumers, and will influence the information consumers want and need.³ It is important to acknowledge that energy bills are one point of contact and engagement that is important for many consumers and retailers, and that consumer needs and preferences are diverse.

We are also conscious of not unnecessarily increasing retailers' cost to serve, acknowledging that cost increases will ultimately be passed onto consumers. Our goal

¹ BETA (Behavioural Economics Team of the Australian Government), [Improving Energy Bills: Literature Review](#), Department of the Prime Minister and Cabinet, October 2021, pp 21-23

² BETA, [Improving Energy Bills: Literature Review](#), p 11.

³ R Ben-David, [Submission to Better Bills Guideline Consultation](#), 22 September 2021, p 10.

is to create a guideline that ensures bills meet the needs of consumers, now and into the future, in an efficient way which minimises cost and enables industry innovation.

The AER has developed this Draft Better Bills Guideline (draft Guideline) to set out how the AER proposes energy retailers must prepare and issue bills to small customers. We intend that these requirements will:

- simplify energy bills and make bills easier for consumers to understand;
- strengthen the ability of consumers to make informed decisions in their best interests;
- enable innovation and promote effective competition; and
- simplify the regulatory framework to reduce the cost to serve for retailers.

By ensuring energy bills are fit for purpose, the draft Guideline takes forward the AER's commitment to ensuring energy consumers are better off now and into the future.

This Notice of Draft Instrument (Notice) accompanies the AER's draft Guideline.⁴ It explains how and why the AER has arrived at the requirements outlined in the draft Guideline, and seeks stakeholders' feedback on the draft Guideline.

1.2 Background

On 17 April 2020, the Hon Angus Taylor MP (then Minister for Energy and Emissions Reduction, now Minister for Industry, Energy and Emissions Reduction), lodged a rule change request with the Australian Energy Market Commission (AEMC). The Minister's rule change proposed amending rule 25 of the *National Energy Retail Rules* (Retail Rules) to allow for the development of an enforceable Better Billing Guideline.

Noting the problems with energy bills outlined above, the rule change proposal proposed the AER make an enforceable Better Bills Guideline to improve consumer and market outcomes, including:

- simpler and more understandable bills for all consumers;
- improved transparency and consistency of billing information across the retail sector;
- increased consumer confidence to participate in the market and make informed decisions;
- increased knowledge of Energy Made Easy and other resources;
- ensuring methods of bill delivery may be mandated where it is in the best interests of consumers; and
- driving improvements in competition.⁵

⁴ The draft Guideline can be accessed at the AER website.

⁵ The Hon Angus Taylor MP, (then Minister for Energy and Emissions Reduction), Minister for Industry, Energy and Emissions Reduction, [Better Bills – AEMC Rule Change Request](#), AEMC (Australian Energy Market Commission), April 2020.

On 18 March 2021, the AEMC published the *Rule Determination: Bill Contents and Billing Requirements* (final determination) and *National Energy Retail Amendment (Bill contents and billing requirements) Rule 2021 No. 2* (final rule).⁶ The final rule requires the AER to develop, publish and, as necessary, amend the Guideline.⁷

1.3 Role of the Better Bills Guideline

The AER must make the Guideline:

- in accordance with the retail consultation procedure in the Retail Rules;⁸
- having regard to the bill objective and billing principles in the rule;⁹ and
- in a manner which will, or is likely to, contribute to the achievement of the national energy retail objective (NERO) and is compatible with the development and application of protections for small customers.¹⁰

The AER may also take into account any other matter that the AER considers relevant to the bill objective.¹¹

Bill objective

The objective of a bill is to provide billing information that enables small customers to easily understand:

- payment amounts, dates and methods;
- how their bill is calculated and whether it conforms to their customer retail contract;
- their energy consumption and production, and related costs and revenue, to assist with:
 - using energy efficiently;
 - comparing their customer retail contract with other energy offers available to them;
 - considering options for energy supply other than through the distribution system;
- how to dispute or raise a query in relation to their bill;
- how to access interpreter services and seek financial assistance; and
- how to report a fault or emergency.¹²

⁶ AEMC (Australian Energy Market Commission), [Rule Determination: Bill Contents and Billing Requirements](#), AEMC, 18 March 2021; AEMC (Australian Energy Market Commission), [National Energy Retail Amendment \(Bill contents and billing requirements\) Rule 2021 No. 2](#), (Final rule), AEMC, 18 March 2021.

⁷ AEMC, *Final Rule*, subrules 25A(1-2).

⁸ *Ibid*, subrule 25A(2).

⁹ *Ibid*, rule 25A.

¹⁰ *Ibid*, subrule 25A(5).

¹¹ *Ibid*, subrule 25A(4)(b).

¹² *Ibid*, subrule 25A(3).

Billing principles

In making and amending the billing guideline, the AER:

- must take into account the following:
 - the need for consumer protections for small customers, while also enabling retail market innovation, competition and consumer choice;
 - the costs of compliance by retailers with the billing guideline and the potential resulting costs for small customers;
 - 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; and
 - the potential benefits of standardising language and terminology across bills, customer retail contracts and energy offers; and
- may take into account any other matters that the AER considers relevant to the bill objective.¹³

The AER must make and amend the billing guideline in a manner that:

- will or is likely to contribute to the achievement of the national energy retail objective; and
- is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers.¹⁴

The AEMC considered this approach would simplify energy bills, improving small customers' understanding of their energy usage and costs, and drive improvements in competition by making it easier for customers to find a better energy deal.¹⁵

The final Guideline will create binding, enforceable obligations on retailers and assist them to meet their obligations under the new rule 25 (noting the new rule comes into force on 4 August 2022).

Having considered the bill objective, the billing principles and the national energy retail objective, our draft Guideline proposes:

- a set of design principles that must be applied holistically when producing bills; and
- a tiered approach to billing information, where:
 - Tier 1 information (an exhaustive list of essential information) must appear on the first page of a paginated bill and at the beginning of an unpaginated bill;
 - Tier 2 information (important information to help customers understand their plan and their bill) must be included in a bill following the Tier 1 information; and

¹³ AEMC, *Final Rule*, subrule 25A(4).

¹⁴ AEMC, *Final Rule*, subrule 25A(5).

¹⁵ AEMC, *Final Rule Determination*, p i.

- additional information can be included in bills after Tier 1 and Tier 2 information.

This draft Notice outlines our reasons for introducing this approach, including how we have taken into account the bill objective, bill principles, the NERO, stakeholder submissions, existing research and evidence.

1.4 AER enforcement of the National Energy Retail Rules and National Energy Retail Law

The National Energy Retail Law (Retail Law) gives the AER power to monitor, investigate, enforce and report on regulated entities' compliance with the National Energy Retail Law and Rules, National Electricity Law and Rules, National Gas Law and Rules, and associated Regulations and Guidelines.¹⁶

The AER's compliance and enforcement work is guided by our *Compliance and Enforcement Policy*, which sets out our priorities in line with our *Strategic Plan*.¹⁷ Our current compliance and enforcement priorities are:

- Effective identification of residential consumers in financial difficulty and offer of payment plans that have regard to the customer's capacity to pay;
- Ensure embedded network compliance with exemption conditions, including consumer access to ombudsman schemes;
- Focusing on registered generators' compliance with Australian Energy Market Operator (AEMO) dispatch instructions and their ability to comply with their latest offers at all times;
- Ensure service providers meet information disclosure obligations and other part 23 National Gas Rules obligations; and
- Ensure timely and accurate gas auction reporting by registered participants.

Our *Compliance and Enforcement Policy* details our approach to the compliance and enforcement options available to us.¹⁸ It also sets out the criteria that we apply when exercising our discretion relating to an enforcement action. Matters are assessed on a case-by-case basis with all relevant circumstances being considered, including those outlined in the policy.¹⁹

The AER's enforcement response to breaches of the Retail Law or Retail Rules can generally be categorised as either administrative resolution (such as voluntary undertakings, revisions to internal processes or improved compliance training) or statutory enforcement action.

Statutory enforcement action can include issuing infringement notices, accepting enforceable undertakings and commencing court proceedings.²⁰

Businesses that operate under the Retail Law also have obligations under the Australian Consumer Law, which applies to their relationships with energy customers. The Australian Consumer Law and the national energy laws operate together to provide a framework for businesses to operate within.

¹⁶ *National Energy Retail Law*, section 204.

¹⁷ AER (Australian Energy Regulator), [AER Compliance and Enforcement Priorities 2021-22](#), AER, June 2021.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *National Gas Law*, section 279.

The AER aims to exercise its functions and powers in a fair, consistent and transparent manner. For more information please refer to AER guidance on its compliance and enforcement approach including the AER's *Compliance & Enforcement Policy*.²¹

²¹ AER, *Compliance and Enforcement Policy*.

2 Version history and effective date

We are now consulting on a draft version 1 of the Better Bills Guideline.

We will use feedback from this consultation to develop the final Better Bills Guideline, which we will make and publish by 1 April 2022.

Retailers are required to comply with the Guideline from 4 August 2022, noting the proposed transitional arrangements included in Part 1 of the draft Guideline which enable retailers to implement the requirements of the Guideline between 4 August 2022 – 30 March 2023.²²

²² AEMC, *Final Rule*.

3 Overview of consultation and research

In preparing the draft Guideline, we have considered responses to the AEMC's consultation process, preliminary AER consultation responses (closed 22 September 2021), Better Bills Guideline Working Group feedback (see section 3.3.2 below), and Australian and international consumer research and research conducted for the AER by the Behavioural Economics Team of the Australian Government (BETA).²³

3.1 AEMC rule change development and consultation

The AEMC published the *Draft Rule Determination: National Energy Retail Amendment (Bill Contents and Bill Contents and Billing Requirements) Rule (Draft Determination)* and *Draft National Energy Retail Amendment (Bill contents and billing requirements) Rule 2021 (Draft Rule)* on 17 December 2020.²⁴ The AEMC received 18 submissions from stakeholders in response to this consultation.

In our submission, the AER broadly supported the draft determination and draft rule. We emphasised the benefits of a guideline approach in our submission, including:

- The ability for consumer insights to inform the Guideline and ensure it is effective and well targeted;
- A mix of prescriptive and principles-based approaches to regulating bill requirements would provide flexibility and minimise costs for market participants;
- Clear billing requirements will provide certainty for stakeholders and easier monitoring of compliance by the AER; and
- A Guideline can be readily updated to reflect emerging issues and market developments, as the need arises.²⁵

3.2 AER consumer and behavioural insights

Our research to inform this draft Guideline has included:

- a strategic partnership with BETA to undertake direct residential consumer research and an international literature review;
- focus groups with culturally and linguistically diverse consumers, older consumers and small business consumers; and
- examining Australian and international consumer insights and approaches to billing, including in other markets.

We will also be undertaking additional consumer testing on the most effective method of presenting better offer information.

²³ AER (Australian Energy Regulator), [Better Bills Guideline](#), AER website, 2021, accessed 30 November 2021; Behavioural Economics Team of the Australian Government, [Improving Energy Bills](#), Department of the Prime Minister and Cabinet website, accessed 30 November 2021.

²⁴ AEMC, [Draft Rule Determination: Bill Contents and Billing Requirements](#), AEMC, 17 December 2020; AEMC, [Draft National Energy Retail Amendment \(Bill contents and billing requirements\) Rule 2021](#), AEMC, 17 December 2020.

²⁵ AER (Australian Energy Regulator), [AER Submission – National Energy Retail Amendment \(Bill contents and billing requirements\) Rule](#), AER, 5 February 2021.

3.2.1 BETA – Improving Energy Bills: Final Report

We have established a strategic partnership with the BETA and commissioned consumer research, an international literature review and report based on an online survey and randomised controlled trials.

Key findings from BETA's research include:

- Consumers mostly use their bills to find out how much to pay, how much energy they used, and how their bill was calculated but customers experiencing financial hardship use their bill for a range of other purposes;
- As long as a bill is well designed, its length and layout had little impact on comprehension, with 67% of consumers tested correctly understanding a comprehensive bill and 65% understanding a basic bill;
- In two separate trials, adding a 'best retailer offer' (including a numeric value of savings) to bill prototypes increased respondents' intentions to compare or switch plans from 7% to 12% when shown a bill including it, and 5% to 16% when the best offer message was made more prominent on the bill. This was based on responses to an open question seeking suggestions for how to save money; and
- Plan summaries are effective in helping consumers understand their plan, with 62% of respondents who saw the plan summary correctly interpreting peak and off-peak times, compared to those who didn't (53%).²⁶

3.2.2 Focus groups

CALD consumers

Targeted focus groups were also undertaken with culturally and linguistically diverse consumers. Whilst these CALD consumers report that they don't need help understanding their bill, this appears to relate to core comprehension, as many participants also report a lack of confidence in understanding how their bill is calculated.

Overwhelmingly, 81% of participants indicated a preference for the complex sample bill, as opposed to 14% preferring a basic bill. The three key drivers of this are:

- It is important to have access to this information when needed (e.g. to evaluate whether their bill is correct or to dispute incorrect charges);
- They value information that could help them save money on their bill (including energy-saving tips and historical usage); and
- They can choose not to read this information on a regular basis but would find it difficult to access if it was not on their bill.²⁷

²⁶ BETA (Behavioural Economics Team of the Australian Government), [Improving Energy Bills: Final Report](#), Department of the Prime Minister and Cabinet, October 2021.

²⁷ AER (Australian Energy Regulator), [Better Bills Guideline Behavioural and Consumer Research: Targeted focus group findings \(culturally and linguistically diverse consumers\)](#), AER, 2 August 2021.

Older consumers

Three face-to-face focus groups were undertaken with a total of 18 participants (unfortunately larger focus groups were not possible at the time due to the COVID-19 pandemic). These consumers viewed a comprehensive sample bill as providing clarity on vital information and extra information if needed.

It was considered that the basic bill offered a quick oversight on the front page, but not enough information on the second page.

This group of consumers also suggested enhancements to improve greater certainty in understanding their bill including:

- personalised historic data to allow comparisons;
- white space for notes and receipt numbers;
- video calls for bill queries;
- relevant examples of what a kilowatt is; and
- energy saving tips (in addition to offering better plans).²⁸

Small business customers

During November and December 2021, the AER conducted further testing of small business customer billing needs and preferences. Our latest research insights will be available on our website during December 2021.

We conducted four focus groups and two individual interviews online with a total of 25 small business owners/operators from Queensland, New South Wales, South Australia and Tasmania. The participants operated within a diverse range of industries, including tourism, hospitality, retail, manufacturing, personal services and professional services.

Small business consumers reported being time-poor, and view energy bills as ‘the cost of doing business’, alongside prioritising managing cash flow and budgets. Small businesses noted it is challenging to find the time and resources to engage with energy bills, and there is a tendency to pay energy bills automatically on a regular basis. These customers reported being more likely to address rising energy costs internally (e.g. through consideration of their own business practices and reducing energy usage), rather than by seeking assistance from retailers or considering alternative plans. These traits place these customers at high risk of remaining on disadvantageous plans.

Like the residential customers, small business owners/operators indicated a preference for a more comprehensive bill. While they would generally refer only to the most basic of information (such as supply address, amount due and due date), they value having more detailed information available if needed. Having this information on the bill can be particularly helpful for this group as there will often be other individuals involved in

²⁸ Hall & Partners, [Australian Energy Regulator Better Bills Guidelines Research \(older/non-digital consumers\): Final Report](#), AER, July 2021. In noting the insights above, we also note that there can be an ‘intention-behaviour’ gap in intention-based research compared to real-life research.

paying or managing the business's energy bills (e.g. accountants or operations officers), who may not have access to the account holder's online energy account. It can also make processing and record-keeping easier.

Literature review

In considering how energy customers are enabled to easily understand their billing, a commitment was made to undertake consumer research and apply behavioural insights to gather supporting evidence for the development of the Guideline. The first step was a literature review, which highlighted the following would assist in a better understanding of bills:

- clearly specifying the key items on page 1 and should include amount due, billing period, due date, and how to pay an any discounts that have been applied;
- reducing the amount of information, replacing text with graphs and using simple conversational language;
- providing energy usage over time to assist with reduced consumption; and
- a call to action with a link to a comparison site to reduce friction costs for switching.²⁹

3.3 AER consultation and engagement

In developing this draft Guideline and ensuring we meet our obligations under the Retail Rules, the AER has sought to ensure we listen to our stakeholders, and that interested groups and individuals have multiple, flexible opportunities to engage with and provide views and expertise on the draft Guideline's issues and direction. As we noted in our submission to the AEMC's Draft Determination, listening to stakeholders' diverse perspectives will optimise consumer and market outcomes.

3.3.1 Stakeholder input to research approach

We commenced our consultation and engagement with initial, direct stakeholder engagement in May, seeking views from consumer groups, retailers, ombudsman schemes and other organisations about our proposed consumer research approach. This feedback informed the scope and direction of BETA's research and the focus groups we conducted with elderly and culturally and linguistically diverse consumers.³⁰ We then followed up with a Stakeholder Forum discussing the research and including a presentation from BETA on 8 September 2021, with over 100 attendees participating.

²⁹ BETA (Behavioural Economics Team of the Australian Government), [Improving Energy Bills: Literature Review](#), Department of the Prime Minister and Cabinet, October 2021.

³⁰ Hall & Partners, Older/non-digital consumers: Final report; AER, *Targeted focus group findings (culturally and linguistically diverse consumers)*.

3.3.2 AER Better Bills Guideline Stakeholder Working Group

In July 2021, we convened a new Better Bills Guideline Stakeholder Working Group, involving representatives from retailers, consumer groups, small business advocates and ombudsman schemes.³¹ The Working Group continues to provide valuable expertise, insights and iterative feedback on relevant issues. Key issues the Working Group has considered this year include:

- Bill content – the need to understand what customers use their bill for; that payment-related information should be prominent; and the need to consider consumer choice about information and digital access;
- Best/better offer – there are mixed views about the costs and benefits. On the one hand, the message may prompt a conversation and more trust, while on the other hand some people may not trust the information presented, there are concerns about how accurate the information will be and there is evidence that consumers are not readily acting on or accessing best offers; and
- Implementation considerations – the Guideline should consider the broad energy market and technology developments, and the associated costs of regulatory developments.

3.3.3 Early consultation on policy issues

From 2 to 22 September 2021, we convened an early consultation through the AER website and the ACCC/AER Consultation Hub. We sought stakeholder views in response to eight policy questions to inform early development of the Better Bills Guideline, including about:

- the key findings from the AER consumer and behavioural insights research;
- how the Guideline could assist in improving energy bills and making them simple and easy to understand;
- whether the Guideline should require ‘best offer’ information to be presented on bills; and
- how the Guideline development could assist in simplifying the retail market regulatory framework and reduce costs to serve.

We received 34 submissions (including three joint submissions) from a range of consumer groups, retailers, ombudsman schemes and other stakeholders.³² Stakeholder responses from the consultation are discussed throughout this Notice, in the relevant sections below.

³¹ ActewAGL, Alinta Energy, Aurora Energy, Australian Energy Council, Council of Small Business Organisations Australia, Council on the Ageing, Energy and Water Ombudsman NSW, Ethnic Communities Council NSW, Financial Counselling Australia, Meridian Energy / Powershop, Origin Energy, Queensland Council of Social Service, Tasmanian Council of Social Service, Uniting Communities.

³² AER (Australian Energy Regulator), [Better Bills Guideline \(consultation\)](#), AER website, accessed 30 November 2021.

4 Submissions to this draft Guideline and Notice of Draft Instrument

We invite stakeholders' feedback on the draft Better Bills Guideline published on 20 December 2021. Interested parties are invited to make written submissions by close of business Monday 31 January 2022.

As we are required to make the Better Bills Guideline by 1 April 2022, we will generally not be able to accept late submissions.

Submissions should be sent electronically to ConsumerPolicy@aer.gov.au with the subject line '*Draft Better Bills Guideline submission*'. We ask that all submissions have personal contact details removed, and submissions sent in an electronic format are in Microsoft Word, PDF or other text readable document form.

Alternatively, submissions can be sent to:

General Manager – Strategic Policy and Energy Systems Innovation Branch
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

We encourage interested parties to stay informed about this consultation process by subscribing to notifications via the AER website, at <https://www.aer.gov.au/newsletter/subscribe>.

4.1 Publishing submissions

To ensure an informed and transparent consultative process we prefer that submissions be publicly available. Unless marked confidential, we will publish all responses on our website, www.aer.gov.au. If you wish to submit confidential information you should:

- **Clearly identify** the information that is the subject of the confidentiality claim; and
- **Provide a non-confidential** version of the submission in a for suitable for publication.

For further information about our use and disclosure of information provided to us, see the ACCC/AER Information Policy (June 2014), which is available on our website.³³

If you have any questions about this Notice and the draft Better Bills Guideline, or about lodging a submission, please send an email to ConsumerPolicy@aer.gov.au with the subject line '*Draft Better Bills Guideline*'.

³³ ACCC and AER (Australian Competition and Consumer Commission and Australian Energy Regulator), [ACCC-AER Information Policy: Collection, use and disclosure of information](#), ACCC, 4 June 2014.

5 Implementation considerations

5.1 Implementation costs and timeframes

The AER is required to make the final Guideline by 1 April 2022. The final rule allows the AER to specify different commencement dates for different provisions in the final Guideline from 4 August 2022, provided all guideline provisions commence by 31 March 2023.³⁴

5.1.1 Stakeholder views

We sought views from stakeholders in September about the key implementation issues the AER should consider. We heard from stakeholders (particularly retailers) that bill redesign and rebuilds are difficult, timely and costly to implement. However, no quantitative estimates of cost to serve increases were provided by any retailer.

For example, AGL noted a complete redesign of bills would take 18 to 24 months and require:

- tailored bill behavioural studies;
- a review and potential re-design of retailers' billing and customer management systems;
- coding;
- development and regression test of new bills;
- staff and agent training;
- customer education;
- changes with third-party providers;
- implementation of a new compliance and dispute resolution framework; and
- collaboration with mail house vendors.³⁵

The key themes arising from stakeholders submissions on implementation included:

- **Timing:** retailers noted a short implementation timeframe would require greater resource allocation and therefore be more costly to implement;³⁶
- **Flexibility:** several retailers submitted flexible timing would provide them with discretion over how to implement changes effectively and efficiently, having regard to individual business interests;³⁷
- **Concurrent developments:** retailers cited concurrent and forthcoming market developments, such as five-minute settlement and the introduction of the consumer data right for energy, which reduce capacity to implement changes to energy bills;³⁸

³⁴ *National Energy Retail Rules*, subrule 1(2), Part 16, Schedule 2.

³⁵ AGL, [Submission to Better Bills Guideline Consultation](#), AGL, 22 September 2021, p 8.

³⁶ AGL, *Submission to Better Bills Guideline Consultation*, p 8; Ergon Energy, [Submission to Better Bills Guideline Consultation](#), Ergon Energy, 22 September 2021, pp 6-7.

³⁷ AEC (Australian Energy Council), [Submission to Better Bills Guideline Consultation](#), AEC, 22 September 2021.

³⁸ EnergyAustralia, [Submission to Better Bills Guideline Consultation](#), EnergyAustralia, 22 September 2021, p 5.

- **Short-term increases in customer complaints:** retailers noted changes from the status quo would generate business costs from managing increased complaints and contact centre calls stemming from the changes;³⁹
- **Nature of changes:** some retailers provided examples of changes that would be more costly and timely to implement – for example, requiring better offer information on bills;⁴⁰ and
- **Retailer size:** Enova Energy noted some implementation costs will be fixed, regardless of business size, disproportionately impacting smaller retailers.⁴¹

5.1.2 AER position

We are committed to creating the final Guideline in an efficient and effective way that minimises cost and enables industry innovation.

We have taken on board submissions to our early consultation, and considered various practical issues. Importantly, we are seeking to ensure the implementation timeframes do not unnecessarily or disproportionately increase costs (which ultimately will be passed onto consumers and may thereby outweigh the consumer benefit of proposed changes). We are also seeking to ensure that consumers experience the benefits of improved bills, by introducing changes that can be effectively, efficiently and smoothly implemented and to avoid consumer confusion. We are mindful the final Guideline will impact retailers in different ways, depending on their business model and the provisions specified in the final Guideline.

In Part 1 of the draft Guideline, we propose that the Guideline commence on 4 August 2022, with a transitional period to implement the changes by 31 March 2023. Between 4 August 2022 and 30 March 2023, retailers will have the option of continuing to comply with the bill content requirements currently set out in rule 25(1) of the Retail Rules (which have been reproduced in Part 2 of the draft Guideline) or instead complying with the proposed new requirements set out in Part 3 of the draft Guideline. This is to permit retailers to opt in to the new requirements before 30 March 2023 if they are ready to do so.

Part 2 of the draft Guideline is proposed to expire at the end of 30 March 2023, at which point all retailers will be required to comply with the new requirements set out in Part 3 of the Guideline. Where a retailer opts in to the new requirements in Part 3 of the Guideline before 31 March 2023, the draft Guideline requires the retailer to notify the AER of its intention to do so. Once a retailer opts in to the new requirements under Part 3, it will not be permitted to go back to the Part 2 requirements.

³⁹ Ergon Energy, *Submission to Better Bills Guideline Consultation*, pp 6-7; Red Energy and Lumo Energy, [Submission to Better Bills Guideline Consultation](#), 22 September 2021, pp 5-6.

⁴⁰ Simply Energy, [Submission to Better Bills Guideline Consultation](#), Simply Energy, 22 September 2021.

⁴¹ Enova Energy, [Submission to Better Bills Guideline Consultation](#), Enova Energy, 17 September 2021.

Consultation question

- 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?
-

5.2 Opportunities to simplify the retail market regulatory framework to reduce cost to serve

In line with the AER's strategic priority to simplify the retail market regulatory framework to encourage effective competition and reduce cost to serve, we have assessed whether there are opportunities to simplify the current regulatory framework through this draft Guideline. We have sought stakeholder views on this on several occasions.⁴²

5.2.1 Current regulatory framework

In addition to current requirements in the Retail Laws and Retail Rules, we note the following current requirements or parallel developments are relevant:

- The AER's *Retail Pricing Information Guidelines*, which provides guidance to retailers on the presentation of standing offer prices and market offer prices to assist small customers to consider and compare prices offered by retailers (discussed further below);⁴³
- The *Retail Electricity (Transparency and Comparability) Code* requirement for ACT retailers to include better offer information on bills (transitional arrangements currently in place; further arrangements coming into effect in July 2022);⁴⁴
- The NSW Department of Industry, Planning and Environment's *Electricity Infrastructure Fund Policy Paper*, which sought stakeholders' feedback on requiring NSW retailers to include costs of the electricity infrastructure roadmap on bills;⁴⁵
- DISER's recent consultation on the *Competition and Consumer (Industry Code – Electricity Retail Regulations) 2019: Post Implementation Review* seeking responses from stakeholders on whether expanding the use of the reference price – for example, including it on energy bills – would be useful; and⁴⁶

⁴² See, for example, AER (Australian Energy Regulator), [Developing the Better Bills Guideline: Consultation Questions](#), AER, 2 September 2021, pp 3-4. We also sought retailers' feedback on questions 5, 6 and 7 through a targeted email and did not receive any responses.

⁴³ AER, *Retail Pricing Information Guidelines*, 2018, <https://www.aer.gov.au/retail-markets/retail-pricing-information>

⁴⁴ ICRC (Independent Competition and Regulatory Commission), [ACT Retail Electricity \(Transparency and Comparability\) Code](#), ICRC, July 2021.

⁴⁵ NSW DPIE (NSW Department of Industry, Planning and Environment), [Electricity Infrastructure Fund \(Part 7 of the Electricity Infrastructure Investment Act 2020\) Policy Paper](#), NSW DPIE, September 2020, pp vii and 27.

⁴⁶ DISER (Department of Industry, Science, Energy and Resources), [Competition and Consumer \(Industry Code – Electricity Retail\) Regulations 2019: Post Implementation Review](#), DISER, September 2021.

- The development of the Consumer Data Right for energy, which will enable consumers to authorise third parties access and share their data to get a better deal.⁴⁷

We will scope opportunities to simplify the AER's *Retail Pricing Information Guidelines* during 2022, following the publication of this Guideline. We will aim to ensure consistency and simplification across these aspects of the retail regulatory framework, to reduce cost to serve where possible. In developing a Consumer Vulnerability Strategy, we are also advocating to simplify the regulatory framework, encourage effective competition and reduce cost to serve where possible. The Strategy will likely commence from mid-2022.

5.2.2 Stakeholder views

In our September 2021 consultation, we sought stakeholder (particularly energy retailers) feedback on opportunities to simplify the regulatory framework to reduce cost to serve.⁴⁸ Some retailers emphasised a flexible, principles-based approach would balance the need for consumer protection while enabling retailers to reduce costs in the longer term. However, other retailers submitted any changes away from the status quo would increase the costs associated with complaints and enquiries, and that these costs would not be offset by the savings available from regulatory simplification.

Several stakeholders noted the AER should consider the totality of energy information consumers receive in developing the Guideline. For example, AGL submitted the Guideline should only require information essential to the key purpose of a bill, as additional information may be required at other engagement points or documents.⁴⁹ Consumer-wise submitted the AER should not consider the value of additional information in isolation, as the total weight of information may influence consumer behaviour in response to this additional information.⁵⁰

We did not receive quantitative insights from stakeholders on how the Guideline will impact cost to serve. We are continuing to seek further inputs and clarity on this issue.

5.2.3 AER position

We consider a simple retail market regulatory framework can help to reduce cost to serve over time which benefits both consumers and retailers and encourages effective competition. To give this issue meaningful consideration, we are again seeking information from retailers about simplifying the regulatory framework, cost to serve and the implementation costs associated with this draft Guideline. We will also write directly to retailers seeking responses on this issue during this consultation.

⁴⁷ DISER (Department of Industry, Science, Energy and Resources), [Consumer Data Right for Energy](#), DISER website, accessed 30 November 2021.

⁴⁸ We also emailed all retailers seeking specific feedback on these questions on 9 September 2021. No responses were received. We then engaged directly with retailers and our Working Group.

⁴⁹ AGL, *Submission to Better Bills Guideline Consultation*, p 1.

⁵⁰ Consumer-wise, [Submission to Better Bills Guideline Consultation](#), 28 September 2021, p 7.

Consultation questions

- 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?

We are best able to help simplify the regulatory framework if we have a sound understanding of the real-life costs of implementing the Guideline and opportunities for savings. While our preference is to publish submissions and share information transparently, parties can claim confidentiality over submission materials. We also welcome the opportunity to meet (please refer to guidance in Section 4.1 of this Notice regarding information disclosure).

6 Design principles

A well-designed bill can improve consumers' experience of and engagement with the energy market, making best use of and understanding their energy deal. Part 3 of the draft Guideline requires retailers to apply overarching design principles when preparing and issuing bills to small customers to help support better consumer and market outcomes in billing.

The draft Guideline adopts the following five key design principles for energy bills identified by BETA:

- use simple language;
- make the bill easy to understand;
- make the most important information most prominent;
- order the bill to make it easy to understand; and
- design.

6.1 Research and stakeholder submissions

6.1.1 Use simple language

Complex language and terminology reduces consumer comprehension. Retailers can improve consumer engagement through simple communications.

Simple language and terminology

Research consistently finds that technical language represents a key comprehension and engagement challenge for consumers when it comes to their energy bill.

Research conducted by Ofgem has identified that technical terms such as 'credit' and 'kWh' are confusing, aligning with the AER's qualitative findings that CALD customers report confusion over terms such as 'kilowatt-hour' and 'NMI'.⁵¹ Queensland Council of Social Service (QCOSS), Public Interest Advocacy Centre (PIAC) and South Australian Council of Social Service (SACOSS) noted in their responses to the AEMC rule-change consultation that acronyms, abbreviations and tariff types were examples of problematic language for consumers. BETA has identified that nomenclature on energy bills is unclear.⁵²

There is agreement in the submissions from stakeholders to the AEMC's consultation process and AER early consultation processes that simplification of language and terminology in consumer bills will benefit consumers. Earlier research conducted by BIT on behalf of the ACCC and AER found that presenting energy concepts in a simple and descriptive way is most effective for improving consumer comprehension.⁵³ These

⁵¹ Ofgem (Office of Gas and Electricity Markets), [Consumer First Panel 2017: Understanding information needs](#), December 2017; AER, *Targeted focus group findings (culturally and linguistically diverse consumers)*.

⁵² BETA, *Improving Energy Bills: Final Report*.

⁵³ BIT (Behavioural Insights Team), [Testing Comprehension of the Reference Price](#), BIT, 26 June 2020.

findings were echoed in responses from the ACCC and Consumer-wise to the AER's early consultation process.

Bill language also has an impact on consumer perceptions and behaviours. For example, research by BEWorks found that bills that use conversational language are better liked, understood and remembered, resulting in greater customer satisfaction.⁵⁴ Similarly, the CPRC has determined that simplifying language, removing jargon and using Easy English is important for improving consumer engagement in the market.⁵⁵ In line with these findings, the AER has previously recommended limiting the use of abbreviations, acronyms and uncommon terminology as good billing practice.⁵⁶ Stakeholders have also raised with us that acronyms or abbreviations for credit and debt (such as 'CR' and 'DR') have a tendency to confuse customers and waste time, prompting some customers to pay the credit amount, resulting in compounding overpaid bills that are complex to resolve. BETA's literature review also found a general acceptance in authoritative research that using conversational language improves bill comprehension.⁵⁷

Consistent language and terminology

Consumer comprehension can be improved through consistent use of language in consumer and marketing communications. Over time, greater familiarity with language reduces the cognitive burden required to engage with documents, improving attention and retention and promoting confidence.⁵⁸

The *Retail Pricing Information Guideline (RPIG)*, *Benefit Change Notice Guideline (BCNG)*, *Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019* and some state-based energy regulations currently mandate use of specific terms in consumer communications.

However, current regulatory requirements would make standardising language through the Guideline challenging. There are some limitations on standardising language, terms and phrases that are also used or defined in the Retail Law and Retail Rules. Although there is broad stakeholder support for consistent use of terminology, stakeholders acknowledge these practical challenges.

QCROSS highlighted jurisdictional differences need to be considered, and retailers noted that a standardised format would disincentivise retailers from finding new approaches to engage consumers and that language would be inconsistent with other communications.

⁵⁴ BEWorks, *Best Practice for Bill Design*.

⁵⁵ L Solomon and B Martin-Hobbs, CPRC (Consumer Policy Research Centre), [Five preconditions of effective consumer engagement – a conceptual framework](#), CPRC, April 2018.

⁵⁶ AER (Australian Energy Regulator), [National Energy Retail Law: Small Customer Billing Review](#), AER, February 2014.

⁵⁷ BETA, *Improving Energy Bills: Final Report*.

⁵⁸ BEWorks, *Best Practice for Bill Design*; BETA, *Electricity Information to fit the bill*.

Supporting comprehension with definitions

Well-written definitions and other explanatory information may support consumer comprehension of complex billing information. For example, including definitions of technical terms was one of several billing interventions found to increase consumer confidence, understanding and satisfaction in Chile.⁵⁹ However, our BETA research found including a box with plain English definitions for technical terms had no positive impact on comprehension.⁶⁰

Our focus groups also suggest definitions are valued by consumers, although examples used should be more relevant.⁶¹ Several stakeholders supported including definitions and explanatory information in bills.⁶² Further, BETA's recent research found that consumers did not understand 'supply charge' specifically, highlighting a comprehension gap.⁶³

However, Consumer-wise submitted that providing more technical information to consumers, even well-intentioned information such as definitions, is likely to have a negative impact on consumer behaviour because it makes engagement more complicated. Further, while BETA's research identified 'supply charge' as a point of confusion, it also found that there was no positive impact on comprehension from including a box with plain English definitions for technical terms.

6.1.2 Make the bill easy to understand

Bill format and presentation will promote attention to key information and foster better bill comprehension.

Research conducted by Ofgem provides that information should be relevant, attention grabbing, simple, uncluttered, personalised, actions-focused and easy to access.⁶⁴ Relatedly, a review conducted by the AER deemed small font size and excessive shading poor practice for bill design.⁶⁵

In their submission to the AER's early consultation, Consumer-wise rightly noted that the AER does not have requisite expertise to prescribe the detailed design of bills. However, other submissions noted that elements like font size and use of

⁵⁹ OECD (Organisation for Economic Cooperation and Development), [Use of Behavioural Insights in Consumer Policy](#), OECD, January 2017.

⁶⁰ BETA, *Improving Energy Bills: Final Report*, p 3.

⁶¹ AER, *Targeted focus group findings (culturally and linguistically diverse consumers)*; Hall & Partners, *Older/non-digital consumers: Final report*.

⁶² COTA, *Submission to Better Bills Guideline Consultation*; EnergyAustralia, *Submission to Better Bills Guideline Consultation*; Energy On, *Submission to Better Bills Guideline Consultation*; CPSA (Combined Pensioners and Superannuants Association), *Submission to Better Bills Guideline Consultation*; PIAC/ ECCNSW / PDCNSW, *Joint submission to Better Bills Guideline Consultation*.

⁶³ BETA, *Improving Energy Bills: Final Report*.

⁶⁴ Ofgem, *Consumer First Panel 2017: Understanding information needs*.

⁶⁵ AER, *Small Customer Billing Review*.

images/infographics/graphs would enhance consumer comprehension. This aligns with BETA's findings.⁶⁶

Qualitative research by BETA provides that strategic use of colour, use of white space to reduce clutter and larger font size (with a particular focus on accessibility for CALD and older consumers) would benefit consumers.⁶⁷ Further, the AER's research identified that using bold headings to differentiate prices or tariffs and limiting shading enhanced clarity.⁶⁸

6.1.3 Make the most important information most prominent

BETA research found that making key information clear and prominent encouraged consumer comprehension and engagement.⁶⁹ Closely linked to bill format and presentation, (discussed at 8.1.2) it is important for consumers that essential information stands out. The AER's research maintains that, in general, an approach that is clear and easily understandable by customers reflects better practice.⁷⁰

6.1.4 Order the bill to make it easy to understand

BETA found that grouping bill contents into common themes facilitated consumers in extracting key information. Ofgem submits that prescriptive formatting requirements can disrupt the flow of communications, making it difficult for consumers to find the information they need.⁷¹ Logically grouping information ensures that bills are easy to navigate. The AER's research found that the easiest to read bills grouped key information with shading and boxes.⁷²

6.1.5 Design

It is estimated that 5 million Australians are unable to access products and services because of poor design.⁷³ Where markets, regulatory and business practices are not designed with consumers in mind, this creates consumer risks and results in lost opportunities for consumers to engage with and derive the benefits of well-functioning markets.

Inclusive design is one method that can remove barriers to consumer engagement with the market efficiently and effectively, and importantly enables businesses to reach four times as many consumers, by growing the intended audience that can be reached, meaning at least this many consumers are currently missing out.⁷⁴ Additionally, BETA research found that comprehensive well-designed bills performed better than well-

⁶⁶ BETA, *Improving Energy Bills: Final Report*.

⁶⁷ Ibid.

⁶⁸ AER, *Small Customer Billing Review*.

⁶⁹ BETA, *Improving Energy Bills: Final Report*.

⁷⁰ AER, *Small Customer Billing Review*.

⁷¹ Ofgem, *Final decision: Domestic supplier-customer communications rulebook reforms*.

⁷² AER, *Small Customer Billing Review*.

⁷³ Centre for Inclusive Design, [Inclusive Design Report](#), centre for Inclusive Design, March 2020.

⁷⁴ Ibid.

designed simple bills, demonstrating that clear design does not have to mean a lack of detail.⁷⁵

Inclusive design helps ensure that bills are easy to comprehend for an increased number of consumers and that a diversity of small customers can interpret and utilise billing information, noting consumers are not homogenous and use bills for many different purposes.

Further, regular testing of bills with small customers and gaining feedback from small customers as to preferences for bill styles will help keep bills easy to understand over time. By doing so, retailer bills will be increasingly tailored to their audience, promoting clarity and comprehension, and building trust among consumers in retailers and the energy market.

6.2 AER position

The draft Guideline proposes design principles that retailers must apply to the overall design of energy bills and specific bill content, including Tier 1, Tier 2 and any other information included in a bill. We expect retailers to take a holistic approach to bill design and consider how these principles can be applied to make bills easily understandable for small customers. We consider the research and submissions demonstrate well-designed bills improve consumer comprehension and thereby enable market engagement. By improving demand-side participation, this will encourage effective competition, which is in the long-term interests of consumers.⁷⁶

These principles, arranged under five key elements of bill design, are derived from our BETA research findings and stakeholder submissions. The principles are:

- use simple language
- make the bill easy to understand
- make the most important information most prominent
- order the bill to make it easy to understand; and
- design.

Our draft Guideline proposes a principles-based approach to language and terminology. We have considered stakeholders' feedback and research findings the potential benefits of standardising language and terminology across bills, customer retail contracts and energy offers.⁷⁷ However, this is balanced by our account of the complications arising from jurisdictional differences, and the resulting costs of compliance for retailers and small customers.⁷⁸ Therefore, we are not proposing to standardise language (with the exception of the Plan Summary). We consider the draft Guideline's principles-based requirements:

⁷⁵ Centre for Inclusive Design, *Inclusive Design Report*.

⁷⁶ *National Energy Retail Law*, section 13.

⁷⁷ AEMC, *Final Rule*, subrule 25A(4)(iv).

⁷⁸ AEMC, *Final Rule*, subrules 25A(4)(ii-iii).

- are flexible to market developments and innovation (and associated changes in information and language needs);
- enable retailers to deliver effective communication, tailored to their customer base and specific products; and
- balance potential increases in costs to serve with the customer and market benefits.

We consider this approach is a proportionate, yet effective method of ensuring consumers receive bills with easily understandable language. We are also not proposing to require retailers to include definitions in bills. However, retailers have discretion to include definitions as additional information if, in accordance with the design principles, they find this would make bills readily and easily understandable for consumers.

We consider that consumers would benefit from well-designed bills, as these are proven to be easier to understand.⁷⁹ Acknowledging the AER does not have design expertise, and considering the potential resulting costs of compliance for retailers and consumers, our draft Guideline proposes a principles-based approach to bill design.⁸⁰ We provide principles for how logically grouped information, use of colour, white space, shading, font size and salience can be applied to make bills readily understandable for small customers.

Consultation questions

- 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.
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⁷⁹ AEMC, *Final Rule*, subrule 25A(3).

⁸⁰ AEMC, *Final Rule*, subrule 25A(4)(iv).

7 Requirement to present billing information using a tiered approach

Stakeholder submissions, existing literature and research and BETA's research agree that consumers are not homogenous and use bills for different purposes, at different times. Acknowledging this diversity and drawing on recent insights, our draft Guideline introduces a tiered approach to billing information, which aims to first and foremost, make it easy for consumers to access essential billing information, while ensuring consumers have access to the information they need.

7.1 Research

The Consumer Policy Research Centre (CPRC) reports a lack of clear and accessible information acts as a barrier to market engagement, resulting in poor consumer outcomes.⁸¹ International research has found that increasing the complexity and volume of billing information does not increase consumer engagement as measured by switching rates.⁸² Together, these findings are explained by cognitive overload; that increasing the volume and complexity of information causes consumers to revert to 'rules-of-thumb' or mental shortcuts to simplify decision-making.

However, research also shows that consumers value energy information that is 'simple but not simplistic' and may mistrust bills that are overly simplistic.⁸³ Detailed billing information can provide consumers with a sense of reassurance that the bill is correct, and a sense of empowerment that they can effectively query their bill if it is unexpectedly high. As a result, consumers often report a preference for comprehensive billing information. However, it is not clear whether this stated preference aligns with actual preferences. For example, despite this stated preference, energy ombudsman schemes report customers' questioning of explanatory bill information is the underlying cause of most complaints.

86% of European consumers agree that bills would be easier to understand if relevant information was placed on the front page, and consumers consistently ranked this as the most efficient policy option to make bills easier to understand.⁸⁴ Research demonstrates comprehension of billing information is impacted by both the priority of information ordering (i.e. what content appears first) and the coherence of information ordering (i.e. what content appears together).⁸⁵

⁸¹ CPRC, *Five preconditions of effective consumer engagement*.

⁸² Ipsos-London Economics-Deloitte consortium, European Commission, [Consumer study on 'Precontractual information and billing in the energy market – improved clarity and comparability'](#): Final Report, European Commission, June 2018, p 107.

⁸³ AER (Australian Energy Regulator), [Better Bills Guideline Behavioural and Consumer Research: Targeted focus group findings \(culturally and linguistically diverse consumers\)](#), AER, 2 August 2021; BETA, *Improving Energy Bills: Final Report*, p 33. S Roberts and W Baker, Centre for Sustainable Energy *Towards Effective Energy Information – Improving consumer feedback on energy consumption*, A report to Ofgem, July 2003.

⁸⁴ European Commission, *Consumer Study on Precontractual information and billing in the energy market*.

⁸⁵ BETA, *Improving Energy Bills: Final Report*.

Additionally, research highlights personalised communications are more effective in increasing engagement and prompting behaviour change.⁸⁶

Our BETA research confirmed findings from a consumer study in the EU that, in order of importance, consumers primarily use energy bills to:

1. Find out how much to pay;
2. Find out how much energy they have used; and
3. Check how their bill was calculated.⁸⁷

Similarly, a report commissioned by Ofgem finds that, on receipt of a bill, consumers want to know, and expect to be able to establish quickly, how much to pay and when to pay it.⁸⁸ Ofgem and the EU's consumer research also find that many consumers do not go beyond looking for information beyond that will support these key actions.⁸⁹ In the EU, 17% of consumers only look at their energy bill to find out how much they need to pay and by when they need to pay, and only 34% of consumers look at their bill for longer than 2 minutes.⁹⁰ Similarly, Ofgem references supplier research which found, on average, consumers spend only 20 seconds reading their bill.⁹¹

Some research has found that including more information on a bill can cause cognitive overload and confusion.⁹² Additional information can complicate engagement, by detracting from the key information consumers want to understand, thereby making it harder for consumers to undertake the key actions required on receipt of a bill.⁹³ Overwhelming consumers with information can mean important messages get lost and complicate consumers' primary use of energy bills.⁹⁴

Existing research broadly agrees that information on the amount due, billing period, due date, how to pay and discounts that have been applied should be prioritised.⁹⁵

⁸⁶ Ofgem (Office of Gas and Electricity Markets), [Consumer Protection Report: Autumn 2021](#), Ofgem, October 2021; Ofgem (Office of Gas and Electricity Markets), [Consumers' experiences with energy during the COVID-19 pandemic – March 2021 update](#), Ofgem, 14 July 2021.

⁸⁷ BETA, *Improving Energy Bills: Final Report*, p 19; European Commission, *Consumer Study on Precontractual information and billing in the energy market*.

⁸⁸ Ofgem (Office of Gas and Electricity Markets), [Price Increase Notification Letters, Summary Box on Bills, Tariff Information Labels and Annual Statements: Research report by SPA Future Thinking](#), Ofgem, 26 October 2011.

⁸⁹ Ofgem, *Price Increase Notification Letters, Summary Box on Bills, Tariff Information Labels and Annual Statements*, p 50; European Commission, *Consumer Study on Precontractual information and billing in the energy market*.

⁹⁰ European Commission, *Consumer Study on Precontractual information and billing in the energy market*, pp 125-127.

⁹¹ Ofgem (Office of Gas and Electricity Markets), [Final Decision: Domestic supplier-customer communications rulebook reforms](#), Ofgem, 17 December 2018, p 37.

⁹² BEUC (Bureau Européen des Unions de Consommateurs), [Energy billing: Landscape report and summary of good practice \(BEUC input to the Consumer Friendly Energy Bill Initiative\)](#), BEUC, May 2017.

⁹³ Citizens Advice, [Against the Clock: Why more time isn't the answer for consumers](#), Citizens Advice, November 2016.

⁹⁴ Ofgem, *Final decision: Domestic supplier-customer communications rulebook reforms*, p 37.

⁹⁵ BEWorks, [Introduction to Behavioural Economics for CDM, Applications and Best Practices for Bill Design](#), BEWorks, 2016, p. 21; BETA (Behavioural Economics Team of the Australian Government), [Electricity Information to fit the bill](#), Department of the Prime Minister and Cabinet, December 2018, p 20.

7.2 Stakeholder views

Broadly speaking, consumer groups support requiring comprehensive billing information, while retailers suggest bills should only include basic information, with more detailed information delivered through other channels. For example, consumer groups noted:

- reducing bill information could increase mistrust;
- for many consumers, the bill is the only source of engagement with their retailer; and
- the primary issue is the complex and confusing presentation of information, not the volume of information.

Conversely, retailers questioned whether:

- consumers' reported preferences for comprehensive billing information align with the true purpose of bills;⁹⁶
- consumers would use comprehensive billing information;⁹⁷ and
- consumers would feel the same way if they were aware of the increased costs associated with providing additional information.⁹⁸

Some retailers also noted 'excessive and unnecessary' billing information can create confusion, driving increases in customer complaints and service costs. Other stakeholders cautioned against over-estimating consumers' capacity and desire to engage with information and suggested only mandating billing information where proven to deliver positive consumer outcomes.⁹⁹

The AEMC's draft determination sought feedback on enabling a 'tiered approach' to energy bill content, acknowledging the benefits of customisation and concerns bills are too information dense.¹⁰⁰ This proposal received broad stakeholder support.¹⁰¹ For example, in a joint submission the Energy & Water Ombudsman Victoria (EWOV)/Energy and Water Ombudsman New South Wales (EWON)/Energy and Water Ombudsman South Australia (EWOSA)/Energy and Water Ombudsman Queensland (EWOQ) suggested tiering or categorising information may be a simple way to give effect to customer choice-driven energy bill content.¹⁰² Similarly, EnergyAustralia suggested separating mandatory and discretionary information would ensure consumers receive a bill with all required information, unless they have

⁹⁶ AGL, *Submission to Better Bills Guideline Consultation*; Aurora Energy, [Submission to Better Bills Guideline Consultation](#), Aurora Energy, 27 September 2021.

⁹⁷ Simply Energy, [Submission to Better Bills Guideline Consultation](#), Simply Energy, 22 September 2021.

⁹⁸ Ergon Energy, *Submission to Better Bills Guideline Consultation*.

⁹⁹ Consumer-wise, *Submission to Better Bills Guideline Consultation*; R Ben-David, *Submission to Better Bills Guideline Consultation*.

¹⁰⁰ AEMC, *Draft Rule Determination*, p 24.

¹⁰¹ Ibid.

¹⁰² EWOV/EWON/EWOSA/EWOQ, [Joint submission to AEMC Consultation paper – Billing contents and billing requirements – RRC0036](#), AEMC, 22 October 2020, p 9.

explicitly consented for this information to be provided elsewhere (e.g. app/webpage).¹⁰³

Support for a tiered approach elicited through the AEMC's consultation was echoed in the AER's recent consultation.¹⁰⁴

Retailers noted that some flexibility would enable them to:

- deliver more personalised information to consumers;¹⁰⁵
- tailor billing information to customer type and needs, such as residential vs small business customers, and customers with distributed energy resources;¹⁰⁶
- innovate and develop new approaches to engaging consumers;¹⁰⁷ and
- manage or reduce costs.¹⁰⁸

Overall, stakeholder submissions to the AER early consultation agreed that essential billing information included:

- total amount due and the due date for payment;
- available payment methods;
- customer identifying information (including name, supply address (and mailing address, if different), national metering identifier and account number);
- the basis on which bill is calculated, including applicable tariffs and charges, details of energy consumption, discounts and concessions, the billing period and whether the bill is based on an actual or estimated meter read; and
- a telephone number for account enquiries, complaints, faults and emergencies and interpreter services.

7.3 AER position

In view of the research and stakeholder responses, the draft Guideline introduces a tiering approach although, taking forward research and insights, this approach is different to that discussed above. The draft Guideline proposes an information hierarchy with three categories of billing information: Tier 1 information, Tier 2 information and additional information.

¹⁰³ EnergyAustralia, [Submission to AEMC Consultation paper – bill contents and billing requirements](#), AEMC, 22 October 2020. p 8.

¹⁰⁴ EnergyAustralia, [Submission to Better Bills Guideline Consultation](#), 22 September 2021, p 4; Energy On, [Submission to Better Bills Guideline Consultation](#), 22 September 2021; AGL, [Submission to Better Bills Guideline Consultation](#), p. 6-7; Simply Energy, [Submission to Better Bills Guideline Consultation](#), p 2; Red Energy and Lumo Energy, [Submission to Better Bills Guideline Consultation](#), p. 4; TasCOSS (Tasmanian Council of Social Service), [Submission to Better Bills Guideline Consultation](#), 22 September 2021; Sydney Alliance, [Submission to Better Bills Guideline Consultation](#), 22 September 2021; COTA, [Submission to Better Bills Guideline Consultation](#), 22 September 2021; p. 4; Consumer-wise, [Submission to Better Bills Guideline Consultation](#), p.4; PIAC/ ECCNSW / PDCNSW (Public Interest Advocacy Centre / Ethnic Communities Council NSW / Physical Disability Council NSW), [Joint submission to Better Bills Guideline Consultation](#), 22 September 2021.

¹⁰⁵ Meridian Energy and Powershop Australia, [Submission to Better Bills Guideline Consultation](#), 2 September 2021.

¹⁰⁶ Shell Energy, [Submission to Better Bills Guideline Consultation](#), 17 September 2021.

¹⁰⁷ AGL, [Submission to Better Bills Guideline Consultation](#).

¹⁰⁸ AEC, [Submission to Better Bills Guideline Consultation](#); Red Energy and Lumo Energy, [Submission to Better Bills Guideline Consultation](#).

This applies to bills regardless of paper or electronic format.

Tier 1 is an exhaustive list of bill information that must appear on the first page of a paginated bill (which is a printed bill or a bill in electronic form that is comprised of separate pages – such as a PDF bill) or at the beginning of an unpaginated bill (which is a bill in electronic form that is not comprised of separate pages).

Tier 2 is a non-exhaustive list of information that follows Tier 1 and must be included in a bill, but not on the first page of a paginated bill or ahead of Tier 1 information on an unpaginated bill but must be ahead of additional information.

Additional information is further information that retailers may elect to include in bills, provided it follows Tier 1 and Tier 2 information and is compliant with the remainder of the Guideline including the design principles.

We consider this information hierarchy is a proportionate approach to achieving the bill objective, balancing the variety of ways that consumers use energy bills, while enhancing customers' understanding. In doing so, this will improve consumer confidence and promote engagement and demand-side participation. We consider this will improve effective competition, furthering the long-term interests of energy consumers and the NERO.

7.3.1 Tier 1 – essential information

Our draft Guideline proposes the information that comes first in the bill for both paginated and unpaginated bills must only include an exhaustive list of information classed as Tier 1 information. Our intention is to ensure customers can easily access the information needed for the primary uses of a bill – that is, to understand how much to pay, when to pay and how to pay, and how to seek help.

Retailers must not include information other than Tier 1 information on the first page of a paginated bill or ahead of Tier 1 information on an unpaginated bill.

Our draft Guideline proposes Tier 1 information includes:

- customer name, address (for supply and mailing, if different);
- customer account number;
- 'National Metering Identifier (NMI);
- a link to the EME website: www.energymadeeasy.gov.au;
- better offer information (refer Section 8 below);
- amount due and due date;
- payment methods;
- bill issue date;
- retailer identifying information;
- a telephone number for a customer to:
 - make account enquiries and complaints;

- contact the relevant energy ombudsman; and
- make fault enquiries and report emergencies (being the telephone number for the distributor and giving the name of the distributor); and
- headings intended to assist a customer’s understanding of Tier 1 information.

The draft Guideline proposes the National Metering Identifier (NMI) is Tier 1 information, as retailers often rely on this information in communicating with customers and having this information accessible makes for a smooth customer experience of Energy Made Easy. While ‘National Metering Identifier (NMI)’ is a technical term, because it is used by retailers and in other applications, we require that it is be identified in Tier 1 using this terminology.

Our draft Guideline seeks to make bills easier to understand, and therefore proposes allowing retailers limited discretion to include headings intended to assist a customer’s understanding of Tier 1 information. For example, a heading titled ‘Need help?’ to draw customers’ attention to enquiry lines. However, it is not intended that this section will enable retailers to add more substantive information to Tier 1.

7.3.2 Tier 2 – additional important and supporting information

Our draft Guideline proposes a list of Tier 2 information that must follow Tier 1 information and must be included other than on the first page of a paginated or unpaginated bill or ahead of tier 1 information on an unpaginated bill.

Our draft Guideline proposes Tier 2 information is:

- a standardised plan summary, which must include:
 - plan name (if applicable);
 - applicable tariffs and rates (including feed-in tariffs), charges, peak/off peak times, discounts, grants, concessions;
 - percentage of energy generated by renewable sources or carbon offsets or other environmental outcomes (if applicable to a small customer’s plan); and
 - benefit type and benefit change date;
- an ‘understand your bill’ section, which provides a breakdown of how the amount due was calculated, including setting out for individual customers how the following was applied to calculate the total amount due (previous reading, current reading, measurement in kilowatt-hours, rates and charges):
 - the billing period (date-to-date);
 - previous reading;
 - current reading;
 - usage (for electricity, in kilowatt-hours, for gas, in megajoules);
 - rates/tariffs, in dollar figures;
 - variable charge(s);
 - peak usage;

- off-peak usage;
- usage discount;
- rebates, concessions, government payments and grants;
- GST;
- solar exports (if applicable);
- solar usage (if applicable); and
- if a bill was issued by the same retailer for the corresponding billing period in the previous year, the particulars of the customers' consumption in that previous billing period/s;
- a chart showing how the customer's bill compares to the customer's own historic usage (e.g. 'Average daily usage and exports');
- contact details to enable a small customer to access:
 - financial assistance;
 - interpreter services (in community languages);¹⁰⁹ and
 - services for customers with hearing and speech impairments (e.g. the National Relay Service);
- whether the bill amount is based on metering data or on an estimation of the customer's consumption of energy.

Our BETA research tested different formats for a detailed charges table showing a breakdown of customers' costs and how the amount due was calculated, finding no particular design improved customers' comprehension.¹¹⁰ However, BETA did find this information was important to consumers.¹¹¹

7.3.3 Standardised plan summary

In their research, BETA tested whether consumers' comprehension of bills improved where a plan summary with the following information was included:

- plan name;
- percentage of power generated by renewable energy (if applicable to a small customer's plan);
- contract expiry date;
- meter identifier;
- how the bill was calculated (the tariffs, charges, peak and off-peak times and rates, discounts and concessions which have been applied to the consumers' bill).

BETA found that including a plan summary improved consumers' understanding of how their bill was calculated, with 74% of respondents indicating they would value this

¹⁰⁹ We consider retailers should consider the most appropriate community languages in which to provide contact details for an interpreter service.

¹¹⁰ BETA, *Improving Energy Bills: Final Report*, p 3.

¹¹¹ *Ibid*, p 46.

information in their bill, a finding reflected in the focus group results.¹¹² An earlier European study also found that a best practice bill including a comparability box (with the tariff type and name, contract duration and expiry, actual and projected usage, and information needed to switch) increased both subjective and objective comprehension.¹¹³

Broader research indicates that the benefits of including a plan summary will be maximised by ensuring the plan summary is presented consistently across bills. Standardising the terms and layout used in presenting plan information can lower switching costs by making it easier to compare plans.¹¹⁴ A European study found that standardising the order and positioning of plan information increased the number of consumers correctly identifying the cheapest offer from 67% to 79%.¹¹⁵

Further, in response to the AER's recent consultation, stakeholders broadly supported including a plan summary on bills. The ACCC, EnergyOn and Brighte Energy agreed a plan summary would help consumers to better understand their plan. PIAC suggested that, by providing clear information on bill calculation, a plan summary could improve transparency and consumer trust.¹¹⁶

We therefore consider that a simple standardised plan summary makes it easier for consumers to understand and compare the key features of their plan. Understanding their plan is crucial for a consumer seeking to understand how their bill was calculated, which is one of the main uses of a bill. As the plan summary groups information which is currently required on a bill, we consider the costs for retailers of implementing this requirement should be low.

The requirement to include a standardised plan summary in a bill, the information and language required in a plan summary and the prescribed format of this plan summary is included in the draft Guideline (see draft Guideline, Part 3.1.1). While the plan summary must be produced in the prescribed format, retailers may use their own style (provided they apply the Guideline's design principles).

BETA's plan summary also included information on the customers' contract expiry. Our own research on plan data submitted to Energy Made Easy found most contracts are ongoing, rather than fixed term, which lessens the consumer benefit from including this information in a plan summary. However, we do consider benefit expiry/change to be a key engagement point in prompting consumers on market retail contracts to consider switching and that consumers would benefit from having this information easily available. As such, where applicable, Part 3.1.1 of our draft Guideline requires retailers

¹¹² BETA, *Improving Energy Bills: Final Report*, p 11, p 24; AER, *Targeted focus group findings (culturally and linguistically diverse consumers)*; Hall & Partners, *Older/non-digital consumers: Final report*.

¹¹³ European Commission, *Consumer Study on 'Precontractual information and billing in the energy market'*, p 214.

¹¹⁴ BETA, [Energy bill contents and bill requirements: Literature review](#), Department of the Prime Minister and Cabinet, October 2021.

¹¹⁵ European Commission, *Second consumer market study on the functioning of the retail electricity markets for consumers in the EU*, European Commission, September 2016, p 89.

¹¹⁶ ACCC (Australian Competition and Consumer Commission), [Submission to Better Bills Guideline Consultation](#), 22 September 2021; Energy On, [Submission to Better Bills Guideline Consultation](#), 22 September 2021; Brighte Energy, [Submission to Better Bills Guideline Consultation](#), 22 September 2021.

to include, in a plan summary, information on the applicable benefit types and expiry / change dates.

Some retailers offer plans that identify the percentages of energy generated by renewable sources and the impact of carbon offsets in a small customer's plan. We consider the impact of carbon offsets and the percentage of energy generated from renewable sources should be incorporated in a plan summary, where relevant. If a small customer is on a plan that does not incorporate carbon offsets or a percentage of renewables, this row in the plan summary can be omitted. We consider this an important inclusion in the plan summary to promote confidence in small customers that their billing information accurately reflects their plan.

7.3.4 Additional information

Retailers have flexibility to include additional information other than information classified as Tier 1 or Tier 2 information in a bill, provided:

- this information is not included on the first page or ahead of Tier 2 information on a paginated bill; or
- ahead of Tier 1 and Tier 2 information on an unpaginated bill; and
- complies with the remainder of the draft Guideline including the design principles.

Our intention is to ensure consumers have ready access to the additional important and supporting information they need to engage with the energy market.

In arriving at this view, we have considered stakeholders' submissions to the AEMC's consultation and our early consultation that the following information should be included on energy bills:

- detailed cost breakdown (including costs associated with paper billing, generation and retail costs, transmission costs, distribution costs and the costs associated with government environmental policies and levies);
- a comparison with the reference price;
- a reference to the availability of government funded rebates, concessions or relief schemes, and detailed information on the availability of payment plans and hardship programs; and
- energy saving tips.

Additional information that will help customers to understand their bill can be included in bills provided this complies with the remainder of the Guideline, including the design principles.

We have also considered the current bill content requirements outlined in rule 25. Balancing consumer needs and preferences with the benefits of a simplified regulatory framework and bills, our draft Guideline does not propose to require retailers to include this information on bills beyond 31 March 2023. Retailers may include this information on bills at their discretion, provided it complies with the Guideline's tiering requirements and is prepared in line with the design principles and does not interfere with consumers' understanding of Tier 2 information.

Additionally, while BETA found that well-designed bill benchmarks may benefit some consumers, consumer groups raise concerns that the inclusion of household benchmarking (against other households) in bills can risk consumers engaging in unhealthy energy rationing.¹¹⁷ Further, benchmarks against other households are not always able to provide accurate comparisons as every household is different and this is not always taken into account. In addition, retailers submitted to the AEMC consultation that consumers do not like household benchmarking information and that household benchmarking information will become less relevant as smart meters facilitate the provision of more useful real-time energy usage data via apps.¹¹⁸

Therefore, the draft Guideline does not include a requirement to include bill benchmarking against other households. Again, retailers have the flexibility to include this information, provided it complies with the tiering requirements and is prepared in line with the design principles.

Consultation questions

- 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?
-

¹¹⁷ BETA, *Improving Energy Bills: Final Report*; PIAC/ ECCNSW / PDCNSW, *Joint submission to Better Bills Guideline Consultation*.

¹¹⁸ AEMC, *Draft Rule Determination*. See also AGL, *Submission to Better Bills Guideline Consultation*; Ergon Energy, *Submission to Better Bills Guideline Consultation*; EWOV/EWON/EWOSA/EWOQ, *Joint submission to AEMC Consultation paper*.

8 Better Offer

8.1 Research

BETA's research found presenting consumers with bills including better offer information prompted consumers to state they would compare or switch plan.¹¹⁹ However, BETA also found that consumers do not primarily use their bills to compare alternative offers.¹²⁰ Brighte Energy noted their research indicates better offer information is effective at increasing consumer switching, but many consumers doubt its truthfulness.¹²¹ In contrast, Energy Locals and Origin Energy found, in their experience implementing the Victorian best offer requirement, that very few customers act on best offer information.^{122, 123}

Qualitative research conducted by Monash University on behalf of the Consumer Policy Research Centre and Essential Services Commission (Victoria) indicates best offer information does help consumers identify whether they are on a disadvantageous tariff, and is particularly useful for third-party support workers such as financial counsellors.¹²⁴

However, Monash University also finds consumers generally distrust and are unaware of best offer messages. This is attributed to variability in the presentation of best offer information, including a lack of prominence. The effectiveness of best offer information can be undermined by retailers inadvertently or deliberately creating significant switching costs (e.g. complex switching process that take half an hour or more with a customer support worker calling a retailer with the customer).¹²⁵

8.2 Stakeholder views

In response to our September consultation, stakeholder views on the benefit of better offer information varied. Most consumer groups noted consumers would benefit from better offer information on bills. For example, in a joint submission, PIAC/ECCNSW/PDCNSW considered that better offer information would add transparency and legitimacy to a bill, and could prompt market engagement.¹²⁶ Citing

¹¹⁹ BETA, *Improving Energy Bills: Final Report*.

¹²⁰ Ibid.

¹²¹ Brighte Energy, *Submission to Better Bills Guideline Consultation*.

¹²² Energy Locals, [Submission to Better Bills Guideline Consultation](#), 22 September 2021; Origin Energy, [Submission to Better Bills Guideline Consultation](#), 22 September 2021.

¹²³ Origin Energy, *Submission to Better Bills Guideline Consultation*.

¹²⁴ CPRC, [Submission to Better Bills Guideline Consultation](#), 1 October 2021.

¹²⁵ Dr Larissa Nicholls and Dr Kari Dahlgren, *Consumer Experiences Following Energy Market Reforms in Victoria – Qualitative Research with Community Support Workers (Final report)*, A report for the CPRC, 22 June 2021, p. 31. This report examined support workers' experiences supporting energy customers in Victoria, and noted the effectiveness of best offer information can be undermined by retailers inadvertently or deliberately creating significant switching costs (e.g. arranging a better deal with the current retailer often takes over half an hour and can involve speaking with several call centre workers).

¹²⁶ PIAC/ ECCNSW / PDCNSW, *Joint submission to Better Bills Guideline Consultation*.

academic research, CPSA emphasised better offer information could reduce the occurrence of loyalty taxes for older consumers.¹²⁷

Some stakeholders cautioned that, to benefit consumers, better offer information needs to be accurate and account for a consumers' individual circumstances, for example, usage and payment history.¹²⁸ Sydney Alliance suggested that best offer information should be accompanied by prompts to compare providers (e.g. Energy Made Easy and the importance of shopping around with other retailers).¹²⁹

Others suggested better offer information should only be included where there is evidence of its impact on consumer behaviour or consumer benefit, or where the benefit to consumers reaches a certain threshold.¹³⁰

A number of stakeholders noted consumers distrust best offer information or highlighted inaccurate or rapidly outdated better offer information could cause reputational damage to a retailer.¹³¹ Simply Energy pointed out that BETA's research does not take into account the issue of trust, and suggested including best offer information in benefit change / price variation notices instead of on bills.¹³²

Retailers point out that any best offer requirement should align with existing better offer regulations to minimise costs to serve. Tango Energy notes that including better offer would be a step forward in harmonising the national and Victorian frameworks, which would reduce costs to serve across jurisdictions.¹³³ However, Simply Energy encourages the AER to align with the ICRC final determination over ESCV, as it does not require retailers to include the dollar amount that could be saved, which reduces the complexity of calculating best offer in jurisdictions without smart meters.¹³⁴

8.3 AER position

In our submission to the AEMC's draft determination, we said we would carefully consider whether the benefits of a better offer requirement would outweigh the costs.¹³⁵ During 2021, we have sought information from retailers through a number of avenues, to ensure we are guided by realistic assessments of the costs and benefits of implementing a better offer approach.

¹²⁷ CPSA (Combined Pensioners and Superannuants Association), Submission to Better Bills Guideline Consultation, CPSA, 22 September 2021.

¹²⁸ Aurora Energy, *Submission to Better Bills Guideline Consultation*; COTA, *Submission to Better Bills Guideline Consultation*.

¹²⁹ Sydney Alliance, *Submission to Better Bills Guideline Consultation*.

¹³⁰ AEC, *Submission to Better Bills Guideline Consultation*; Accurassi, [Submission to Better Bills Guideline Consultation](#), Accurassi, 22 September 2021; Consumer-wise, *Submission to Better Bills Guideline Consultation*; Origin Energy, *Submission to Better Bills Guideline Consultation*; R Ben-David, *Submission to Better Bills Guideline Consultation*; Energy Australia, *Submission to Better Bills Guideline Consultation*.

¹³¹ Brighte Energy, *Submission to Better Bills Guideline Consultation*; Energy On, *Submission to Better Bills Guideline Consultation*; Telstra, [Submission to Better Bills Guideline Consultation](#), Telstra, 20 September 2021.

¹³² Simply Energy, *Submission to Better Bills Guideline Consultation*.

¹³³ Tango Energy, *Submission to Better Bills Guideline Consultation*.

¹³⁴ Simply Energy, *Submission to Better Bills Guideline Consultation*.

¹³⁵ AER, *Submission to Draft Rule Determination*, p 2.

The AER believes a well-designed better offer requirement would benefit consumers and foster competition. Better offer information would help consumers to understand the competitiveness (or otherwise) of their energy costs. Delivering this information in a convenient location for a customer, such as a bill, and in a standardised, comparable way, could reduce the friction and cognitive burden required for market engagement, ultimately encouraging consumers to engage in the market and improving competition. This would promote the NERO, a mandatory consideration for the AER in developing the Guideline.

We also consider alignment with the current Victorian approach would promote regulatory consistency, and would lessen the cost of system changes for retailers, which is consistent with our goal to minimise the cost to serve where possible.

At the same time, taking forward the billing principles, we acknowledge a better offer requirement would create costs for retailers, and it is important to ensure that the consumer benefits from such a requirement are proportionate to the resulting retailer costs (and potential costs for small customers).¹³⁶ The question for the AER is whether those costs would outweigh the benefits of a better offer requirement.

Through this consultation on the Draft Guideline, we are again seeking information from retailers about the costs associated with delivering better offer information, and from broader stakeholders about the benefits and most effective method of presenting better offer information. This information will be important to the AER as it considers its final position on whether to include a better offer requirement and, if so, in what form.

At this stage, we propose the Guideline will include a requirement that retailers provide better offer information on small customer bills. We proposed that this be modelled on the 'best offer' obligations imposed on energy retailers in Victoria as set out in Division 4 of Part 2A of the [Energy Retail Code](#) made by the Essential Services Commission and excerpted at Attachment A. Retailers would be required to provide such information no later than 30 March 2023.

Summary of proposed requirement

The AER is considering an approach that would include the following elements:

- Retailers are required to provide, and small customers are entitled to receive, better offer information in bills;
- The better offer information must be prominently displayed, as Tier 1 information, accompanied by a link to Energy Made Easy;
- Retailers must follow a prescribed methodology (described further below) to calculate the better offer and to conduct a check against a customer's circumstances;
- Based on this calculation and check, retailers must generally provide better offer information in line with current NERL billing frequency requirements (sub-rule

¹³⁶ AEMC, *Final Rule*, subrule 25A(4)(a).

24(1): at least once every 100 days, unless there is a different agreed billing cycle); and

- Present better offer information in a prescribed format, including potentially noting that the message is required by the AER or the government.

Specific requirements

The AER proposes that before issuing a bill to a small customer, retailers would be required to carry out a better offer check, whereby the customer's energy usage and related charges (for example, daily service charges) the subject of the bill to be issued are annualised such that the annual total energy costs of that customer, on their current energy plan, can be calculated.

The same calculation would then need to be performed to determine what the customer's annual total energy costs would be under every other plan made available to that customer by the customer's retailer. In circumstances where the customer's annual total energy costs are calculated to be equal or greater than \$22 less under an available energy plan, as compared to what their annual total energy costs would be under their current plan, a retailer would be required to include a better offer message on that customer's bill.

Where a better offer message is required to be included on a small customer's bill, that message would form part of Tier 1 information. Pending our further consumer testing, it is proposed that the better offer message to be included on a small customer's bill, could be stated as follows:

"Based on your past usage, our [insert name of cheapest available plan name identified in accordance with the better offer check] may cost you up to [insert dollar figure difference between the customer's annual total energy costs under their current plan and that customer's annual total energy costs if they were on the cheapest available other plan offered by the customer's retailer] less per year than your current plan. This message is required by the Australian Energy Regulator".

Retailers would also be required to include clear instructions as to how a relevant customer could switch to the identified cheaper plan.

In circumstances where the calculation results in being less than \$22, a retailer would have discretion over what to include in a positive deemed better offer message, provided that the retailer ensures that it is clear to the small customer that they are on one of the retailer's lowest cost customer retail contracts available to the customer having regard to the customer's annual usage history.

We invite stakeholder views on this proposal, including in response to the specific questions below.

Consultation questions

- 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?
-

9 Monitoring and measuring the impact of the Guideline

In implementing the Guideline, it will be important for the AER to monitor how business practices evolve to support better consumer outcomes. For example, the AER may consider an education, engagement and compliance approach with retailers to understand how the design principles are being implemented in practice, auditing and surveying retailers and consumers (including working in partnership with other organisations to do this), or running a ‘Billing competition’ to understand directly from consumers which bills they consider are simple and easy to understand and whether they adopt the design principles.

We will engage further on these ideas as we finalise and implement the Guideline.

Consultation questions

- 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?
-

10 Delivery of bills

Research undertaken by the ACCC in 2018 found that accessibility of bills must be considered and that not all consumers are confident with or have access to the internet, rendering electronic bills inappropriate.¹³⁷ Further, electronic billing is less prevalent in consumers experiencing financial difficulty and less educated consumers.¹³⁸ Conversely, in our CALD focus group, a majority of customers received their bill via email.¹³⁹

In response to our consultation, some stakeholders submitted consumers should be entitled to receive free paper bills, if they so choose.¹⁴⁰ In their final determination, the AEMC elected not to alter the current rules to require retailers to deliver free paper bills for all retail contracts.¹⁴¹ However, we would encourage retailers to, as a matter of best practice, to offer paper bills for all retail contracts, to ensure customers who cannot, or choose not to, communicate through online channels, are not excluded from accessing competitively priced offers.

Relevantly, the AER commissioned research from BETA that revealed only 15% of consumers clicked a link within an electronic bill to access further information. This cohort of respondents had lower comprehension than consumers who had all information on the bill.¹⁴²

The AEMC's final determination provides the AER with discretion to specify whether information of different types may be provided to a small customer by different delivery methods (including in separate documents or electronically) if the small customer has given its explicit informed consent to those delivery methods.¹⁴³

Our draft Guideline requires that specified information be included in a bill for a small customer. Retailers have discretion over whether to also deliver this information to consumers through other channels (for example, a webpage, app or text message). However, at a minimum, it must be included in a bill prepared and issued in accordance with the draft Guideline.

We consider that small frictions, such as clicking on a link to access further information, are a substantial deterrent to consumer engagement and reduce comprehension. Information delivered through these channels is therefore not easier for consumers to understand, and would not achieve the bill objective or advance the

¹³⁷ ACCC, [Restoring Electricity Affordability and Australia's Competitive Advantage: Retail Electricity Pricing Inquiry – Final Report](#), ACCC, June 2018, p 287.

¹³⁸ Ibid.

¹³⁹ AER, *Targeted focus group findings (culturally and linguistically diverse consumers)*.

¹⁴⁰ COTA, *Submission to Better Bills Guideline Consultation*, p. 6; CPSA (Combined Pensioners and Superannuants Association), *Submission to Better Bills Guideline Consultation*, p. 6; CPRC, *Submission to Better Bills Guideline Consultation*, Attachment A, p. 15.

¹⁴¹ AEMC, *Final Rule Determination*, p 25.

¹⁴² BETA, *Improving Energy Bills: Final Report*.

¹⁴³ AEMC, *Final Rule Determination*.

long-term interests of consumers.¹⁴⁴ At the same time, we acknowledge the benefits from innovation, competition and retail choice, and stakeholders' submissions that many consumers prefer to receive information through emerging communications channels.

Balancing these factors, we consider the bill continues to play an important role as a default home for the information consumers need on the energy market. As such, nothing in the draft Guideline prevents retailers from including billing information (including Tier 1 and 2 information) in locations other than on a bill. However, this information must still be included in a bill.

¹⁴⁴ AEMC, *Final Rule*, subrules 25A(3) and (5).

11 Attachment A – Victorian ‘best offer’ requirement

Best offer extract from the [Energy Retail Code](#) as made by the Essential Services Commission

1 Definitions

[...]

annual total cost of current plan means the minimum possible amount payable by a small customer under the customer’s current *customer retail contract* excluding the value of any one-off gift or sign-up credit, calculated on the basis of the *small customer’s annual usage history* and the tariff, charges and discount rates current at, as relevant, the date a bill or *bill summary* will be issued, the date that a *price change* or *benefit change* becomes effective, or the date immediately prior to this effective date, with all discounts applied including any discount the *customer* receives because the *customer* buys another good or service, and including any amounts deducted, credited, or received by the *retailer* under a government funded *energy* charge rebate, concession or relief scheme;

annual total cost of deemed best offer means the minimum possible amount payable by the *small customer* under the *deemed best offer* excluding the value of any one-off gift or sign-up credit, calculated on the basis of the *small customer’s annual usage history* and the tariff, charges and discount rates of the *deemed best offer* current at, as relevant, the date a bill or *summary bill* will be issued or the date that a *price change* or *benefit change* becomes effective, with all discounts applied (except any discount which applies to a *customer retail contract* because the *customer* buys another good or service) and including any amounts deducted, credited, or received by the *retailer* under a government funded *energy* charge rebate, concession or relief scheme;

annual usage history means the consumption or export of electricity or gas by a *customer* at the *customer’s* current premises over the 12 month period preceding, as relevant, the *bill issue date* (or the date of the *bill change alert*, based on *meter* readings. Where the *retailer* does not have 12 months of *meter* readings for the *customer* at the *customer’s* current premises, the *retailer* must estimate the *customer’s* consumption and export of electricity or gas during a 12 month period having regard to any relevant information that is available to the *retailer* (and must have regard to any *meter* readings obtained during the 12 month period preceding the, as relevant, *bill issue date*, the date a *bill summary* will be issued, or the date of the *bill change alert*);

customer means a person:

- (a) to whom *energy* is sold for premises by a *retailer* or *exempt person*; or
- (b) who proposes to purchase *energy* for premises from a *retailer* or *exempt person*;
customer retail contract means a contract between a *small customer* and a *retailer* for the provision of *customer retail services* for particular premises;

customer retail services means the sale of energy by a retailer to a customer at premises;

deemed best offer means the plan identified in accordance with clause 70P;

deemed best offer check means a comparison between the customer's annual total cost of current plan and annual total cost of deemed best offer, as set out in clause 70Q;

deemed best offer check result means the amount determined in accordance with the formula set out in clause 70Q;

generally available plan means any plan that is available to any *customer* in the relevant distribution zone unless it is classified as a *restricted plan*;

price comparator means a facility available on a website to assist a *small customer* to compare:

- (a) the tariffs available to a *customer* under a *standing offer*, and
- (b) the tariffs that are generally available to classes of *small customers* under *market retail contracts*,

retailer means a person who holds a retail licence under the *Electricity Industry Act* or the *Gas Industry Act*;

small customer means:

- (a) a *domestic or small business customer* under section 3 of the *Electricity Industry Act* or section 3 of the *Gas Industry Act*, and
- (b) a person:
 - (i) who purchases electricity from an *exempt person* principally for personal, household or domestic use; or
 - (ii) whose aggregate consumption of electricity purchased from an *exempt person* has not been, or is not likely to be, more than 40 megawatt hours in any calendar year;

Victorian default offer means any offer to supply or sell electricity that is subject to a regulated price pursuant to the Order made under s 13 of the *Electricity Industry Act* published in Special Gazette No. S 208, on Thursday 30 May 2019.

Division 4 Customers entitled to deemed best offer information on bills and bill summaries

[...]

70N Requirement

A *retailer* is required to perform its obligations under this Division in a way that promotes the objective of this Division.

70O Objective

The objective of this Division is to give *small customers* an entitlement to prominently displayed, helpful information that enables them to easily:

- (1) identify whether they are on their *retailer's deemed best offer*;
- (2) understand how to access their *retailer's deemed best offer*, if they are not already on the *retailer's deemed best offer*; and
- (3) understand how to access offers from other *retailers* via the *price comparator*.

70P Identification of deemed best offer

- (1) Where a *retailer* is required to carry out a *deemed best offer check* for a *customer*, the *retailer* must identify the relevant *deemed best offer* for that *customer*.
- (2) The *deemed best offer* must be either:
 - (a) the plan that the *retailer* offers which:
 - (i) is the lowest cost *generally available plan* or *Victorian default offer* applicable to the *customer* having regard to the *customer's annual usage history*; and
 - (ii) does not have as a precondition or condition that the *customer* have or maintain an affiliation or membership with an entity that is unrelated to the *retailer*; or
 - (b) a plan that has a lower cost than the lowest cost *generally available plan* or *Victorian default offer* applicable to the *customer*.
- (3) Where the *customer* is party to a *customer retail contract* that provides a discount on condition that the *customer* buys another good or service, the *deemed best offer* identified in accordance with subclause (2) must be determined without any such discount.

70Q Deemed best offer check

- (1) A *retailer* must carry out the *deemed best offer check* by calculating the *deemed best offer check result* in accordance with the following formula:

$$\text{deemed best offer check result} = A - B$$

Where:

A = *annual total cost of current plan*

B = *annual total cost of deemed best offer*

- (2) If the *deemed best offer check result* is less than or equal to \$22, the *deemed best offer check result* is positive.
- (3) If the *deemed best offer check result* is greater than \$22, the *deemed best offer check result* is negative.

70R Retailers to give customers deemed best offer message

- (1) A *retailer* must provide a *deemed best offer message* on a bill or *bill summary* to a *small customer*.
 - (a) at least once every 3 months (electricity); or
 - (b) at least once every 4 months (gas); or
 - (c) where a *retailer* and a *small customer* have agreed to a billing cycle with a regular recurrent period that differs from the *retailer's* usual recurrent period and that period is 3 months or longer, once in each billing cycle.
- (2) A *retailer* must, before providing a *deemed best offer message*:
 - (a) determine the *deemed best offer* for the relevant *customer* in accordance with clause 70P as at the date the bill or *bill summary* containing the *deemed best offer message* will be issued; and
 - (b) using this *deemed best offer*, perform the *deemed best offer check* for the *customer*.
- (3) If the *deemed best offer check result* is negative, the *retailer* must include:
 - (a) a *negative deemed best offer message* on the *small customer's* bill; and
 - (b) a *negative deemed best offer message* on any *bill summary* of the bill that it sends to the *small customer*.
- (4) If the *deemed best offer check result* is positive, the *retailer* must include:
 - (a) a *positive deemed best offer message* on the *small customer's* bill; and
 - (b) a *positive deemed best offer message* on any *bill summary* of the bill it sends to the *small customer*.
- (5) The requirement in subclause (1) is in addition to the requirement to provide a *deemed best offer message* on a *bill change alert* in clause 70L.
- (6) A *retailer* is not required to comply with this clause where:
 - (a) the *customer* is or would be a *small customer* in relation to at least one of the relevant premises; and
 - (b) the aggregate of the actual or estimated annual consumption level of the relevant premises is higher than:
 - (i) in the case of electricity—the upper consumption threshold provided for in an Order made under section 35(5) of the *Electricity Industry Act*;
 - (ii) in the case of gas—the upper consumption threshold provided for in an Order made under section 42(5) of the *Gas Industry Act*.

- (7) A *retailer* is not required to comply with this clause where the *customer* receives a single bill in respect of the provision of *customer retail services* at two or more premises.

70S Form and content requirements of deemed best offer message

- (1) The requirements in this clause 70S apply to any bill or *bill summary* that contains a *deemed best offer message*.
- (2) A *deemed best offer message* must:
- (a) if included on a bill, be on the front page of the bill;
 - (b) be contained in a border; and
 - (c) be located adjacent to and no less prominently than the amount due.
- (3) A *retailer* has discretion over what to include in a *positive deemed best offer message*, provided that the *retailer*:
- (a) ensures that it is clear to the *small customer* that they are on one of the *retailer's* lowest cost *customer retail contracts* available to the *customer* having regard to the *customer's annual usage history*; and
 - (b) includes the name and web address of the *price comparator* and how to access it, including a hyperlink on electronic bills.
- (4) A *negative deemed best offer message*:
- (a) must contain a title using the exact words "Could you save money on another plan";
 - (b) must contain the exact words "Based on your past usage, our" followed by the name of the *deemed best offer* plan, followed by the exact words "may cost you up to", followed by the dollar amount of the *deemed best offer check result*, followed by the exact words "less per year than your current plan."
 - (c) where the *deemed best offer* is subject to conditions, may provide that conditions apply and the nature of those conditions; and
 - (d) must contain clear and simple instructions on how to switch to the *deemed best offer*.
- (5) A *deemed best offer message* is not required to use the words "best offer", but must be written in a way which clearly and simply conveys the meaning of *deemed best offer*, having regard to the objective of this Division.
- (6) Nothing in subclauses (3) and (4) otherwise limits a retailer in providing other information to *customers* in connection with a *best offer message* in a manner and form that promotes the objective of this Division.

- (7) Despite subclause (1), a *deemed best offer message* on a *bill summary* is not required to comply with subclause (2) only to the extent it is not practicable to do so because of the method by which the *bill summary* is communicated to the *customer*.

70T Compliance

- (1) A *retailer* must maintain records that are sufficient to evidence its compliance with this Division.
- (2) The *retailer* must ensure that the records required to be maintained pursuant to subclause (1) are retained:
- (a) for at least 2 years; or
 - (b) where a *small customer* has within that period made a complaint or referred a dispute to the *energy ombudsman* in relation to the provision of information about a *deemed best offer*, including that such information was not provided—for the period the complaint or dispute remains unresolved.