AUSTRALIAN ENERGY REGULATOR

Compliance Check

National Energy Retail Rules: calculating and basis for bills

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Energy services are a key part of a household's budget. Clear and on time energy bills are critical to customers understanding both energy usage and costs. The *National Energy Retail Law* (Retail Law) and *National Energy Retail Rules* (Retail Rules) details the obligations on retailers when billing its customers.

Part 2 Division 4 of the Retail Rules includes requirements for calculating bills, frequency and content of bills, recovering and returning incorrect charges and resolving billing disputes.

Poor practices for calculating and estimating bills can significantly affect customer confidence with their energy service.

Retail Rules and calculating bills

The objective of the billing requirements under the Retail Rules is to ensure customers can easily understand:

- how they use their electricity or gas during the billing period, and
- how charges have been calculated and applied.

Basis for billing

Rules 20 to 24 cover the basis for issuing a bill and the requirements when meter data is not available.

Rule 20—basis for bills

Electricity and gas bills must be based on metering data (consistent with the requirements of the metering rules and Rule 21) or any method agreed by the customer.

Retailers must use their best endeavours to ensure that actual readings of the meters are issued as frequently as required, consistent with the metering rules.

Customers must receive a bill based on meter data at least once every twelve months.

Estimated bills

Rule 21 sets out when retailers can estimate a customer's use of energy. Retailers can estimate where:

- a customer consents to an estimated read, or
- it cannot reasonably or reliably base a bill on actual meter data, or
- metering data is not provided.

Estimates can be based on:

- a customer's reading of their meter, or
- historical metering data, or
- average energy use by a comparable customer over the same period.

Good practice

- Where a bill is based on an estimated read, it is important to notify the customer of the reason for the estimation. This extra step of informing the customer of the reason for the estimation may help avoid subsequent estimations.

Tariff changes

When during a billing cycle a small customer changes from one type of tariff to another type of tariff for customer retail services, the retailer must:

- obtain a meter reading or metering data at the time the type of tariff changes
- calculate the customer's bill using the type of tariff applying:
  - the old type of tariff up to but not including the date of the meter reading
  - the new type of tariff from and including the date of the meter reading.

Proportionate billing

Rule 22 applies to both standard and market retail contracts. It sets out the requirements on retailers that if a small customer's bill covers a period other than the customer's usual billing cycle or a period during which the customer's tariff changes, the retailer must charge in proportion to the relevant periods and clearly show relevant details on the bill.

Bill smoothing

Rule 23 applies to standard retail contracts and sets out the requirements on retailers when offering a bill smoothing arrangement. Bill smoothing is permitted in any 12 month period based on estimations if the amount paid by the customer is:

- initially the same and based on an estimate of the amount of energy a customer will use over 12 months, and
- is based on a customer's historical billing data or if this is not available, the average usage by a comparable customer over a 12 month period.

Recalculation of the arrangement

Retailers must in the seventh month of the arrangement re-estimate a customer's energy usage over 12 months using seasonal factors or actual meter data to make any adjustments.

If the amount is greater than ten per cent the arrangement must be adjusted to reflect this difference. At the end of twelve months the meter must be read and any overcharging or undercharging must be recovered in accordance with the Rules.

Retailers can include bill smoothing arrangements in market retail contracts.

Requesting a final bill

Under rule 35 for standard retail contracts and at the request of a customer for a final bill a retailer must:

- use its best endeavours to arrange a meter reading
- prepare and issue a bill in accordance with a customer's request.

Good practice

- Use a simple clear layout with a readable size font.
- Where a pay-on-time discount is available, clearly label the total amount due with and without the discount.
- Provide a line item stating the tariff or plan and the meter reading type.
- Show the unit price in the calculation of total amount.
- Use bold headings and subheadings to differentiate prices or tariffs.
- Define usage and charges clearly.
- Name concessions, discounts and the period they applied.

Responsibility for compliance

Section 273 of the Retail Law requires a business (even where functions are outsourced to a third party) to establish policies, systems and procedures to enable it to efficiently and effectively monitor its compliance with the requirements of the Retail Law, the National Regulations and the Retail Rules. Reflecting the importance of clear bills many of these requirements if breached are civil penalty provisions under the Retail Rules.

AER approach to compliance

We assess instances of potential non-compliance with the Retail Law and Retail Rules in accordance with our Statement of Approach (available on the AER website). We will consider a range of factors in deciding on an appropriate response and will take steps with the business involved.