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Better Bills Guideline Consultation Paper

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group or Powershop**) thanks the Australian Energy Regulator (**AER**) for the opportunity to provide comments on the AER's Better Bills Guideline Consultation Paper (the **Paper**).

Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Millar Wind Farm in South Australia, followed by the Mt Mercer Wind Farm in Victoria. In early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy.

Powershop is an innovative retailer committed to providing low prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Over the last five years, Powershop has introduced several significant, innovative and customer-centric initiatives into the Victorian market, including the first mobile app that allows customers to monitor their usage, a peer-to-peer solar trading trial and a successful customer-led demand response program. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and working alongside our customers to fund a large range of community and social enterprise energy projects through our Your Community Energy program.

General comments

Powershop supports the Paper and the introduction of a guideline "to simplify energy bills and make them easier for consumers to understand and use"¹. Powershop also supports the process of establishing a cross sector working group to analyse and critique all available quantitative and qualitative data relevant to this review. Specifically, Powershop believes reviewing the Behavioural Economics Team of the Australian Government (**BETA**) 2021 data for this consultation is a significant exercise for this working group to ensure that the scope of the guideline is adequately covered.

¹ Australian Energy Regulator, Developing The Better Bills Guideline Consultation Questions, August 2021, Page 1

Powershop notes some key issues from the data, but not limited to the below items:

1. This was an online survey so only certain demographics would have been captured. Powershop would like to understand if an in-person survey is likely to be undertaken.
2. No specific presentation template was deemed superior to the other proposed templates, indicating an homogenous customer base and that customers are adaptable to a retailer's capability of providing billing suited to customer needs.
3. Definitions did not help customers understand their bill content. Powershop encourage the AER to remove this concept in line with the principles of the review.
4. The inclusion of a 'best retailer offer' is not likely to increase bill comprehension, and may add to the confusion. Further research should be undertaken in line with established principles. Powershop recommend that the study could expand to understanding the efficacy of a best offer message on a bill in Victoria, where a similar obligation has been effective since July 2019.

Set out below are responses to the questions raised in the Paper.

AER CONSUMER AND BEHAVIOURAL INSIGHTS

Question 1: What are the key insights from our consumer and behavioural research? What are the key opportunities for the AER to improve consumer outcomes, including through the Guideline, that arise from the research?

Powershop appreciates the consumer & behavioural research from the AER and BETA, including the engagement with industry and consumer stakeholders. Powershop believe that the most significant insight from the BETA research (p.14) confirms that the format of the bill does not necessarily impact an energy customer's comprehension². This supports Powershop's position; that a standardised bill format would provide no consumer benefit in terms of bill comprehension. Standardised formatting also restricts retailers from tailoring their bills to meet the needs of their own customer base.

Powershop was also interested by the results of adding a 'definitions box'³, showing that such a feature did not improve an energy customer's comprehension. Powershop believes that while it is important for this concept to be tested, the results show that a bill cannot be a comprehensively educational document.

Different consumers are attracted to different parts of a bill, but they are not necessarily an avenue to engage the unengaged. This reinforces Powershop's position that only essential items should be mandated on the bill. Retailers should be able to understand from their customer base, any further information that is required on the bill or, if it is more suitable for the information to be provided on another service platform or notice.

IMPROVING ENERGY BILLS

Question 2: What additional or new insights do you have regarding the current problems with energy bills?

Since Powershop's submission to the AEMC in February 2021⁴, we do not have a any new significant insights concerning issues with energy bills. Powershop reiterate the items we raised in our submission that customers prefer billing simplicity such as payment amounts, due dates, usage charges and solar specific charges.

MAKING ENERGY BILLS SIMPLE AND EASY TO UNDERSTAND

Question 3(a): What are the key opportunities to ensure energy bills are simple and easy to understand?

This review provides the AER and industry with a great opportunity to understand what customers who take the time to read their bill prioritise what they prefer to see on their bill and to remove any billing content that has been assumed by regulation over time was required (e.g., bill benchmarking), but has not been supported by evidence to be effective.

Powershop believes an energy bill itself should be correctly seen as a regulatory requirement, but not a customer protection. The role of a bill, first and foremost, is to ensure a customer is aware of the amount owed and the date due. Powershop continue to advocate for further simplicity in the regulation that governs bills and sees the introduction of the AER's upcoming guideline as an opportunity to reduce confusion for customers.

² Australian Government, Dept of Prime Minister and Cabinet, Improving Energy Bills, Interim Report, September 2021, Page 14

³ Australian Government, Dept of Prime Minister and Cabinet, Improving Energy Bills, Interim Report, September 2021, Page 22

⁴ Powershop, Meridian Energy Australia Group, Submission to Bill contents and billing requirements Draft Decision Paper

Concerns about customer protections and information relevant to a customer are already addressed through the various notice and support requirements an authorised retailer must adhere to under the National Energy Customer Framework (NECF). However, the delivery of this information can be flexible and adaptable and compliment the bill itself (not have to be on the bill). This is especially important as industry is now evolving in its nature of regarding the energy experience for consumers (e.g., solar, new energy).

Question 3(b): Which approach do you consider preferable and why? Are there other approaches we should consider?

Powershop refers to the table it presented in its submission to the AEMC Draft Decision⁵. The table outlined the billing objectives for the current requirements under the NECF Rules, opposed to a suggested alternate approach to that billing objective. The table prioritises those objectives and bill content accordingly for customer simplicity and ease of understanding. The research from BETA indicated that the priority of information would be a strong preference.

This approach could assist in addressing the items listed for consideration under the AER's list of consultation questions⁶ including;

1. 'necessity' against the 'nice to have';
2. plan summary requirements (definitions already considered redundant for a bill); and
3. the length and layout of bills and help establish best practice design principles.

BEST OFFER INFORMATION

Question 4: Would including 'best offer' information increase consumers' understanding of their bills? Are some consumers likely to find this more beneficial than others? What are the practical issues that need to be considered? Are there risks or potential downsides in including 'best offer' information on bills?

Powershop does not support the implementation of any billing content that may add to potential confusion for customers or add further costs and resources to a retailer. This consultation under the principles established should be seeking simplicity and ease of understanding for customers to read their bill.

Industry has yet to be provided evidence that best offer messages are effective, and we would urge the AER to delay any work on this requirement until this evidence is present and available, that it is proven to be of benefit to energy customers.

Powershop supports the Australian Energy Council's (AEC) submission and its response to this question. Whilst the AEC notes the intuition of best offer messaging, the AEC correctly points towards evidence that, despite an increasing number of customers receiving such advice in the first 2 years of its existence, the rate of response to this advice could lead to the view that the best offer message on bills is ineffective.

Powershop believes the AER should note that although the majority of respondents advised in the BETA research that "they would value this information on their bill"⁷, the lack of context or simplicity in understanding this concept for customers from a survey is not a guarantee the bill becomes easier to understand as evidenced in Victoria.

Other regulatory change in the pipeline may address the underlying policy intent behind a best offer message. Powershop considers the Consumer Data Right (CDR) is likely to reduce the barrier to a customer comparing offers across the retail sector. Furthermore, that they are likely to trust the information the CDR process provides, over information that appears on their individual retail bill.

SIMPLIFYING THE REGULATORY FRAMEWORK AND REDUCING COST TO SERVE

Question 6: Would this reduce the cost to serve? If so, how?

Any change to billing systems will incur a significant cost, so reducing cost-to-serve will be achieved by producing a robust framework that can stand the test of time. Powershop believes that focussing on self-service avenues, separate to an energy bill, such as allowing customers to monitor their own usage using smart meter data, will reduce cost to serve.

⁵ Powershop, Meridian Energy Australia Group, Submission to Bill contents and billing requirements Draft Decision Paper, Page 2

⁶ Australian Energy Regulator, Developing The Better Bills Guideline Consultation Questions, August 2021, Page 2

⁷ Australian Energy Regulator, Developing The Better Bills Guideline Consultation Questions, August 2021, Page 3

Question 7: What are the practical and implementation considerations we should be aware of in considering ideas to simplify the regulatory framework, and in developing the draft Guideline?

Powershop believes that, in order to simplify a regulatory framework, the AER need to continue to focus on the what the core customer needs are, while also considering whether the costs of delivering any change outweigh the benefits. Retail billing systems, including Powershop's are complex and have been developed over time with the existing regulations in mind. Any change, regardless of complexity will require financial outlay, resource and time. The practical and implementation considerations that the AER should consider strongly in the development of the draft Guideline are implementation timeframes for retailers, whether the change hampers innovation or competition and whether the cost of the simplification outweighs the benefits.

Powershop would be very interested in continued consultation with the team at the AER, including sharing further information about the services, outside of the energy bill, that we offer our customers. If you have any queries or would like to discuss any aspect of this submission, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Ell', written in a cursive style.

James Ell
Head of Compliance and Regulatory
Powershop Australia Pty Ltd
Meridian Energy Australia