22 September 2021

Australian Energy Regulator
Consumers, Policy & Markets Branch

Lodged via email: ConsumerPolicy@aer.gov.au

RE: Developing the Better Bills Guideline – consultation questions

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to provide feedback on the key issues the Australian Energy Regulator (AER) should have regard to in developing the draft Better Bills Guideline.

About Shell Energy in Australia

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of gas, electricity, environmental products and energy productivity for commercial and industrial customers. Shell Energy is the second largest electricity provider to commercial and industrial businesses in Australia,[1] offering integrated solutions and market-leading customer satisfaction[2] built on industry expertise and personalised relationships, to over 4,500 customers (around 18 terawatt hours per annum). We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120-megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

www.shellenergy.com.au

General Comments

Shell Energy's specialises in business energy. Our customer base can broadly be categorized into small- medium business enterprise (SME) multi-site customers -that are effectively large enterprises that have multiple small sites aggregated under a single contract arrangement - and commercial and industrial customers (C&I). We have an unique understanding of this customer segment and the drivers behind their energy needs. While our customer base is mostly over the 100MWh per annum consumption threshold and hence falls outside the protections of the National Energy Retail Rules, there are times, given the nature of the regulatory framework, we are required to consider our customers as a standing retail contract customer. This is not an optimal outcome for our business customers, and we provide some further commentary on this in our submission.

Hence, while we support the AER's goal to create a Guideline that 'ensures bills meet the needs of consumer, now and into the future in an efficient way that minimises cost and enables industry innovation', we caution against a one-size fits all approach as the small customer segment is diverse with very different needs.

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?

Shell Energy is encouraged that the AER is undertaking consumer research and testing to inform the Guideline. However, we consider that this consumer and behavioural insight work has only focussed on residential

[1] By load, based on Shell Energy analysis of publicly available data
[2] Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2020.

customers to date. Given the Guideline is proposed to apply to small business customers, the AER should also engage with the small business customer sector to understand their requirements of an energy bill.

Small business customers engage with their bill differently from residential customers and may benefit from a more tailored approach to meet their needs. For these customers, energy is often just another input costs and the energy bill is treated as a tax invoice. In most cases it is the accountant or accounts payable staff who would be looking at the bill, with the fundamental information needed being the total amount owing and the GST separated out. As such, information on a bill targeting aspects such as energy efficiency, engaging in the market, and investing in self-supply options, is likely to be of no value to the business accountant. This information is likely to be more meaningful if the customer can make a choice on how they want to access this information such as through a digital portal or app.

We also note that the AER has established a Better Bills Guideline Working Group to enable ongoing consultation with industry and consumer representatives throughout the Better Bills Guideline development process. We note that while there is broad representation on the Working Group there is no small business advocate. Shell Energy considers it is integral that small business customers are adequality represented in this process and the AER should examine extending its Working Group membership.

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

Shell Energy supports an approach where the Guideline enables retailers to be able to provide an energy bill in a format, and with information, to best suit the diverse needs of their customers (including small business). We consider that retailers should be able to undertake different approaches to enrich their customer bills through consideration of an individual's characteristics, preferences and ability to engage with their retailer.

Our preference continues to be that minimum information and accessibility requirements, covering the functional aspects of a bill, should be specified in the Guideline. That is:

1. Minimum information and accessibility requirements, such as payment amounts, due dates, methods for paying their bill, how the bill is calculated and dispute processes.
2. A requirement that the bill needs to be provided to the customer in a form, agreed between the customer and retailer, that allows that particular customer to easily retain a copy or is easily made available.

We consider that this smaller list of minimum bill contents fundamentally delivers on what the purpose of the bill is and will continue to provide protections to all small customers.

Further, Shell Energy recommends that the AER develop a tiered approach to the Guideline – which separates out residential and small business customer bill requirements. That is, a small business customer bill is required to meet Point 1 and 2 above only, where there may be additional minimum requirements for a residential customer bill to meet their different needs. This then provides retailers the discretion to tailor a small business bill content to this market segment and provide information via other more suitable channels, without overwhelming small business customers with information not relevant for their circumstances. For example, business customers are not eligible for government concessions – this information on a bill provides no value.

This more flexible approach to bill content requirements provides opportunities for small business customers to also receive a similar level of service to that of our C&I customers, if they so choose. Our C&I energy bills are profoundly different to small customer business bills in that they detail every component of the cost stack as a line item (unbundled). This materially boosts transparency and comparability of the truly contestable components (i.e. energy and environmental schemes) of a bill and allows our C&I customers to determine if they are getting a fair value. Some small business customers would benefit from a more granular level of detail on each cost element to enable them to better assess if they are receiving a reasonable offer and to manage their energy affordability. Real beneficial outcomes could be achieved for this segment of customers if the Guidelines provided retailers with the flexibility to deliver this.

'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?

Shell Energy considers that the concept of 'best offer' is not practical for multi-site customers. While single-site customers are dependent on generally available offers made by retailers, multi-site customers are contracted via sophisticated contract negotiation process using third party brokers, direct submissions to tender requirements, and other means. The pricing and contract terms and conditions over the term of the contract are fully transparent to the customer and vigorously reviewed by their legal and finance team. Price to the multi-site customer, in essence, is not just determined by the offer in the general market, but on a variety of other factors such as network costs, current wholesale price and other benefits that can be offered by the retailer to the customer.

A requirement to regularly provide multi-site customers with a 'best offer' is likely to cause confusion to multi-site customers. In addition, many of our multi-site customers receive consolidated bills. That is one bill that covers multiple property addresses. A consolidated bill typically includes a PDF with a summary of the total amount owing and a one-line breakdown for each property. Supplementary data is then provided which contains all the relevant data that sits behind the consolidated bill, such as energy usage. A customer can then upload this data and perform any analyses required. Given this, it will be challenging for a retailer to provide a 'best offer' for these customers.

Further – a 'best offer' is impracticable and will be misleading for a business customer who has a sculptured tariff or varied load. The 'best offer' is only suitable for residential customers whose loads are more predictable and even patterned rather than business customers. For example, a small business customer such as a restaurant who was trading 6 days per week in the past 12 months may reduce its service to 5 days per week. Providing a 'best offer' calculation based on a historical 6 days of energy usage will be a misleading representation of future usage for this customer and will not actually provide any valuable information for the customer's current and future needs.

We also encourage the AER to consider the implications from Covid-19 on small business customer usage patterns. Many small businesses have had reduced energy usage over 2021/2022. Again, using a historical usage to calculate the 'best offer' for these businesses will be misleading and will not assist a customer to ascertain if they could benefit from a different offer. Rather, a more proactive, valuable outcome for a small business customer could be to have real time tracking on an App to enable them to monitor their energy usage and take any subsequent action, if required, in real time. Delivery of new innovative services and tools should be at the discretion of competitive retailers.

If the AER considers a 'best offer' message is required, we recommend the AER take a similar approach to the Essential Services Commission of Victoria and exclude small business premises where the customer receives a single bill in respect to the provision of customer retail services at two or more premises. This could be achieved through a two-tier approach to the Guideline, as noted above, that separates out residential and small business customer requirements.

Simplifying the regulatory framework and reducing cost to serve

Question 5: How can we simplify the billing regulatory framework, through the Guideline or more broadly?
Question 6: Would this reduce the cost to serve? If so, how?
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?

While it is fundamental that the Guideline be covered by Part 1, Division 2, Clause 5 of the National Energy Retail Rules (NERR), we also consider that the current regulatory environment often doesn't recognise the diversity of small customer needs. This is because the regulatory framework doesn't consider relationships beyond standard retail contracts and market retail contracts. This can result in suboptimal outcomes for some energy customers and restrict innovations in the different customer market segments.

For example, Rule 5 of the NERR allows a business customer, who is or would be a small customer, to enter into an agreement in writing with the retailer to the effect that at least two or more of its business premises are to be aggregated for the purpose of determining whether the upper consumption threshold has been met. The customer is then treated as a large customer for the purposes of Division 3 of Part 1, Part 2 of the NERR and Part 2 of the National Energy Retail Law (NERL) a sensible approach. If this business customer's market offer ends before they enter a new market contract, under the NERR, the multi-site business customer' sites automatically revert to being treated as a single small customer and is subject to the relevant requirements. We see this as being impractical. These customers should continue to be treated as aggregated despite no longer being under the market offer, in which case Rule 25 should not apply. These customers' attributes have not changed, despite the expiry of the market contract and so customer service delivery including bill format should be consistently applied. Shell Energy considers the AER should consider excluding these customers from the Guideline to enable retailers to continue to provide a streamlined and effective customer service.

Implementation

Shell Energy notes that in making the bill contents and billing requirements Rule Change, the AEMC provided the AER with discretion to stagger the commencement dates for certain provisions in the billing guideline provided that all provisions commence by 31 March 2023. Shell Energy strongly encourages the AER to provide retailers with a staggered approach to implementation.

Retailers are under immense pressure to implement a plethora of continual regulatory changes. While Shell Energy supports measures to ensure optimal outcomes for customers when it comes to engaging in the energy market, the pace and amount of reform to date has lacked strategic direction and coordination as to policy makers intent. This leads to market confusion and has placed substantial stress on both the IT infrastructure and the personnel delivering these reform programs, so retailers remain compliant with a constant changing regulatory environment. This sustained pressure – exacerbated by a shortage of qualified staff in the industry more broadly due to the growing number of regulatory change projects – puts the mental health and well-being of the industry (both retailers and consumer group personnel) at risk. Retailers have a duty of care to their staff and have been advocating for some time the pressures personnel face to engage in and to implement regulatory changes in the required timeframes. However, to date these concerns appear not to have been factored into decisions on regulatory commencement dates.

While Shell Energy notes that AEMO now maintains a regulatory implementation roadmap, as a prioritisation measure in recognition of the impact of Covid-19 and the cumulative regulatory implementation burden, this does not capture all regulatory changes and we consider more needs to be done. Shell Energy urges the AER to provide leadership in this space and work with other energy market bodies, regulators, and governments to fully understand the regulatory reform agenda for the energy industry more broadly. Measures should be put forward on how regulatory reform can be considered wholistically and better co-ordinated to safeguard the mental health and well-being of the industry.

Given this, Shell Energy cautions the AER against making changes to customer bills for change's sake- any significant change to the format of a bill should only occur if there is an identified market failure. Due consideration must be given to ensuring the benefit of any change to a bill significantly outweighs the cost of doing so, not just from a monetary perspective but also in light of the well-being of staff having to deliver other regulatory reforms in parallel. If the AER decides substantial changes are required it will necessitate longer lead times for retailers to resource up, undertake calculations, redesign bills and to make the system changes needed to ensure customer service and bill accuracy are not impacted.

Shell Energy welcomes the opportunity to discuss our submission further. Please contact Carmel Forbes at carmel.forbes@shellenergy.com.au or 07 3364 2404 for any queries regarding this submission.

Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs

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