

22 September 2021

Consumer Policy Team
Australian Energy Regulator
Level 17, 2 Lonsdale St
Melbourne VIC 3000

[Note: Confidential information has been removed from this submission]

Via email to consumerpolicy@aer.gov.au

Dear Consumer Policy Team,

Re: Developing the Better Bills Guideline: consultation questions

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Regulator's (AER) consultation questions to help develop the Better Bills Guideline (guideline).

Simply Energy is a leading energy retailer with approximately 750,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Simply Energy's submission provides feedback to each of the consultation questions.

Responses to AER consultation questions

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?

Simply Energy commends the AER for consulting with stakeholders on the consumer and behavioural research before publishing a draft guideline. Some of our key takeaways when reviewing the published material were:

- There appears to be support for most of the content already included on energy bills, which may suggest that the level of customer confusion is lower than initially thought
- There appears to be a clear delineation between what information is vital on a bill and what is 'nice to have'
- The level of correct comprehension of an energy bill appears relatively consistent across all bill templates, and does not appear to improve by including additional information on the bill
- When offered a choice between bills, consumers tend to prefer to have the option with more information, which may suggest that choosing a simple bill is perceived as missing out on information.
- Consumers tend to agree there is value in having new or existing information on their bill. As this is costless for the consumer, it is not a surprising result. It would be interesting to understand whether consumers would use this information (and if so, how often they may use it).

Based on the consumer and behavioural research, Simply Energy agrees with the AER maintaining prescriptive minimum requirements based on the information that the research found is vital to be included on a bill. Simply Energy considers that bill content regulations should not include information that research has shown to be 'nice to have'. If customers require this information from their retailer then they should request it, noting that in the competitive energy market in NECF states retailers already have strong incentives to provide the information customers need to understand their usage and pay their bills. If the AER considers that 'nice to have' information should be prescribed, Simply Energy considers that this should be through principles-based rules that allow on-demand information provision through apps and websites. This would enable retailers to design their bills and other customer communications in a way that meets their individual customers' needs and reflects their own experience and research into customers' response to bill layouts and other forms of communication. [Note: Confidential information has been removed] Simply Energy considers it is important that the guideline allows retailers to continue re-designing their energy bills in response to their own customers' preferences.

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

After reviewing the research, Simply Energy would have liked to see more consideration of alternative sources for information on the energy bill. The energy bill is not the only source of information for most customers and the bill should not be considered in isolation. Simply Energy suggests that the AER consider whether some comprehensive information may be better provided to customers through other means. While this may include some information provided through websites and apps, it may also include information provided in price change notices or welcome packs.

While the Behavioural Economics Team of the Australian Government (BETA) touched-on the usefulness of website links through its 'Email-Style Bill', this does not reflect the real-time nature of data provided digitally compared to a backward-looking bill. It would be interesting if BETA were able to test whether there was any difference in perceived value for consumers when comparing a linked backward-looking report to a real-time data interface.

Simply Energy notes that the Consumer Data Right (CDR) will be rolled out in the energy sector from October 2022. The innovations that arise from the CDR will likely change the way that consumers interact with their energy retailer and may lessen the usefulness of an energy bill as a form of engagement for consumers over time. Simply Energy suggests that the AER consider these types of market reforms when considering the costs and benefits of the changes to bills required by the guideline.

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?

Simply Energy considers that a range of regulatory approaches are needed to strike the right balance between enabling market innovation and protecting consumers. In our submission to the Australian Energy Market Commission's (AEMC) bill contents and billing requirements rule change, we stated that the billing rules required some prescriptive minimum requirements to ensure that critical information is standardised and easily understandable. Beyond the critical minimum requirements, the guideline should rely on principles-based rules that promote retail market innovation and incentivise retailers to provide bills that align with their customers' preferences.

When considering what the critical minimum requirements should be, the AER should reflect on the findings of the consumer and behavioural research and focus on the aspects of the bill that should be provided in a standardised way across all retailers. For example, this may include:

- The amount due (and any discounts or concessions applied)
- The due date for the bill
- Payment options and instructions on how to pay
- Information on how much energy was used and the period the bill relates to
- Detail on how the bill was calculated
- Information on how to access assistance
- Information on how to contact the retailer
- Specific customer information (such as account name, account number, supply address, NMI).

Simply Energy considers that principles-based rules could be used to ensure that all other information that the AER considers should be included on a bill are incorporated into a retailer's bill design. This would enable retailers to incorporate this information in a way that suits their bill design and customer preferences. The AER should refer to the findings of the consumer and behavioural research when deciding on the information that should be provided on bills by all retailers. For example, this may include:

- Information about the plan (such as the name of offer, expiry date, discount applied etc.)
- Presentation of the customer's historical usage and solar exports
- Presentation of benchmark data
- Information on how to access Energy Made Easy to compare plans
- Presentation of any jurisdictional-specific information
- Any 'better offer' message (discussed more under question four).

Simply Energy supports the guideline setting minimum requirements for the energy bill content found by the research to be vital. This would allow retailers to add any additional information to their bill layout if they considered their customers would benefit from this information.

In relation to some of the other points raised by the AER under question three in the consultation paper:

- Including definitions of key or complex terms would seem to be a useful addition for customers. However, it was surprising that the BETA research found that a definitions box did not appear to assist consumers to comprehend their bills. If definitions were to be a required bill component, this would likely benefit from being prescribed and standardised across all retailers.
- Insights from the consumer and behavioural research on bill length could be useful for retailers when designing their bills. However, Simply Energy would not support the AER prescribing the length of bills, this would be restrictive for our consumer experience team when designing a bill that meets the preferences of our customers. [Note: Confidential information has been removed]

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?

In the limited time available for this initial consultation, it is challenging to gather data on the effectiveness of the 'best offer' message currently required on energy bills in Victoria. Simply Energy will seek to provide that information to the AER if a 'best offer' requirement is included in the draft guideline.

A key challenge in providing a 'best offer' message similar to that in Victoria is the lower penetration of smart meters in the National Energy Customer Framework (NECF) jurisdictions. Simply Energy expects that the implementation costs of calculating the 'best offer' check would be more significant for customers with interval and accumulation meters relative to those with smart meters. The Independent Competition and Regulatory Commission (ICRC) recently grappled with the challenges of implementing a 'best offer' message in the Australian Capital Territory (ACT) where there is a combination of meter types. The ICRC has not required retailers to include the dollar amount that could be saved in a 'best offer' message. Instead, retailers will need to undertake a 'best offer' check and indicate on the bill that it thinks the customer could save money on another plan (if a better offer is available). If the AER were to implement a 'best offer' message on bills, Simply Energy considers it would be preferable to align with the ICRC's approach rather than the Victorian approach.

While the inclusion of 'best offer' information could be a positive development that encourages customers to engage in the market, Simply Energy considers there may be several limitations that it would be interested in the AER researching further:

- If retailers were to provide estimated savings in dollar terms, this could lead to unrealistic expectations about the benefits of switching offers
- BETA identified that consumers had a higher intention to compare or switch plans when a 'best offer' message was presented. Simply Energy would be interested in whether this finding would translate to a real-world setting, where a consumer will likely have a lower level of trust of this type of message coming from their actual energy retailer (rather than a fictional supplier).
- Is there a risk that a message telling a customer they are on the 'best offer' would discourage that customer from searching for an alternative offer from another retailer? This may result in consumers not accessing the best offer in the market for their circumstances.
- Would there be a stronger response from consumers if the 'best offer' message was instead included on a price change notice? Simply Energy expects that a consumer is more likely to be thinking about the price of their contract and the availability of alternative choices when they receive a price change notice.

Simply Energy has similar thoughts about BETA's research into including a comparison to the Default Market Offer on an electricity bill. For example:

- Is there a risk that including a comparison to the reference price (which is a price cap that includes headroom) would discourage a customer from searching for an alternative offer that may be better suited to their circumstances?
- Would there be a stronger response from consumers if a comparison to the reference price was instead included on a price change notice?

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?

Simply Energy is currently complying with the billing rules as provided in rule 25 of the National Energy Retail Rules (NERR). If the guideline requires us to provide content that is not currently required in rule 25 of the NERR, we will need to go through a process to re-design our energy bill layout. While a simplified billing regulatory framework may be less costly for new participants to comply with, for existing participants there would be costs incurred from moving away from the status quo.

In our submission to the AEMC's bill contents and billing requirements rule change, we suggested there was limited evidence that the current format of bills is resulting in significant customer detriment. This viewpoint appears to have been confirmed by the consumer and behavioural research, which identified a consumer preference for energy bills similar to those currently required under the NERR.

Based on the research findings to date, Simply Energy would prefer the guideline to enable retailers to continue providing their current energy bill and be able to enhance this over time in response to customer preferences. [Note: Confidential information has been removed]

At this stage, it is difficult to estimate the implementation period needed for any required changes to our energy bill layout. While some changes could likely be implemented in a few months, other changes (such as a 'best offer' message) would require more comprehensive system changes to enable their display on the bill.

Question 8: Would you like to provide other information for the AER to consider at this stage?

Simply Energy does not have any other information to provide at this stage, but we welcome the engagement with the AER staff to date and look forward to ongoing discussions during the development of the guideline.

Concluding remarks

In closing, Simply Energy looks forward to engaging with the AER to develop a guideline that ensures energy bills meet the long-term interests of consumers.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at [REDACTED]

Yours sincerely



James Barton
General Manager, Regulation
Simply Energy