

## **TasCOSS**

### **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? - Key insights and opportunities**

Two key observations are taken from the BETA research – energy bills serve a range of purposes for customers; and the importance of well-designed bills.

A key use of bills that the research overlooks is the fact that for a vast number of customers, their bill is the only form of communication between the customer and the retailer. This is an important consideration as the bill can be an effective communication tool for more than just energy usage, cost and payment information.

#### **Purpose of Bills**

The research identified four main purposes of energy bills – finding out how much to pay; finding out energy usage; bill calculation; and information on energy plan. The research also touched on a number of other purposes that customers' bills serve. This highlights that different consumers seek different things from their bill, therefore it is important to achieve the right balance between necessary information and information overload.

#### **Bill Design**

Bill design is fundamental to bill simplification and it is noted that key design principles of language, presentation, salience and structure are more important for consumers than bill length. The research presented four bill prototypes that varied in length, layout and the number of additional elements, reporting similar levels of comprehension across the four bills (65%-67% correct comprehension).

The key finding of this activity is that if a bill is well-designed, the overall length and layout isn't a big barrier. However, the key result of concern is that if 65-67% reported "correct comprehension", then around one-third of all respondents (33%-35%) experienced "incorrect comprehension". This level of comprehension is unacceptably low if a key aim of the Guideline is to simplify energy bills and make them easier to understand.

It is also noted in the research that genuine bills used by energy retailers were not tested. This would have been a valuable exercise to compare levels of comprehension, as well as identifying if there is a retailer in the NEM that is already producing better-practice bills with high levels of comprehension.

What is unequivocal from the research is that the design of bills is critical for ensuring the information customers need is easy to find and understand. Further consumer research must be undertaken to determine the needs and preferences of customers in relation to the design and content of bills, to ensure there the right balance of essential and useful information is achieved.

TasCOSS recommends further research is undertaken into consumer behaviour and insights to ensure increased understanding of customers' different uses of bills, the information they need from their bill and to optimise comprehension levels of bill design options.

### **What additional or new insights do you have regarding the current problems with energy bills? - Energy bill insights**

TasCOSS is not aware of any new research or data not already available to AER.

## **What are the key opportunities to ensure energy bills are simple and easy to understand? -**

### **Opportunities to understand energy bills**

Consumers use bills for different purposes and the research showed that simple, clear messaging in energy bills would help consumers better understand their bills, especially those from culturally and linguistically diverse backgrounds and those with lower levels of literacy. Standardising bills across retailers will help to ensure necessary information for all consumers is accessible.

An observation from the research is that it was limited to the design of paper bills. While TasCOSS strongly supports the retention of paper bills provided free-of-charge to customers, we also acknowledge that a growing number of customers are choosing to receive their bills electronically, and as technology develops are able to keep track of their usage, costs and payments through digital apps rather than receiving a traditional form bill. The Guideline will need to consider the content and format of information to be included in bills accessed online and in digital apps.

TasCOSS recommends the lived experience of customers on low incomes and customers experiencing financial difficulty also be included in the process for understanding consumer and behavioural insights. These consumers have particular needs around energy literacy and the value of the information on a bill for helping them to understand the amount owed, payment options, how to get assistance, how to reduce their bills and how to dispute a bill.

The lived experience of these customers will provide valuable insights into the type of information needed on a bill to make it easier to understand, and additional information to support their account management, in particular information regarding:

- how to seek financial assistance or retailer support;
- concessions;
- other non-concession supports such as rebates and discounts;
- more complex payment and part-payment arrangements (such as bill smoothing); and
- how to access interpreter services.

### **Which approach do you consider preferable and why? Are there other approaches we should consider? - Preferable approach**

All customers are different, making the development of the “perfect” bill a difficult challenge given individual needs, preferences and behaviours. This effort will be further challenged as the energy market continues to transition and new services become available to consumers.

Bills must contain the information customers need and want, in a format they can easily understand and be accessible in a manner that suits them. Key information must be easily identifiable, but bills should also enable access to additional information customers may seek, such as where to find help, support tools available, energy advice etc.

While noted in the research that some bill attributes such as clickable links or definition boxes did not test well, it shouldn't be assumed that these features would not be used in real-life situations or at a future time.

TasCOSS recommends an inclusive design approach is taken to designing energy bills to ensure the range of accessibility issues are considered in bill design. An inclusive design approach will benefit all consumers, not just those with greater accessibility needs.

Designing for accessibility will include a spectrum of needs including (but not limited to) people with low levels of literacy, with a visual or physical impairment, with a lived experience of energy poverty, bill delivery to consumers in regional or remote locations/communities and digital access for bills

that are data intensive (e.g. graphics, download speed) for customer in areas of poor digital coverage or unable to afford large data plans.

**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? - Including 'best offer' information**

The research noted that the presence of a 'best offer' notification was valued by three-quarters of respondents and the messaging was substantially more effective when it was more prominent on the bill. This suggests the inclusion of 'best offer' information is valuable for consumers and is important for transparency and the legitimacy of competition.

Aurora Energy has advised that it used smart meter data to contact around 10,000 customers in the past 12 months who could have saved money on their energy plan by switching to a TOU tariff, yet only 500 customers (5%) made the switch. There was no reasoning provided for this small take-up, but a number of assumptions could be made based on previous energy consumer research - including distrust of retailer, distrust of offers too good to be true, lack of literacy about tariffs, past consumption not indicating future consumption, costs of switching and fear of change.

This example provides some real-life data on switching behaviours, however, there should also be effort made to support customers to switch, whether that be for example through some kind of no-disadvantage test, or a trusted third-party source providing the information and help to switch, rather than it being provided by the retailer on the bill.

For 'best offer' messaging on bills to be effective, consideration needs to be given to how and where the information is presented, customer loyalty/trust, reliability of information, the costs/benefits of switching and the source of the information.

**How can we simplify the billing regulatory framework, through the Guideline or more broadly? - Simplifying billing regulatory framework**

N/A

**Would this reduce the cost to serve? If so, how? - Cost reduction**

Energy bills are a mandatory communication tool for an essential service. The costs of compliance by retailers with the billing Guideline (and ultimately passed on to consumers) must be proportionate to the expected benefits and offset by the savings and efficiencies gained by retailers. Consumers need to be confident that any changes to bills and billing requirements will allow flexibility for retailers, maintain protections for customers and will deliver a benefit to consumers that outweighs any costs.

An easy-to-understand and effective bill will deliver savings to retailers through a reduced need for customers to contact them with bill queries and complaints. There will be cost savings and efficiencies for retailers, due to a range of Guideline benefits, including:

- fewer call centre, email or social media enquiries that come from customers attempting to understand their bill;
- more customers being able to pay their bills on time because they understand the bill better;
- reduced customer dissatisfaction and increased customer loyalty/trust, leading to a reduction in retailers' switching costs;
- customers being more amenable to positive relationships with retailers, trialling new products and

services, and generally increasing the productivity and value of the retailer-customer relationship.

While the cost to serve and ways to reduce them should be considered in developing the billing Guideline, so too the converse should be considered – the cost to consumers in terms of time contacting their retailers and/or Ombudsman services to have bills explained, in addition to the frustration, anxiety and confusion customers experience.

**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? -**

**Considerations to simplify framework**

The development of enforceable, principles-based Guidelines that are informed by consumer sentiment and stakeholder consultation will help to ensure consumers' experiences with bills is improved. There also remains a place for prescriptive rules in billing to ensure that necessary information is provided to consumers and protections are in place for customers experiencing vulnerability or disadvantage.

To remain contemporary, the Guideline should be updated regularly to: incorporate input from consumers and stakeholders; respond to changing customer needs, preferences and behaviours; and respond to the introduction of new technologies and the changing market developments. TasCOSS recommends the Guideline has a regular statutory review with a requirement for direct community engagement.

**Would you like to provide other information for the AER to consider at this stage? - Other information**

TasCOSS makes the following recommendations in response to the consumer and behavioural insights research:

1. Further research is undertaken into consumer behaviour and insights to ensure increased understanding of customers' different uses of bills, the information they need from their bill and to optimise comprehension levels of bill design options.
2. The lived experience of customers on low incomes and customers experiencing financial difficulty be included in the process for understanding consumer and behavioural insights.
3. An inclusive design approach is taken to designing energy bills to ensure the range of accessibility issues are considered in bill design. An inclusive design approach will benefit all consumers, not just those with greater accessibility needs.
4. The Guideline has a regular statutory review with a requirement for direct community engagement.