



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

[agl.com.au](http://agl.com.au)

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

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Consumer Policy

Australian Energy Regulator

17/2 Lonsdale Street

**MELBOURNE VIC 3000**

Submitted via email: [ConsumerPolicy@aer.gov.au](mailto:ConsumerPolicy@aer.gov.au)

### Developing the Better Bills Guideline

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AGL Energy (**AGL**) welcomes the opportunity to provide feedback in response to the Australian Energy Regulator's (**AER**) consultation on Developing the Better Bills Guideline (the Guideline), dated 2 September 2021.

AGL has submitted extensive insights into its billing research and other findings on customer behaviour throughout the Australian Energy Market Commission's (**AEMC**) Bill Contents and Billing Requirements consultations. We have provided similar information to the AER and the BETA group earlier this year. At the industry forum held by the AER on 8 September 2021, the AER noted it has spoken to industry participants and set up an industry working group to gain insights on billing arrangements. We urge the AER to revisit AGL's previous submissions for key considerations on developing a robust and receptive billing framework.<sup>1</sup>

Our research, consumer testing and further data provided below offers extremely useful insights for guiding the AER in establishing the Guideline. Specifically, our research clearly demonstrates how consumers use a bill, the information they would like to help them with this purpose and the language and formatting in presenting this information. Further, we show below that taking this information into account and designing a bill around this feedback has shown clear and demonstrable customer benefits through faster payments, less customer queries and lower cost to serve.

Importantly, the Billing Guideline must be clear on the purpose of the bill from a consumer perspective and the AER should not include information on a bill that does not satisfy this purpose. Rather, the AER should consider the total package of information retailers provide consumers over their lifecycle. We maintain that the billing framework would be substantially improved if the AER were to adopt a principles-based approach in drafting the Guideline while also incorporating industry and international insights on billing practices and customer behaviour in energy.

This will assist the AER in achieving a balanced Guideline that supports innovation and can respond to changing consumer preferences while promoting positive customer payment outcomes and reducing costs to serve.

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<sup>1</sup> [AGL Energy, RRC0036 – Bill contents and billing requirements – Draft Determination, 4 February 2021](#) and [AGL Energy, RRC0036: Bill contents and billing requirements, Consultation Paper, 22 October 2020](#).



The Appendix provides more details on the specific AER questions.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at [vkalpakidis@agl.com.au](mailto:vkalpakidis@agl.com.au).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux

General Manager, Policy and Energy Markets Regulation

**AGL Energy**



## APPENDIX

We provide responses to some of the questions put forward by the AER:

**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?**

### **Industry Collaboration**

AGL agrees that extensive research and studies into consumer behaviour must form the basis for the development of a successful billing regulatory framework.

We welcome the Behavioural Economics Team of the Australian Government's (**BETA**) consumer research as one key element in the AER decision-making. However, we are concerned that the methodology used by BETA to conduct the consumer research is flawed and has led to an unconscious bias in the results that are not relevant to how consumers use and rely on an energy bill outside of a controlled consumer testing environment. For example, AGL notes that testing utilised four pre-designed BETA bills and then consumers were specifically asked on the type of further information consumers would like on a bill (e.g., consumers were specifically asked if they would like to know if they are on the best offer or would like price reference information on a bill).

While AGL welcomed providing input to the AER and BETA on the methodology that should be used to avoid unconscious biases in the results, we are disappointed this advice was not taken on board. By not conducting research studies that use an 'open ended' methodology question approach (e.g., for what purpose do you use a bill, what information would you like to see on a bill, etc.) we feel that the AER overlooked an opportunity to gather important customer and billing insights that would have been valuable for developing the Guideline.

Further, with extensive experience in applying the current billing regime under the National Energy Retail Rules (**NERR**) retailers are best placed to advise on its constraints and successes as well as relevant customer behaviours. In our view, the AER and BETA should use quantitative and qualitative data presented to them from retailers prior to formulating the development of the Guideline. We believe that this Guideline is an opportunity for the AER to create a world-class energy billing regime and we urge the AER to collaborate with industry stakeholders while it drafts the Guideline.

### **Methodology**

We also express our concerns with the methodology and assessment criteria adopted for the research, and that it was developed by the AER in isolation from industry stakeholders. For example, the research suggests that 'Comprehensive' or 'Structured Comprehensive' style bills, generally outperform the 'Simple' and 'Basic' bill prototypes. We believe the AER missed an opportunity to draw more meaningful insights relating to simpler bill formats as it did not look to comparable international jurisdictions like the United Kingdom, as previously recommended by AGL, in order to draw billing elements that would maximise the success of these bill styles. With respect to the 'Comprehensive' and 'Structured Comprehensive' bills, we know from our experience that the volume of technical and



generic information is overwhelming for customers, and we do not believe that adding more regulated content or applying a standardised design will promote simplified and easily accessible bills.

### **Demographics**

AGL notes an absence of key demographics from the BETA and AER studies. For example, none of the research considers the billing behaviours of concession card holders which in our experience is one of the most engaged and financially conscious customer cohorts. The inclusion of concession card holders in the research would have provided better insights on how this demographic interacts with a bill and the types of consumer protections that should be enshrined under the Guideline.

Of the three research studies, none considered the behavioural patterns and preferences of small and medium business customers. In relation to billing practices, businesses value efficiency and prefer to utilise digital platforms for receiving and paying invoices. Business customers drive an increasing need to adapt to emerging enterprise billing solutions which is currently constrained by the existing NERR regulatory requirements on bill delivery and content. Without adequate assessment of the behavioural preferences and patterns of a properly represented retailer customer base, the Guideline will not be responsive to present and future needs of consumers.

### **Purpose of a bill**

In our experience and customer research, it is clear customers want their bill to have accurate and meaningful information that enables them to easily make a payment. We have previously submitted that bills are not generally relied upon by customer to make decisions about energy products and services.<sup>2</sup>

The research focuses heavily on the bill as an informative and educational communication without considering or even testing the reason consumers use a bill, which detracts from a genuine discourse on successful and unsuccessful elements of the regulatory framework under the NERR. For example, research findings that plan summaries made it easier to understand your plan but not to choose the best deal or focusing on testing consumer product switching behaviours suggests that customers often interact with a bill to shop around, despite this not being listed as a primary or alternative reason that customers engage with their bill. The AEMC's consultation does not propose that the bill itself should help the customer find a better deal, but rather that customers should be empowered to seek a better offer "armed with a sound understanding of the basics of their plan and bill".<sup>3</sup> We feel as though the research did not properly assess the fundamental reasons that customer interact with the bill, and focused more on testing the effectiveness of other regulatory requirements such as best offer and reference pricing.

Additionally, Consumer Data Rights economy wide reforms will enable consumers to access better offers through this dedicate channel. Further, the introduction of retail pricing reference obligations and the revised Retail Price Information Guideline (**RPIG**) and Basic Plan Information Details requirements are all aimed at providing consistent and comparable information to consumers to make

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<sup>2</sup> AGL Energy, RRC0036 – *Bill contents and billing requirements – Draft Determination*, 4 February 2021, p 2.

<sup>3</sup> AEMC, *Bill contents and billing requirements, Rule determination*, 18 March 2021, p 15.



informed product and service decisions. This makes it even more important that billing regulations provide a single focus objective being information for consumers to pay their bill.

In conclusion, the AER's Guideline should clearly set out the purpose of the bill as well as adopt a principle that it will not duplicate or replicate other reform initiatives.

The prescriptive requirements of the NERR billing framework for energy far exceed the level of regulation for bills in other product and service markets. However, the BETA research does not appear to address why the purpose of an energy bills is different compared to the purpose of bills in these other markets. The Guideline must clearly state what is unique, based on consumer testing and research, that leads to information required on an energy bill but not on other bills.

### **Other Communications**

We note that all three studies considered the role of the bill in isolation to any other correspondence the customer would regularly receive from their retailer and approached as being the only source of information available. The surveys did not put to participants the role of other communication tools in informing decision making. Retailers use a number of communication mediums and letters to send information with strict regulatory requirements under the NERR and the RPIG to ensure that important account and product information is conveyed to the customer when appropriate. Additionally, digitally enabled customers can access bespoke account information and energy insights at any time through online account services and apps. As an example, on the AGL App, customers can view their daily consumption and costs, and solar users can also access their daily solar generation. Hence, it would not be appropriate that the same information be required on a bill.

The Guideline must ensure it does not replicate information provision through these other channels. Rather, the focus should be on the outcome that is being delivered by the total package of information consumers receive.

### **Other Observations – Digitisation**

AGL observed the AER's negative sentiment on the 'Email style' bill based on the research findings.

We are concerned that this could result in the AER requiring prescriptive billing content, limiting the effectiveness of an e-bill and consumer preferences on the content and layout. We encourage the AER to engage AGL directly for insights and findings on preferences and behaviours of customers who elected to receive e-bills [REDACTED]. The AER's research highlights the overwhelming uptake of e-billing even for culturally and linguistically diverse participants which is consistent across most customer cohorts and reflects the universal shift towards digitisation in billing practices.<sup>4</sup> Curtailing digitally savvy approaches through the Guideline would stifle the shift towards digitisation in the energy industry and set back retailer innovation, contrary to numerous policy intentions set by the AEMC.<sup>5</sup>

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<sup>4</sup> AER - Better Bills Guideline Behavioural and Consumer Research - Targeted focus group findings - Culturally and linguistically diverse consumers, p 6.

<sup>5</sup> AEMC, Bill contents and billing requirements, Rule determination, 18 March 2021, p 11.



We also note that the BETA research showed that the 'Email style' bill performed substantially worse on the bill comprehension questions because customers were disinclined to click on links within the email. Our experience in a real-life setting shows that customers interested in engaging further with their bill will still use links provided within the e-bill. For example, digital links within the e-bill summary enable customers to access account and product information, see their detailed usage and submit their own reads at a pace and time that suits them. Links within AGL's e-bills can overcome issues associated with accessing information that is otherwise 'difficult to find' but that customers would not necessarily engage with on a regular basis.<sup>6</sup> Unlike in the controlled study setting, engagement with content and links in the e-bill need not happen immediately for the customer. In this respect, we believe 'Email style' bills and other innovative digital bill designs are superior in their dynamic nature, simplicity, and ability to adapt to individual customer preferences. The Guideline must ensure the dynamic nature of e-bills is not hindered and the consumer and industry benefits that flow on are not lost through prescription on the content and layout of e-bills.

[REDACTED]

[REDACTED] In our view, the AER's Guideline should further enable and promote e-billing innovation (including delivery through the app or text messages) as this will lead to better and bespoke outcomes and more choices for customers.

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

Based on our experience and customer testing, the single most important opportunity to ensure energy bills are simple and easy to understand is ensuring that the Guideline focuses on the primary function of a bill while permitting sufficient retailer discretion to utilise unique insights and expertise.

In our view, the content that some customers value on their bills, others may find hard to understand so including more regulated content on energy bills could further disengage customers already confused by the volume of information presented. To this end, we do not believe that the adoption of a standardised billing format (particularly in the style of the 'Structured Comprehensive' bill) across all retailers would benefit customers as it will eliminate retailers' unique billing identity and points of differentiation, ultimately disincentivising retailers from finding new approaches that engage the customer.

Our research and consumer testing clearly shows customers use their bills primarily for payment. Based on this purpose and our extensive research and analytics, our e-bill contains four core pieces of information, being:

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<sup>6</sup> AER - Better Bills Guideline Behavioural and Consumer Research - Targeted focus group findings - Culturally and linguistically diverse consumers, p10.



1. Total amount due
2. Due date
3. Any discounts and concessions applicable
4. Bill-on-bill comparison

As outlined above, we then offer a number of hyperlinks to allow customers an opportunity to view further information or carry out activities to support their billing experience.

Reducing the volume of regulatory requirements associated with bill content and delivery will also greatly improve the customer experience by aligning the bill to what customers want to see. In real world situations, quality information that is meaningful to the customer is valued over generic or technical terminology that often confuses the customer on how it applies to them, such as industry wide and average based bill benchmarks.

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

AGL advocates for a principle-based approach to regulating bill requirements through the Guideline while limiting prescriptive, regulated content to only core information linked directly to the purpose of a bill. Objectives and outcomes set under the Guideline should resonate with the primary purpose of a bill and allow for retailer discretion over the design and presentation.

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

Greater flexibility to manage digitisation opportunities and easily migrate customers to alternative delivery methods is needed under the NERR. While AGL maintains that it is crucial to gain explicit informed consent for substantial changes to the customer's contract for the sale and supply of energy, we believe that less prescriptive requirements for transitioning customers to digital channels reflect consumer expectations. The current steps involved in transferring from postal to digital delivery methods are a point of frustration for many customers. An effective framework will cater to a seamless migration experience for customers and retailers to existing and emerging ways of interacting with a bill including through SMS messaging, push notifications and apps and retailer account portals as well as through traditional bill delivery methods. A principles-based framework will strike the right balance between protecting consumer interests and reflecting their preferences.

This approach will enable retailers to participate in emerging technologies in the market without the regulatory constraints of the existing framework. For example, the current billing regulatory obligations makes it extremely difficult, if not impossible, for retailers to participate in the Federal Government's Peppol e-Invoicing adoption initiative.

### **Would this reduce the cost to serve? If so, how?**

As we have provided above, while AGL's e-billing experience is still in its formative stage, we have seen significant customer uptake (notwithstanding the rigidity of current explicit informed consent requirements) as well as improvements in customer satisfactions and reduction on cost to serve metrics. As substantial changes to bills require an equally substantial investment of time and resources to achieve, it is important that the Guideline allows retailers some control over proposed changes to



bills in order to keep costs associated with investment and implementation as well as costs to serve, as low as possible.

A purpose with core information-based approach to regulating through the Guideline would encourage a number of flow-on savings for retailer, and in turn customers, including:

- Reduced cost of compliance as a result of reducing or removing 24 strict regulatory requirements.
- Cost savings associated with a reduction in internal and ombudsman complaints, especially where the Guideline empowers retailers to design bills which cater to customer preferences rather than regulatory obligations.
- Costs saved or foregone by moving away from paper bills to digital methods of delivery.
- Reduction in customers contact points caused by bill confusion.
- Ability for consumers to self-cure through appropriately provided hyperlinks.
- Improvements in pace and success of payment, thus reducing after billing collection activity and costs.
- Reduction in customer debt and disconnection for non-payment levels.

**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?**

Small changes to bill design or content require, at minimum, 3 months to operationalise. While we infer from the AER's research approach that it will likely add to existing bill content requirements under the NERR, a complete redesign of a retailer's bill would require between 18 to 24 months from when the AER finalises the Guideline.

A significant restructure to energy bill requirements would require retailers to undertake tailored bill behavioural studies, a review and potential re-design to retailers' billing and customer management system, coding, development and regression test of new bills, agent training, customer education, update to all related collateral, changes with third-party providers, implementation of a new compliance and dispute resolution framework and collaboration with mail house vendors (with only a limited number of vendors across Australia servicing almost all energy retailers).

Depending on the scope of changes in the final Guideline, AGL recommends that the AER should take a staggered approach to rolling out changes but should nevertheless consider extending the full implementation timeframe to 1 January 2024 if considering any significant changes to current billing arrangements.