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Australian Energy Market Commission

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Dear Ms Flechas,

### **RRC0036: Bill contents and billing requirements, Consultation Paper, October 2020**

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Consultation Paper on the rule change request submitted by the Minister for Energy and Emissions Reduction on behalf of the Australian Government to amend the National Energy Retail Rules (NERR), to make amend the required form, content and delivery of energy bills. The minister proposed that rule 25 in the NERR be replaced completely and that the AER create guidelines to regulate the form, content, and delivery of energy bills.

AGL's agrees with Minister Taylor, the Australian Competition and Consumer Commission and AGL's own research quoted in the proponent's rule change request that bills are complex, complicated, and often information dense. However, AGL believes retailers are best position and have already begun the transition of instigating billing reform. Retailers, operating in competitive market, are motivated to provide improved customer service, which includes the content and delivery mode of billing driven by customers' preferences. Providing the Australian Energy Regulator (AER) with guideline making power to outline what content and delivery method is not a preferred option as the AER does not face the discipline of competitive markets to drive improvements. It is AGL's view the current bill regulatory framework is the major inhibitor to billing reform.

AGL supports the proponent's proposal that rather than specifying the minimum information that retailers must include in bills, the rule contain an objective and outcome-based principles for billing. However, we do not support the need for a new AER Guideline to address the content of a bill or to specify the method of delivery of a bill to customers.

#### **How consumers use a bill:**

As the AEMC paper notes, there are 26 requirements for the content of a retail bill and the proposed rule change request suggest that these requirements currently do not allow for standard nomenclature and consistent bills; features too much complex data on bills causing information overload and does not help educate consumers about support tools and services (e.g. Energy Made Easy).

To support these findings and to better understand what content and how customers use bills, there has been substantial research and customer testing that demonstrates customers primarily only read the bill amount, usage information and due date. For example, OFGEM undertook research and



found that 81% of customers who open mail from their utility provider do so only to review the bill amount, disregarding any other information.<sup>1</sup>

AGL undertook its own extensive research and customer testing for the new e-bill project to improve the e-billing experience for our customers and found that customers do find bills confusing. This is because bills have historically been used as the only source of information provision and as such have been regulated to include many pieces of information. Further, billing information is not prioritised to ensure that fundamental information is communicated through a bill to a customer. Through AGL's customer research, we found customers prioritised information that was relevant to paying, other information was not considered relevant or used by customers for other energy service provisions, including benchmarking their usage or comparing other market offers. Specifically, we have found that customer's preference is for the following key information to be on the bill so they can make payment with confidence:

- the amount due;
- the pay-by or due date;
- how to pay; and
- If concessions/discounts have been applied.

AGL has added a comparison graph to show average daily cost & usage for this bill versus the customer's bill for the same time last year. Our pilot customers during testing indicated this graph makes it easier for them to understand their usage. As such, we anticipate this will reduce 'bill shock' through providing a visual link of usage and relative cost for that season/time of year. In addition, AGL has also added contextual, personalised links into AGL's self-service options within our digital platforms, such as prompts to self-service meter reads for estimated bills, access to usage data and up to date cost and bill projections.

These findings have been confirmed by other research and customer testing programs. For example, the Consumer Policy and Research Centre<sup>2</sup> released a document outlining the critical pieces of billing information for consumers and examples of where to locate this information on Tier 1 retailer issued bills. They found that the critical pieces of billing information were the following:

- Billing period;
- total cost of bill including any amount owed from previous bill;
- comparison of own energy usage;
- any applicable concessions; and
- Best Offer

AGL has been able to provide an improved customer experience through the changes to our e-Bill service, as we have been able to design the look and feel based on our customer needs, innovating and iterating on this design with customer feedback. It has not been possible to apply the same e-billing innovation to the paper bills due to the prescriptive regulation and the volume of data and information required to be included.

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<sup>1</sup> Ipsos Mori 2012. *Prompting engagement with and retention of written customer communications report*, OFGEM United Kingdom, p.20, <https://www.ofgem.gov.uk/publications-and-updates/prompting-engagement-and-retention-written-customer-communications-report-ipsos-mori>

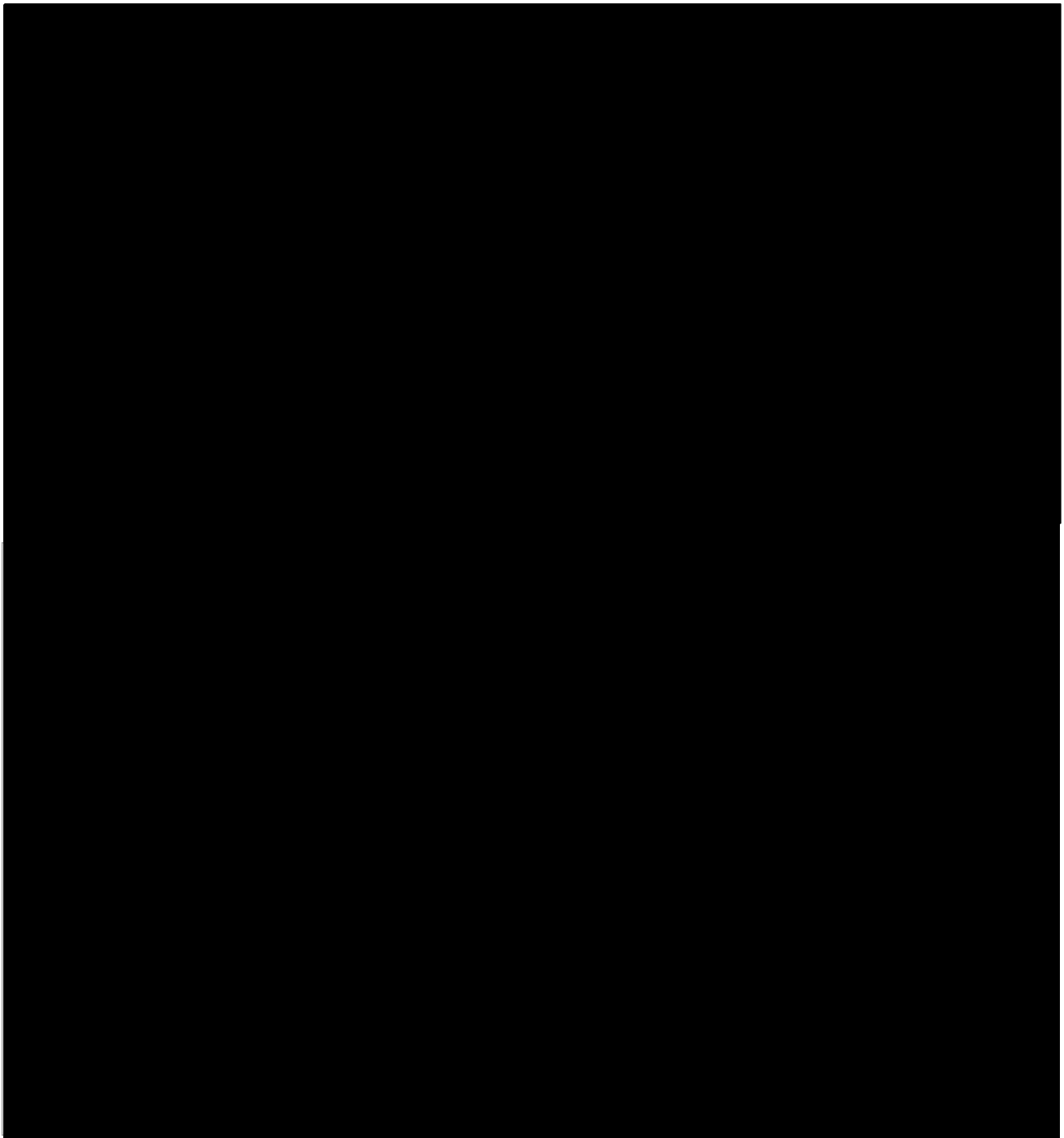
<sup>2</sup> Consumer Policy and Research Centre 2019, *Reading Energy Bills* pdf. Energy Info Hub, <<https://energyinfohub.org.au/app/uploads/2019/08/energy-info-hub-reading-bills-1.pdf>>



AGL recommends that the billing regulation is no longer fit for purpose and supports the proponent's proposal that a new rule is required to specify the objective of a bill and outcome-based principles. From our research, the objective of a bill is to provide consumers with timely information for them to feel confident their bill is accurate and therefore make payment.

**Billing is not the only tool to engaging with consumers:**

Many other pieces of information (not related to payment), that are currently required to be included on a bill are being provided by other communication channels. Please see below a representation of all the touchpoints a customer has throughout their journey at AGL.





### **Other reforms that will improve customer information and reduce reliance on a bill for engagement:**

The introduction of the Consumer Data Right (CDR) in the energy sector will allow consumers, and third parties on their behalf, easy access to additional information. This increased access will enable consumers to engage with their energy service on their own terms, while also allowing less engaged customers a simplified bill.

We further note that the proliferation of digital access to information (such as the use of URL's into further customer information), will help ensure customers do not experience detrimental effects through the simplification of the contents of the bill. A similar approach has been the Australian Energy Regulator (**AER**) with the Retail Pricing Information Guideline (**RPIG**), where a link to more detailed information (Detailed Product Information Document – **DPID**) is provided within the Basic Product Information (**BPID**).<sup>3</sup>

The combination of CDR reforms, the introduction of retail pricing reference requirements and the revised RPIG and BPID are all aimed at providing consistent and comparable information to consumers to make 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.

### **Delivery of bills:**

AGL does not support the proponent's suggestion that the NERR does not stipulate how bills are to be issued or delivered to consumers and that customers are not given the choice regarding paper or electronic billing.

AGL is committed to increasing digital uptake and optimisation for our customers who would prefer to engage with us through these new technology channels and continue to provide paper-based information to those who prefer this method. AGL does not issue electronic billing to customers unless they provide Explicit Informed Consent (EIC) to receive their bills electronically. This is underpinned by the NERL EIC obligations, including s319 relating to giving of notices and other documents under Law or Rules. Specifically, s.319(1)(a)(iii) states that this can be done electronically "but in the case of a small customer, *only if the small customer has given explicit informed consent to receiving the notice or other document electronically*".

As a bill is considered a type of notice and thus requires the customer's EIC to be provided by electronic means, this renders the proponent's requirement to have this proposed protection for the delivery of bills redundant. If anything, the NERL EIC obligations is slowing the transition to digital communications. For new customers, AGL can seek customer preference and EIC for communication purposes, including choice of paper or e-billing preference. However, for existing customers who signed up prior to digital communications being generally available, EIC makes it difficult and overly expensive for retailers to seek customer EIC to switch communication methods as their preferences have changed.

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<sup>3</sup> Australian Energy Regulator.(2018). *Retail Pricing Information Guidelines*, V5.Accessible:  
<<https://www.aer.gov.au/retail-markets/guidelines-reviews/retail-pricing-information-guidelines-2018>>



**Billing complaints:**



While AGL has provided an e-bill to customers for around three years, the original e-bill experience (including content) was based on the paper bill experience. We have only recently rolled out the new e-billing format based on customer research and testing, so it is too early to see trends on the uptake of e-billing yet.

AGL has not seen a material impact on complaints as a result of an e-bill. Importantly, customer billing complaints are generally a result of bill shock and this shock is contributed to by the current prescriptive nature of the billing regulations. For example, a number of customer bill complaints to AGL is around the bill benchmarking obligations. Customers are often confused on how their actual usage compares to the benchmark and call to complain how their household is not representative of the benchmark. As mentioned above, our customer testing found, customers prefer and understand a comparison of their year on year usage and costs. They do not understand the benchmarking information and this regulatory obligation has caused unnecessary consumer distrust, complaints, and costs.<sup>4</sup>

AGL anticipate that our new refreshed e-bill will decrease bill complaints as the information on the e-bill is based on information customers told us they want on their bill to validate their usage and costs.

**Billing Guideline and billing innovation:**

One of the challenges referenced in the proponents' rule change request is that a billing guideline may limit ability of retailers to innovate by requirement to develop "transparent and consistent views".<sup>5</sup>

AGL has experienced this recently through the re-design of our e-billing format. Aligning content to customer preferences was made more difficult by the current regulations for components of a bill especially for Victoria that has additional requirements. The main difference is the prescriptive requirement in relation to the 'Best Offer / VDO' messaging that retailers are required to communicate to customers. As a result of these additional requirements, AGL had to create a separate template which also deviates from providing the 'key information' requirements that customers specifically asked for. It is also AGL's view, based on customer testing and feedback, that bills are not relied upon by consumers to make decisions about energy products services. Rather, they rely on other information sources both existing (e.g. RPIG and price reference) and upcoming CDR changes that consumers will use to assist them with their energy products.

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<sup>4</sup> AGL. (2020). *AGL Submission to AEMC on Consumer Protections Consultation Paper*, p.16. Accessible : <https://thehub.agl.com.au/articles/2020/02/agl-encourage-outcomes-focused-regulation-for-consumer-protections>

<sup>5</sup> AEMC. (2020). *National Energy Retail Amendment (Bill Contents and Billing Requirements) Rule Consultation Paper*, p.21 Available at: <https://www.aemc.gov.au/rule-changes/bill-contents-and-billing-requirements>



AGL believes the Billing Guideline risks stifling billing information as the AER may prescribe billing information content and communication channel(s) that are not aligned to changing customer preferences. Furthermore, there are currently no cost benefit and long-term interest obligations on the AER when making or changing Guidelines, as those that are required for the AEMC to carry out before making or changing a rule. The Guideline obligation is likely to lead to industry uncertainty unless an appropriate cost benefit assessment is required to be undertaken by the AER in making and changing the Guideline. The rules should require the AER to acknowledge costs already spent by retailers to improve customer billing outcomes and not disregard this proactive investment.

It is AGL's view, the industry is already innovating and improving customer billing experience and that current regulations are inhibiting the speed of this change. The Australian government has recently cemented their focus on the digital literacy of Australia with the recent announcement by the federal government of a \$800 million funding injection to assist business to take advantage of digital technology. As an alternative, the AEMC can set a three-year review trigger for the revised rules and if they find that the revised rules have not led to improved billing customer outcomes, they can then consider providing the AER with guideline making powers.

### **Two side market reforms:**

The introduction of two-sided markets will indeed impact billing, provision of customer information and customer engagement. AGL believes this is best managed by not using the bill as the only source of information or engagement with a customer.

From a commercial perspective, retailers and other energy service providers are naturally incentivised to issue a bill, so the specific obligations to bill customers in AGL's view are not necessary. However, it is important that the providers of new energy technologies, whether they are retailer or not, are transparent in their provision of energy consumption and cost information to customers.

The bill should provide the key pieces of information relevant to paying a bill and other channels of communication could be used to provide the customer with any applicable additional information. For example, AGL's Virtual Power Plant customers are able to view not only their up to date billing information in AGL's digital app and web portal, but they're able to see when AGL may have orchestrated their VPP battery and see an estimate of the impact of this event on their bill, alongside details of the VPP benefit paid to them. Our research shows that customers prefer information on usage participation in orchestration through other digital channels. AGL can provide the AEMC with more detailed information on the testing and consumer preferences if required.

### **Solutions**

As outlined above, AGL supports the proponent's identification of customer's confusion based on the current regulatory requirements. AGL's position is that improvements can be made to the customer experience by replacing current prescriptive obligations with a billing objective and outcome-based principles within the NERR. We do not support the need for a new AER Guideline to address content of a bill or to specify the method of delivery of a bill to customers.

In the event the AEMC considers some level of prescription on bill content is required, this can still be achieved through amendments to the NERR rather than by the AER through a billing Guideline.

As a second-best alternative, AGL suggests the use of tiered information requirements to ensure that customers are receiving the required information through either the bill or other communication



methods. Specifically, Tier 1 information can relate to billing information and aligned to the billing objective. In AGL's view and based on our customer testing, Tier 1 information would capture:

- the amount due;
- the pay-by or due date;
- how to pay; and
- If concessions/discounts have been applied.

Tier 2 information would be information required to be provided to customers but that can be delivered either through a bill or other communication methods, for example a digital app, SMS, email or an online account portal or mailed if customer requested. This would provide comfort to the customer knowing that they will receive the basic required billing information to verify accuracy of their bill and make payment. This will also allow retailers or energy provider to innovate and design communications and applications that suit the consumer rather than following a prescriptive list. This is particularly important as the Australian economy continues to transition towards a more digitally engaged society and emergence of new technologies are not unintentionally hindered by outdated and prescriptive billing obligations.

In summary, AGL recommends that the following will better achieve the objective for the proponent's rule change:

- Changes to the billing regulatory rules that focus on setting a billing objective and outcome-based obligations;
- No changes needed to the NERR on customer engagement preference as the EIC NERL obligations already require retailers to engage with customers on their preferred method for receiving bills, and other communication material;
- No need for AER billing Guideline. If the AEMC decides to make this Rule, then our preference is that the AEMC only issue this power after a three year review of the new billing obligations and only if the AEMC finds that retailers have not delivered against the new objective and outcomes;
- If the AEMC makes the AER billing guideline a proposed rule, then the rule should require the AER to conduct appropriate cost benefit analysis, including considering existing retailer costs incurred to improve customer billing experience; and
- If the AEMC consider some level of prescription is necessary, then the AEMC should use the Rules to differentiate between Tier 1 information required on a bill and aligned to the billing objective, and Tier 2 information that retailers can provide through a bill or other communication methods.

If you would like to discuss any aspects of our response further please contact Marika Suszko, acting Regulatory Strategy Manager at [msuszko@agl.com.au](mailto:msuszko@agl.com.au).

Yours sincerely,

Elizabeth Molyneux

General Manager, Policy and Energy Markets Regulation