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31 January 2022

Mr Mark Feather  
General Manager – Strategic Policy and Energy Systems Innovation Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Submitted electronically: [consumerpolicy@aer.gov.au](mailto:consumerpolicy@aer.gov.au)

Dear Mark,

### **Re: Draft Better Bills Guideline**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to respond to the Australian Energy Regulator's (AER) consultation on its Draft Better Bills Guideline (the draft guideline). Red and Lumo strongly support the objective to make bills simpler for consumers and an implementation date of 31 March 2023 for full compliance with the final Better Bills Guideline.

Retailers have a commercial incentive to design offers, products and bills with the needs of their customers at the forefront. We understand that the AER must make a Better Bills Guideline under the National Energy Retail Rules (the Rules) however, the prescriptive nature of the Guideline restricts the flexibility of retailers to deliver to their customers needs.

The AER has developed a draft guideline that aims to make bills more fluent and easy for consumers to understand and engage with. However, the current proposal will generate significant implementation costs for retailers—that end consumers will bear—for no obvious benefit. This does not meet the AER's strategic plan priorities, which specifically states that the AER will "improve consumer outcomes while reducing cost to serve by boosting consumer and behavioural insights and applying them across AER initiatives".<sup>1</sup> Flexibility in the Better Bills Guideline will allow retailers to control the costs and appropriately design the bill to ensure the investment made is cost effective and proportionate to the benefits—while also meeting the AER's requirement in the Rules for making and amending the guideline.<sup>2</sup>

The primary purpose of an energy bill is a tax invoice, to advise a customer of how much energy they have consumed, what it costs, any product benefits that they have received during the period, and the date by which they should make their payment. The bill should not include unnecessary information that distracts from the primary purpose.

We make a series of recommendations in this submission to both meet the intent of the AER's Better Bills Guideline of making energy bills simpler and easy to understand, while having regard to its primary purpose. Currently, the draft guideline does not strike the appropriate balance between consumer needs and the competitive and evolving nature of the retail energy market.

### **Bill design principles**

<sup>1</sup> AER Strategic Plan 2020-2025, Accessed:

[https://www.aer.gov.au/system/files/AER-Strategic-Plan\\_2020-2025.pdf](https://www.aer.gov.au/system/files/AER-Strategic-Plan_2020-2025.pdf), p15

<sup>2</sup> Note: Rule 25A(4) states that the AER must take into account a series of factors when making or amending the guideline, which at a high level focus on consumer protections, innovation and competition, compliance costs and ensuring the guideline delivers benefits.

The design principles in Part 3 of the draft guideline are common sense and consistent with the way we approach communication with our customers. Red and Lumo have a focus on continuous improvement, in particular on communications with customers. However, in the context of the draft guideline, we question how the design principles work practically and from a compliance perspective.

The draft guideline states that 'retailers must apply practices to enhance customer comprehension' and provide the example of undertaking customer research and testing on bill design in order to achieve this outcome.<sup>3</sup> Retailers are in constant communication with customers, as we receive calls with feedback and questions, fueling a constant evolution of improvements. This could be complemented by the AER publishing and maintaining a database of consumer testing that it undertakes. Combining retailers' insights and making use of published behavioural insights undertaken by reputable organisations such as the AER, Energy Consumers Australia and the Consumer Policy Research Centre (to name a few) would reduce compliance costs, enable fit for purpose bills and meet the objectives of the bill design principles.

One unintended consequence of the draft guideline is that basing the bill design on feedback retailers receive from customers does not lend itself to the mandatory, and therefore inflexible, tiered information as prescribed in the draft guideline. We recommend the AER reframe the obligations in the draft guideline to focus on delivering on the design principles over prescriptive tiered information.

Retailers must have flexibility to move items within tier 1 and 2 if they believe this will create a better customer outcome. Flexibility is pertinent for particular customer segments, product types or payment methods. For example, making the bill easy to understand for customers with multiple properties or multiple fuels on one bill, is not conducive to specifying the National Metering Identifiers and/or Meter Installation Registration Numbers on the front page. We make some further, specific recommendations in the table attached to this submission to ensure the final Better Bills Guideline meets its stated objectives.

### **Presentation of billing information**

Red and Lumo support the concept of a tiered approach, with some information deemed more important than others. Based on our experience and feedback from our customers, the draft guideline tier structure does not contain a logical sequencing of information.

More concerningly, it inhibits retailers from providing important information to consumers upfront. Our preferred approach is to keep tier 1 as what could be presented on the first page of the bill, with greater discretion for where tier 2 information is placed. Tier 3 or additional information should be left to a retailer's discretion as to how it is provided or made available to customers. This would allow retailers to customise a bill to address the needs of their specific customer segment or product type and also reflects a retailer's greater knowledge of how best to present information. Another option would be to provide this through some other mechanism, provided this can be verified.

Should the AER decide to retain the prescriptive nature of tier 1 and tier 2 information, we urge the AER to allow for retailers to convey important information to the customer regarding their product and/or other time-sensitive messaging. This is consistent with the AER's requirement in rule 25A(4)(a)(i) which states that the guideline must enable retail market innovation. We envisage this statement to cater for product, pricing or service information, such as an upcoming peak pricing event, information on how to seek assistance for customers affected by a natural disaster or how to switch to e-billing. This additional

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<sup>3</sup> See clause 18.

messaging requirement will also enable the retailer to label a bill as a final bill, as identified in the Rules.<sup>4</sup>

Providing flexibility in the draft guideline is required in the 'understanding your bill' section. Consistent with our current bill, Red and Lumo (and our customers) value this information, however, we do not see the benefit in this table being so prescriptive. There should be an allowance for retailers to design the content, look and layout of the table, consistent with the design principles. This allowance would allow retailers to consider the myriad of combinations which may be presented on a bill based on tariffs, concession, solar and green power, various benefits, multiple meters, controlled load(s), and stepped tariffs, but to name a few. This would also allow retailers to include other pieces of information which can benefit the customer such as the meter number.

A further example where flexibility is warranted occurs where a customer has agreed to a set regular payment plan, in which case the bill does not include an actual due date (instead we add a statement that the consumer is on a payment plan), further providing the consumer on subsequent pages what amount is going to be charged and when in line with their payment plan agreement. As these examples demonstrate, it is important to us that we retain some flexibility to present important information to our customers that can be adapted to specific events or circumstances. Otherwise, our customers may not receive the information we need to present to them in an effective way.

Due to the prescriptive nature, it is possible that future regulatory and legislative requirements might necessitate amendments to the guideline every time there is a change that affects the bill. This adds to the effort and cost of revisiting the guideline on a more frequent basis than is required should there be more flexibility permitted.

Changing the draft guideline to be more flexible will reduce cost to serve. This will improve consumer outcomes and reduce future effort and implementation costs. Especially as this additional effort to maintain compliance comes at a cost to retailers which will be borne by the consumers, whilst also delaying the potential benefit being introduced. Therefore, a more flexible approach to the tiering of information directly relates to the AER's strategic plan priorities.

Considering the above observations and concerns, Red and Lumo firmly oppose the inclusion of the standardised plan summary and better offer in the Better Bills Guideline as outlined below.

### Standardised Plan Summary

We do not support the inclusion of the standardised plan summary. The plan structure will include various elements all of which may not be at all relevant to the consumer's bill - such as stepped tariffs. This adds no additional value when most of the relevant information is already captured in the proposed 'understand your bill' table also required in the draft guideline. One of the main concerns is that the requirement to include additional information will distract from the bill's primary purpose.

Specific elements of the standardised plan summary should already be at the retailer's discretion and may be already seen as a value add and in the retailer's interest to include; an example is a renewable energy sources percentage. We understand that outlining the benefit expiry date could be useful on the bill (especially if the benefit has lapsed), however, there is already a requirement to provide timely communication of non-enduring benefits in

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<sup>4</sup> Note: the NERR requires retailers to issue a final bill under rules: 35, 45, 70 and 118. We have received customer feedback stating that the final bill should clearly state the bill is a 'final bill' as such we have implemented this in our current processes.

the benefit change notice sent to consumers. Including this date is unlikely to increase comprehension or encourage action according to AER's own behavioural research undertaken in the development of the benefit change guideline. Therefore, we question the validity of this in the draft guideline.

Should the AER proceed with the plan summary, there are elements which need to be considered and for the AER to confirm its position. This includes:

- whether to display the charges as GST inclusive or exclusive?
- how to manage scenarios where there is a crossover in rates or plans - seasonal tariffs, rate changes or if a customer adopts a new plan mid cycle. In a worst case scenario, there could be seasonal rate changes at the same time as a price change, resulting in 3 sets of rates on the bill. How many of these rates will the retailer need to present on the standardised plan summary?
- whether to display network and metering coordinator charges (ie: service orders)
- ability for retailers to add in other benefits, such as non-financial benefits
- does the benefit end date need to be future dated only, or advise of a benefit that has lapsed?
- what renewable sources are considered? Does this include carbon offsets? Again will these be inclusive or exclusive of any GST?

The standardised plan summary is very complex and costly to implement. Given this, and the fact that the information is already communicated to customers either on the bill (in the usage table) or via other notices (e.g. price change or benefit change) we seriously question whether there is any benefit to a consumer in including this information on the bill.

### Better Offer Message

We oppose the inclusion of a better offer message. Notwithstanding the complexity and costs to implement and comply with this obligation, the Victorian experience with this obligation provides very few insights about whether consumers find it useful or notice its inclusion on a bill at all. More significantly, we have found that adding a 'best offer' on a bill can detract from a consumers' ability to understand their bill, the amount to pay, their usage, or the charges based on their current plan. This is backed up by the AER's own research that suggests that customers see the message but may not trust it or that retailers display the message in a way that is either not prominent or is too confusing to be understood by customers.

Despite customers having a best offer message on their bill informing them of a cheaper electricity offer being available with their current retailer, the Essential Services Commission's own findings suggest that "three out of four residential electricity customers were told they were not on the best offer with their retailer"<sup>5</sup>. These findings reinforce the conclusion that consumers do not value this additional information on their bills.

We note that a better offer message is a reflection of price, which is only one factor that consumers consider when deciding on a product which is most appropriate for them. In fact consumers will also look at other factors, which includes the ownership of a retailer, where a call center is based, the service standards of a retailer, in addition to financial or

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<sup>5</sup> Essential Services Commission, 2021, *Victorian Energy Market Report*  
<https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.pg.9

non-financial benefits directly linked to their product offering. Consumers also receive numerous other prompts to participate in the competitive market, such as references to the Default Market Offer in a price change letter, or the notification of the end of a benefit (including the calculation of the cost of doing 'nothing').

Red and Lumo are open to a confidential discussion with the AER about our costs when implementing the best offer requirements in Victoria to inform any assessment of the impact this inclusion will have on cost to serve.

### **Implementation**

Red and Lumo strongly support the proposed approach for implementation in the draft guideline. The AER will reduce cost to serve by allowing retailers transition to the new requirements by 31 March 2023. This allows time for retailers to not only plan their approach, undertake an interactive approach to design and customer feedback, provide time for significant implementation and notify our customers of the changes.

As suggested above, flexibility in the content of the bill allows retailers to further control the costs and appropriately design the bill to ensure the investment made is cost effective and proportionate to the benefits. Flexibility in the guideline, alongside the removal of better offer and plan summary from the guideline, will avoid significant implementation costs for retailers, ultimately borne by customers for little to no benefit. This would meet the Commission's original assessment framework and directly contribute to the National Energy Retail Objective, as competitive retailers have a vested interest in ensuring that implementation costs are low, and customer experience and benefit is high.

As previously noted, a customer's bill is a tax invoice and there are many regulatory requirements that interact with the final content of the bill. Whilst the consultation timeframe is extremely short, it would be beneficial for there to be a short exposure draft prior to the final guideline being published. We have provided in the table below specific recommendations for technical inclusions in the guideline. A short exposure draft consultation will allow participants to assess whether there are any elements missing—such as ABN which is currently not part of the draft guideline—prior to its finalisation.

### **About Red and Lumo**

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in New South Wales, Queensland, South Australia, Victoria and in the ACT to over 1.1 million customers.

Red and Lumo thank the AER for the opportunity to respond to its consultation. Should you wish to discuss this submission, please call Christophe Bechia, Regulatory Manager on

[REDACTED]

Yours sincerely

A handwritten signature in blue ink, appearing to read "Stefanie Monaco".

**Stefanie Monaco**  
Manager - Regulatory Affairs  
**Red Energy Pty Ltd**  
**Lumo Energy (Australia) Pty Ltd**  
Att.

**Attachment: Specific technical recommendations on the contents of the draft Guideline**

In addition to our submission, we make a number of technical recommendations to enhance the draft guideline.

| <b>Addition or area of improvement</b>                | <b>Rationale</b>  |
|---|---|
| Tax law requirements                                  | It is a requirement that consumer bills, which are tax invoices, identify the fact that this is a tax invoice (messaging to be on the bill) and also show the retailers ABN. Both of these pieces of information are requirements and must be on the front of the page of an invoice.   |
| Other regulatory requirements                         | The AER must also consider other regulatory requirements for retailers to include in the bill such as the GreenPower logo.  |
| Additional consumer offering or source of information | Retailers should be able to provide consumers upfront with details of other mechanisms through which consumers can access their bills or other account information. Such as a link/web address for consumers to view their online account or sign up to do so.  |
| Retailer specific information                         | The draft guideline assumes that all the bills will look identical other than the logo at the top of the bill. The draft guideline should allow for retailer and product specific information to be included on the bill. This will meet the requirement under the Rules to balance consumer protections with retail market innovation, competition and choice. We consider this information will allow customers to connect with their retailer, for example allowing for branding, catchphrase and/or specific information about the product. |
| Important ad-hoc messaging                            | Red and Lumo use the first page to display important ad-hoc messages that reflect specific events or circumstances. These can either be across whole jurisdictions or postcode specific. Specific examples include banner messages about additional assistance available during events such as during bushfires and floods.   |
| Meter Number  | We consider that meter number(s) should be included in the 'understand your bill' information. This enables customers to not only ascertain which meter is being charged at what rate and what that individual reading is, but also provide for the customer to validate that it is in fact the correct meter they are being charged for. Meter numbers are important in verifying sites, especially in crossed metering scenarios.   |

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| Final bill notification                        | When a customer's account is finalised, due to moving out or transferring to another retailer, their final bill will include a note on the front of the bill advising them that it is their final bill. This is an important notification for customers to know their account has been closed.  |
| Product specific benefits                      | <p>Red and Lumo have found that customers value receiving information about the benefits they are receiving on the front page of their bill.</p> <p>Historically, this has included the discount that has been applied to a bill, availability of movie tickets or even non-financial benefit information such as Qantas points. Customers value this information, as it reinforces their choice of retailer and promotes engagement.</p> |
| Flexibility on due date and payment due        | When a customer of Red or Lumo has a regular payment plan set up, usually as a result of payment difficulty, the bill does not include an actual due date. Instead we include a note that the customer is on a payment plan, and further provide on subsequent pages what amount is needed to be paid per the agreement and when. The bill still displays the usage summary and new charges.  |
| Use of acronyms, initialisms and abbreviations | The AER should also allow flexibility in retailers using appropriate abbreviations (ie: Jan-Dec), technical terms and acronyms (ie: NMI, kWh, GST), and what is considered uncommon terminology (i.e. peak and off-peak usage may not be common to all).  |
| Understanding your bill additional items       | There are various items which retailers may need to include in the 'understanding your bill' table, reinforcing the importance for flexibility. These items include, in any combination: single or multiple tariffs, concession, solar and green power, various benefits whether financial or non-financial, multiple meters, controlled load(s), stepped tariffs, demand usage, meter multipliers, hot water meters.                     |