

ACCURASSI

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Submission on Developing the Better Bills Guideline

This submission relates to the Australian Energy Regulator's (AER) development of a Better Bills Guideline to simplify energy bills and make them easier for consumers to understand and use.

About Accurassi

Accurassi is an Energy Technology company that provides a Customer Acquisition and Management Platform to enable the next generation of energy retailers to completely transform how they supply energy.

From supporting the deployment of renewable technology at scale to facilitating excess energy trading between consumers, Accurassi's built-for-purpose energy retailer software is modular, scalable, and engineered for our net-zero future.

Accurassi has been providing energy technology and data solutions for more than 10 years, originally supporting companies to better manage their energy efficiency and carbon impact. This work led to the creation of best-in-class energy bill extraction and reading technology which continues to be the cornerstone of Accurassi's technical architecture and expertise.

No company knows more about Australian energy bills than Accurassi and the success of its energy bill data extraction technology enabled the business to expand to deliver energy plan comparison solutions for consumers; both helping them better understand their energy bills and source better rates.

Accurassi has now built a one-of-a-kind dataset of energy consumer products, pricing and usage spanning multiple years, retailers and jurisdictions and have used this rich data to deploy enterprise-grade software that is used by many leading energy retailers.

The energy landscape is changing

The energy transition is accelerating and consumer demands are shifting. Consumers are increasingly investing in distributed PV with the AEMO¹ forecasting an additional 8.9 GW of distributed PV capacity will be installed by 2025 (on top of the current installed capacity of around 14 GW) and by 2030-31, production from distributed PV is expected to supply approximately 50-55% of the residential sector's overall consumption. This represents approximately 4 million to 4.5 million homes generating enough to meet their own demand and at times exporting electricity to the grid. AEMO projects that by 2026, distributed PV could at times supply up to 77% of underlying demand in the mainland NEM.

Furthermore, by 2030-31, between half a million and four million residential cars are projected to be electric. This amounts to between 2% and 12% of additional residential consumption (up to 7 TWh).

¹ [AEMO 2021 Electricity Statement of Opportunities](#)

This acceleration in distributed PV and EV use has created opportunities for consumers to become more actively involved in our energy grid.

As this transition scales and consumers participate in the grid en-masse, existing energy bill structures will no longer be fit-for purpose. Moreover, underlying tariffs will need to be simplified to increase the access to cheaper, greener electricity and to support the desire of consumers to play a role on both the demand and supply side.

Overview

We believe the work undertaken by the AER to better understand consumers thoughts and behaviours surrounding energy bills is a much-needed, positive move. We commend the AER and BETA for the thorough, detailed and modern Behavioural Economics approach to the research conducted. This has resulted in an interesting, albeit narrow, set of useful outcomes that provide foundational support to developing better bills.

Little evidence that differences in bill style aid comprehension

- **Exemplary approach:** Overall we commend the way in which the Better Bills research has been conducted. The quantity of participants, scope and breadth of questioning, as well as the specific materials used reflect well the issues that many consumers grapple with. Based on our own research and experience of handling the extraction and comparison of >1 million energy bills, we see similar results in the gaps and understanding of consumers.
 - Specifically, we agree with the findings that suggest there is little to no link between changes in length, language, format and layout, and improved comprehension. In our comparison services for both Service NSW and VIC Energy Compare, we found little evidence that differences in bill style have aided comprehension.
 - We believe that the reason the bill, no matter the format, length, layout or design failed to aid comprehension is that there is no correlation between the cause (being the usage) and the effect (being the amount billed). Consumers are billed in arrears and therefore have no visibility into what usage (appliances, time of day etc) is driving their consumption. Customers need the ability (supported by technology) to track their real-time usage to better understand the costs associated with that usage. A quarterly bill, no matter how simplified, will not solve this underlying issue.

Underlying causes of bill complexity should be considered

- **Missed underlying drivers:** Unfortunately the report does not dive deeper into the underlying causes of bill complexity, nor provide any robust answers for why improvements do not increase comprehension or willingness to switch. Indeed, the report cites that the main purpose of a bill is to enable payment of the bill itself.
- While this may have been the purpose historically, we do not believe that this is a key purpose of the energy bill today. We see a materially diminished link between traditional bills enabling payment as more customers transition to direct debit (aided by retailers offering discounts for bills paid by direct debit) and the 'subscription economy' becomes more prevalent and traditional bills are no longer required.
 - Our view here is that one of the causes of bill complexity, low comprehension and low engagement overall is that the tariff structures themselves are complex. We believe that a move to tackle the root causes of energy bill complexity at the retailer and distributor level would go further in aiding comprehension than basic layout or formatting changes.
Examples of tariff complexity:
 - Our software has more than 100 unique methods just to identify a 'Controlled Load' charge across all retailers for the Australian domestic electricity market.
 - Retailers continue to create new names for tariffs which leads to more confusion and potentially misinformation.
 - Some retailer bills have stepped single rate while some have stepped solar rates.
 - We strongly recommend that future work tackles not only the look and feel of the bill, but the rationale for the content itself. This should challenge the number, types and variety of tariffs which has recently exploded into the thousands – a result of multiple distributors

and retailers all implementing a multitude of different fixed and variable tariffs. More must be done at the root to address this issue and truly provide more understandable energy bills.

Distributed Energy Resources (DER) are changing the future requirements of energy billing and should not be neglected. System-level disruption is imminent: This set of guidelines *should* look into the future of energy billing, not just contemplate the past and current. A plethora of highly disruptive changes to the ways in which consumers and retailers interact is in train, driven by the rise in distributed energy resources connected to the grid – solar and battery systems, EVs/vehicle-to-the-grid and more consumers opting to play an active role in joining Virtual Power Plans.

This is primarily driven by a societal need for a more distributed grid to hit our net zero (and thereafter, true zero) ambitions.

- o Whilst it is useful to assess bills today in their current form, the needs will be constantly changing as these changes ripple through the industry. We strongly recommend that further studies be undertaken to assess how these imminent changes will impact consumer comprehension and engagement – with a view to lowering prices to consumers, providing grid stability and doing so in a less carbon intensive way.
- o We believe that the report's findings in solar – e.g. that 87% of solar consumers would value a solar export chart, is simply the 'canary in the coalmine'. As more personalised, flexible and greener tariffs appear, consumers will demand more meaningful information that is geared towards them.
- **Opportunities to look sideways:** Fortunately there are many other countries and industries which have gone through a similar set of disruptive changes. Tariffs in the UK have become increasingly personalised ([Octopus Energy's Fan Club](#)), whilst telecommunication operators globally have adopted much simpler, subscription-style offerings. Accurassi believes in a consumer-friendly energy future that adopts these kinds of best practices.

In this submission, we have sought to provide specific comments on the challenges and issues with understanding existing residential energy bills and to respond to the consultation questions set out in the Developing Better Bills Guideline request for input.

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?

Key Insights & opportunities to improve outcomes

Insight: 'Cosmetic' improvements seem to have little to no impact on comprehension and therefore consumer outcomes. Instead of simplification, our own data analysis of user behaviour suggests that standardisation of terminology, layout and key bill components would go further in improving the overall readability across retailers, removing a cognitive barrier to switching.

Opportunity: This can be further improved by allowing innovation in product and tariffs to flourish by removing regulatory hurdles that currently make it impossible for retailers to offer simpler products. For example, a simple product construct that charges a customer a set fee each month for a set amount of energy does not conform to how traditional plans are priced (based on usage and time of usage) and becomes more complex when explained to consumers within the confines of the existing regulatory framework that does not allow for innovation. When in fact, the product is far simpler and fairer than existing pricing constructs.

Insight: Use of 'best offer' and 'reference price' messaging on bills appears to increase propensity for consumers to shop around.

Opportunity: Accurassi agrees that 'best offer' messaging could be used to improve customer outcomes (as the VIC government has attempted). By using a customer's actual usage data as a benchmark and then showing them exactly what they could save on other products (ie Best Offer) is no doubt valuable to the consumer and even if it does not aid in comprehension of the bill it drives a clear positive outcome for the consumer. Reference pricing benchmarks clearly help consumers compare

products, which has been made challenging by the myriad nature of retailer plans and underlying tariffs adding further complexity, however, both approaches only allow for an equal comparison of similar plans, with similar constructs.

Furthermore, the use of average usage by state in the reference pricing risks creating further confusion for the consumer as it does not use a like-for-like comparison to their actual usage in the period. By not comparing actual usage, there is a danger that consumers misunderstand the amount that they would still pay based on their actual usage on reference pricing.

On an additional note, we disagree explicitly with one of the report's assumptions in connection with reference prices. The report states that "almost no consumers have such plans" in connection with plans above the reference price. Accurassi disputes this and would be happy to share our findings directly with the AER.

Insight: Including solar export charts appears desirable to current solar customers. This would be a useful, but narrow positive outcome for those customers who already have solar. Accurassi sees a much broader scope for the AER in addressing Bill Guidelines suitable for the future.

Opportunity: We suggest taking a more holistic approach to designing bill structures and components which cater for and highlight the benefits of modern energy plans that are increasingly becoming more mainstream as more consumers install solar and battery systems and play an active role in the grid. This could include benefits of adding solar, joining a VPP and the impact of EVs on carbon footprints.

This has multiple benefits for consumers, not least of which is overall lower costs as the cleanest forms of energy are now the cheapest. According to the CSIRO GenCost 2020–21 Report, solar and wind technologies were the cheapest source of power. Globally, this trend is also true, with the International Renewable Energy Agency (IRENA) also finding in its 2020 report that of wind, solar and other renewables in 2020, nearly two-thirds, or 62%, were cheaper than the cheapest new fossil fuel.

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

Accurassi's own research found a 'learned helplessness' from many consumers with regards to their energy bill. We think that this has been driven by a systemic lack of progress and improvement in overall customer experience in energy. The industry, retailer websites and bills are full of non-standardised jargon, hampering comprehension whilst consumers are suspicious of ever truly being on a 'good deal'. Many of our participants cited concerns that moving from one retailer to another (generally after a large, unexplainable bill) would simply be too hard, or likely only result in a similarly poor outcome.

This poor customer experience cannot change if retailers are unable to innovate with simpler more user friendly energy plans. As noted above in the response to Q1, existing tariffs and regulatory boundaries are currently hampering innovation in the industry.

Question 3(a): What are the key opportunities to ensure energy bills are simple and easy to understand?

Focusing on the "language, presentation, salience and structure" of an energy bill will only go so far to solve the challenge of consumers not understanding their bill and disengagement with energy bills. Clearly the presentation language, presentation, salience and structure of an energy bill will aid comprehension. Standardisation of terminology and design will also support comprehension. However, focusing only on the current complexity of energy bills is not a panacea solution.

Consumers are increasingly playing a more active role in energy markets through increases in distributed PV, Virtual Power Plants and Vehicle to Grid solutions. The future of energy bills requires new billing constructs that support changing consumer behaviour and a growing desire to reach and comprehend progress towards net zero emissions targets and have this presented within the energy bill in simplified and uniformed format.

Question 3(b): Which approach do you consider preferable and why? Are there other approaches we should consider?

Our answer to this question is addressed in our answer to Question 1, above.

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?

From the BETA research it certainly appears that including 'best offer' information increases a consumer's likelihood to think of comparison and switching. It also appears to have relatively broad appeal with 74% of respondents citing that it would be useful. At Accurassi, we agree that a consistently applied methodology for comparison would be helpful as a regular reminder to consumers to ensure that they are on the best possible deal.

However, we believe that there is not yet enough evidence that 'best offer' information actually increases consumers' understanding of their bills. On the contrary, the 'best offer' box offers very little information as to why the consumer would be better off on a new plan, nor does it offer a side by side comparison of other features. This could actually reduce overall comprehension as it introduces additional complexity and a lack of clarity that the consumer will need to address for themselves.

In addition, there will be a practical implementation risk of this approach, in that applying a consistent methodology may limit new and innovative products – especially if their value is derived from a bigger bundle of products (e.g. VPP plan with solar, battery and EV). Simple 'Best Offers' may not accurately reflect the real benefits to consumers on these plans and could be misleading.

Question 5: How can we simplify the billing regulatory framework, through the Guideline or more broadly?

The billing framework can and should be simplified but only when the underlying tariff structure has been simplified.

Following the simplification of tariffs, we would recommend the following changes to the billing regulatory framework:

- Allow for subscription billing (i.e. a set monthly price for a set amount of energy, including roll over and top ups) that does not need to be directly compared to traditional 'post paid' energy plans;
- Allow for subscription plans to encompass assets (solar, battery);
- Allow for actual personalised data (historic solar generation, meter data) to be used for comparison and acquisition;
- Allow the use of personalised data to demonstrate on-going benefits of subscription plans compared to VDO/DMO which is currently challenging due to a) the underlying tariff constructs of VDO/DMO across retailers and distributors and b) the fact that existing 'post paid' plans are still dependent on how much energy the consumer actually uses, making the 'reference pricing' misleading. Whereas subscription energy plans are simply a set price, for a set amount.

Question 6: Would this reduce the cost to serve? If so, how?

Yes. Simpler tariffs and constructs will put less burden on retailers including:

- Better comprehension of bills will result in less touch points with consumers and reduce customer servicing requirements.
- The bill is the single biggest driver of complaints and bad debt and simplifying tariffs and therefore simplifying the bill will lead to less complaints, less burden on the industry (including the ombudsman), happier customers and less bad debt.

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?

Any regulatory changes, particularly with respect to changes on retailer bills will have a large knock on effect on a broad set of retailers and related stakeholders. This includes amongst others: pricing analysis, billing software providers, comparison sites, and customer service. As such, the guidelines should be carefully considered especially in light of future requirements - to save from having to repeat the entire exercise in a short space of time.

Overall, the guidelines should seek to improve and encourage product innovation that creates benefits for consumers and to take into account the future energy market and the role that consumers are increasingly playing in the grid. In particular, any changes should look specifically to improve access to greener, cheaper, simpler plans for *all* consumers - not just those early adopters who spend many hours doing their own detailed research. It should be obvious to consumers immediately what options exist and would best suit their needs and how to access them.

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

Not at this stage.

Summary

Tariff structures and stifled innovation are the underlying problem and barrier to simple energy billing

There is no doubt that the way in which consumers participate in the energy market is changing. The growth of distributed energy resources is driving consumers to play an increasingly more active role in the grid and already the underlying tariffs and structures are no longer fit for purpose.

While retailers are able to innovate with VPP (and V2G) offerings, the concept of VPPs among residential customers is still fairly nascent in Australia and the apparent complexity is a barrier for consumers to access cheaper, simpler and greener energy. Put simply, the existing tariffs do not support consumers to make cheaper, simpler and greener energy choices.

Just as legacy software cannot deploy, bill and manage the evolving requirements of consumer energy plans as the large-scale shift to renewable and distributed energy resources continues, legacy tariff and billing structures can also no longer support the requirements of our future energy needs.

We believe that future work on Better Billing Guidelines should focus more broadly on the foundations and inputs of the energy bill. Only once these are simplified can energy bills be truly made better.

We would welcome the opportunity to discuss these matters and our recommendations with the Regulator.

Yours faithfully,



Colin Fraser

Chief Executive Officer