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Dear Mark

### **Developing the Better Bills Guideline**

Alinta Energy welcomes the opportunity to respond to the AER's consultation questions and the research and focus group results undertaken as part of developing the Better Bills Guideline.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in the development of the Guideline and its implementation.

The research undertaken by the Behavioural Economics Team of the Australian Government published in their interim report demonstrates that there is no single fit for purpose bill design or set of information preferred different types of consumers. The results of surveying participants in the research indicate that the amount of information on bills today engenders a level of trust, even if consumers don't always refer to the information each time they receive a bill.

The research also confirms the main purpose of the bill, which aligns with Alinta Energy's own view, namely:

- Enabling payment of the amount owed and the pay by date;
- Understanding how much energy they used;
- Understanding how the bill was calculated; and
- Finding out information about their energy plan.

Survey results on bill comprehension suggest that the current bill format is fit for purpose, is generally understood and suits the needs and preferences of energy consumers. In the context of developing the Guideline, Alinta Energy believes the BETA research and the results from the focus groups confirm that a high degree of prescription in bill design and contents is not required, enabling the AER to deliver a flexible regulatory outcome. Based on these results the AER should work with consumers, consumer advocates and retailers to develop a Guideline that allows retailers to meet consumer needs and preferences, without the need for a rigid template of 'one size fits all'.

We reiterate that any mandatory and prescriptive changes to bill design and format will impose significant implementation costs on retailers, whereby a clear net benefit for any changes must be demonstrated and will require a substantial lead-time.

An outcome, rather than input-based Guideline, with sufficient flexibility for retailers to cost-effectively implement changes (if any are required), combined with clear principles regarding the objectives and purpose of the bill, is Alinta Energy's recommended approach for the AER to adopt in developing a draft Guideline.

Our responses to the initial consultation questions are set out below.

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?

The research indicates that there is currently a good level of comprehension and understanding of the bill, the information it contains and where customers can go if they require further information. This was the case for the shorter form of the bill and the more complex 'well designed' bill formats presented by BETA.

We believe it is important to recognise that the complexity of bills and the amount of information they contain today is in large part due to regulation developed over many years. Prior to deregulation, energy bills contained the key information (amount, due date, the volume of energy and the relevant tariff, how to pay, contact and translation service details), but little else. Retaining a focus on what consumers use their bills for needs to be central to considerations of the contents of a Guideline.

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

Several of the observations around customer comprehension are familiar to retailers and in many respects, the BETA research and outcomes from the focus groups confirm the experiences of customers today when interacting with their bills. The research also confirms (rather than provides a new or additional insight) that the way customers interact with their bills is unique to their circumstances, and therefore a bill design (format and information) that meets the individual preferences of every consumer is not possible.

The results of customer surveys indicate that the essential information required for the bill to meet its primary purpose (as an invoice) is adequately understood by most customers and they are generally aware of who to contact if they need further clarification or have a complaint.

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

Retailers are incentivised to ensure their bills are easy for customers to comprehend and while not all retailer's bills are identical in format, they are generally similar to the comprehensive bill example presented to survey participants by BETA. Retailers are obliged to include information on their bills to be compliant under rule 25 of the National Energy Retail Rules. Alinta Energy believes the AER should use the development of the Guideline as an opportunity to examine if some of this information can be delivered in alternative ways if customers express alternative preferences. Equally, if retailers chose to retain the current information set, the Guideline could propose bill contents and format considered best practice and retailers can benchmark their

existing bills against this standard.

While simplifying bills over time may suit the preference of some customers, Alinta Energy acknowledges that new energy products and services have the potential to add further detail to an already crowded bill. Some of these services may not be regulated or invoiced by an energy retailer, in other cases, regulation may apply. The likely proliferation of new products and services (particularly in the distributed energy resources space) is a further reason for the Guideline to be flexible enough to respond to changes without deterring innovation or impacting customer choice and competitiveness among service providers.

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

As noted above, a flexible approach to guidance set out in the AER's Guideline would be consistent with the Australian Energy Market Commission's own views of avoiding heavy prescription in relation to bill design, content and format in consulting on the Bill Contents and Billing Requirements Rules (2020-21).<sup>1</sup>

In that context, the Guideline should not aim to prescribe a model bill that suits an unobtainable ideal but provide examples of best practice for retailers, enabling them to test alternatives and develop solutions that suit their customers. We acknowledge the Guideline will set out some minimum requirements (as the NERR does) but consider that there is significant scope for a flexible approach that limits the cost to serve and meets customer needs.

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?

The inclusion of 'best offer' information on bills in Victoria (at least once every three months) has not materially increased engagement of customers with their bills. Some customers have reported a degree of confusion with its presence. In addition, the introduction of best offer under the Victorian regulatory framework for energy is too recent to reveal definitive data supporting greater engagement. Evidence to date suggests a degree of customer indifference or misunderstanding of it- we note that BETA's research indicates that 47 per cent of customers either slightly agree, are neutral, or disagree with the proposition that including the best offer on the bill would be valuable information.<sup>2</sup>

Including best offer information on bills for jurisdictions outside of Victoria will increase costs for retailers through implementation and ongoing compliance (through additional processes at the time of each price or product change). Implementing this change across all retailers by August 2022 would be extremely challenging, and problematic if the Guideline is not finalised until April 2022.

Customers have tools available to them outside of the bill, such as Energy Made Easy, which they can use to seek out energy offers that may better suit their needs. The inclusion of best offer information on the bill detracts from its purpose as an invoice and does not necessarily engender greater confidence or trust by consumers in offers that may be available to them. In the medium term, the Consumer Data Right will also allow third parties and retailers to develop new services supporting identification and switching to offers that best suit individual customers

<sup>1</sup> AEMC (2020), Draft rule determination – *National Energy Retail Amendment (Bill contents and billing requirements rule)*, page 25.

<sup>2</sup> Behavioural Economics Team of the Australian Government (2021), *Improving Energy Bills: Interim Report*, page 11.

(based on their own data).

Until further evidence of the value of including a best offer message can be demonstrated, for the first iteration of the Guideline, we believe the costs of implementation will exceed the benefits it may deliver.

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

The bills currently produced by retailers are the product of regulation, the retailer's own commercial decision making, and feedback from their customers about what information and format best suits their needs.

Should the guideline allow for simplification of the bill, retailers and their customers should have the opportunity to opt into such an approach over time. Clarifying what, if any of the information contained in rule 25 of the NERR could be made optional (to simplify the bill and allowing some customers who prefer, by agreement, to receive a simplified bill) is an issue that should be considered in the Guideline's development. However, requiring any simplification uniformly (and necessarily, altering billing systems and contact centre training etc.), will result in greater costs if applied to all retailers with limited time to comply.

We appreciate this is not the objective of the Guideline or the approach the AER may adopt, but would suggest it demonstrates the opportunity for the Guideline to support flexible approaches to simplification of information for those customers who prefer to receive only key information.

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

Flexibility in the application of the Guideline, and time provided to adopt certain changes may positively impact cost to serve. If some customer segments prefer simplified billing approaches (for example, receiving information they don't regularly need or want via alternative methods), retailers should, within the parameters of the guidelines, implement changes that suit customer preferences and needs over time. Applying a prescriptive approach to bill contents, format and reducing options for retailers will not meet the objectives of the rule change or be in the long-term interests of customers.

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?

As discussed above, Alinta Energy believes that flexibility in the application of the Guideline to meet a range of consumer needs and preferences should be a key element informing its design. Changing billing formats and systems in anyway will result in increased costs for retailers, who collectively believe the bill is a key means of communicating important information to their customers and one of the few sources of regular interaction they have. Retailers are incentivised to communicate important information clearly to their customers and the Guideline should support this in a flexible way.

We welcome further discussion with the AER as it continues to develop the Guideline. Please contact David Calder on (03) 9675 5359 in the first instance should you wish to discuss matters raised in this response further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G. Hamilton', is positioned above the printed name.

**Graeme Hamilton**  
General Manager, Government & Regulatory Affairs