

Submission to the Australian Energy Regulator

## **Developing the Better Bills Guideline**

*September 2021*

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*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA receives funding support from the NSW Government Departments of Communities & Justice and the Australian Government Department of Health.*

CPSA appreciates the opportunity to make a submission to the Australian Energy Regulator's consultation on *Developing the Better Bills Guideline*. CPSA did not respond to all the questions within the consultation document but only answered questions where the association felt it could provide new or different views than those expressed in CPSA's submission to the Australian Energy Market Commission's (AEMC) 2020 *Bill contents and billing requirements* rule change. As such CPSA responded to questions: 1, 2, 3(a), 3(b), 4 and 8.

### **Response to question 1**

CPSA found issue with BETA's negative view of increased energy usage. BETA stated that a literature review found mixed evidence on the effectiveness of benchmarks and that benchmarks could have a 'boomerang effect' leading to increased energy usage. Although increased energy usage leads to more expensive bills, people on low, fixed incomes such as Age Pensioners, may reduce their energy consumption to such low levels that living in their homes becomes very uncomfortable<sup>1</sup>. Benchmarks may show to people such as those described above that they are consuming energy below average consumption rates and if the cost of an energy bill is still considered expensive at below average consumption, then this may incentivise switching energy deals. BETA's perception of increased energy usage should be reconsidered.

### **Response to question 2**

On 29 April 2021 CPSA hosted an energy literacy webinar. During the webinar CPSA staff interviewed Caroline Porto Valente a PhD candidate at the University of Technology Sydney (UTS). Porto Valente's research focuses on energy poverty and the impacts energy poverty have on older low-income households. As part of the registration process, participants were asked five energy-related questions, 33 people responded to at least some of the questions, the questions were not mandatory, so some participants answered all, some, or none of the questions. Although it is important to acknowledge and note that 33 people are a very small sample size and the age of participants is unknown so inferences cannot be applied to the rest of the population.

Question one: *Have you contacted your retailer to negotiate your energy rates in the last 2 years?*

30 of the 33 people who registered to attend the webinar answered this question with 51.51% answering 'yes' and the remainder answering with 'no'.

Question two: *How long have you been with your current energy retailer?*

Answers ranged from six weeks to '60 years at least'. Of the 23 respondents who gave an answer to this question, only three answers given were less than a year, whilst six answers exceeded a decade. Considering the answers to both questions one and two, participants

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<sup>1</sup> For more see: Porto Valente, C., Morris, A. and Wilkinson, S., 2021. 'Energy poverty, housing and health: the lived experience of older low-income Australians'. Building Research & Information.

tend to remain loyal to their retailer but may approach their current retailer to renegotiate. If retailers were to include 'best offer' information and maintain clear contact information on bills perhaps older customers would be more inclined to call and renegotiate. This would assist older people in avoiding loyalty taxes and tedious switching processes as well as ensuring older people do not revert to default offers for long periods of time.

*Question three: Do you understand all the charges and information provided in your energy bills?*

This question received 26 responses. More than 65 per cent answered 'no' or 'not really', and the remainder replied with a 'yes' or 'mostly' response.

*Question four: Why do you think it is difficult to engage with the energy market and learn about current market offers?*

This was an open-ended question that allowed respondents to type their answers into a comment box. Answers focused on a few themes such as the perceived complexity of the energy market, a lack of consistency throughout offers, some found that too many offers led to confusion and a few answers suggested energy retailers purposely make it difficult for consumers to engage in the market. Answers that questioned the behaviour of retailers said things like 'they hide information and costs from me' to 'protect their market share' or blamed 'company greed' for the difficulties people experience engaging with the energy market.

*Question five: What do you think should be done to facilitate the communication of better/more suitable energy offers?*

The last question was another open-ended question, requiring respondents to type answers into a comment box. Most responses called for plain and understandable information that has reduced jargon and that all retailers use the same language. Responses also found comparisons difficult to interpret as they were unsure of the terms that were being used to show potential discounts consumers may receive. One respondent suggested energy retailers employ applied linguists who can assist in conveying information clearly.

Overall, respondents felt communication with energy retailers as well as bill information and market offers are hard to understand. Also, the negative perception which people hold of energy retailers came through strongly in these responses, particularly in question four. This is important to keep in mind when considering the removal of information from bills. CPSA is concerned in attempting to simplify bills, consumers may react negatively to bills containing less information. As the answers to CPSA's survey found, people already believe that energy retailers hide information from consumers, a removal of more information may further damage the relationship between consumers and retailers.

### **Response to question 3(a)**

This is an important opportunity to ensure uniformity is delivered in energy bills. Given that switching energy providers is the most effective way to save on energy costs, there must be an assurance that consumers can read their bill with ease no matter the retailer. CPSA has heard from people who have had the same energy provider for decades. If these people were

to make a switch, large differences in bill presentation would lead to a stressful billing experience.

### Response to question 3(b)

CPSA prefers the structured comprehensive bill approach but would like to see the inclusion of simple definitions and a best retailer offer price. CPSA's energy survey suggests consumers do not understand simple terms such as kilowatt-hours or the difference between supply and usage charges. Although this information may not be essential in understanding a bill, it is essential when considering switching energy deals. If people have clear definitions of the components of their bill, then comparing their current bill to other offers may be a less confusing experience. In Australia, 65-year-olds and older are the age cohort most affected by the digital divide<sup>2</sup>. This means that if many older Australians are to switch energy providers, or indeed anyone affected by the digital divide, they may more likely engage in comparisons of energy offers on hardcopy handouts delivered via the post or information relayed to them over the phone. Having important information detailed on a bill such as the difference between supply and usage charges and how to calculate different kilowatt-hour rates may be more important to people affected by the digital divide as they may be more likely to make these comparisons by hand or need to reference this information when talking to a customer service representative over the phone rather than using online comparison tools.

### Response to question 4

CPSA supports the inclusion of 'best offer' prices on bills. The Compare Club's Bill Shock Index for the December 2020 quarter showed that over 55-year-olds were less likely to switch services like home loans, life insurance or energy providers (38%) than 25–44-year-olds (64%)<sup>3</sup>. 'Best offer' prices may help address the complacent, set and forget attitudes which some people often hold when it comes to essential services. A best offer price that offers clear savings on bills as well as clear instructions on how a consumer can take up the best offer may assist people who may not have the devices or technological skills to shop around for better energy deals.

The inclusion of a comparison to the reference price seems like a good idea but as the Default Market Offer (DMO) is not the most efficient price for energy CPSA is concerned its inclusion may be misinterpreted. CPSA would prefer a comparison to a retailer's best offer rather than a comparison to the DMO. The DMO has been most useful in preventing extreme bills and providing clarity in retailer advertising, but it is doubtful everyday Australians understand that the DMO is not the most efficient price available. CPSA believes the inclusion of a reference price using the DMO would create confusion and mislead people into thinking they are on an energy deal that is efficient or better than efficient.

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<sup>2</sup> Thomas, J, Barraket, J, Wilson, CK, Holcombe-James, I, Kennedy, J, Rennie, E, Ewing, S, MacDonald, T, 2020, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2020*, RMIT and Swinburne University of Technology, Melbourne, for Telstra, p.7.

<sup>3</sup> Compare Club, 2021. 'The Bill Shock Index', p.5. Access here: <https://asset.compareclub.com.au/pdf/The-Bill-Shock-Dec-2020.pdf>

**Response to Question 8**

Although the AER has been tasked with developing a bills guideline that focuses on the content of energy bills, CPSA feels the AER's commissioned research was a missed opportunity to test consumer's attitudes towards paper bills. CPSA's submission<sup>4</sup> to the AEMC's *2020 Bill contents and billing requirements* rule change detailed the importance of paper bills to people who experience the impacts of the digital divide.

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<sup>4</sup> Combined Pensioners and Superannuants Association, 2021. '*Submission to the Australian Energy Market Commission's Bill Contents and Billing Requirements Draft Rule Determination*'. Access here: [https://www.aemc.gov.au/sites/default/files/documents/rule\\_change\\_submission\\_-\\_rrc0036\\_-\\_combined\\_pensioners\\_and\\_superannuants\\_association\\_-\\_20210204\\_1.pdf](https://www.aemc.gov.au/sites/default/files/documents/rule_change_submission_-_rrc0036_-_combined_pensioners_and_superannuants_association_-_20210204_1.pdf)