

Submission to Australian Energy Regulator – Better Bills Guideline

1st October 2021

Australian Energy Regulator
Consumer Policy Team, Attn. Mark Feather
GPO Box 3131
Canberra ACT 2601
By email: consumerpolicy@aer.gov.au

Dear Consumer Policy Team,

Thank you for the opportunity to provide a submission on the *Better Bills Guideline*. Consumer Policy Research Centre (CPRC) aims to create fairer, safer and inclusive markets by undertaking consumer and policy research and working with leading regulators, policymakers, businesses, academics and community advocates.

As part of our submission we have attached a report, *Consumer Experiences following Energy Market Reforms in Victoria: Qualitative Research with Community Support Workers FINAL REPORT*, produced in partnership with Dr Larissa Nicholls and Dr Kari Dahlgren commissioned by the Essential Services Commission. In our view, it will be invaluable for the AER to conduct similar work on a periodic basis to better understand how reforms are implemented and the outcomes for consumers in their lived experience.

Accessing the best available offer in Victoria

Our research indicates that the Best Available Offer reform does help consumers identify whether they are on a disadvantageous energy tariff, and is particularly useful for Financial Counsellors and Consumer Support Workers assisting clients. However for consumers experiencing vulnerability there are a range of outstanding issues that limit the efficacy of this mechanism.

Low awareness of the requirement to include the information, prominence of the message and variation/ambiguity of the wording means some consumers report low awareness of the Best Available Offer, while others report low trust in retailers to provide this information truthfully. While the ESC conducted behavioural testing about the messaging of the Best Available Offer, there is a case for further work to identify the best framing and positioning, as well as less flexibility in language to improve consumer take-up.

Community Support Workers indicated it could take up to an hour to switch clients to the Best Available Offer, with common steps in the switching process suggesting “a ploy to make people give up in frustration”. Moreover, in conducting mystery shopping exercises, CPRC has found some call centre staff are totally unaware of the Best Available Offer mechanism. Ultimately, if retailers inadvertently or deliberately create significant switching costs when consumers seek to switch offers they undermine the efficacy of this reform.

Bills received via email

We note and welcome the inclusion of an email style treatment in the BETA testing. Our research identified retailers pushing consumers away from paper email billing towards online only billing which can reduce visibility of energy bills and key information, such as the Best Available Offer messaging, can problems.

The AER should consider developing a minimum information requirement for information contained in emails – even where the full bill is attached.

Simplifying bills

One of the key findings of the research is that variability of bills format creates confusion and difficulty. For example, the Victorian Government's *Power Saving Bonus* required consumers cite their NMI, which can vary between retailer bill designs causing difficulties for both consumers and Community Support Workers seeking to assist them in locating it.

A key recommendation from our research was to ensure critical information is both accessible and consistently located on energy bills *regardless of their retailer*, including: a reasonable font size and similar front page location for details such as tariff costs for peak and any other times, NMI number, Best Offer message, concessions applied / expired.

BETA's research highlights consumers currently use their bill for a range of reasons, but that many consumers also indicated a preference for additional kinds of information. As a key disclosure tool, there is a case for limiting the degree to which retailers can "innovate" around billing information, and instead simplify and standardise information on the front page of a bill. Consumers might then be able to request additional information on subsequent pages/alternate mediums.

Behavioural research

CPRC welcomes the AER's behavioural testing approach in developing its better bills guideline. While the research would ideally include quotas to ensure statistically significant representation of consumers from all different kinds of socio-economic backgrounds, we welcome the subsequent focus groups with consumers from CALD backgrounds and older consumers.

A common issue with implementing findings from behavioural research is the so called "voltage effect", whereby experimental results are not replicated when implanted in the real-world and at scale.¹ In the UK, Ofgem saw a "voltage drop" between its own small scale experimental research tracking stated preferences (i.e. whether and largescale research that tracked revealed preference (i.e. actual switching behaviour). We note BETA developed its own bill format to enable rigorous behavioural testing of different aspects of the bill – which has already simplified billing information to some degree. The AER might consider adopting a regulatory sandpit arrangement deployed by other regulators - e.g. Ofgem in the UK - to test the effect of retailers' adoption of proposed guidelines and consumers revealed behaviour.

¹ Al-Ubaydli, Omar, John A. List, and Dana Suskind. *The science of using science: Towards an understanding of the threats to scaling experiments*. No. w25848. National Bureau of Economic Research, 2019.

If you have any questions about this submission, please contact Ben Martin Hobbs, Senior Research and Policy Manager at ben.martinhobbs@cprc.org.au.

Yours sincerely



Lauren Solomon
Chief Executive Officer
Consumer Policy Research Centre