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Contact Jessica Robinson

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31 August 2023

Ms Anna Collyer
Chair
AEMC
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Via email

Dear Anna,

Submission to the Billing transparency consultation paper

Thank you for the opportunity to comment on the Energy Security Board's (ESB) Billing transparency consultation paper. We understand that this review is now being progressed by the Australian Energy Market Commission (AEMC).

Since electricity and gas prices were deregulated in NSW, IPART has been required to monitor the electricity and gas retail markets. We commenced this role in 2015 for electricity and 2018 for gas.

Our market monitoring role is set out in the National Energy Retail Law (NSW). We must report annually on a range of matters including the participation of small customers in each market, and whether price movements and price and product diversity in each market are consistent with a competitive market.¹

This submission sets out our views on the need for government and regulatory decision makers to have access to electricity billing data, the data required, and options to gather more efficiently and effectively. In particular, we:

- support the ESB's recommendation to enable the linking of billing data to wider datasets, while carefully managing privacy risk and costs²
- consider that decision makers need to understand the prices paid by customers in each network region, assessed independently of consumption
- consider that greater use should be made of the Energy Made Easy Platform for data collection.

These are discussed below.

In addition, it is critical that any new data collection and sharing arrangements ensure data security, cyber security, and privacy outcomes. We agree with the ESB that privacy by design principles should be applied, and datasets, including linked datasets, should retain the characteristics of de-identified data to minimise privacy risk.³

¹ [National Energy Retail Law \(NSW\) 2012, Section 234A](#)

² [Energy Security Board Bill Transparency Consultation Paper, July 2023, p 10.](#)

³ [Energy Security Board Bill Transparency Consultation Paper, July 2023, p 23, 50.](#)

Linking billing data to other demographic data

We strongly support the ESB's priority to enable the linking of energy billing data efficiently with complementary data sets for analysis to support wider policy needs.⁴

We understand that the ESB considers the ABS is not the appropriate body to collect billing data for other purposes because there are strict obligations on how the ABS can use and disclose that information, and so it could not be shared with other agencies in a manner required by those agencies.⁵ However, the ESB notes the potential to link billing data with demographic data in the ABS's protected microdata environment.⁶

The ability to combine energy data with demographic data would provide significantly improved information on the distribution of energy bills paid by customers and their cost drivers (e.g. location, technology, household size) and affordability risks. In particular, linking billing data with household income and expenditure data could help government and regulators:

- provide more targeted support to vulnerable customers, both in terms of location and in terms of their need
- better understand the distributional impacts of their regulatory decisions, such as tariff restructuring and metering arrangements, and whether they are achieving their objectives.

In addition, linking data on energy usage to household demographic data would provide critical insights into change adaption, such as the impact of solar or electric vehicle ownership on overall energy requirements.

Assessing price outcomes

IPART currently uses offer data from Energy Made Easy to track prices over time. This helps us understand price trends, whether prices are cost reflective, and whether customers are benefitting from competition.

However, this data does not provide a complete picture. This is because many customers are paying prices that are not currently being offered by retailers on Energy Made Easy. It is common practice for retailers to charge customers who are not active in the market more than the prices available in the market. This would mean that our reported prices may understate what these customers are actually paying.

The Public Interest Advocacy Centre (PIAC), one of IPART's key stakeholders, submitted to our previous review that:

PIAC recommends IPART's final report adds analysis of actual experiences and outcomes of consumers, to the broad quantitative indicators of competition such as surveys of publicly available offers and averages of prices. This could include small scale surveys of actual bills and investigation of the conversion of publicly available offers to actual offers consumers are able to access.⁷

We agree with PIAC that decision makers need to be able to understand how market indicators relate to the range of customer outcomes.

⁴ Energy Security Board Bill Transparency Consultation Paper, July 2023, p 66.

⁵ Energy Security Board Bill Transparency Consultation Paper, July 2023, pp 27,41.

⁶ Energy Security Board Bill Transparency Consultation Paper, July 2023, p 66.

⁷ PIAC, submission to IPART 2021-22 Energy Market Monitoring Review, October 2022, p 6.

In our previous reports, we have relied on the ACCC's Inquiry into the National Electricity Market reports to better understand customer outcomes. As observed by the ESB's paper, the ACCC currently collects a large sample of billing data from retailers, and reports on bill amounts paid. However, there are also limitations on how other regulators can use the reported information to assess the effectiveness of competition.

Bills reflect both the prices that customers pay and how much energy that they use. The ACCC provides information on energy prices by calculating an "effective price" by dividing customer bills by consumption. However, the effective price is not independent of consumption. Because customers in NSW pay up to \$600 per year in fixed charges, the lower a customer's usage, the higher their effective price. This result occurs because the fixed charges are allocated over fewer units of consumption. As a consequence, it is not always straightforward to draw conclusions from the effective price about whether customers are getting a good deal.

For example, the ACCC reports that the median bill for a hardship household was \$164 higher than the median bill across all households for the July to September quarter of 2022.⁸ On average, these households consume more energy.⁹ As noted by the AER, many consumers experiencing vulnerability face barriers in accessing technology such energy efficient appliances and solar panels¹⁰ in their homes.¹¹ There are also hardship households with a high number of occupants.

However, because hardship households consume more electricity on average, their effective price is lower (24 c/kWh compared to 26.4 c/kWh across all customers).¹² From this information, it is difficult to interpret whether hardship customers are paying higher prices or lower prices than customers that are not experiencing hardship, and therefore whether an additional policy response should be considered.

Caution must also be exercised in interpreting the range of effective prices where the data spans across different regions. In NSW, there are significant regional differences in the costs of supplying electricity, with network charges in the Essential Energy network being around 50% higher than the Ausgrid and Endeavour networks. Therefore, bills between these regions are not comparable when assessing whether customers are on a good deal or paying cost reflective prices.

We consider that to understand customer price outcomes, decision makers need access to the tariffs that customers are paying by network region – not just the total bill and consumption data across a state.

⁸ ACCC, [Inquiry into the National Electricity Market June 2023 Report](#), p 59.

⁹ The ACCC report that hardship customers consumed 887 kWh more than residential customers without protections. [Inquiry into the National Electricity Market June 2023 Report](#), p 66.

¹⁰ The ACCC reports that the uptake of solar panels for hardship customers is around 10%, compared to 25% across all customers. [Appendix E - Supplementary spreadsheet with billing data and figures - Inquiry into the National Electricity Market - June 2023 report \(XLSX 5.31 MB\)](#)

¹¹ AER, [Towards energy equity strategy](#), October 2022, p 33.

¹² ACCC, [Inquiry into the National Electricity Market June 2023 Report](#), 2 June 2023, p 4. [add ref to supplementary material]

Worked example – Price versus effective price

In the example below, both customer A and customer B are on the same offer paying the same prices - a daily supply charge of \$0.90 a day and 35 c/kWh for their usage. However their effective prices vary significantly. The effective price of the customer A (\$0.51/kWh), using 2,000 kWh per year is almost 30% higher than customer B (\$0.40/kWh) who uses 6,000 kWh per year.

| | Daily supply charge (\$/day) | Usage c/kWh | Total usage (kWh/year) | Total bill (\$) | Effective price (\$/kWh) |
|------------|------------------------------|-------------|------------------------|-----------------|--------------------------|
| Customer A | 0.90 | 0.35 | 2,000 | 1,028.50 | 0.51 |
| Customer B | 0.90 | 0.35 | 6,000 | 2,428.50 | 0.40 |

Using the Energy Made Easy Platform to collect and access price information

We consider that greater use of the Energy Made Easy platform would provide decision makers with the information that they need to understand the broad customer pricing outcomes outlined above.

Under the Retail Pricing Information Guidelines, all retail plans must have a basic plan information document (BPID), and detailed plan information document (DPID) (clause 71, 79). The documents contain the tariff information for each offer. Energy Made Easy generates the plan documents for each plan submitted by retailers to the retailer secure area of Energy Made Easy, including a unique plan ID for each plan (clause 29)¹³, and the relevant offer information is stored in the Energy Made Easy Database. This data is accessible to most decision makers.

Ensuring that these requirements apply to all active energy plans, including restricted obsolete plans, would capture the full range of prices that retailers offer in the Energy Made Easy database.¹⁴ This would provide transparency for decision makers over all offers in the market. This would also:

- Enable any billing data to be collected to be linked to the underlying tariffs and the other offer characteristics at a point in time via the unique offer ID.
- Ensure that all customers could be provided with their plan documentation provided to them in a consistent format (for example, at the times that their prices change). As noted by the AER, this would help give customers the confidence in the accuracy and comparability of this information.¹⁵

There is also potential for further data to be collected through the EME platform. For example, retailers could be additionally required to report regularly on the number of customers on each unique plan ID, which would allow decision makers to assess the distribution of pricing outcomes, in addition to the complete set of price points that customers are paying.

¹³ AER, [Retail Pricing Information Guidelines](#), April 2018, Version 5.0.

¹⁴ We note the functionality of Energy Made Easy to store these offers as "parked" offers, so they don't appear in search results for customers seeking a new offer if they are not currently being offered to customers.

¹⁵ AER, [Notice of Final Instrument: AER Retail Pricing Information Guidelines Version 5](#), April 2018, p 4

We would like to continue to engage with the AEMC

We would welcome the opportunity to remain involved in this review process as it progresses. Please contact Jessica Robinson, Director on 02 9290 8405 to engage further on this matter.

Yours sincerely

31/08/2023

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Carmel Donnelly PSM
Chair