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**Small Business and Consumer Policy Division**

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**8 January 2018**

AGL Energy Limited (AGL) welcomes the opportunity to provide feedback to the Australian Treasury regarding the Regulatory Impact of proposed changes to Paper Billing Fees.

AGL is Australia's largest integrated Energy Company, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to over 3.7 million customer accounts in the National Electricity Market (NEM). AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

AGL recognises our role as an essential service provider. Accordingly, we have developed a comprehensive program around energy affordability. The \$6.5 million Affordability Initiative includes: investing money into community outreach focussed on energy, solar on public housing, appliance replacement, financial counselling and debt relief. We have also implemented our *A Fairer Way Package* which guarantees a discount for customers on our hardship program, provides additional discounts to concessions customers on standing offers, and removes late payment fees.

Currently, AGL charges \$1.75c to send a paper bill. AGL contends it would not be appropriate to pass this cost onto customers who have elected to receive their bill via the lower cost and more environmentally friendly digital channel. In the absence of the fee, this cost would be included in the overall price of energy meaning *all* customers would be at least partially contributing to this cost, regardless of their channel selections. The fee is determined by the costs incurred by AGL, and include the costs of producing the bill through a third party vendor, providing an envelope, courier services, reprints, any required bill inserts and administering the paper bill process with our vendors.

We do recognise that there is a proportion of Australian society that do not have access to digital devices and are therefore unable to take advantage of electronic billing. Although we view the nature of this problem as digital inclusion, in recognition AGL has an extensive list of customer scenarios where fees for requesting a paper bill are exempt. Exempt categories of customers include: concession card holders, seniors, customers without internet access, customers on our hardship program Staying Connected,



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customers on life support and deceased estate accounts. In total 48% of our paper billed customer base are not charged the fee and our exemptions exceed the list of disadvantaged groups highlighted in the RIS.

We attribute the high proportion of bill fee waivers to our automatic application and sufficient awareness. A number of these exemptions can be determined by AGL automatically, for example if we are advised of a concession, or need for support under our hardship program Staying Connected. Where the customer is exempt for a less obvious reason, such as having no internet access, we do require notification. Importantly, AGL does not require a customer to provide any supporting evidence to be granted the fee waiver.

When AGL moved to our pay for paper model we ran a number of campaigns to educate our customers. The success of this campaign is highlighted by the contact from 88% of our customers with no internet access between September '16 to November '16 (the campaign period).

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Given our significant waiver of the paper billing fee, proceeding with Option 4 (limiting fees to cost recovery) would be the lowest cost option for AGL. However, given the success of our education campaigns to date we are supportive of proceeding with the status quo as outlined in Option 1 and support the CAANZ campaign running early in 2018. We also believe there is a larger role for Government to play in promoting the exemptions available, rather than education being the sole responsibility of industry. Customer feedback suggests that when applying for benefits through Centrelink, they are not made aware of additional discounts they may be entitled to such as energy concessions. Setting up vulnerable consumers for financial success is a shared, cross industry responsibility and the education campaign needs to extend beyond industry, thus allowing for prevention and access as early as possible, rather than intervention and reactionary measures to ensure that customers are getting all support entitlements available thereafter. Given the high percentage of our customers who are not paying paper bill fees, and the automatic waiver in most scenarios, AGL's position is that awareness of our exemptions is high. Any additional education programs we would be required to run would also incur costs that would be at least partially recovered through pricing changes, thus impacting all customers.

As per Option 5, AGL is open to discussing how promoting exemptions through behavioural approaches could be implemented, however as per above this would need to be a solution across sectors ensuring a shared responsibility in finding appropriate mechanisms to increase awareness. This option would also incur costs for AGL which would be at least partially passed on in our overall energy pricing.

AGL does not support banning paper fees in totality, or restricting the ban to essential services. We believe pursuing this course would see a worse outcome for vulnerable consumers. These options would cost AGL ██████████ per annum and recovery would still be required to maintain business viability, so retailers would then incorporate this into the price of energy. This would result in an increase for *all* customers, including those that are already struggling to pay their bills.



In energy, we have specific restrictions under NECF and the Energy Retail Code which make it difficult to move an existing customer onto electronic billing. We can only do this by obtaining Explicit Informed Consent so having a cost recovery model provides the incentive for a customer to give this consent. If the fee were prohibited, we would look to Government and Regulators to allow an 'opt in' model for paper bills, meaning that customer would be required to provide EIC for a paper bill, rather than an electronic bill, thus resulting in cost minimisation.

AGL notes that Australia Post have had significant increases in their charges over the last two years as per the following table:

Percentage Increases by Australia Post		
Jan-16	Jan-17	Jul-17
48%	5.1%	6.7%

AGL suggests that if the Federal Government view the delivery of paper bills as being necessary for consumers, particularly vulnerable ones, that it enforces restrictions on other essential services such as Australia Post who seem to have been overlooked as playing a role in servicing vulnerable customers. We note Australia Post are currently undergoing a digital transformation program, looking to provide a national infrastructure for national identity and digital payment platforms. Perhaps this program can be leveraged to provide support to other essential service providers to educate and switch customers to lower cost channels.

If you have any questions I would like to discuss AGL's comments further, please contact me on telephone (03) 8633 6431 or email [gsundstrom@agl.com.au](mailto:gsundstrom@agl.com.au)

Yours sincerely,

A handwritten signature in black ink that reads 'Gsundstrom'.

Gabby Sundstrom

Senior Manager Social and Economic Inclusion