

ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

2012–13



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Revisions to data

The original version of this report was published on 26 November 2013. On 18 December 2013, EnergyAustralia advised that it had supplied incorrect performance data.

This revised performance report has been amended to reflect the correct data provided by EnergyAustralia, as well as minor amendments to payment plan data from Origin Energy. Text which has been amended as a result of this update is shown in red: only Chapter 1 and 2 have been affected. Except for these changes the original text has not been altered.

The following is a summary of the key changes to the data:

- EnergyAustralia's complaints for 2012-13 are higher than originally reported and have been amended upwards to 14 262 in South Australia (from the 5929 originally reported) and to 392 in the ACT (from the 202 originally reported).
- EnergyAustralia has also resubmitted its hardship data. This includes:
 - the total number of hardship customers, amended upwards from 456 to 464 in South Australia and from 43 to 50 in the ACT
 - average debt of new entrants to a hardship program was amended down for each quarter of 2012-13, most notably in South Australia:
 - In Q3, from \$2112 to \$1048 for electricity and from \$815 to \$497 for gas
 - In Q4, from \$2154 to \$1202 for electricity and from \$765 to \$430 for gas
 - average debt of customers on hardship programs was amended down for each quarter of 2012-13, most notably in South Australia:
 - In Q3, from \$2184 to \$926 for electricity and from \$907 to \$384 for gas
 - In Q4, from \$2013 to \$952 for electricity and from \$845 to \$430 for gas
 - participants exiting a hardship program by agreement with the retailer was amended down from 19 to 0 (electricity) and from 7 to 0 (gas) in South Australia, while program participants excluded for not complying with requirements was amended upwards from 41 to 59 (electricity) and 9 to 16 (gas) in South Australia.

Where these changes affect the corresponding industry-wide data, the figures have been amended accordingly.

Figures 2.1, 2.2, 2.6, 2.7, 2.8, 2.9, 2.10 and 2.11 have been updated.



About this report

Energy is an essential service, and customers should be able to access a service which meets their needs. After price, energy retailers' performance in areas such as customer service and complaint handling can be a key factor for energy users in comparing (and choosing) retailers.

The Australian Energy Regulator (AER) is responsible for reporting on retailer performance under the National Energy Retail Law (Retail Law).¹ The Retail Law commenced in the Australian Capital Territory (ACT) and Tasmania (for electricity only) on 1 July 2012 and in South Australia on 1 February 2013. This 2012–13 report presents data on energy retailers selling electricity and gas in these jurisdictions.² It includes a full year of data for those retailers in the ACT and Tasmania and only six months of data (from January to July 2013) for those retailers operating in South Australia.

The Retail Law promotes competition by empowering consumers to access energy contracts suited to their needs. It strengthens the position of customers through access to information and providing uniform protections around hardship and disconnection.

1 The National Energy Retail Law (Retail Law) section 284 requires the AER to produce annual performance reports for retailers and sets out our obligations.

2 New South Wales commenced the Retail Law on 1 July 2013. As this report covers the 2012–13 financial year, it does not include data on New South Wales. The Retail Law has not yet commenced in Victoria or Queensland.

This is our first annual retail market performance report, which consolidates quarterly data reported on such indicators as customer service and complaints, energy bill debt, and disconnections and reconnections. It also reports on the number of customers receiving energy concessions, payment of security deposits (and the value of those deposits). This report also contains our first report on energy affordability.

Our aim is to highlight examples of good practice, as well as areas of concern. However, our ability to comment on trends is limited by the relatively short span of our data. As such, this report establishes benchmarks for performance levels, and as our data set grows, we will be better able to comment on long term trends.

This report is structured as follows:

- 1. Competition in retail energy markets:** this chapter introduces the active retailers in each market and looks at switching rates in all National Electricity Market (NEM) jurisdictions, including those that have not commenced the Retail Law.
- 2. Energy retailer performance:** this chapter assesses retailers' levels of customer service as well as the way in which they assist customers experiencing payment difficulties.
- 3. Energy affordability:** this chapter considers how much benchmark low, middle and high income households around the country³ are spending on electricity and gas annually and what proportion of household disposable income these bills comprise.

³ Our report on energy affordability discusses the states and territories that have commenced, or are expected to commence, the Retail Law—Queensland, New South Wales, Victoria, South Australia, Tasmania and the ACT.

Key findings in 2012–13

- Customers switching between retailers in South Australia and the ACT remained steady. The rate of customers switching retailers increased in New South Wales and Victoria, but decreased slightly in Queensland.
- In South Australia and the ACT, the number of customers on standard and market energy retail contracts also remained constant. There were no significant changes to the number of active retailers in these markets.
- Customer service levels were generally high with most retailers answering phone calls within one minute, and only a small percentage of abandoned calls. However, a number of retailers had wait times of over two minutes and higher levels of abandoned calls (ActewAGL, Aurora and EnergyAustralia).
- A 'mystery shopper' market research project was commissioned by us to better understand the experience of customers who call their retailer about difficulty paying their energy bill. The study showed customers generally receive good service; however call wait times and abandoned calls are a concern for some retailers (notably EnergyAustralia). ActewAGL, followed by AGL and Origin, received the highest scores for customer satisfaction.
- Billing, prices, and overcharging were the main reasons that customers complained to their retailer, with many complaints escalated to the relevant energy ombudsman. **Over half of all customer complaints made to Simply Energy and Powerdirect were referred to external dispute resolution agencies.**
- Average debt levels in South Australia, the ACT and Tasmania were between \$700 and \$800 for electricity and approximately. Average debt levels for gas were approximately \$500 in the ACT and \$265 in South Australia.
- Proportionally, more customers in South Australia accessed hardship programs and payment plans than in the ACT and Tasmania.
- Retailers disconnected fewer than 2 per cent of their customers, with the exception of Alinta Energy, which disconnected over 7 per cent. Most energy retailers did not disconnect any customers on hardship programs.
- Benchmark low income households, in receipt of a concession, spent between 2.9 and 7.8 per cent of annual disposable income on electricity bills, and between 1.4 and 3.4 per cent on gas bills.



1. Competition in retail energy markets

Retail competition can facilitate choice and participation in energy markets. Competition can encourage retailers to develop diverse and innovative products, giving customers an incentive to shop around for the best offer that meets their needs.

This chapter provides an overview of the South Australian, Australian Capital Territory (ACT) and Tasmanian retail energy markets, with a focus on the number of:

- active retailers⁴
- customers on standard and market retail contracts
- customers changing retailers over the year
- customers using prepayment meters.

4 A full list of retailers and the types of customers they supply energy to is provided at Appendix 1.

1.1 Retail competition

1.1.1 Electricity

In the ACT and Tasmania one major retailer supplies energy to most small customers. The majority of these customers are on standard retail contracts. By contrast, South Australia has 13 active retailers—large and small.

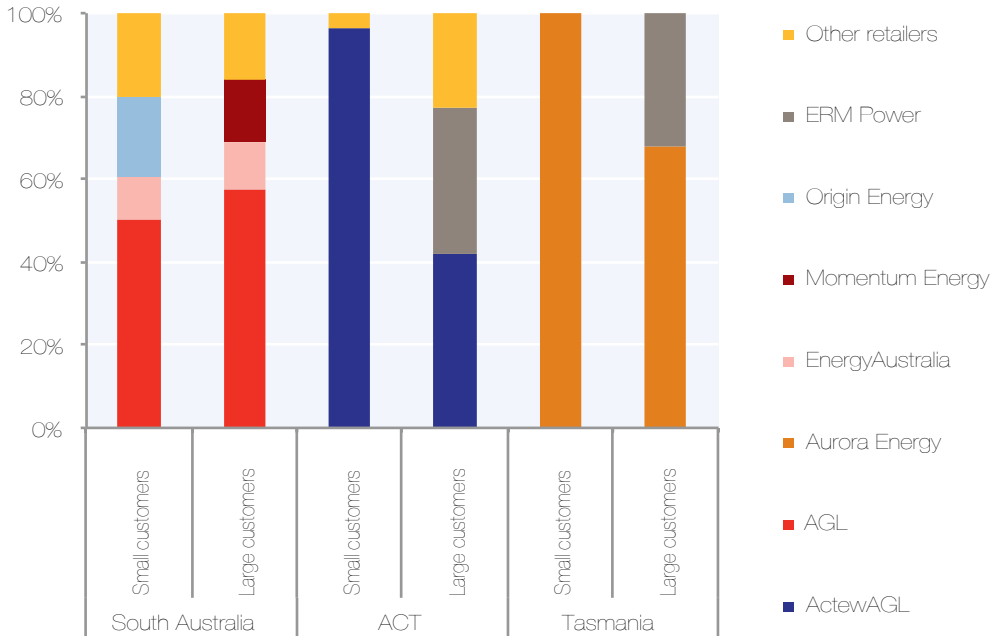
Figure 1.1 shows the market share held by electricity retailers in South Australia, the ACT and Tasmania for small (residential and small business) and large customers. 13 retailers supply electricity to small customers in South Australia, although 80 per cent of the market is supplied by just three of these. Twelve retailers supply South Australia's large customers, with AGL supplying the majority.

The ACT and Tasmanian electricity markets differ markedly to South Australia's. Both markets have one major retailer. However, the ACT has full retail competition, which means all customers are able to choose their retailer. Conversely, in Tasmania only customers using over 50 MWh per year can choose their retailer.

ActewAGL dominates the ACT market, supplying electricity to over 96 per cent of small customers. Competition in the large customer market is stronger, with 10 retailers offering contracts to large customers. Despite the higher level of competition, ActewAGL has retained a 42 per cent share of the large customer market. With 35 per cent of large customers, ERM is the second largest player in this market after winning a two year energy contract with the ACT Government from 1 January 2013.

The Tasmanian Government-owned Aurora Energy sells electricity to all small customers in Tasmania. Along with Aurora Energy, ERM Power and Progressive Green also supply energy to large customers. Tasmania's small customer market will be open to competition next year, with full retail contestability being introduced from 1 July 2014.

Figure 1.1: Retail market share (small and large customers)–electricity



Note: 'Other retailers' are those with less than 10 per cent market share in each customer market.

1.1.2 Gas

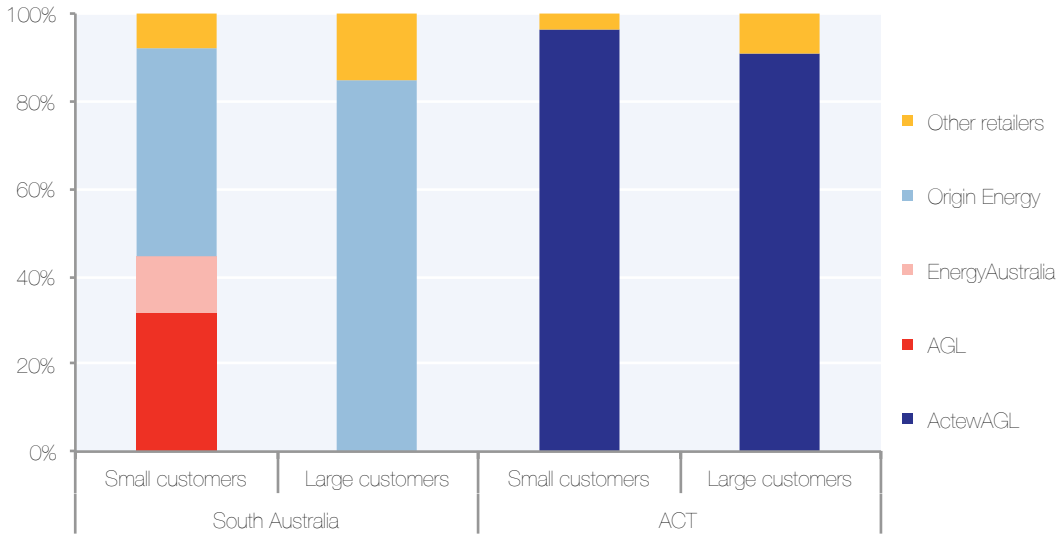
Figure 1.2 shows the market share held by gas retailers in South Australia and the ACT. The Tasmanian gas market is small⁵ and is not subject to the Retail Law. We therefore do not collect data or report on Tasmania's gas market in this report.

South Australia's gas retail market is much smaller than its electricity market, and is small compared with other jurisdictions. Only about half of South Australia's households were connected to gas, compared with around two-thirds of households in the ACT. In 2012–13, there were only five gas retailers in South Australia compared to 15 electricity retailers.

Origin Energy holds 47 per cent of the small gas customer market in South Australia. In the large customer market, Origin Energy, AGL and EnergyAustralia hold 99 per cent of market share. As with electricity, ActewAGL supplies over 96 per cent of small gas customers in the ACT, and supplies 91 per cent of the large customer market.

⁵ Less than five per cent of Tasmanian households use gas.

Figure 1.2: Retail market share (small and large customers)–gas



Note: 'Other retailers' are those with less than 10 per cent market share in each customer market.

1.2 Standard and retail market contracts

An energy market with many active retailers typically has more market contracts available as retailers seek to differentiate their offerings. The number of market contracts on offer, and the number of customers on market contracts, both provide an indication of customer participation in the market and the level of competition in a particular market.

Types of retail energy contracts

Residential and small business customers have access to two types of energy contracts.

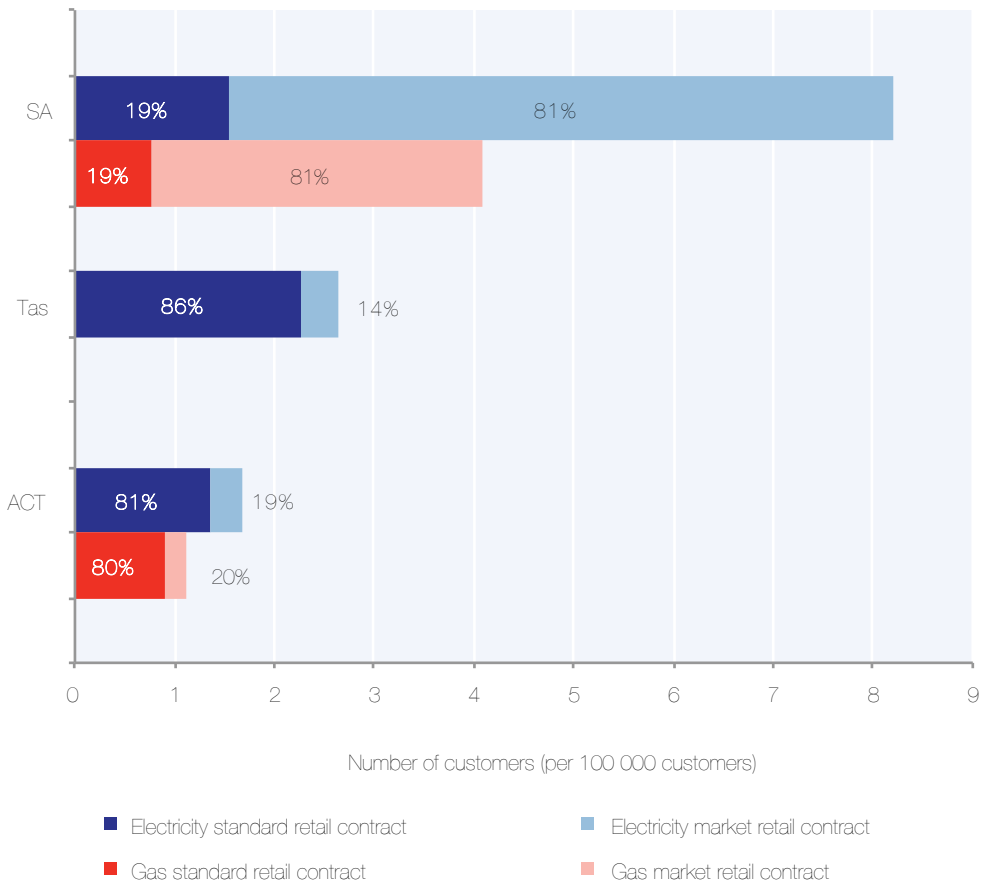
Standard retail contracts are basic contracts with terms and conditions that cannot be varied by a retailer. Market retail contracts have minimum terms and conditions but vary from contract to contract. Under market contracts retailers can tailor their different energy offers through:

- discounted prices
- non-price incentives (for example, a magazine subscription)
- different billing periods
- different payment options
- fixed term durations
- fees and charges, such as establishment fees or exit fees.

Market retail contracts also include renewable energy contracts, such as GreenPower energy contracts and solar contracts.

Figure 1.3 compares the proportions of customers on standard and market contracts in South Australia, the ACT and Tasmania.

Figure 1.3: Proportion of small customers on standard and market retail contracts—by jurisdiction



1.2.1 South Australia

81 per cent of South Australian customers (gas and electricity) are on market retail contracts. Many customers on market retail contracts can indicate a high level of customer engagement in the market, which is characteristic of a competitive market. Deregulation of retail electricity

prices on 1 February 2013⁶ has not had a great effect to date on the numbers of customers switching retailers (or contract types), with the proportion of electricity customers on market contracts remaining the same in the June quarter.

1.2.2 Tasmania

86 per cent of small customers were on standard retail contracts in Tasmania. The remaining market retail contract customers were customers with prepayment meters (33 158 at 30 June 2013). *The number of customers using prepayment meters has gradually decreased in recent years, as customers have elected to revert to standard metering.* Aurora has also advised that while demand for prepayment meters remains strong, supply issues with meters are preventing further uptake by customers.

1.2.3 ACT

Most small customers in the ACT are on standard retail contracts: 81 per cent for electricity and 80 per cent for gas. Given ActewAGL's dominance in the ACT market it does not need to rely on market retail contracts to increase or maintain its market share. However, retailers that hold a smaller share of customers (such as EnergyAustralia and Origin Energy) are predominantly using market contracts.

1.3 Customer switching rates

The rate at which customers switch their energy retailer is an indication of customer participation in the retail market. However, switching rates need to be interpreted with caution as rates can be low in competitive markets if customers are satisfied with their retailer. Figures 1.4 and 1.5 show the percentage of electricity and gas customers (respectively) who switched retailers over the previous three years in Queensland, New South Wales, Victoria and South Australia.⁷ Switching data for Tasmanian customers will become available after July 2014 when full retail competition commences.

6 Until 1 February 2013, the regulation of residential electricity prices, and the contractual terms and conditions, was overseen by ESCOSA. Following price deregulation ESCOSA moved from price regulation to price monitoring. The AER is the economic regulator of network businesses in South Australia. More information is available at <http://www.aemc.gov.au/Media/docs/South-Australia-information-sheet-a989a4d3-fc27-4676-ae3-e6e3f05bea58-0.PDF>

7 The Australian Energy Market Operator (AEMO) regularly publishes switching data. For a more detailed discussion of switching see our Q1 2012–13 report. An explanation of how the AEMO's switching data is calculated is available at: www.aemo.com.au.

Figure 1.4: Electricity customer switching rates–by jurisdiction

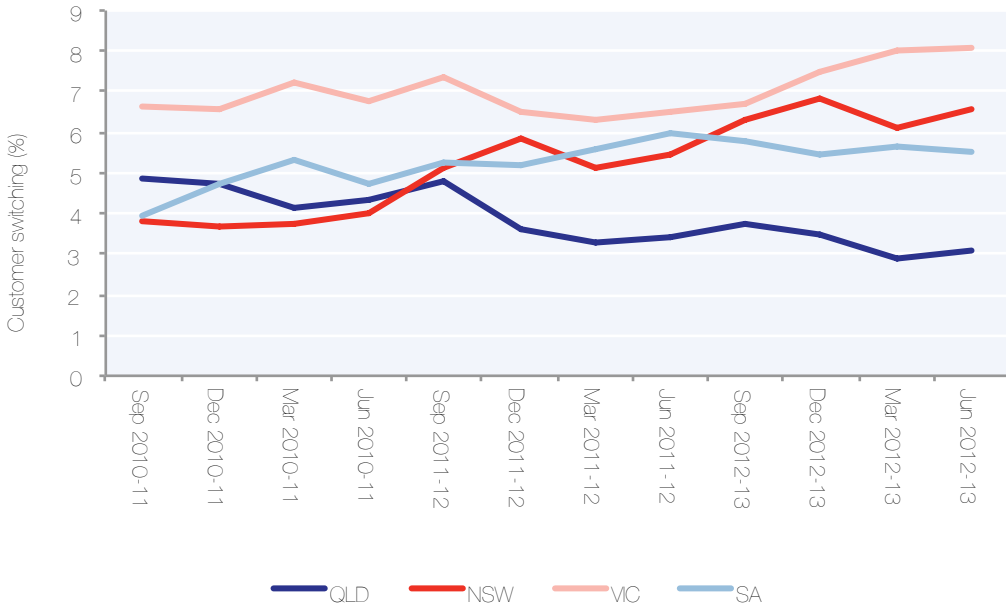
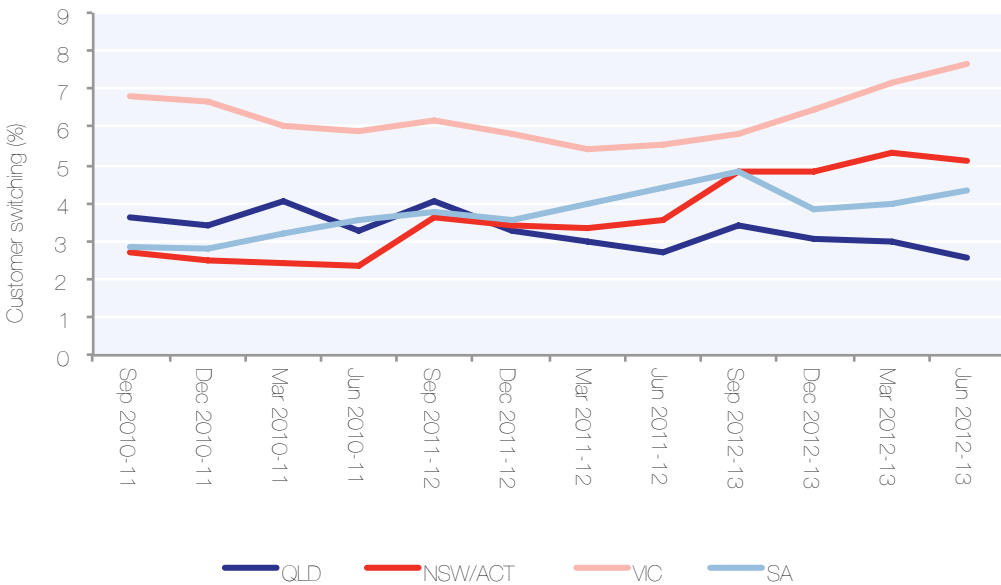


Figure 1.5: Gas customer switching rates–by jurisdiction



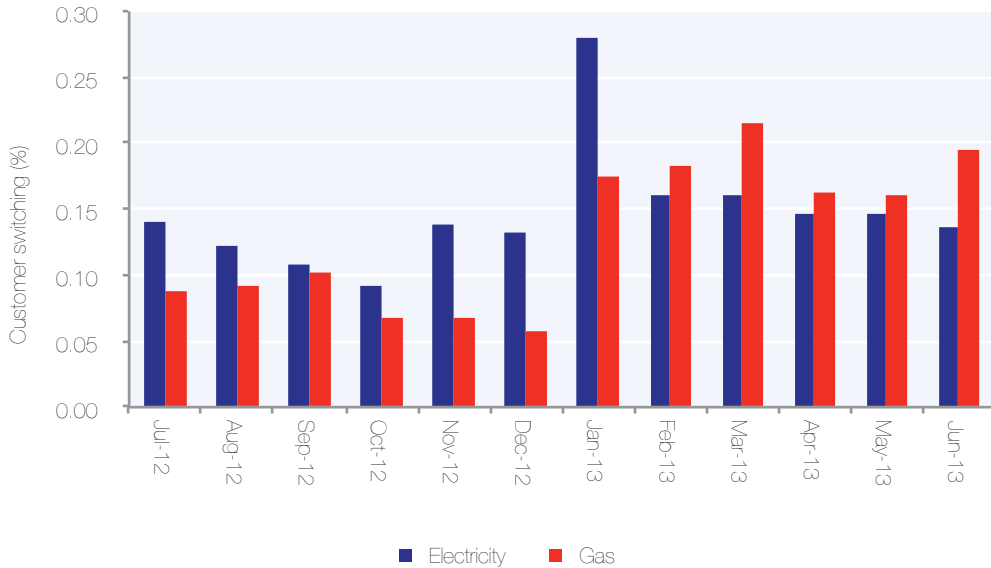
The number of customers switching energy retailers (and switching standard contracts to market contracts) in South Australia is high. This is typical of markets with more retailers, and where customers are not 'loyal' to a particular retailer.

Until recently South Australia had the second highest rate of customer switching in Australia (behind Victoria)⁸ with high numbers of customer switching because of:

- the comparatively higher cost of gas and electricity causing customers to seek a better energy offer, which has led to increased customer engagement in the energy retail market
- the large number of active retailers, especially smaller retailers, competing for market share (for example, through targeted marketing activities).

Compared with other jurisdictions, the number of customers switching retailers in the ACT was relatively low for both electricity and gas (Figure 1.6). At less than one per cent it could be considered "dormant".⁹ Despite this, the number of customers switching to other retailers or to market contracts (particularly for gas) has increased noticeably of late.

Figure 1.6: Electricity and gas customer switching rates in the ACT



8 In 2012 South Australia was ranked the third hottest energy retail market in the world in the World Energy Retail Market Switching Analysis & Rankings Report.

9 *ibid.*

Low rates of customer switching in the ACT may be explained by the small number of retailers, coupled with the relatively high level of satisfaction with ActewAGL. In its 2010 report the Australian Energy Market Commission (AEMC) commented that the perceived imbalance between the risk and reward of operating in the ACT has resulted in few retailers entering into (or expanding within) the market. The same report noted that customers appear to be satisfied overall with the quality of service in the ACT.¹⁰ This may provide a further disincentive for customers to switch to another retailer.

¹⁰ Australian Energy Market Commission, Review of the effectiveness of competition in the electricity retail market of the ACT, available at <http://www.aemc.gov.au/Media/docs/Stage%201%20Final-025fabd5-a65d-4365-adb9-be8f9d9f6097-0.pdf>



2. Energy retailer performance

Customer service is an important factor in choosing an energy retailer. This chapter discusses three broad areas of retail market activities:

- customer service and complaints
- assisting customers experiencing payment difficulties—this includes energy bill debt, payment plans, hardship programs energy and disconnections and reconnections
- energy concessions and security deposits.

2.1 Customer service

After price, customer service can be the most important point of difference between retailers in a competitive market. Competition in the retail energy market provides retailers with an incentive to improve their customer service to attract new customers and retain their current customers, particularly in jurisdictions where competition is high and customers are not loyal to a particular retailer.

An important measure of customer service is how promptly retailers respond to complaints and inquiries. In this report we look at call centre responsiveness, specifically:

- percentage of calls answered within 30 seconds ¹¹
- percentage of calls abandoned after 30 seconds
- average time before a call is answered.¹¹

These indicators help assess the customer experience in dealing with their retailer. For example, the number of telephone calls answered within 30 seconds is a measure of how responsive a retailer is and is a sign of good customer service.

In 2012–13, the retailers best able to respond promptly to customer calls were AGL, Origin Energy and Simply Energy. These retailers answered over 80 per cent of calls within 30 seconds, had less than 2 per cent of calls from customers abandoned after 30 seconds and had relatively low average wait times.

Retailers slowest in answering customer calls were Aurora and EnergyAustralia. Aurora answered 50 per cent of all calls within 30 seconds, and EnergyAustralia answered 60 per cent of calls within 30 seconds. Aurora also had the largest percentage of calls abandoned (10 per cent).

The average time for a call to be answered at EnergyAustralia was over six and a half minutes in 2012–13. ActewAGL and Aurora average answer times were also high, at 264 and 128 seconds respectively.

Retailers in South Australia have a number of additional customer service standards that they must meet. These are reported in appendix 2.

¹¹ Where the retailer uses an automated or IVR telephone system, the time is measured from when a customer chooses to speak to an operator. In all other cases, the time commences from when the call is received by the switchboard.

Table 2.1: Phone calls to retailers in 2012–13, with percentage of calls answered in 30 seconds, abandoned after 30 seconds and average wait time

Retailer	Number of calls**	Calls answered in 30 secs (per 100 calls)	Calls abandoned after 30 secs (per 100 calls)	Average wait time (secs)
ActewAGL	493 019	70.63	5.13	264
AGL SA	724 697	84.40	1.98	28
Alinta Energy	130 353	76.51	2.58	26
Aurora Energy	386 593	50.27	10.25	128
Diamond Energy	1 080	100.00	0.00	N/A
EnergyAustralia	2 450 515*	59.61	8.57	406
Lumo Energy	53 475	84.61	1.42	14
Momentum Energy	5 168	77.09	1.35	24
Origin Energy	496 373	81.84	1.02	46
Powerdirect	34 737	65.79	2.34	52
QEnergy	78	87.18	0.00	10
Red Energy	7 024	86.52	2.79	31
Sanctuary Energy	5 544	77.29	4.53	46
Simply Energy	80 449	84.72	1.26	19

* For EnergyAustralia, figures provided are combined Ausgrid and EnergyAustralia data. Ausgrid provides national figures for call centre statistics, whereas EnergyAustralia provides separate jurisdictional statistics.

** Data for South Australian retailers is for the 3rd and 4th quarter of 2012–13 only.

2.2 Complaints

Complaints are a good measure of customers' satisfaction with their energy provider. Energy retailers must report the number of small customer complaints they receive in each of these categories:¹²

- billing complaints—includes complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- energy marketing complaints—includes complaints about sales practices, advertising, contract terms, sales techniques and misleading conduct
- customer transfer complaints—includes complaints about timeliness of a transfer, disruption of supply due to transfer and billing problems directly associated with a transfer

¹² Small customers include residential customers and small businesses.

- other complaints—include complaints about customer service, privacy issues, failure to respond to complaints, and health and safety issues.

Table 2.2 shows the number of residential complaints in each quarter of 2012–13. The overall level of complaints varied by retailer in each quarter, and some retailers received significantly fewer complaints than others.

The numbers of complaints to EnergyAustralia were significantly higher than other retailers.

EnergyAustralia reported that higher levels of complaints were a result of billing issues, which included delayed bills and payments withdrawn from bank accounts prior to customers receiving a bill. Momentum Energy experienced a number of complaints relating to customer transfers in the June quarter.

Table 2.2: Residential complaints per 100 customers by retailer in each quarter of 2012–13

Retailer	Quarter 1	Quarter 2	Quarter 3	Quarter 4
South Australia				
AGL SA			1.66	1.73
Alinta Energy			1.81	0.56
Diamond Energy			1.75	1.46
EnergyAustralia			6.05	5.50
Lumo Energy			2.11	1.97
Momentum Energy			0.61	2.09
Origin Energy			1.34	0.66
Powerdirect			0.43	0.57
Red Energy			1.05	0.70
Sanctuary Energy			1.94	1.58
Simply Energy			1.01	1.29
ACT				
ActewAGL	0.34	0.47	0.51	0.54
EnergyAustralia	0.80	1.21	2.69	2.47
Tasmania				
Aurora*				

*Aurora did not provide reliable information on customer complaints in accordance with the *Retail market performance reporting procedures and guidelines*, and did not provide complaints data on the same basis as other retailers. Therefore, Aurora's customer complaints data has been excluded from this report.

Retailers should be able to resolve customer complaints in the first instance, and referral to external dispute resolution bodies (such as ombudsman schemes) is intended to be a last resort for complaints that cannot be resolved by the retailer. Table 2.3 compares the number of complaints reported by retailers with those referred to the jurisdictional ombudsman scheme.

Most retailers were able to resolve customer complaints in the first instance. Sanctuary Energy, Powerdirect and Simply Energy had a large number of complaints referred to the ombudsman, although the overall number of complaints to these retailers was relatively low.

Table 2.3: Small customer complaints made to each retailer and the respective ombudsman in 2012–13

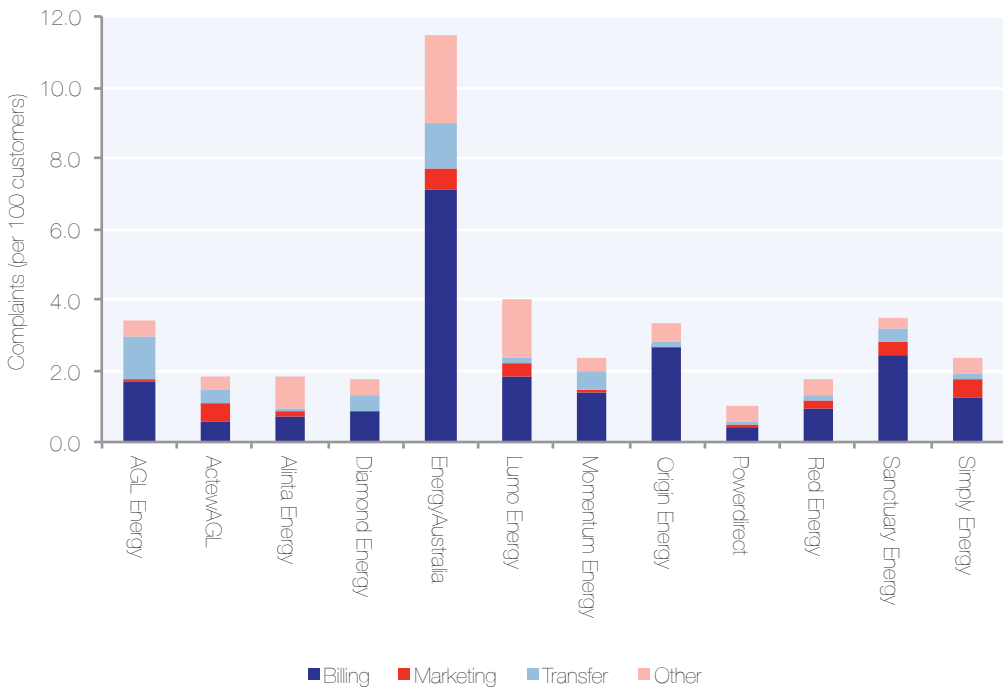
Retailer	Complaints to retailer	Complaints to ombudsman	Ombudsman complaints as % of total complaints
South Australia			
AGL SA	25 765	2 986	11.59%
Alinta Energy	631	207	32.81%
EnergyAustralia	14 262	3 560	24.96%
Lumo Energy	2 609	724	27.75%
Momentum Energy	278	52	18.71%
Origin Energy	12 314	3 067	24.91%
Powerdirect	376	222	59.04%
Qenergy	11	0	0.00%
Red Energy	148	37	25.00%
Sanctuary Energy	35	30	85.71%
Simply Energy	2 551	1 481	58.06%
TOTAL SA	50 655	12 373	24.43%
ACT			
ActewAGL	2 844	854	30.03%
EnergyAustralia	392	108	27.55%
TOTAL ACT	3 046	962	31.58%
Tasmania			
Aurora*			

Note: July to December 2012 data for South Australia is from ESCOSA. Excludes retailers with fewer than 10 small customer complaints in 2012–13.

*Aurora did not provide reliable information on customer complaints in accordance with the *Retail market performance reporting procedures and guidelines*, and did not provide complaints data on the same basis as other retailers. Therefore, Aurora's customer complaints data has been excluded from this report.

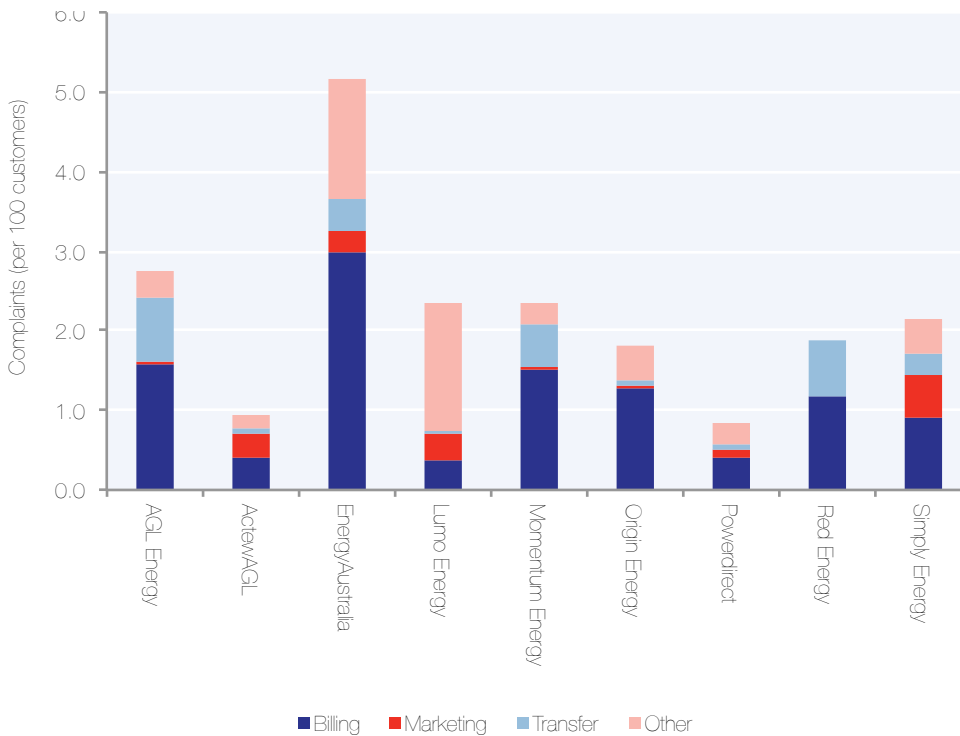
Figures 2.1 and 2.2 show the number and types of complaints made by small customers (residential and small business customers respectively) to their retailers in 2012–13. **Billing and customer transfers accounted for most complaints, with around 56 per cent of all residential customer complaints relating to billing, and around 18 per cent to customer transfers.** Small businesses made fewer complaints to retailers compared to residential customers.

Figure 2.1: Residential complaints to retailers (per 100 customers) in 2012–13



Note: Excludes retailers with fewer than 100 residential customers.

Figure 2.2: Small business complaints to retailers (per 100 customers) in 2012–13



Note: Excludes retailers with fewer than 100 small business customers.

2.3 Energy bill debt

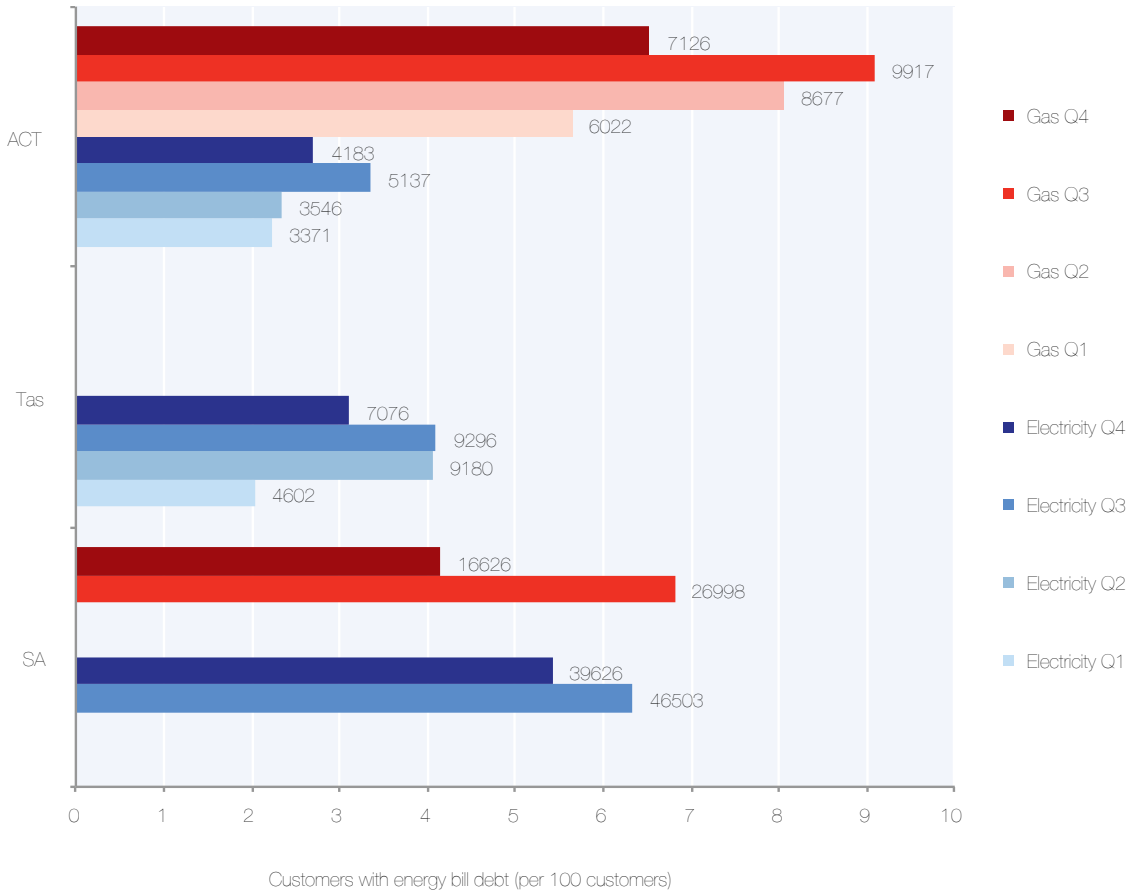
Energy bill debt indicates how well customers are managing the cost of their energy service, and demonstrates the retailers’ responsiveness to customers experiencing financial difficulty.¹³ High debt levels indicate that a customer may be experiencing financial difficulty. Energy bill debt can also provide an indication of the overall affordability of energy.¹⁴

A number of factors influence energy bill debt, including a customer’s personal circumstances and their energy consumption patterns. For this reason the number of customers with energy bill debt will vary between retailers and also fluctuate over time. Nonetheless, retailers should promptly identify customers in financial difficulty and help them manage debt through payment plans or hardship programs.

This section contains information about customers with energy debt and retailers’ responses.

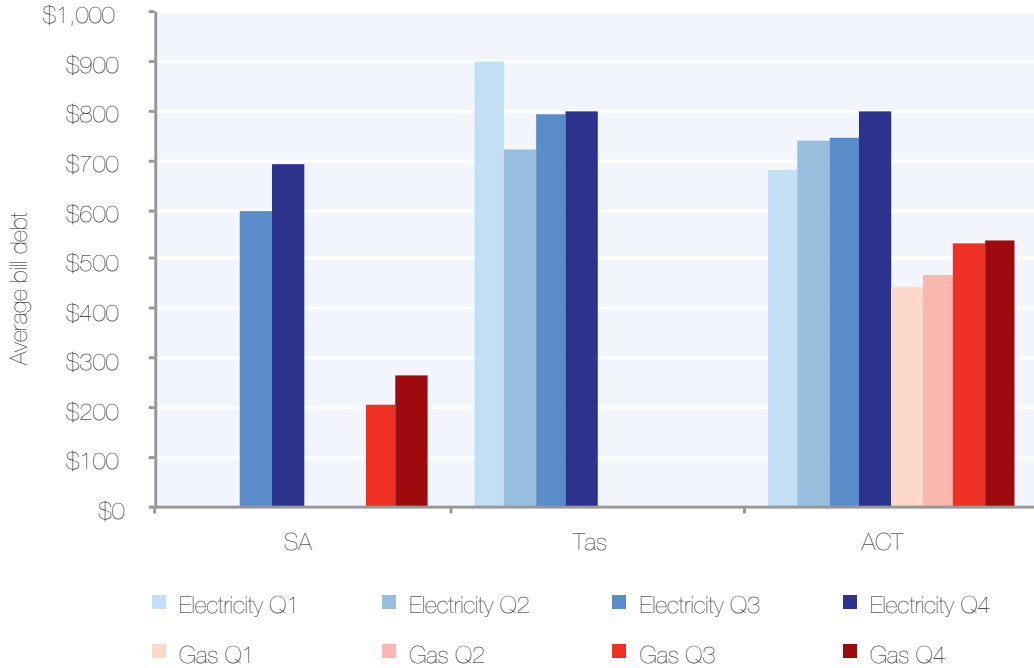
13 ‘Energy bill debt’, for the purposes of this report, is the amount owed to a retailer that has been outstanding for 90 days or more.
 14 The Retail Rules require the AER to distinguish between customers experiencing payment difficulties generally and customers on hardship programs. The data presented here excludes customers on hardship programs.

Figure 2.3: Number of residential customers in debt



The number of customers with an electricity and gas debt peaked in the March quarter for South Australia, the ACT and Tasmania. During the summer holiday period more people tend to be at home, resulting in increased energy consumption (when demand for cooling is already high). Households may also spend more at this time, for example, at Christmas and the beginning of the school year. More households may therefore experience debt around this time of year.

Figure 2.4: Average energy bill debt



In South Australia and the ACT the average level of electricity and gas debt was greatest in the June quarter. Average energy debt is lower in South Australia than in Tasmania and the ACT. In Tasmania, where winter billing impacts are likely the main driver of increased energy debt, it peaked in the September quarter. Since collecting performance data, debt levels have increased across both fuel types in South Australia and the ACT, and in Tasmania after a drop in electricity debt in the December quarter. It is unclear whether this increase is seasonal or energy debt is increasing overall (or a combination of the two).

Table 2.4 shows the number of small business customers in debt for each jurisdiction, and the average level of debt for the June quarter. The number of small business customers in debt varied from 2.6 per cent in Tasmania to almost 10 per cent for ACT gas customers, although average debt levels were fairly consistent (around \$1000 to \$2000).

Table 2.4: Small business electricity and gas debt (by jurisdiction)—June quarter 2012–13

	Electricity		Gas	
	Customers in debt (per 100)	Average debt	Customers in debt (per 100)	Average debt
South Australia	6.00	\$1453	4.86	\$1544
Tasmania	2.59	\$1918	-	-
ACT	4.83	\$803	9.81	\$2097

2.4 Payment plans

The Retail Law requires energy retailers to offer payment plans to customers experiencing payment difficulties. A payment plan is an agreement between a customer and retailer to pay a regular sum of money towards their bill or arrears.

Payment plans can assist households to budget and smooth energy costs over time. They can be particularly useful for customers with energy bill debt, or who are experiencing higher than usual bills. Payment plans should allow a customer to repay any arrears as well as cover their ongoing usage/bills over a 12 month period.

Retailers must offer customers payment plans based on their capacity to pay. The successful completion of payment plans can therefore indicate whether retailers are establishing realistic payment plans.

Retailers must report only on arrangements with at least three instalments, and where the customer is paying off arrears (of any overdue amount). Customers using flexible payment arrangements for convenience or budgeting purposes are excluded for the purposes of payment plan reporting.¹⁵

15 Origin's data for South Australia does not differentiate between customers who are using payment plans to manage their energy debts and customers who are using them for budgeting purposes.

Figure 2.5: Residential customers on a payment plan in each jurisdiction

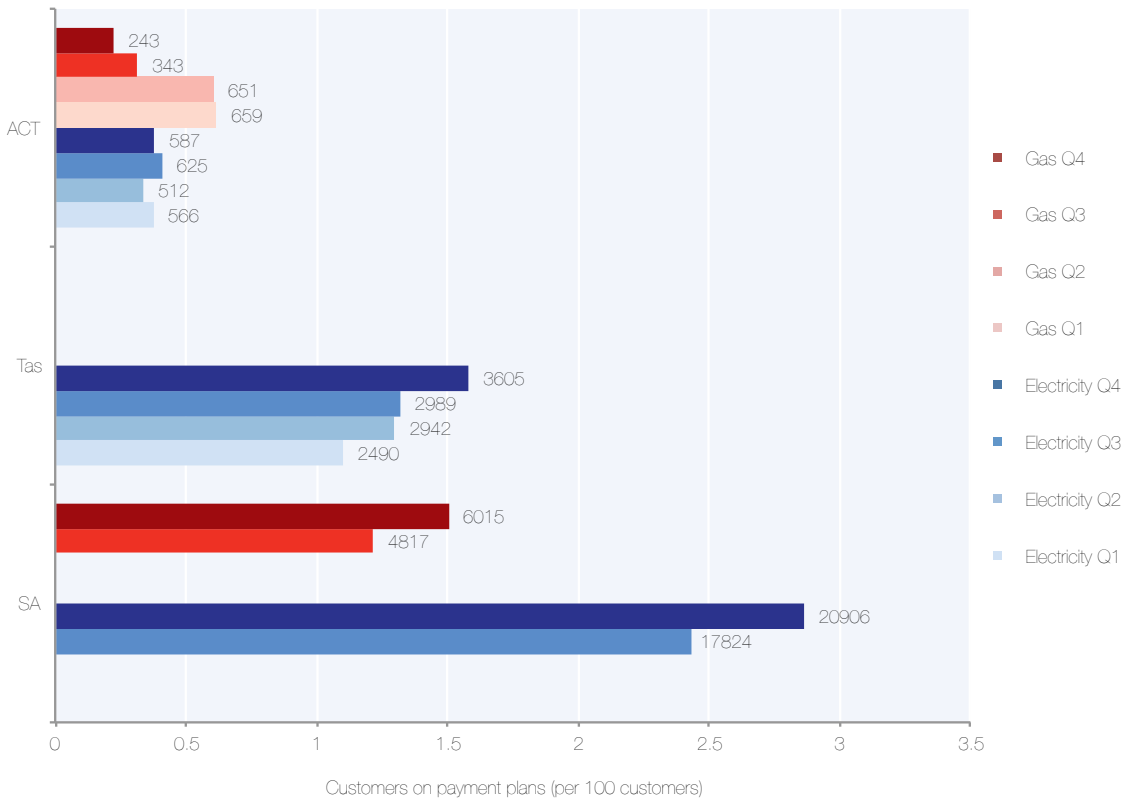


Figure 2.5 shows that more customers are on payment plans in South Australia than in the ACT and Tasmania. This number increased in both South Australia and Tasmania in the June quarter. It was low—albeit constant—in the ACT, but decreased for gas as fewer customers had gas debts.

Part of the reason for the ACT's low number of customers on payment plans is that the ACT Civil and Administrative Tribunal (ACAT) also has a payment plan scheme for energy customers in financial hardship. Customers on this scheme were not reported by retailers. Similarly, in Tasmania, Aurora provides additional assistance to households with financial difficulties through its Hardship Fund. This fund is administered by community agencies (through the Salvation Army). Although Aurora encourages these community agencies to distribute funds evenly and customers to make payments towards their accounts, some agencies make regular and large lump sum payments to an ongoing customer base. According to Aurora, customers prefer these payments to entering into payment plans or hardship programs.

Table 2.5 shows the number of residential customers (per 100 customers) on a payment plan for each retailer at the end of 2012–13 and the number that had a payment plan cancelled during the year. Retailers with the greatest number of customers on payment plans were Energy Australia (11 per cent for electricity and 7 per cent for gas), Alinta (almost 11 per cent), and Red Energy (over 7 per cent). Less than one per cent of AGL, Momentum Energy and ActewAGL customers were on payment plans.

Despite having large numbers of customers on payment plans, Alinta and EnergyAustralia also had a large number of plans cancelled. In Alinta’s case the number of payment plans cancelled in 2012–13 exceeded the number of customers on payment plans at the end of the year. This could suggest that retailers are setting—or customers are agreeing to—unrealistic repayments that customers cannot meet.

Table 2.5: Residential customers on a payment plan as at 30 June 2013 and customers with a payment plan cancelled (per 100) in 2012–13, by retailer

Retailer	Residential customers (per 100) on a payment plan as at 30 June 2013		Residential customers (per 100) with a payment plan cancelled during 2012–13	
	Electricity	Gas	Electricity	Gas
South Australia				
AGL Energy	0.96	0.24	1.96	1.02
Alinta Energy	10.90	3.08	12.13	2.22
Diamond Energy	0.73	-	0	-
EnergyAustralia	11.07	7.54	7.34	4.32
Lumo Energy	3.94	-	0.40	-
Momentum Energy	0.95	-	0.20	-
Origin Energy	1.59	0.54	0.27	0.12
Powerdirect	1.08	-	0.24	-
Red Energy	7.35	-	4.20	-
Sanctuary Energy	1.23	-	1.58	-
Simply Energy	4.13	2.33	6.83	3.95
ACT				
ActewAGL	0.23	0.11	1.98	1.29
EnergyAustralia	4.26	2.64	2.92	1.57
Tasmania				
Aurora	1.58	-	1.62	-

Note: Payment plan cancellations in South Australia are for the January to June 2013 period. Origin Energy was unable to provide a further breakdown of customers on payment plans, therefore, these numbers are estimated.

2.5 Hardship program indicators

The Retail Law requires retailers to offer hardship programs to customers experiencing financial difficulty.¹⁶ Hardship programs should reflect the principle that energy is an essential service, and that small residential customers should not be disconnected simply due to an inability to pay.¹⁷ Assistance under hardship programs should be tailored to the circumstances of each customer.

Retailers must identify customers experiencing payment difficulties and help them to manage the cost of their energy. Appendix 3 contains some case studies submitted by retailers to outline how their hardship programs can assist customers.

Hardship programs: obligations on retailers

Hardship programs should provide early assistance to customers. Under the Retail Law all retailers selling energy to residential customers must have a hardship policy approved by the AER. Hardship programs must include:¹⁸

- processes for early response where residential customers are identified as experiencing payment difficulties due to hardship
- flexible payment options including payment plans and Centrepay
- assistance in identifying government concessions and rebates
- referrals to financial counselling services
- energy efficiency advice.¹⁹

Retailers report annually on the types of assistance offered under their hardship programs.

2.5.1 Residential customers on a hardship program

Figure 2.6 shows the number of electricity and gas customers on hardship programs by jurisdiction. As with payment plans, more customers in South Australia are on hardship programs than in the ACT and Tasmania. Also, proportionally more electricity customers are on hardship programs than gas customers.

Centrepay is a service that allows customers to pay energy bills as regular deductions from their Centrelink payments. Around 2 per cent of customers in each jurisdiction use this service. Table 2.6 shows the number of customers on hardship programs (per 100 customers) that use this service in each jurisdiction.

¹⁶ National Energy Retail Law, s.43.

¹⁷ National Energy Retail Law, s. 45(3).

¹⁸ National Energy Retail Law, s. 44.

¹⁹ Where such processes or programs are required by a local instrument.

Table 2.6: Residential hardship program customers (per 100) using Centrepay to pay energy bills

	Electricity	Gas
South Australia	40.88	26.95
ACT	20.83	30.27
Tasmania	7.66	-

Figure 2.6: Number of residential customers on a hardship program (by jurisdiction)

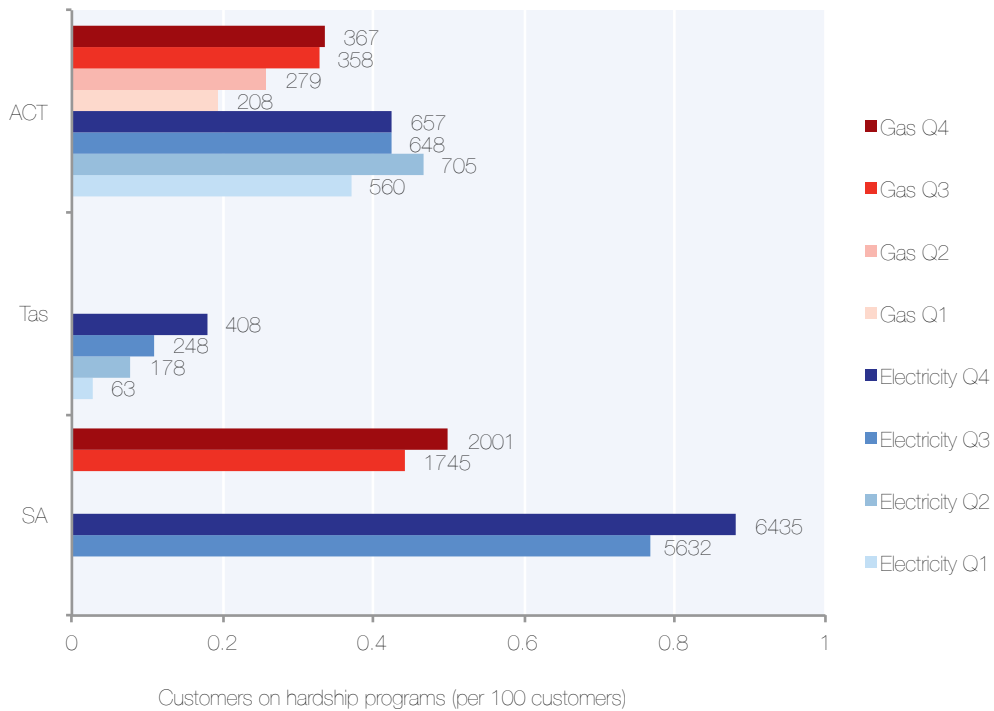
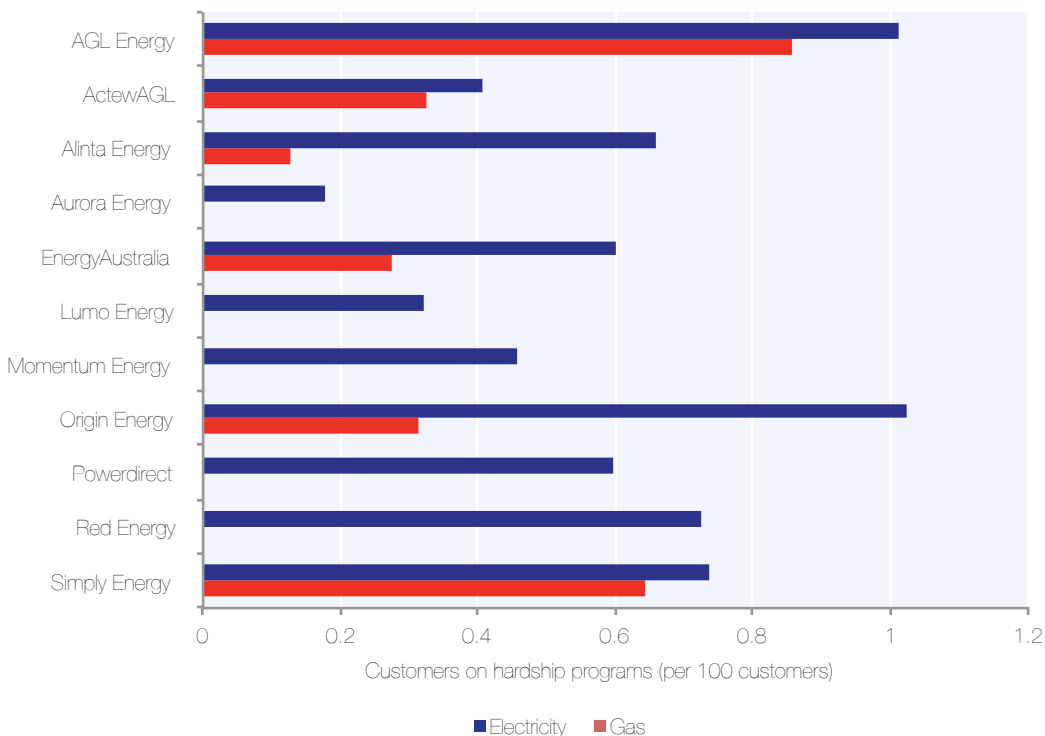


Figure 2.7 shows the number of electricity and gas customers who were on retailer hardship programs at the end of the June quarter. It indicates that around 1 in 100 of AGL's and Origin Energy's electricity customers were on a hardship program with a similar proportion reported for AGL's gas customers. ActewAGL and Simply Energy also reported similar proportions of electricity hardship customers and gas hardship customers. All other retailers had half as many or fewer gas customers on hardship programs than electricity customers.

Aurora had 408 customers on its hardship program at the end of the June quarter. This number appears to be low given the number of customers in debt and the average amount of energy debt in Tasmania, and it falls far short of Aurora's estimated target for hardship customer numbers by the end of June.²⁰

Around 50 per cent of Aurora's customers with electricity debt are on a payment plan, but only 6 per cent are on a hardship program. In South Australia, although the proportion of customers who are in debt and on a payment plan is similar (60 per cent), there are three times as many customers (18 per cent) on retailers' hardship programs.

Figure 2.7: Number of residential customers on each retailer's hardship program as at 30 June 2013

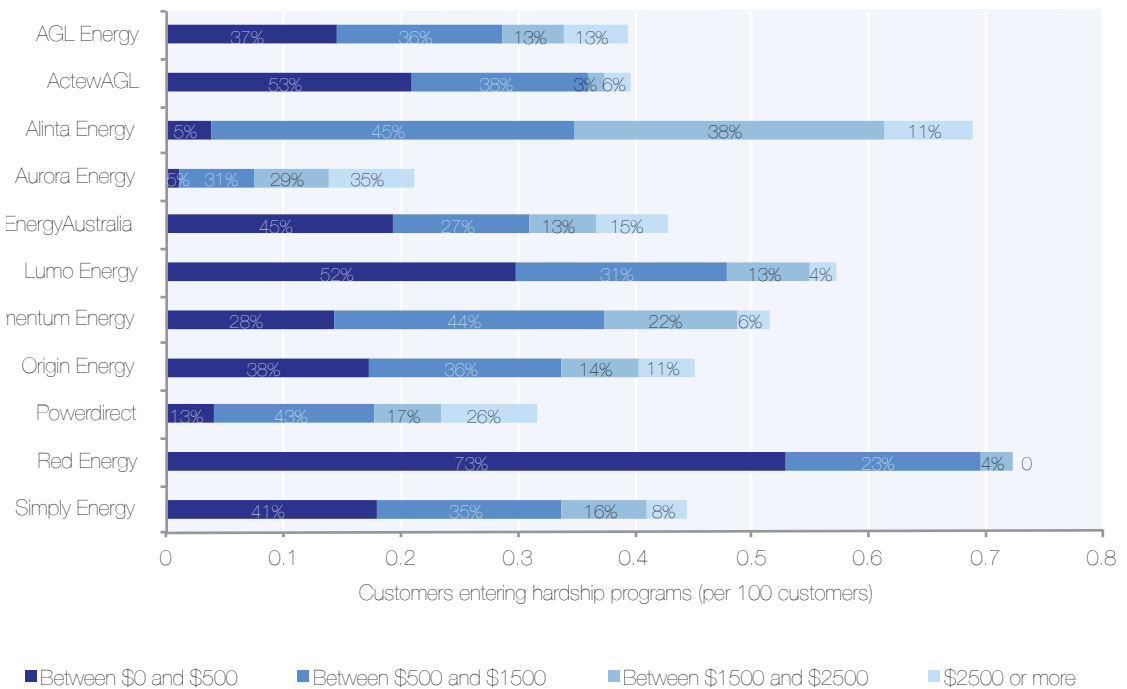


²⁰ Aurora had a "zero start" on the introduction of the Retail Law and previously estimated that around 1500 customers would be on hardship programs at the end of 2012–13 (see AER, Retail Energy Market Update—Performance, January to March 2013.)

2.5.2 Debt level on entry to a hardship program

Figure 2.8 provides a breakdown of debt levels for electricity customers entering retailers' hardship programs during 2012–13. How much debt a customer has when entering a hardship program influences their ability to manage their debt. When a customer enters a hardship program with low levels of debt they have a greater chance of repaying their debt and successfully completing their hardship program. Low debt levels on entry may indicate that retailers are promptly identifying customers experiencing payment difficulties and providing early assistance.

Figure 2.8: Level of debt on entering retailer's hardship programs in 2012–13 (electricity)

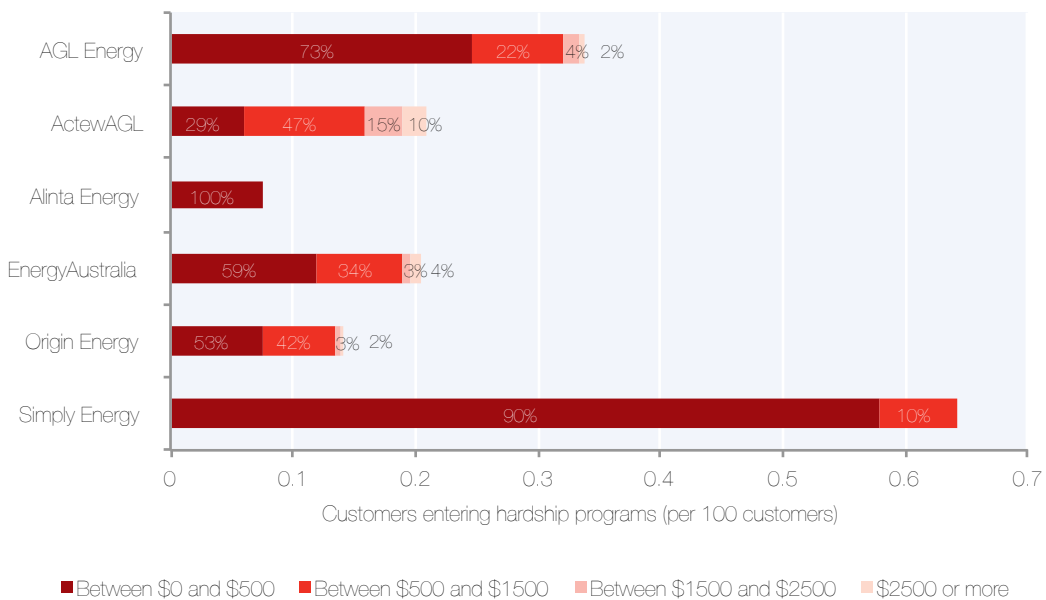


Compared to other retailers, Red Energy and Alinta Energy had the largest number of electricity customers entering hardship programs in 2012–13. However, of the two, Red Energy appears to be identifying customers earlier in their debt cycles. Almost three-quarters of Red Energy's customers had less than \$500 debt when they entered its hardship program (96 per cent had less than \$1500 debt). In contrast, 95 per cent of Alinta Energy's customers had more than \$500 debt when they entered the retailer's hardship program (50 per cent had more than \$1500 debt).

In addition to Red Energy, ActewAGL, Lumo Energy, Simply Energy and AGL appear to be proactively identifying customers with energy debts. All had a relatively high proportion of customers entering hardship programs with less than \$500 debt in 2012–13. **Over half of Aurora electricity customers had debts of over \$1500 when they entered its hardship programs.**

Figure 2.9 provides a breakdown of debt levels for gas customers entering retailers' hardship programs in 2012–13. Compared to customers with electricity debt, a greater proportion of gas customers entered hardship programs with less than \$500 debt.

Figure 2.9: Level of debt on entering retailers' hardship programs in 2012–13 (gas)



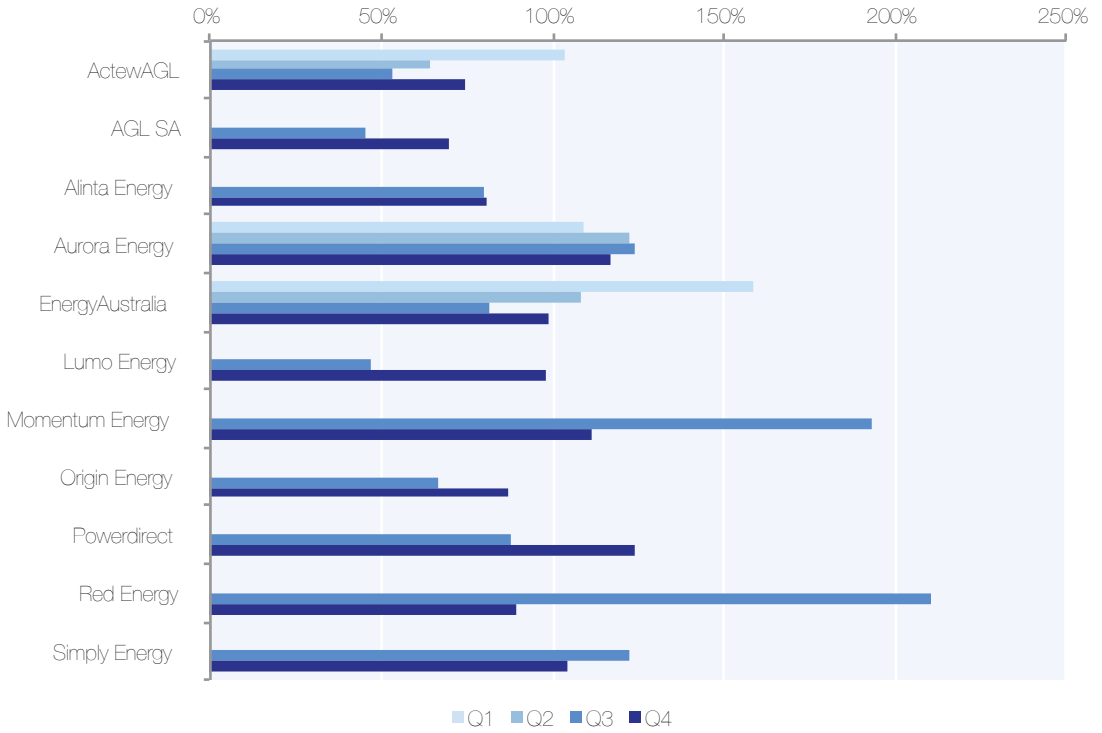
2.5.3 Debt level of hardship customers

Figures 2.10 and 2.11 show average debt on entry to hardship programs as a percentage of average debt while on hardship programs, for residential electricity and gas customers respectively.

Where the percentage exceeds 100, the average level of debt on entry to the program was greater than the average level of debt for customers currently on the hardship program. This implies that on average, customers have reduced their debt while on the retailers' hardship program. This measure may highlight whether a hardship program has been effective at reducing the level of customer debt.

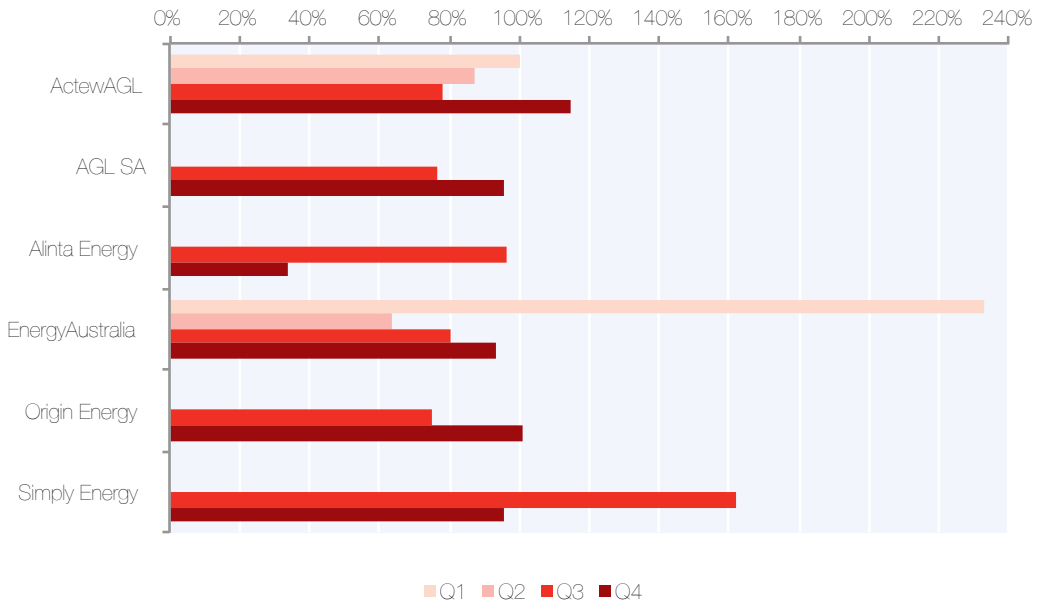
The retailers that appear to be most effective in assisting customers to manage their electricity debts are Aurora, Momentum Energy and Simply Energy.

Figure 2.10: Ratio of debt on entry to average debt—residential electricity customers



Hardship programs for gas customers appear to be less effective in reducing debt overall—in the June quarter only customers on ActewAGL and Origin Energy’s hardship programs were able to reduce their gas debt, but this may also be influenced by seasonal usage.

Figure 2.11: Ratio of debt on entry to average debt—residential gas customers



2.5.4 Customers exiting a hardship program

Retailers report the number of customers exiting their hardship programs for each of the following reasons:

- customers who successfully completed the program or exited with the agreement of the retailer
- customers who were excluded or removed from the program, and
- customers who transferred, switched or left the retailer.

The effectiveness of a retailer’s hardship program may be measured by the number of customers successfully completing the program relative to the number excluded or removed from that retailer’s program.

Table 2.7 shows the number of electricity and gas customers exiting retailer hardship programs. In the June quarter, Alinta Energy and Aurora were the only retailers with successful completions higher than the number of customers excluded from hardship programs. Successful hardship program completions relative to exclusions were lowest for EnergyAustralia, Origin Energy, Simply Energy, Lumo Energy and AGL Energy.

Table 2.7: Number of customers exiting hardship programs by retailers – June quarter 2012–13

Retailer	Electricity				Gas			
	Customers on hardship programs	Successfully completed	Excluded	Transferred to another retailer	Customers on hardship programs	Successfully completed	Excluded	Transferred to another retailer
South Australia								
AGL Energy	3654	99	229	240	1094	25	70	67
Alinta Energy	87	25	0	0	5	1	0	0
EnergyAustralia	464	0	59	18	126	0	16	5
Lumo Energy	139	4	12	18	-	-	-	-
Momentum Energy	16	0	3	1	-	-	-	-
Origin Energy	1486	9	127	52	592	13	75	26
Powerdirect	87	1	2	0	-	-	-	-
Red Energy	26	0	3	4	-	-	-	-
Simply Energy	476	50	130	85	184	18	61	42
ACT								
ActewAGL	607	35	35	21	339	21	29	16
EnergyAustralia	50	1	3	0	28	1	3	0
Tasmania								
Aurora	408	7	3	21 ²¹	-	-	-	-

21 These customers moved interstate.

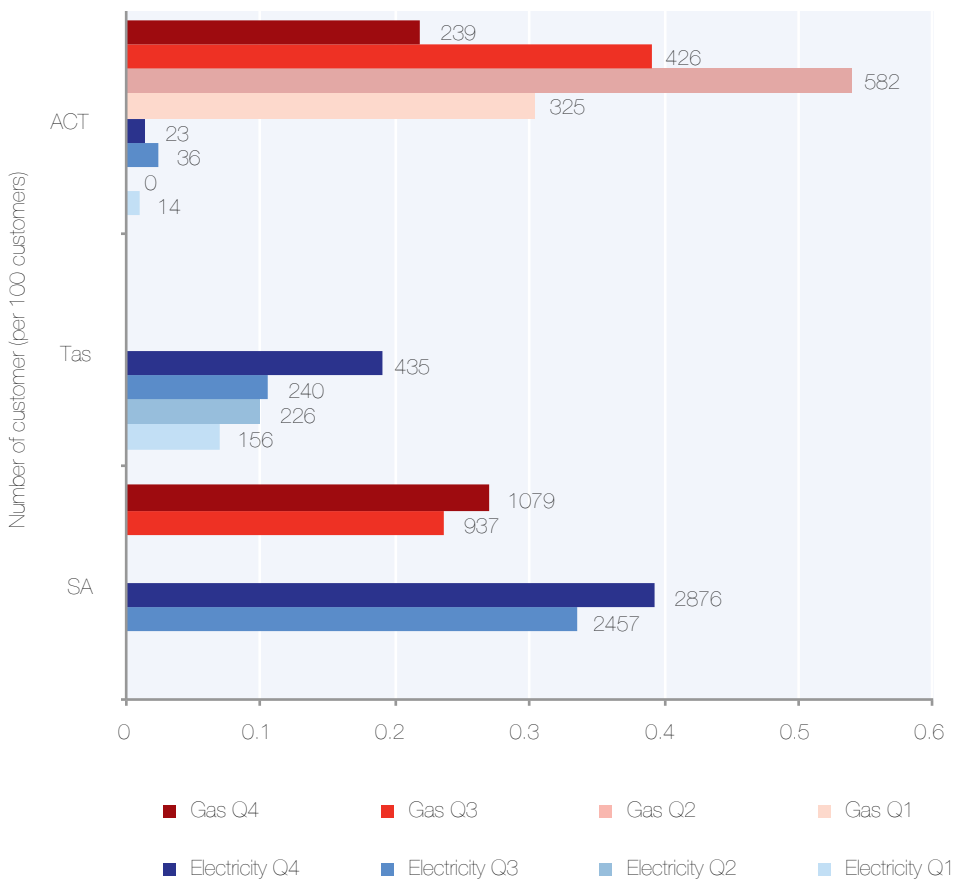
2.6 Disconnection and reconnections

Disconnection for non-payment of bills should be a last resort, as the consequences for customers are significant. Therefore we would expect the number of disconnections for non-payment to be low. Retailers have obligations under the Retail Law to identify customers in hardship and offer assistance under their hardship program.

Disconnection numbers, when examined alongside hardship programs and payment difficulties statistics, give an indication of how retailers balance their obligations to manage customers' debt while ensuring that customers continue to be supplied with an energy service.

Disconnections for non-payment will generally always exceed the number of reconnections for a number of reasons, including abandonment of the property, reconnecting with a different retailer and moving house.

Figure 2.12: Residential customers disconnected for non-payment in 2012–13 by jurisdiction



In South Australia, 2876 residential electricity customers were disconnected for non-payment during the June quarter of 2012–13 (or 0.4 per 100 customers). For gas, 1079 residential customers were disconnected (0.27 per 100 customers).

In the ACT, disconnections were greatest for gas and peaked in the December quarter of 2012–13—the months following winter. Electricity disconnections in the ACT were low throughout 2012–13 relative to South Australia and Tasmania.²²

In Tasmania, 435 residential electricity customers were disconnected for non-payment during the June quarter (or 0.2 per 100 customers). This was a significant increase from the previous quarters. Aurora reported that it has starting using more rigorous and consistent disconnection processes to ensure that customers do not build up high levels of debt. Despite this, Aurora compares favourably with retailers in South Australia.

As discussed earlier in this report, customers on market retail contracts in Tasmania use prepayment meters. In 2012–13 the average duration of self-disconnection events ranged between three and six hours. The number of customers that self-disconnected their service peaked in the June quarter at 353 (or approximately 1 per cent of customers using prepayment meters), and may provide an indication of customers in financial hardship.

Tables 2.8 and 2.9 show the number of disconnected and reconnected electricity and gas customers respectively. The tables also show the percentage of reconnections that occurred within seven days of disconnection.

22 ActewAGL suspended disconnections in the September quarter as it adjusted to its obligations under the Retail Law and Retail Rules.

Table 2.8: Residential electricity customers (per 100) disconnected and reconnected by each retailer in 2012–13

Retailer	Disconnections (per 100 customers)	Reconnections (per 100 customers)	% of reconnections within 7 days
South Australia			
AGL Energy	1.70	0.81	70.67%
Alinta Energy	7.86	2.75	57.61%
EnergyAustralia	0.21	0.07	36.99%
Lumo Energy	1.00	0.29	63.05%
Momentum Energy	0.60	0.23	25.00%
Origin Energy	1.15	0.57	71.54%
Powerdirect	0.58	0.21	83.77%
Red Energy	1.61	0.39	56.71%
Simply Energy	1.72	0.83	57.25%
ACT			
ActewAGL	0.04	0.02	27.78%
EnergyAustralia	0.20	0.29	0.00%
Tasmania			
Aurora	0.46	0.20	84.14%

Note: July to December data for South Australia is from ESCOSA. Excludes retailers with fewer than 100 residential customers.

Table 2.9: Residential gas customers (per 100) disconnected and reconnected by each retailer in 2012–13

Retailer	Disconnections (per 100 customers)	Reconnections (per 100 customers)	% of reconnections within 7 days
South Australia			
AGL Energy	1.23	0.51	60.49%
Alinta Energy	0.20	0.10	75.00%
EnergyAustralia	0.09	0.03	36.49%
Origin Energy	0.59	0.27	73.63%
Simply Energy	1.38	0.57	51.04%
ACT			
ActewAGL	1.48	0.84	83.84%
EnergyAustralia	0.43	0.45	10.53%

Note: July to December data for South Australia is from ESCOSA. Excludes retailers with fewer than 100 residential customers.

All retailers disconnected fewer than 2 per cent of their customers in 2012–13, except Alinta Energy which disconnected over 7 per cent. Alinta Energy explained that its recent focus on debt recovery has resulted in a higher level of disconnections.

The rate of energy reconnection²³ varies, although where a service is reconnected, it generally occurred within seven days of disconnection.

2.7 Disconnection of customers experiencing financial difficulty

Most energy retailers did not disconnect any customers on hardship programs. Hardship program customer disconnections represented less than 1 per cent of all electricity and gas disconnections. The number of customers disconnected who had been on a payment plan in the past 12 months was around 13 per 100 electricity customers and 4 per 100 gas customers, although some retailers disconnected a greater percentage of this group. For example, all of Alinta Energy's disconnected customers in the March quarter had been on a payment plan in the preceding 12 months. With the exception of Alinta Energy, this suggests that the majority of customers identified as having financial difficulties are not being disconnected. According to Alinta, where energy bill debt is already high, a payment plan may sometimes only delay an inevitable disconnection of a customer's service.

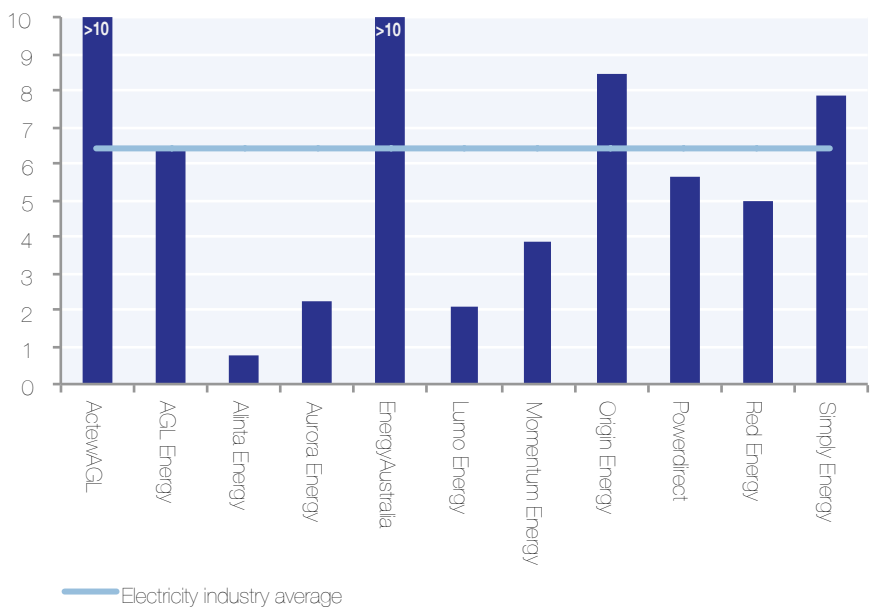
The ratio of the average number of residential electricity customers on payment plans as at the end of the June quarter to the average number of residential electricity customers

²³ For the purpose of this report a reconnection is where a customer is reconnected to a service in the same name and address.

disconnected for non-payment within the June quarter was 6.5:1. This means that for every customer disconnected for non-payment, 6.5 customers were on a payment plan (figure 2.13).

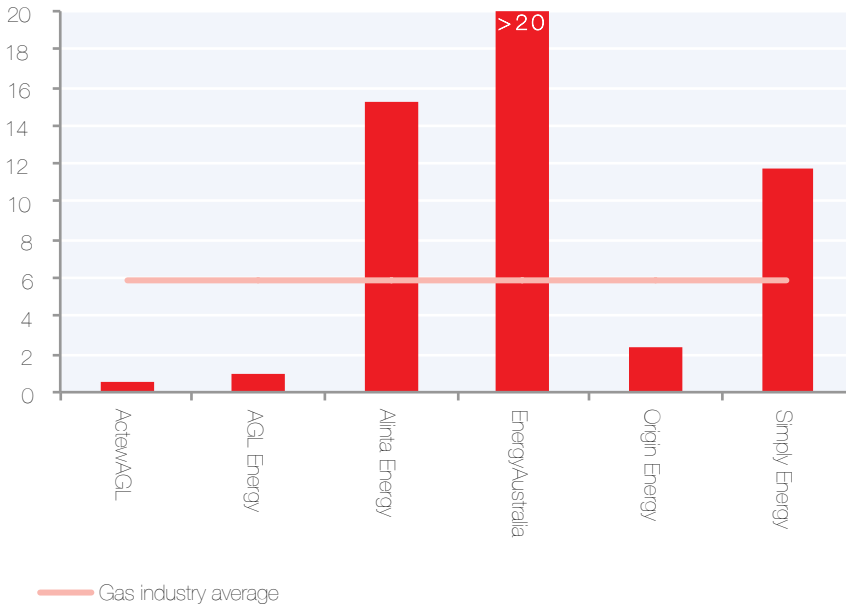
ActewAGL and EnergyAustralia reported a high number of payment plan customers relative to disconnections for non-payment. Alinta Energy, Aurora Energy and Lumo Energy reported the lowest number of payment plans relative to disconnections, and in Alinta Energy’s case, the number of disconnections exceeded the number of customers on payment plans in the June quarter.

Figure 2.13: Ratio of residential electricity customers on payment plans to number of customers disconnected for non-payment – June quarter 2013



As with electricity, gas retailers reported around six customers on payment plans at the end of the June for every one customer disconnected during the quarter. Both ActewAGL and AGL disconnected more gas customers in the June quarter than were on payment plans at the end of June.

Figure 2.14: Ratio of residential gas customers on payment plans to number of customers disconnected for non-payment—June quarter 2013



The ratio of the average number of hardship program customers to disconnections (Figures 2.15 and 2.16) was lower than the ratio of payment plans to disconnections for both electricity and gas (about 2:1).

As with payment plans, ActewAGL and EnergyAustralia reported high numbers of electricity customers on hardship programs relative to disconnections for non-payment. EnergyAustralia reported relatively few electricity and gas disconnections during the June quarter.

For Alinta Energy, Aurora and Lumo Energy, the number of electricity disconnections during the quarter exceeded the number of customers on hardship programs at the end of June. This is of concern as disconnections should be used as a last resort when other options have been exhausted, and not as an alternative to hardship programs or payment plans. It is unclear whether this group of disconnected customers were, or could have been, identified as needing assistance by retailers.

Figure 2.15: Ratio of residential electricity customers in retailers' hardship programs to number of customers disconnected for non-payment—June quarter 2013

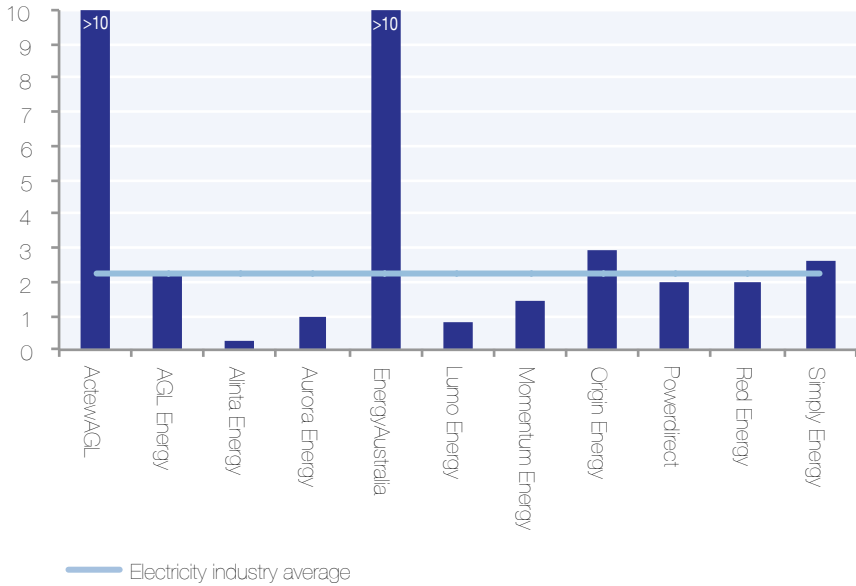
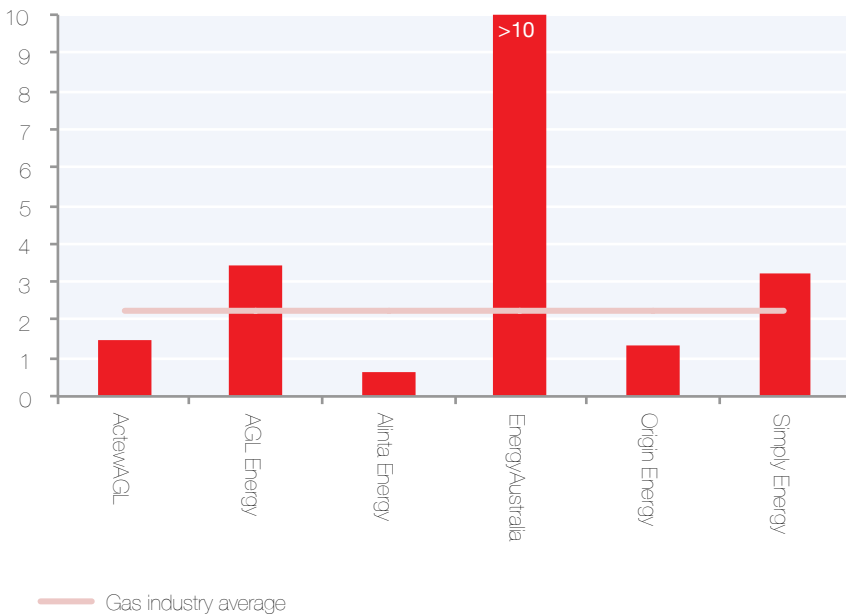


Figure 2.16: Ratio of residential gas customers in retailers' hardship programs to number of customers disconnected for non-payment—June quarter 2013



2.8 Energy concessions

A concession is a reduction, discount, subsidy, rebate, waiver, or exemption provided by the government on the value of goods or services. It may be offered on a household, family, or individual basis, and is generally provided on the basis of low income, special needs or disadvantage or some other category such as age or war service.²⁴

We use the following indicators to report on energy concessions:

- number of customers in receipt of energy concessions
- number of customers in receipt of energy concessions who were who were disconnected
- number of customers in receipt of energy concessions who were part of a hardship program.

Table 2.10: Customers receiving energy concessions in 2012–13—by jurisdiction

Jurisdiction	Customers receiving energy concessions (per 100 customers)		Customers on hardship programs (per 100 concession customers)	
	Electricity	Gas	Electricity	Gas
South Australia	28.87	8.05	1.21	0.58
Tasmania	38.49	-	0.42	-
ACT	16.54	0.50	1.51	2.40

As expected, a greater percentage of concession customers access hardship programs when compared to all customers. This may suggest that customers are relying on both assistance from retailers and government bodies in managing their energy bills.

Table 2.11: Concession customers disconnected and reconnected in 2012–13—by jurisdiction

Jurisdiction	Concession customers disconnected (per 100 concession customers)		Concession customers reconnected within 7 days (per 100 concession customers)	
	Electricity	Gas	Electricity	Gas
South Australia	0.17	0.18	0.08	0.07
Tasmania	0.63	-	0.24	-
ACT	0.11	0.18	0.02	0.00

Disconnection rates for concession customers are generally comparable with average disconnection rates in most jurisdictions, although a greater proportion of concession customers were disconnected in Tasmania.

24 Definition provided by the ACT Council of Social Service (ACTCOSS) in their submission to the ACT Government Concession Policy: http://www.actcoss.org.au/publications/Publications_2002/1302SUB.doc

2.9 Security deposits

Retailers can require small customers to provide security deposits in certain circumstances, for example if the customer owes the retailer money for another account or if the customer has fraudulently acquired energy in the previous two years.²⁵ Security deposits can be difficult for some customers to afford and manage. Monitoring their use and value will enable us to ensure that retailers are only requesting security deposits as permitted by the Retail Law and Rules.

Very few retailers hold security deposits—only Aurora and Origin Energy in 2012–13. The value of these deposits declined during 2012–13, and by the end of June 2013 neither retailer held security deposits for residential customers. At the end of 2012–13 Aurora held security deposits with an aggregate value of \$307 843 for 102 small business customers, and Origin Energy held security deposits with an aggregate value of \$6025 from eight small business customers.

2.10 Customer hardship calls: benchmarking research

To better understand the experience of customers contacting their energy retailer about difficulty paying their bill, we engaged Customer Service Benchmarking Australia (CSBA) to undertake a ‘mystery shopper’ market research project. CSBA made 630 calls to nine energy retailers in Tasmania, the ACT and South Australia (the three jurisdictions that commenced the Retail Law by 30 June 2013) with a scenario typical of a customer experiencing payment difficulties. A further 165 general enquiry calls were made for benchmarking purposes.

CSBA’s assessment of overall performance (maximum score of 200) is based on the sum of two indices (maximum score of 100 each). The ‘getting through’ index assesses call wait times and greeting quality; and the ‘service delivery’ index assesses agent manner and enquiry resolution. The number of calls that exceed the maximum wait time (of four minutes) is factored into each of these overall scores. A summary of each retailer’s performance is set out in Appendix 4.

Surveyed retailers

ActewAGL	AGL South Australia	Alinta Energy
Aurora Energy	Lumo Energy	Origin Energy
Powerdirect	Simply Energy	EnergyAustralia

The research was not designed to assess compliance with the Retail Law and Rules; rather to provide an assessment of service delivery and customer satisfaction.

25 National Energy Retail Rules, r.40.

2.10.1 Key findings

The research suggests that customers contacting their retailer about payment difficulties are generally satisfied with their customer service experience.

ActewAGL scored highest overall with 144 out of 200 followed by AGL (137), Origin (127) and Aurora (121). Lumo (118), Simply Energy (112) and Alinta (108) were all close to the retailer average (114). With the exception of EnergyAustralia, Powerdirect scored lowest with 46 out of 200; a score which reflects its relatively high number of calls that exceeded the maximum wait time and the longer call wait time on successful calls. After attempting 106 calls over three weeks, EnergyAustralia had only answered five calls within the maximum wait time. Rather than exclude EnergyAustralia on the basis of a small sample of calls being answered, its maximum wait time was doubled to eight minutes. Its score of 78 is therefore not comparable to the other retailers.

- Maintaining a reasonable call waiting time is a critical aspect of customer service. For a customer in hardship, their call may be to request help to manage an overdue bill or avoid disconnection. A long wait time, particularly if calling from a mobile with high costs, may mean they abandon their efforts to seek help. The wait times encountered by callers to EnergyAustralia, and to a lesser extent Powerdirect are lengthy and should be an area of focus for improvement.
- A friendly greeting and a genuine offer to help are important in making the customer feel valued. The results indicate performance in this aspect of service delivery is generally very good, however there are some simple measures that agents at Simply Energy, Powerdirect and Alinta could take to improve the first impressions their customers receive.
- Customers in hardship are typically calling about financial concerns that may be sensitive. An agent's manner may help the customer feel less anxious and more able to establish a rapport with the agent leading to a more effective resolution to the issue. While it was pleasing to observe that nearly every caller experienced an agent who behaved in an acceptable manner, the research found scope for some retailers, including Lumo, Simply Energy, Alinta and Powerdirect, to adopt a more warm, friendly and interested manner (CSBA best practice) in a higher proportion of calls.
- For enquiry resolution, strong scores were observed for product knowledge, but room for improvement was noted in agents' abilities to clarify customers' needs—this is very important in making sure the most appropriate options are discussed with the customer. Powerdirect scored highly in this area.
- Retailers performed consistently well across most of the eight measures of communication skills, but there is scope to improve their efforts to develop a rapport with hardship customers and display more patience.

The research also found, that overall, customers in hardship are not receiving lower levels of customer service than customers calling with a general enquiry. However, the research did

find that retailers are less effective in clarifying the needs of hardship customers and are less patient and tolerant during these calls when compared to general enquiry calls.

Compared to results from CSBA assessments of general enquiries in other service delivery industries, energy retailers in this survey performed better than the telecommunications sector, but not as good as in the water sector.

2.10.2 Call responsiveness

CSBA uses a maximum wait time of four minutes, after which time a call is abandoned. The number of abandoned calls affects both the getting through index and also the service delivery index. While 11 per cent of calls exceeded the maximum wait time overall, most retailers answered more than 93 per cent of calls within four minutes. The average connect time was 1:38 minutes.

- ActewAGL answered customer calls the quickest at an average of 1:01 minutes, followed by Origin, Lumo and AGL (all answering calls on average within 1:11 to 1:19 minutes). These four retailers also answered at least 95 per cent of calls within four minutes, with Lumo at 100 per cent.
- Callers to Powerdirect were waiting an average of 3:16 minutes to speak to an operator and only 37 per cent of its calls were answered within the maximum wait time.
- After 106 calls, EnergyAustralia had only answered five calls within the maximum wait time. Rather than exclude EnergyAustralia on the basis of a small sample of calls answered, the wait time was doubled to eight minutes. At this wait time, EnergyAustralia answered only 38 per cent of its calls contributing to an average wait time of 5:57 minutes (357 seconds). Due to the change in approach to provide a longer maximum wait time, EnergyAustralia's results cannot be compared to other retailers.

2.10.3 Greeting quality

The quality of greeting also contributes to CSBA's getting through score. Retailers generally performed very well, and there were many scores of 100 across the five individual measures in the greeting skills measure.

- There were only several instances where retailers scored below 90 for an individual measure. For example, agents at Simply Energy provided their company name on only 64 per cent of calls and agents at Powerdirect and Alinta only made a clear offer to help the customer on 69 and 77 per cent of calls respectively.

2.10.4 Agent manner

A welcome finding of the research was that agents were assessed as behaving in an acceptable manner in 99 per cent of calls. 72 per cent of customers experienced an agent that matched the CSBA description of best practice—warm, interested and helpful.

- Every caller to AGL and Powerdirect experienced an agent that behaved in an acceptable manner. AGL's performance was very strong, with its agents rated as warm, interested and helpful on 89 per cent of calls (and businesslike on 11 per cent).
- While still achieving a score of 97 for acceptable manner, Lumo had the highest proportion of agents rated as business-like and unemotive (40 per cent). Around one third of agents at Simply Energy, Alinta and Powerdirect were assessed as business-like and unemotive.
- EnergyAustralia also scored 100 for acceptable manner and its agents demonstrated best practice acceptable manner on a very high 94 per cent of calls (that were answered within the eight minute wait time).

2.10.5 Enquiry resolution skills

The mystery shopping approach limits agents' ability to demonstrate the full extent of their enquiry resolution skills as customers are unable to provide real account details. Agents generally achieved very good scores for product knowledge (average 90), clear resolution to query (average 87) and courteous and helpful (average 86). While still good, retailers scored less well for their ability to clarify the caller's needs (average 80).

- ActewAGL, AGL, Aurora, and Powerdirect all received an average score of close to 90 across the four measures of enquiry handling. Powerdirect was the only retailer to receive a score of 100 for any measure, and achieved it for both good product knowledge and providing a clear resolution to callers' enquiries, a very good result.
- Origin (86), Alinta (84) and Simply Energy (83) scored closer to the retailer average.
- Lumo was consistently the lowest scoring retailer, scoring between 67 (for clarified needs) and 77 (for product knowledge) for the four measures in this area with an average of 73.
- EnergyAustralia's score of 94 (at the eight minute wait time) was very high.

2.10.6 Communication skills

Retailers performed consistently well across most of the eight measures of communication skills, but there is scope to improve their efforts to develop a rapport with hardship customers (occurring in only 73 per cent of calls) and display more patience (85 per cent). Although scores in communication skills are not counted by CSBA towards any service delivery score, they are an important part of the overall customer experience.

- Agents generally spoke well to their customers, scoring highest for correct grammar and avoiding slang and jargon.
- Lumo recorded the lowest score on every communication skills measure, achieving an average score of 81 per cent. Its lowest score was for developing a rapport (51 per cent), which was the lowest scoring category overall.
- Only ActewAGL (and EnergyAustralia) achieved an average score of over 90.



3. Energy affordability

The AER's first annual report on energy affordability considers how much benchmark households around the country are spending on electricity and gas annually and what proportion of benchmark households' disposable income these bills comprise.

3.1 Overview

The AER's strategic priorities include a focus on building consumer confidence and strengthening stakeholder engagement in energy markets so that consumers are paying no more than necessary for their energy services. This is important given community concerns about cost of living pressures and rises in energy prices.

We present our analysis by state and territory to reflect local variation in energy prices, typical energy consumption levels and household incomes. This variation arises due to factors such as jurisdictional approaches to price regulation, availability of natural gas, climate, population characteristics and spread, and economic conditions. Our analysis considers how much benchmark low, middle and high income households are spending on electricity and gas annually and will not reflect all customers' circumstances.

3.1.1 Key findings

Benchmark low income households, in receipt of an energy concession, spent between 2.9 and 7.8 per cent of annual disposable income on electricity bills depending on which state and territory they live in. Annual gas bills comprise a lower share of our benchmark low income households' disposable income, ranging from 1.4 to 3.4 per cent (figure 3.1).

Benchmark low income households in Tasmania had the highest annual electricity bills (\$2610 for an annual consumption of 8100 kWh). For those receiving an energy concession, annual electricity bills dropped to \$2160. This represents 7.8 per cent of a benchmark low income household's annual disposable income (or 9.5 per cent if no concession is applied). This is primarily driven by households in Tasmania typically having the highest electricity consumption²⁶ of all jurisdictions as well as lower incomes (figure 3.1 and table 3.1).

Annual gas bills were highest in Victoria (\$1218) accounting for 3.7 per cent of a benchmark low income household's disposable income. Again, this is driven by relatively higher gas consumption for households in Victoria given the reliance on gas for space and water heating. With the concession applied, annual gas bills reduced to \$1117 (or 3.4 per cent) (figure 3.1).

Annual electricity and gas bills comprised the smallest share of disposable income for benchmark low income households in the ACT—around 2.9 and 1.4 per cent respectively, with a concession applied. This results from generally lower energy prices and higher incomes in this jurisdiction.

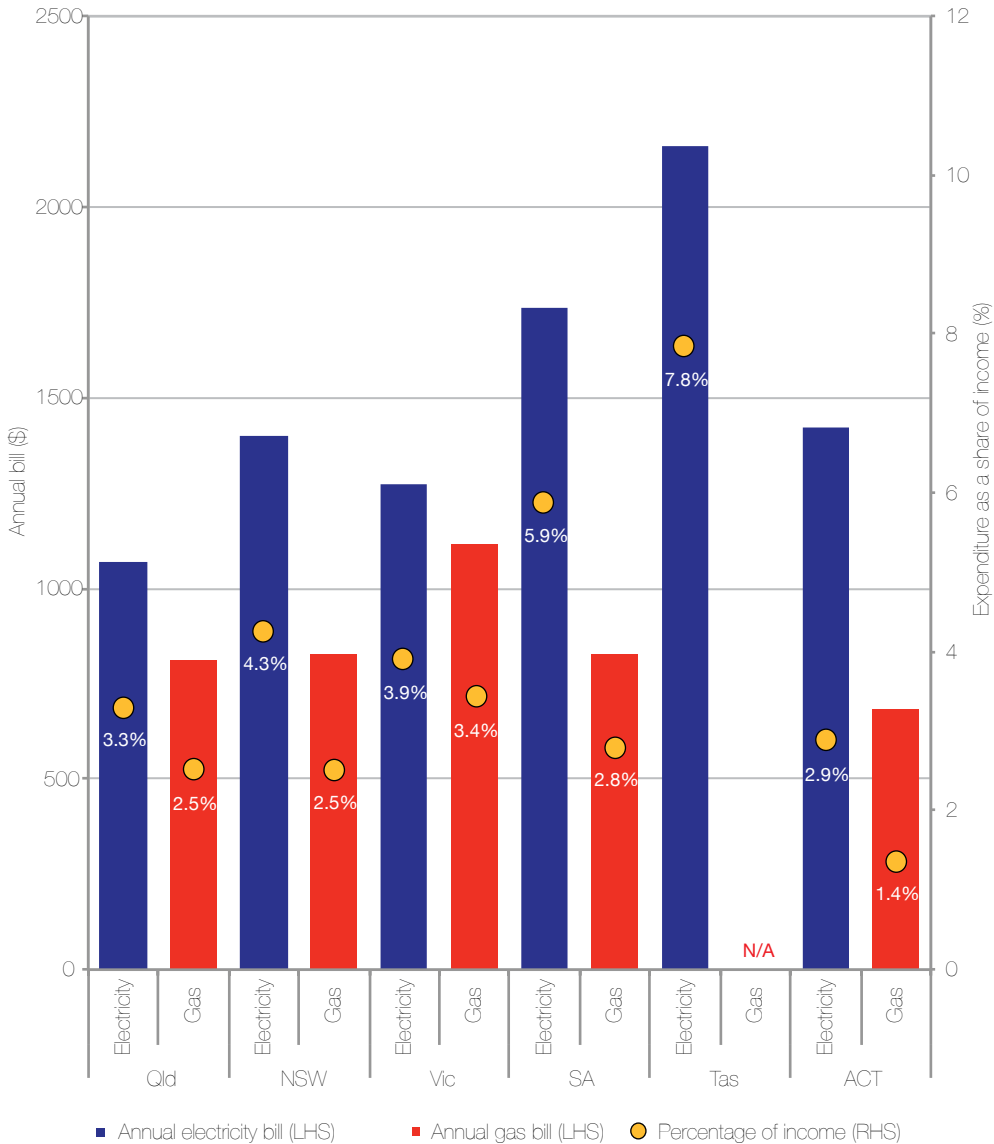
We have assumed our benchmark middle and high income households consume a 'typical' amount of electricity and gas for each jurisdiction (a two to three person household). This is higher than our benchmark low income households which are typically smaller—on average one to two persons.²⁷ A benchmark middle income household with typical consumption spent between 1 per cent (in the ACT) and 2.7 per cent (in Tasmania) of its annual disposable income on electricity. For a benchmark high income household, expenditure ranged between 0.4 and 1.1 per cent of disposable income.

Benchmark middle income households spent between 0.5 per cent (in the ACT) and 0.9 per cent (in Victoria) of disposable income on annual gas bills. Benchmark high income households spent between 0.3 and 0.4 per cent of their disposable income on annual gas bills.

26 The cooler climate in Tasmania generates greater heating requirements during winter and less than 5 per cent of households are connected to mains gas. Electricity consumption is therefore typically higher in Tasmania.

27 Data obtained from the Australian Bureau of Statistics (ABS) shows that low income households are on average one to two person households (see table 3.1).

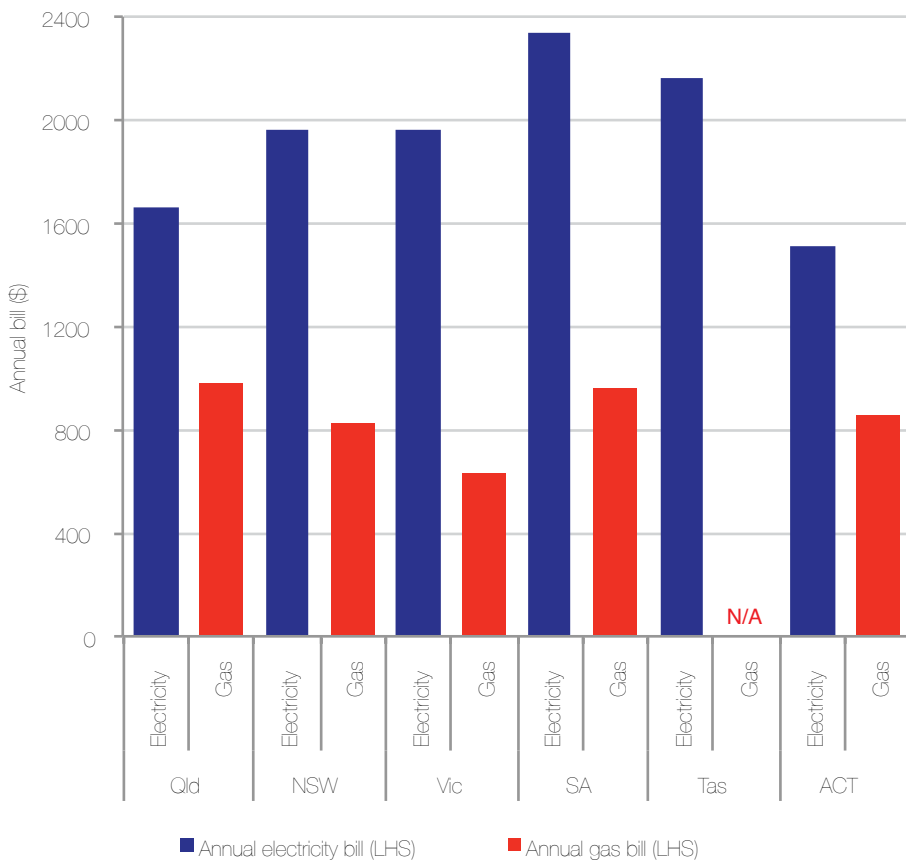
Figure 3.1: Annual electricity and gas bills, and as a share of benchmark low income household's disposable income (with concession applied)—jurisdiction specific 'low' consumption levels, June 2013



The two main components of energy bills are the price of energy and how much energy is consumed. To directly compare how energy charges vary across jurisdictions, we have applied the same consumption levels to all jurisdictions—6500 kWh for electricity and 24 000 MJ for gas.

This shows that electricity charges are highest in South Australia (annual bill of \$2335) followed by Tasmania (\$2166). Electricity charges were broadly similar in Victoria and New South Wales (\$1960) and were cheapest in the ACT (\$1511). There was less variation in gas prices across the jurisdictions. Gas charges were highest in Queensland and South Australia (annual bills of \$980 and \$962 respectively), followed by the ACT and New South Wales, and were cheapest in Victoria (\$630) (figure 3.2).

Figure 3.2: Annual electricity and gas bills—constant consumption (6500 kWh and 24 000 MJ pa), June 2013



States and territories often have more than one distribution or pricing zone, and the price of electricity or gas, as well as the number of generally available offers, varies across these zones. Our analysis for each jurisdiction considers the range in offers in each of the zones. This shows that energy prices are often higher in regional and remote areas where the costs of providing and servicing energy infrastructure are higher and typically shared among fewer customers.

3.1.2 Conclusion

Electricity and gas are essential services, necessary for a reasonable standard of living and social participation. Energy bills are typically paid quarterly in arrears and this can have an impact on household budgets, particularly for those on low incomes. The Retail Law provides an important safety net and key protections for customers experiencing payment difficulties and financial hardship.

Energy affordability is a complex issue and there is no single solution. It can be affected by a vast number of factors, including individual customer circumstances, economic conditions, energy prices, consumption, climate and available fuel mix. Consumers, energy retailers, governments and regulators all have a role to play in contributing to the debate in this area and ensuring consumers have access to these essential services. A key role for the AER is monitoring and enforcing energy retailers' compliance with their obligations under the Retail Law, particularly where they are required to assist customers experiencing payment difficulties. These areas will continue to be a focus for the AER throughout 2013–14.

3.2 Background

The Retail Law requires the AER to include a report on energy affordability in our annual retail market performance report.²⁸

The Retail Law does not define energy affordability, nor does it prescribe how we should report on energy affordability. In developing our approach, we considered the existing research and analysis on energy affordability and sought to add to, rather than duplicate, this. Feedback provided by our Customer Consultative Group (CCG),²⁹ as well as public consultation,³⁰ has informed our approach.

28 Rule 166(1)(e) of the Retail Rules requires the AER to publish a report on energy affordability for small customers as part of its retail market performance reports.

29 Our CCG is established under Rule 172 of the Retail Rules and provides advice to the AER in relation to our functions under energy laws affecting energy consumers. In November 2012 and August 2013, we discussed our energy affordability report with the CCG and invited feedback on our approach. <http://www.aer.gov.au/about-us/customer-consultative-group>

30 Consultation on the AER's *Retail market performance reporting procedures and guidelines*, including the development of our approach to energy affordability reporting, is available at <http://www.aer.gov.au/node/6538> and <http://www.aer.gov.au/node/16115>.

Our report provides a snapshot of the cost of annual energy bills at 30 June 2013. Specifically, our analysis considers:

- the range of electricity and gas prices (offers) generally available to residential customers in each distribution (or pricing) zone;
- estimates of annual electricity and gas bills; and
- annual expenditure on electricity and gas bills as a share of disposable income for benchmark low income households, including the impact of energy concessions.

We also consider expenditure on electricity and gas for benchmark middle and high income households.

Each of the jurisdictions that have commenced (or intend to commence) the Retail Law are considered in our report—Queensland, New South Wales, Victoria, South Australia, Tasmania, and the ACT.³¹ This approach provides opportunity to reflect the variation in energy prices, household income and energy concessions around the country and to note other key differences between the jurisdictions, for example climate and availability of gas. Our report covers reticulated ('mains') gas only. It does not consider households that use liquefied petroleum gas or liquefied natural gas as the AER does not have a regulatory role and limited data is available. Further, we did not include gas in our analysis of Tasmania, given that less than five per cent of households have a mains gas connection.

3.3 Approach

For each jurisdiction, we determined electricity and gas consumption levels for our benchmark low, middle and high income households (see tables 3.1 and 3.2). A benchmark low income household is a household that uses the average amount of electricity and gas in the relevant state or territory for all households that are the same size as low income households on average. A benchmark middle and high income household is a household that uses the average amount of electricity and gas in the relevant state or territory.

We then calculated annual electricity and gas bills from the energy offer prices we collected. Our analysis shows the range in annual bills across the generally available offers as well as the median standing and market offer.

We obtained data from the ABS on disposable household incomes for low, middle and high income households (also tables 3.1 and 3.2) to estimate the proportion spent on electricity and gas bills (assuming these households were on the median market offer). For our benchmark low income households we have also shown the impact of receiving the energy concession in that jurisdiction.

31 We have not considered energy affordability for customers in Western Australia and the Northern Territory.

This section sets out our approach in further detail, specifically:

- the annual electricity and gas consumption levels used in our analysis for our benchmark low, middle and high income households,
- the collection of energy pricing information based on a sample postcode in each distribution or pricing zone,
- estimating annual electricity and gas bills; and
- the household disposable income data used.

3.3.1 Annual electricity and gas consumption levels

The annual household electricity and gas consumption levels used in our analysis are summarised in table 3.1 for benchmark low income households and in table 3.2 for benchmark middle and high income households.

- To represent the electricity consumption of a benchmark low income household, we took the average number of people in a low income household for each state and territory from the ABS and used electricity consumption benchmark data³² to determine an average consumption level for that sized household.
- For our benchmark middle and high income households we used typical electricity consumption levels—each state and territory's 'average' household consumption from the electricity consumption benchmark data.
- Available data on gas consumption levels is limited and we have not attempted to estimate a 'low' consumption level. Instead, we use an estimate only of a 'typical' gas consumption, which was informed by various jurisdictional energy regulator reports and St Vincent de Paul's energy price reports.³³

These electricity and gas consumption levels are estimates. Furthermore, our low income electricity consumption figures are based on benchmark data for all households (not only low income households) and may not account for low income households using less energy per member of the household than other households.³⁴

32 The Retail Rules require retailers to provide information to residential customers on their electricity bill regarding how their electricity consumption compares to similar sized households in their local area. ACIL Tasman was commissioned to develop these initial benchmarks. It conducted a survey of electricity customers across Australia to collect data on their electricity consumption and other variables that effected how much energy they use. ACIL Tasman's *Electricity bill benchmarks for residential customers (December 2011)* report is available at: <http://www.aer.gov.au/node/9751>

33 New South Wales: http://www.ipart.nsw.gov.au/Home/Industries/Gas/Reviews/Retail_Pricing/Changes_in_regulated_gas_retail_prices_from_1_July_2012

Victoria: <http://www.esc.vic.gov.au/Energy/Energy-retail-performance-reports/Energy-retailers-comparative-performance-report>

South Australia: <http://www.escosa.sa.gov.au/electricity-overview/market-information/annual-performance-reports/annual-performance-report-2011-12-sa-energy-supply-industry.aspx>

St Vincent de Paul Society Energy Reports, available at: <http://www.vinnies.org.au/energy>

34 ABS Catalogue 4670.0: Household Energy Consumption Survey 2012. Low income households used, on average, less electricity and gas compared to households in the highest income quintile.

Table 3.1: Benchmark low income households—summary of annual electricity and gas consumption levels

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income (\$)
Qld	5000	20 000	1.79	32 267
NSW	5300	24 000	1.82	32 709
Vic	4700	63 000	1.61	32 580
SA	5000	21 000	1.80	29 443
Tas	8100	na	1.64	27 518
ACT	7000	24 000	1.85	49 524

Table 3.2: Benchmark middle and high income households—summary of annual electricity and gas consumption levels

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income—middle (\$)	Annual disposable income—high (\$)
Qld	6800	20 000	2-3	67 211	175 355
NSW	6700	24 000	2-3	69 383	190 087
Vic	5400	63 000	2-3	68 624	168 709
SA	6000	21 000	2-3	61 488	154 971
Tas	9400	na	2-3	56 602	141 543
ACT	8000	24 000	2-3	94 092	208 014

3.3.2 Collection of energy pricing data

We selected a postcode in each distribution or pricing zone and collected all of the generally available offers³⁵ in that postcode as at 30 June 2013 (see appendix 5). Only single-rate tariffs were considered and any GreenPower-only and solar offers were excluded.

Where possible, prices were sourced from our Energy Made Easy price comparison website (www.energymadeeasy.gov.au). For states and territories that had not commenced the Retail Law by 30 June 2013, prices were collected from jurisdictional energy regulators' price comparison websites or directly from energy retailers' websites.

³⁵ Generally available offers refer to energy offers available to all customers within a given distribution zone. Energy offers that are not generally available—such as those only available to a limited or particular group of customers—are not included.

3.3.3 Estimating annual energy bills

Annual electricity and gas bills for each of the generally available offers in the nominated postcode were calculated using the energy consumption levels in tables 3.1 and 3.2.

Key discounts offered by energy retailers (such as discounts for paying on time, paying by direct debit and other cash incentives), with the exception of discounts for bundling or dual fuel offers, have been included. One-off credits and non-cash promotions, such as movie tickets or club memberships, were not included. Seasonal pricing was taken into account (for example, gas is often more expensive during winter) when calculating the annual bills, however we assume a consistent consumption across the year.

Our analysis focuses on annual electricity and gas bills for the median market and standing offer in each jurisdiction. Using the median (rather than a simple average) ensures the analysis is not skewed by a small number of very cheap or very expensive offers. We also look at the mean of all market and standing offers in each jurisdiction. In most cases, the average annual bill of a jurisdiction does not differ from the annual bill of the median market offer. Where there is a significant difference we include a discussion of this in our analysis.

3.3.4 Annual household disposable income

Data on disposable household income was obtained from the ABS. Disposable household income best represents the remaining income available to households for expenditure on goods and services, including energy bills.

Consistent with the ABS, 'low income' households in each state and territory were represented by the second and third income deciles,³⁶ 'middle income' households represented by the third income quintile and 'high income' households represented by the fifth income quintile. The latest available data from the ABS was for 2011–12 and was adjusted to 2012–13 dollars (see tables 3.1 and 3.2).³⁷

3.4 Queensland

Queensland had 1.7 million households and around 800 000 people received some kind of government assistance from Centrelink or the Department of Veterans' Affairs.³⁸ 60 per cent of the population lives in major cities, 22 per cent in inner regional areas, 15 per cent in outer regional areas, and 3 per cent in remote regions.

36 The ABS advises that using the first decile to represent 'low income' households can be problematic as it can include income data that does not necessarily reflect the lowest income households. In the lowest income quintile, survey respondents may report extremely low or negative incomes for taxation or other benefit purposes (such as negative gearing on investments, or working cash in hand). The ABS therefore considers the first income decile is not necessarily the truest representation of low income households in Australia.

37 We adjusted the ABS data for low income households by the Consumer Price Index and the middle and high income data using the ABS Wage Price Index.

38 ABS, National Regional Profile: Queensland, 2010.

While some areas of Queensland have a similar climate to parts of New South Wales, overall it is hotter and more humid. Given this, it is more common for households in Queensland to have additional cooling appliances such as ceiling fans and air-conditioners which can lead to significantly higher household electricity use. Conversely, with warm to mild winters, households typically require less heating during winter.

Around 10 per cent of households in Queensland are connected to mains gas.³⁹ These customers were mostly located in and around the Brisbane area. Gas consumption is generally lower in Queensland than in New South Wales and Victoria as there is less need for space heating. Gas is typically used for water heating and/or cooking.

We collected energy prices for generally available offers from each of the active retailers' websites.⁴⁰

3.4.1 Annual electricity and gas bills

There are two electricity distribution zones in Queensland: Energex covers south east Queensland and Ergon Energy covers the rest of the state.

Households in the Energex zone can choose from a range of market and standing offers. Annual electricity bills for these offers ranged between \$1221 for the cheapest market offer and \$1373 for the most expensive. The estimated annual bill for the median market offer was \$1300⁴¹ (figure 3.3).

The Ergon zone is serviced by Ergon Energy, a government-owned, non-competitive electricity retailer. Ergon is only permitted to charge its customers the regulated price. Ergon Energy is also not permitted to compete for new customers. Once a customer leaves Ergon Energy to take up a market contract with another retailer, they cannot return.

Although Ergon has a large network covering regional and rural Queensland, the annual electricity bill for the median standing offer was the same in both the Ergon and Energex zones (\$1374). The costs involved in supplying electricity to customers living in these regional and rural areas of Queensland was much greater than for those in the south east corner of the state; due mainly to the higher costs of transporting electricity over long distances and there being fewer customers to share the costs of the infrastructure required. The Queensland Government subsidises these additional costs through payments to Ergon Energy via the Community Service Obligation.

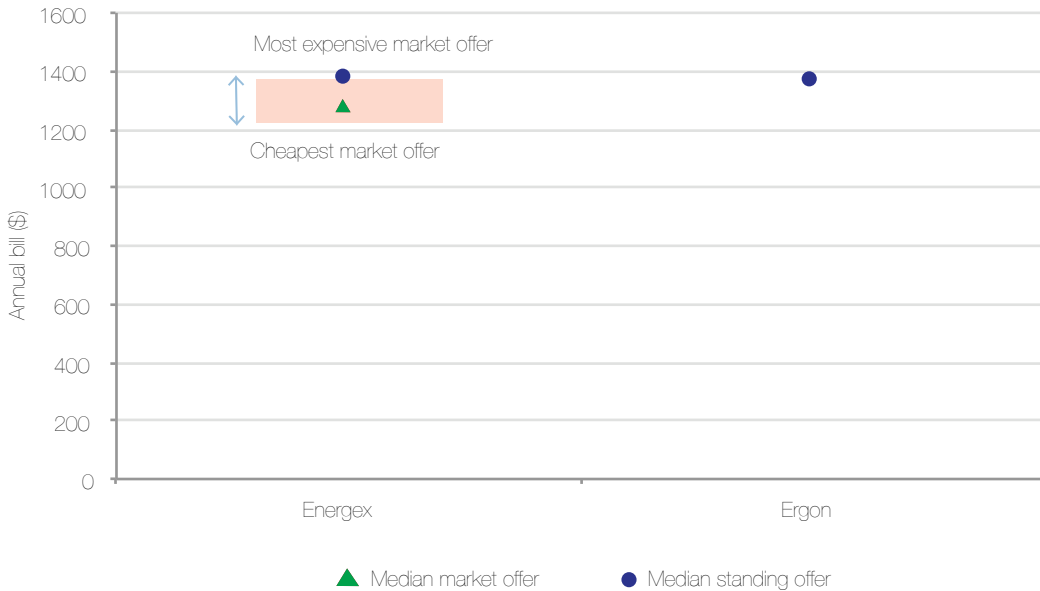
39 Queensland Government, "Energy in Queensland" webpage accessed: 17 May 2013 at <http://www.business.qld.gov.au/industry/energy/electricity-industry/electricity-queensland>

40 We used the QCA's price comparison website to locate generally available offers and then collected tariff details from retailers' websites, as prior to 1 July 2013 the QCA's comparator only showed annual bill amounts.

41 The average annual electricity bill of all market offers in the Energex zone was \$1303.

There were over one million electricity customers on standard retail contracts, or around 54 per cent of customers.⁴² The number of customers who switched away from the standard retail contract may be an indication of retail competition in south east Queensland (section 1.3).

Figure 3.3: Range of generally available electricity offers by distribution zone (5000 kWh) – June 2013

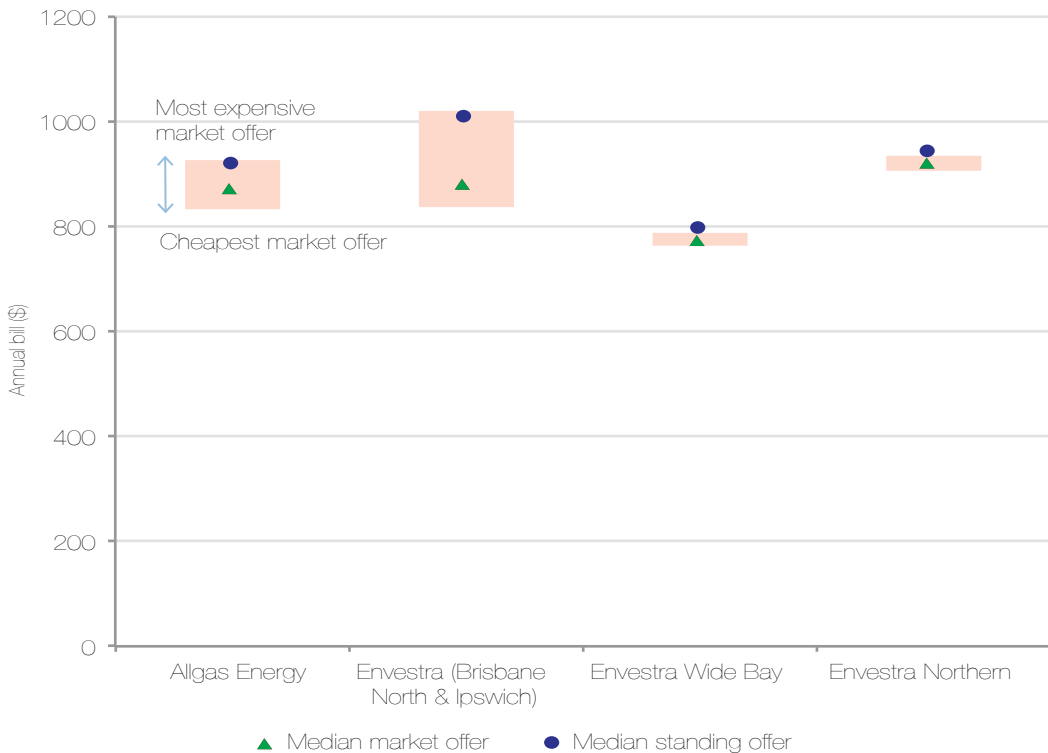


There are four gas distribution zones in Queensland: Envestra (Brisbane North & Ipswich), Envestra (Wide Bay), Envestra (Northern), and Allgas Energy (covering south Brisbane and the Gold Coast).

Prices, and the range in prices, varied across the distribution zones (figure 3.4). Based on the median market offer, annual gas bills were cheapest in Envestra Wide Bay (\$776) and most expensive in Envestra Northern (\$922). In all zones, the annual bill for the median standing offer was within \$10 of the annual bill for the most expensive market offer. While Envestra Wide Bay and Envestra Northern had a very narrow range (both \$27) between the cheapest and most expensive market offers, a larger range of \$180 was observed in Envestra (Brisbane North & Ipswich), suggesting there is a good opportunity for households in this zone to check if they are on the best offer for their needs. With a range of \$93, customers in the Allgas Energy zone may also be able to save by switching to a cheaper market offer, particularly if on a standing offer.

42 Queensland Competition Authority, *Market and Non-Market Customers, March Quarter 2013*. http://www.qca.org.au/files/ER-QCA_MarketCustomerStatisticsMar13-0713.pdf

Figure 3.4: Range of generally available gas offers by distribution zone (20 000 MJ)—June 2013

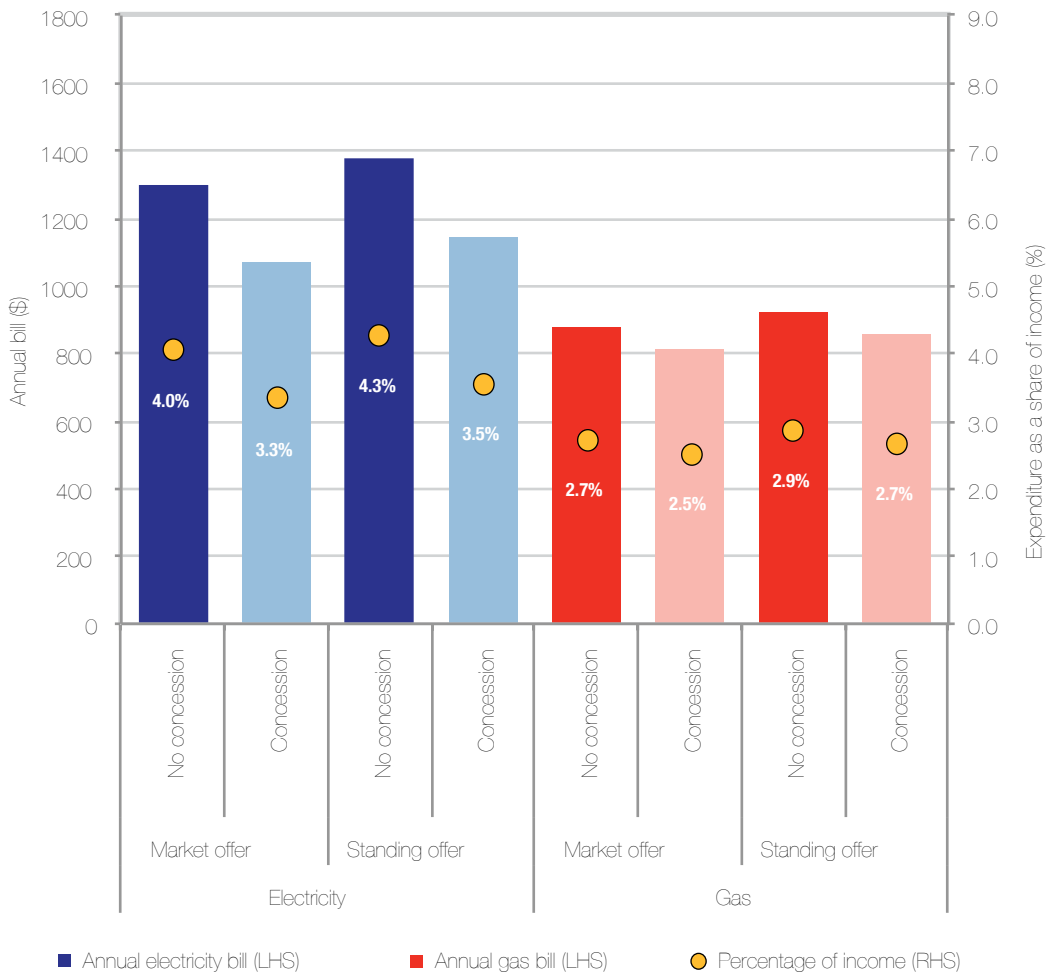


3.4.2 Electricity and gas bills as a percentage of income

The Queensland Government offers two main rebates to eligible customers.⁴³ The Electricity Rebate provides up to \$230 per year for electricity and the Reticulated Natural Gas Rebate provides around \$65 per year. Figure 3.5 shows the impact of these two rebates on annual gas and electricity bills for a benchmark low income household. Other concessions and assistance available, but not included, are the Medical Cooling and Heating Electricity Concession Scheme, the Electricity Life Support Concession, and the Home Energy Emergency Assistance Scheme.

⁴³ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Department of Veterans' Affairs Gold Card or Queensland Seniors cards. Eligibility is not extended to Centrelink Health Care Cards, unlike in other states and territories

Figure 3.5: Annual electricity and gas bills, and as a share of a benchmark low income household's disposable income (5000 kWh and 20 000 MJ)



For a benchmark low income household consuming 5000 kWh of electricity per year, the annual electricity bill was \$1300 if on the median market offer (or \$1070 with a concession). For a benchmark low income household, this would represent 4 per cent of its annual disposable income, or 3.3 per cent if it received a concession. The annual electricity bill for the median standing offer was around 5 per cent higher, at \$1374 (or \$1144 with a concession). This would represent 4.3 per cent of a benchmark low income household's annual income if it did not receive a concession.

The annual gas bill for a benchmark low income household on the median market offer was \$877, or about 2.7 per cent of its annual income. If the benchmark household received a concession, it would fall to \$812. If the household was on the median standing offer, it paid around \$50 annually more.

Table 3.3 shows that, for a benchmark household consuming a typical amount of electricity (6800 kWh), annual bills would equate to 1.3 per cent of a middle income household's annual disposable income and only 0.5 per cent of disposable income for a high income household.

For a benchmark middle income household consuming the same amount of gas, this annual bill represents only 0.7 per cent of its disposable income and only 0.26 per cent for a benchmark high income household (table 3.3).

Table 3.3: Summary of annual electricity and gas bills and as a share of disposable income

Income level	Annual electricity and gas consumption	Electricity		Gas	
		Annual bill (\$)	Proportion of annual income (%)	Annual bill (\$)	Proportion of annual income (%)
Low income—concession	5000 kWh, 20 000 MJ	1070	3.32	812	2.52
Low income—no concession	5000 kWh, 20 000 MJ	1300	4.03	877	2.72
Middle income	6800 kWh, 20 000 MJ	1731	1.34	877	0.68
High income	6800 kWh, 20 000 MJ	1731	0.51	877	0.26

3.5 New South Wales

New South Wales has over 2.5 million households and nearly 2 million people (or 27 per cent) receive government pensions and allowances. 72 per cent of the population lived in major cities, 20 per cent in inner regional zones, and 7 per cent in outer regional zones.⁴⁴

New South Wales contains five distinct climate zones. These range from mild summers with cold winters in the alpine regions, to hot dry summers with cold winters in the western regional areas.

Around 40 per cent of households are connected to mains gas.⁴⁵ The Independent Pricing and Regulatory Tribunal (IPART) estimated that around one third of households with gas use it for cooking, hot water and heating and another third use it for cooking and hot water only.⁴⁶

We collected energy pricing data for generally available offers in New South Wales from My Energy Offers (www.myenergyoffers.nsw.gov.au), the energy price comparison website run by IPART.

3.5.1 Annual electricity and gas bills

There are three electricity distribution zones in New South Wales—Ausgrid, Endeavour Energy and Essential Energy. Ten retailers had offers generally available to electricity customers in New South Wales.

Essential Energy's distribution zone had the highest annual electricity bills (\$2419) and also the largest range between the cheapest and the most expensive offers (\$419) (figure 3.6). Given Essential Energy's zone covers most of regional and rural New South Wales, these higher prices reflect the higher network infrastructure costs required to service this area (typically shared among fewer customers).

At \$320, Endeavour Energy's distribution zone, covering an area from the Blue Mountains through to the south coast, had the narrowest range between the cheapest (\$1436) and most expensive (\$1756) annual electricity bills. The range of offers in Ausgrid's zone was slightly larger at \$335, with annual bills ranging from \$1431 to \$1766.

The Australian Energy Market Commission (AEMC) recently concluded that competition in the New South Wales retail electricity market is effective and providing benefits to consumers.⁴⁷ It found that consumers were active in this market, with 21 per cent switching electricity retailers during 2012 and this number remaining steady in 2013.

The wide range in the price of offers observed in figure 3.6 suggests there may be opportunities for some customers to compare offers and switch to a better offer. This is particularly the case for households on a regulated offer, with figure 3.6 showing that in all distribution zones, households on a regulated offer were paying more than those on a median market offer (for this consumption level). Over 60 per cent of electricity customers in New South Wales are already on market retail contracts.⁴⁸

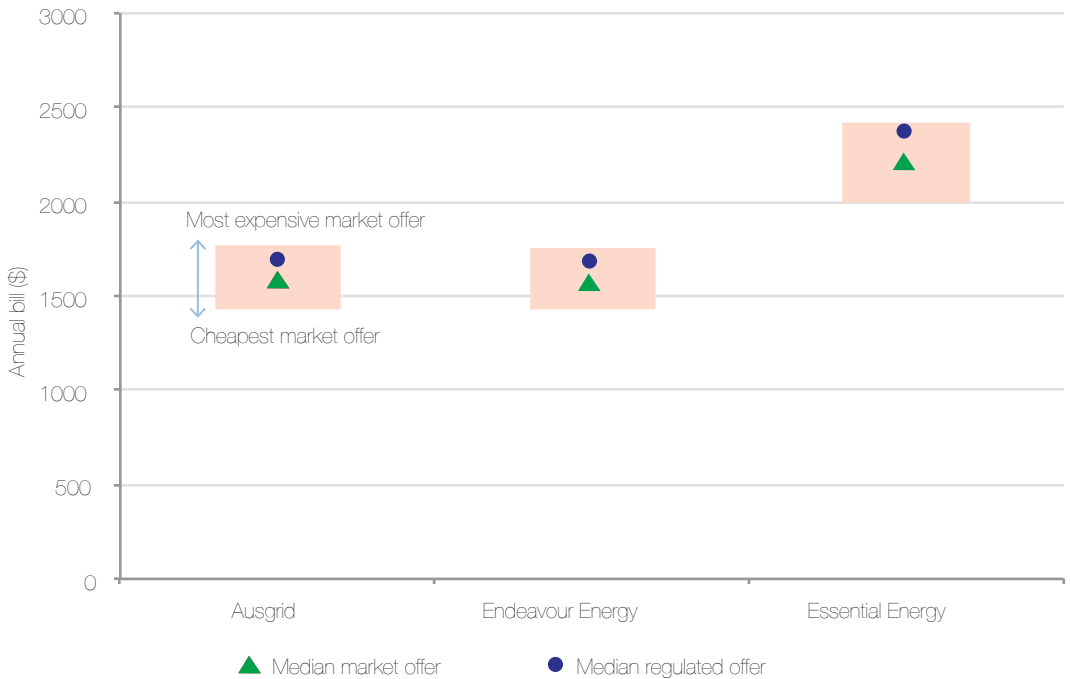
45 Hughson, Bev; and Johnston May; "Gas Wholesale Markets and Retail Competition in NSW and Victoria" A Report by Alviss Consulting Pty Ltd and Darach Energy Consulting Services, July 2012

46 IPART, Residential Energy and Water Use in Sydney, Blue Mountains and Illawarra—Results from the 2010 household survey, December 2010

47 AEMC 2013, Review on Competition in the Retail Electricity and Natural Gas Markets in New South Wales, Report, 3 October 2013, Sydney.

48 IPART, Final Report—Review of regulated prices for electricity—From 1 July 2013 to 30 June 2016

Figure 3.6: Range of generally available electricity offers by distribution zone (5300 kWh)—June 2013

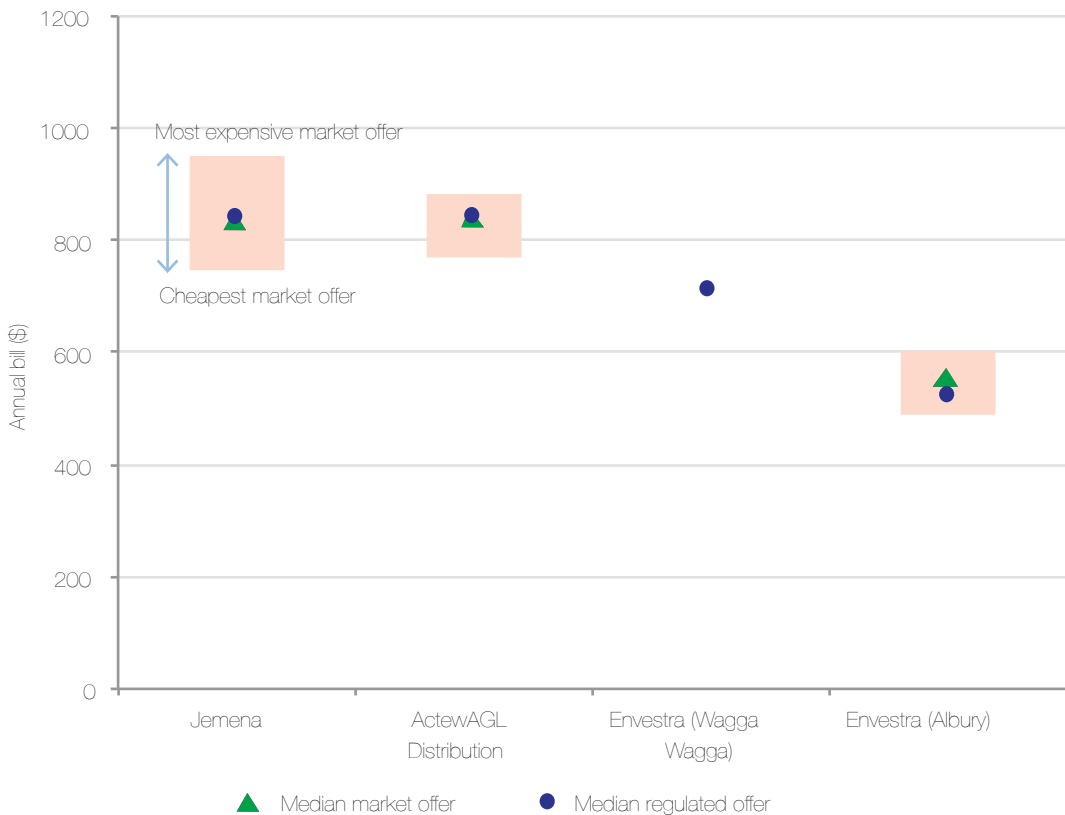


There are four gas distribution zones in New South Wales: Jemena, Envestra (Wagga Wagga), ActewAGL Distribution and Envestra (Albury). Five retailers had offers generally available to gas customers in New South Wales.

Annual gas bills for the median offer were highest in Jemena’s (\$952) and ActewAGL’s (\$880) zone. Jemena’s zone had the most offers as well as the largest range (\$204) between the cheapest (\$748) and the most expensive (\$952) offers in the state (figure 3.7). Across the zones there was very little difference between the median regulated offers and the median market offers (less than \$25). There were no market offers in the Envestra (Wagga Wagga) zone. Origin-Country Energy is the only retailer of gas to small customers here and it only offers a standing offer (annual bill of \$716). Annual gas bills were cheapest in the Envestra (Albury) distribution zone (\$554).

Retail gas prices in New South Wales are regulated by IPART under voluntary pricing arrangements. The AEMC’s report concluded that the gas market provided less choice, compared to electricity but that the market was providing competitive outcomes overall.⁴⁹ 70 per cent of customers have switched to a market contract and switching rates have remained steady or increased over the last six months (ranging from 15 to 18 per cent).⁵⁰

Figure 3.7: Range of generally available gas offers by distribution zone (24 000 MJ)—June 2013



3.5.2 Electricity and gas bills as a percentage of income

The Low Income Household Rebate is the primary energy concession available to eligible customers⁵¹ in New South Wales. It applies only to electricity bills and is capped at \$215 per year.

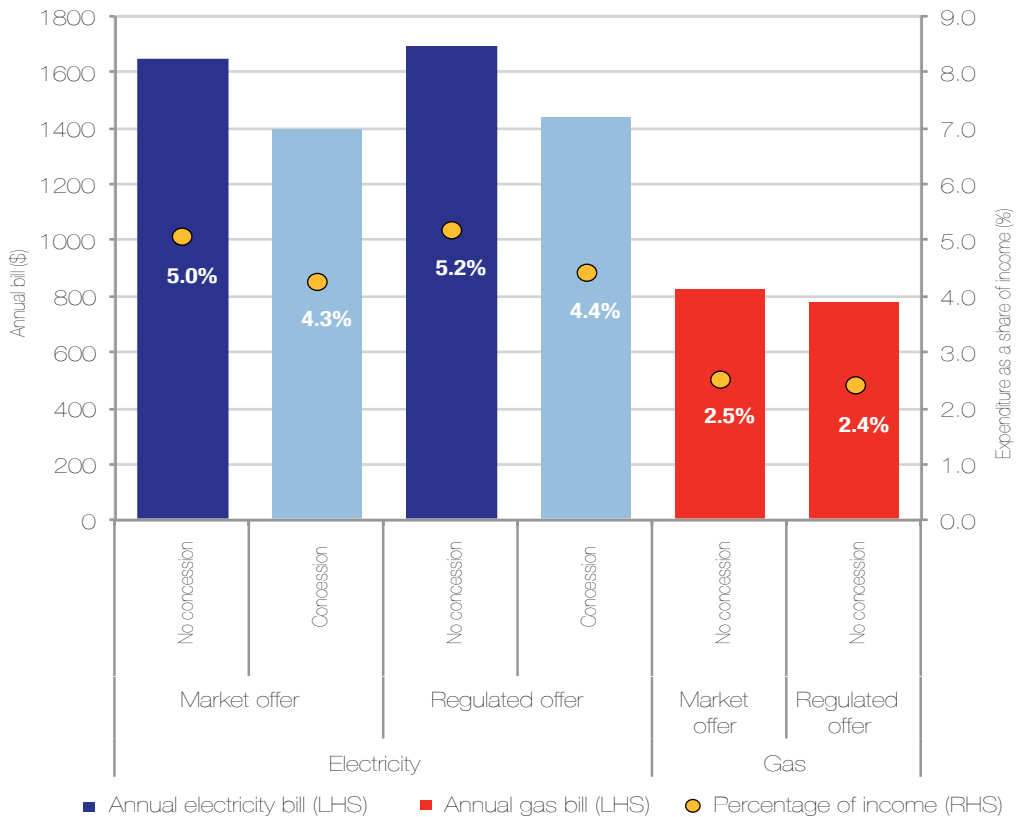
49 *ibid.*

50 *ibid.*

51 Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans’ Affairs Gold Card.

Some customers are also eligible⁵² for the Family Energy Rebate, which is capped at \$75 per year. For households eligible for both the Low Income Household Rebate and the Family Energy Rebate, the Family Energy Rebate is capped at \$35 per year, making the maximum annual electricity concession available \$250. The analysis of annual electricity bills in figure 3.8 shows the impact of a \$250 concession. There is no concession available in New South Wales for gas bills.

Figure 3.8: Annual electricity and gas bills, and as a share of low income household's disposable income (5300 kWh and 24 000 MJ)



52 Eligibility is restricted to households that receive the Australian Government's Family Tax Benefit A and/or B.

Across New South Wales, the estimated annual electricity bill was \$1647 for a benchmark low income household on the median market offer (or \$1397 with a \$250 concession). At the same consumption level (5300 kWh per year), an annual electricity bill on the median regulated offer was higher, at \$1691 (or \$1441 with a \$250 concession).

A benchmark low income household on this market offer, in receipt a concession, would spend 4.3 per cent of its annual disposable income on this electricity bill (or 5 per cent if it did not receive a concession). If the same household was on the regulated offer, it spent 4.4 per cent of its income (with a concession), or 5.2 per cent without a concession.

Figure 3.8 shows benchmark households in New South Wales spent about twice as much on electricity annually as they did on gas. The estimated annual gas bill was \$827 for a household on the median market offer. The median regulated offer was lower than the median market offer in New South Wales due to the Envestra (Wagga Wagga) and Envestra (Albury) distribution zones only having regulated offers and few, or no, market offers. For a benchmark low income household, this represented 2.5 per cent of its annual disposable income on the median market offer and 2.4 per cent when on the median regulated offer.

A benchmark middle income household consuming a typical amount of electricity—6700 kWh in New South Wales—spent 1.5 per cent of its annual disposable income on electricity bills (table 3.4). For a benchmark high income household with the same consumption, it accounted for 0.6 per cent of its annual disposable income.

For a benchmark middle income household consuming the same amount of gas (24 000 MJ), this annual bill represented 0.6 per cent of its annual income, and only 0.2 per cent for a high income household (table 3.4).

Table 3.4: Summary of annual electricity and gas bills and as a share of disposable income

Income level	Annual electricity and gas consumption	Electricity		Gas	
		Annual bill (\$)	Proportion of annual income (%)	Annual bill (\$)	Proportion of annual income (%)
Low income—concession	5300 kWh, 24 000 MJ	1397	4.27	827	2.53
Low income—no concession	5300 kWh, 24 000 MJ	1647	5.04	827	2.53
Middle income	6700 kWh, 24 000 MJ	2021	1.51	827	0.62
High income	6700 kWh, 24 000 MJ	2021	0.55	827	0.23

3.6 Victoria

Victoria has almost 2 million households—around 75 per cent live in the major urban area, 20 per cent in inner regional areas, and 5 per cent in outer regional and remote areas. Around one million people in Victoria (17 per cent) received government pensions and assistance.⁵³

Victoria has three climate zones. These range from hot, dry summers and cold winters in the north-western areas of the state, to mild summers and cold winters in alpine regions. Although the climate extremes in Victoria are not generally as significant as in some states, the variation is sufficient to generate both demand for cooling in summer and heating in winter.

Around 78 per cent of Victorian households are connected to mains gas.⁵⁴ Demand for gas peaks in winter due to space heating requirements, however gas is also used year-round for water heating and cooking. Gas consumption is highest in Victoria compared to the other jurisdictions in this report.

We collected energy pricing data for generally available offers from the Essential Services Commission's energy comparison website, YourChoice (www.yourchoice.vic.gov.au).

3.6.1 Annual electricity and gas bills

There are five electricity distribution zones in Victoria—Powercor, United Energy, CitiPower, Jemena and SP AusNet. Fifteen retailers had offers generally available to electricity customers in Victoria.

Households in SP AusNet's distribution zone—which covers most of the eastern part of Victoria, including some of the eastern suburbs in Melbourne—had the highest annual electricity bill for the median market offer (\$1598) (figure 3.9). SP AusNet also had the largest range (\$523) between the cheapest offer (\$1416) and the most expensive offer (\$1939).

The SP AusNet and Powercor zones predominantly cover rural Victoria. As previously noted, a greater amount of network infrastructure is required to service geographically remote regions. These costs are typically shared over fewer customers, which is reflected in higher prices.

The CitiPower, United Energy and Jemena distribution zones predominantly cover city and urban Melbourne. Annual bills were lower in these distribution zones, and there was also a narrower range between the cheapest and most expensive energy bills when compared to SP AusNet. The CitiPower distribution zone, which covers inner Melbourne, had the cheapest annual electricity bills (\$1181), and the narrowest range (\$403). In all zones, the median market offer was cheaper than the median standing offer (by at least \$160). The range and median annual bills in the Jemena, United Energy and Powercor zones were broadly similar.

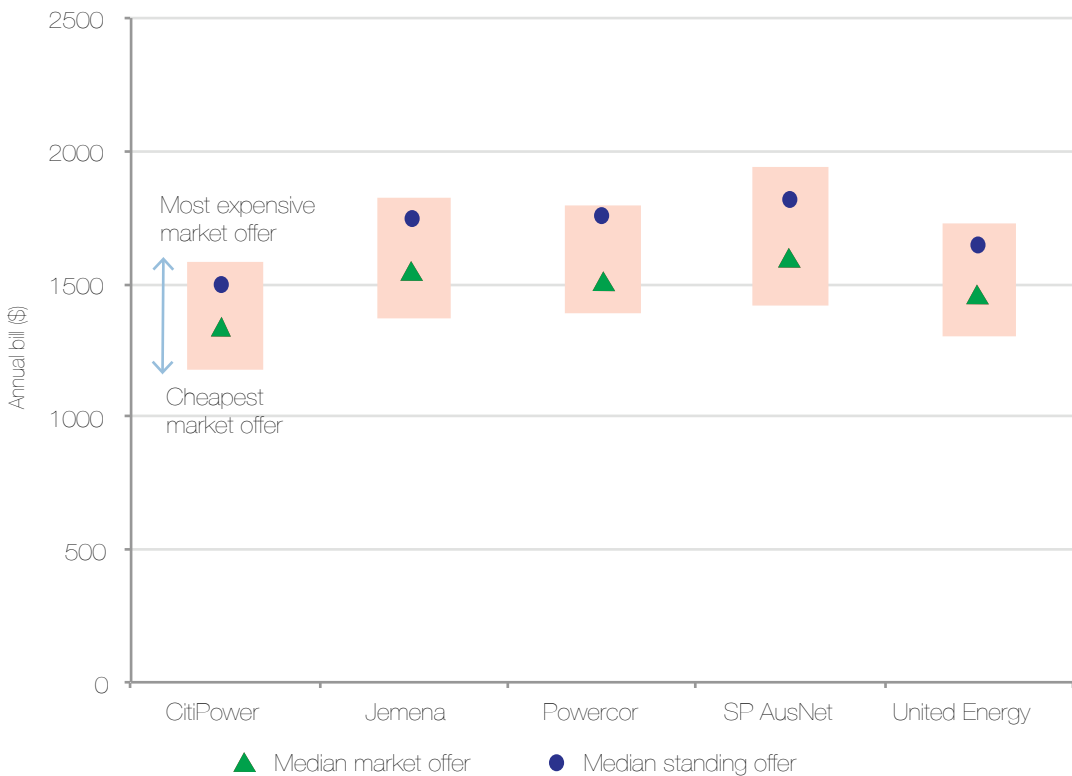
Compared to all other states and territories, the range in annual electricity bills, from cheapest to most expensive, was the largest in Victoria. This likely reflects that Victoria had the greatest

53 ABS, National Regional Profile: Victoria: 2007–2012.

54 Essential Services Commission, "Energy Retailers Comparative Performance Report—Pricing", 2011–12.

number of electricity offers available to customers—between 30 to 40 electricity offers in each distribution zone in June 2013—much higher than any other jurisdiction. This indicates significant choice in the Victorian electricity retail market and that customers on standing offers are likely to benefit from shopping around for a better offer. Electricity customers in Victoria also had the highest switching rate of all jurisdictions, with 30 per cent switching contracts in 2012–13 (section 1.3).

Figure 3.9: Range of generally available electricity offers by distribution zone (4700 kWh)—June 2013

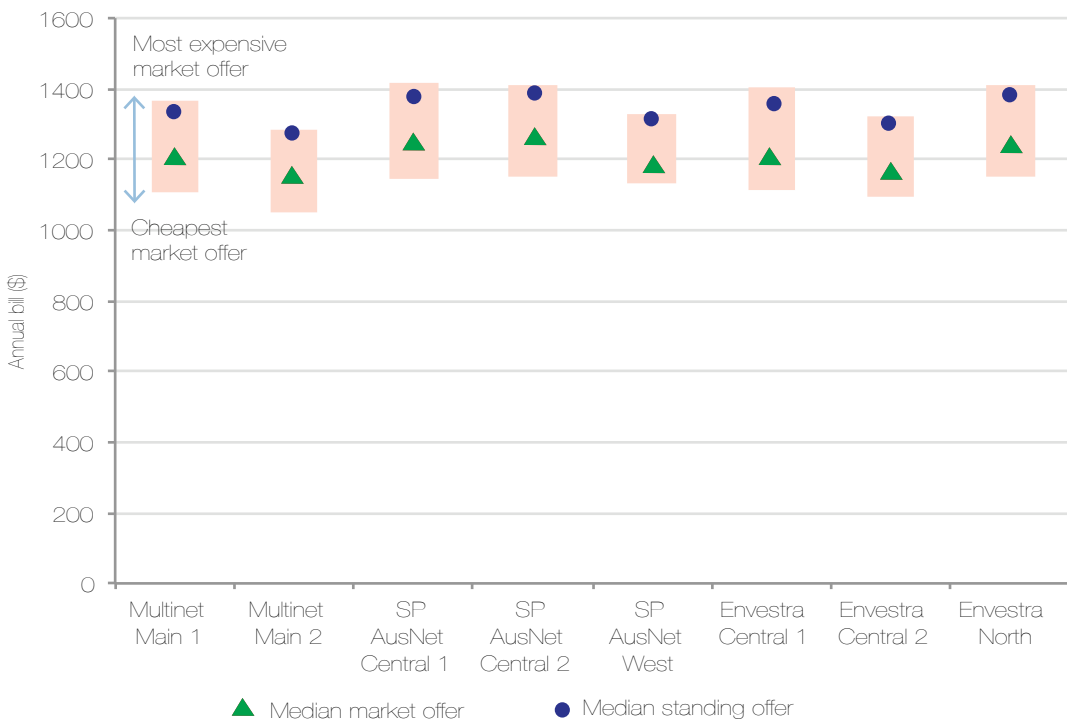


There are eight gas distribution pricing zones—Multinet Main 1, Multinet Main 2, SP AusNet Central 1, SP AusNet Central 2, SP AusNet West, Envestra Central 1, Envestra Central 2 and Envestra North. Eight retailers had offers generally available to gas customers in Victoria.

Victoria had the highest gas consumption and therefore the highest annual gas bills across all jurisdictions (figure 3.10). The most expensive annual gas bill was the standing offer in the SP AusNet Central distribution zone (\$1416). The cheapest offer was in the Multinet Main 2 distribution zone (\$1053). Victoria also had the widest range between the most expensive and

the cheapest annual gas bills when compared to all other jurisdictions. The gas distribution zone with the broadest range was Envestra Central 1 (\$288) and the narrowest was SP AusNet West (\$196). Similar to electricity, the median market gas offer was cheaper than the median standing offer in all zones. Customers still on standing offers are likely to benefit from shopping around for a better offer. Switching rates for gas customers were slightly lower than for electricity; around 27 per cent switched retailer in 2012–13 (section 1.3).

Figure 3.10: Range of generally available gas offers by distribution zone (63 000 MJ)— June 2013



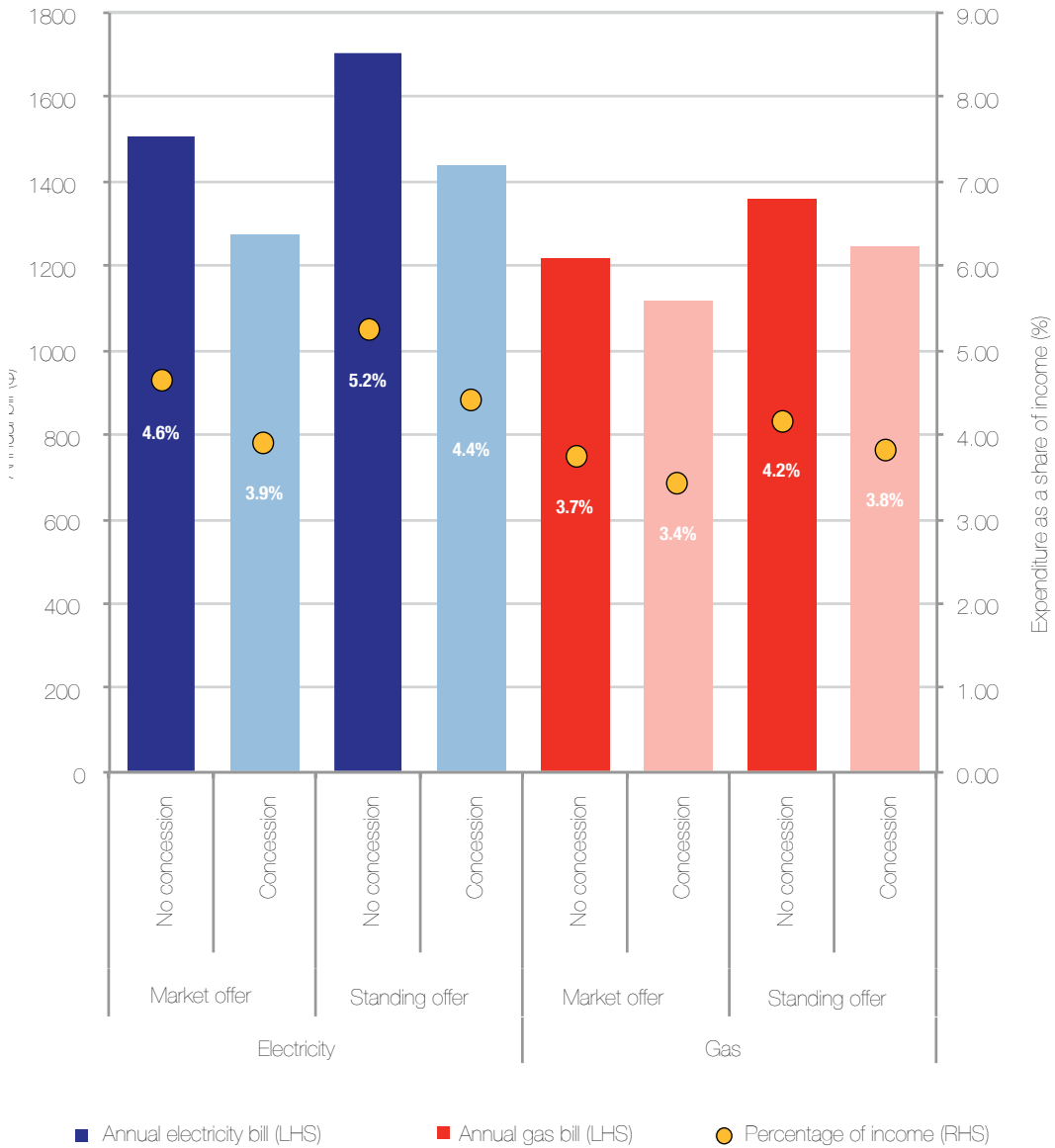
3.6.2 Electricity and gas bills as a percentage of income

The Victorian Government offers both electricity and gas concessions to eligible households.⁵⁵ The Annual Energy Concession provides a 17.5 per cent discount off electricity bills. The nominal value is uncapped, but the discount does not apply to the first \$171.60. The Winter Gas concession also provides a 17.5 per cent discount off gas bills, but only applies to gas services in the six months between 1 May and 31 October each year. It is similarly uncapped

⁵⁵ Eligibility is limited to the holder of at least one of the following cards: Pensioner Concession Card, Health Care Card or Department of Veterans' Affairs Gold Card.

and does not apply to the first \$62.40. Figure 3.11 shows the impact of these concessions on annual electricity and gas bills.

Figure 3.11: Annual electricity and gas, and as a share of low income household’s disposable income (4700 kWh and 63 000 MJ)



The annual electricity bill for a benchmark low income household on the median market offer was \$1506, or \$1273 with a concession applied (figure 3.11). For the same consumption level (4700 kWh), the electricity bill for the median standing offer was higher, at \$1707 or \$1439 if the household received a concession.

When considered as a proportion of income, a benchmark low income household on the median market offer that received a concession spent 3.9 per cent of its annual disposable income on electricity bills (4.6 per cent without the concession). On the median standing offer, the estimated proportion of expenditure for a benchmark low income household rose to 4.4 per cent with a concession (5.2 per cent without a concession).

The annual gas bill for a household on the median market offer, without a concession, was \$1218 (figure 3.11). This was lower than the bill for the median standing offer (\$1359). For a benchmark low income household in receipt of the concession and on the market offer, this represented 3.4 per cent of its annual disposable income (or 3.7 per cent for benchmark households who did not receive a concession). For a benchmark low income household on the standing offer, this rose to 3.8 per cent of annual disposable income (or 4.2 per cent if it did not receive a concession).

A benchmark middle income household consuming a typical amount of electricity—5400 kWh in Victoria—spent 1.3 per cent of its annual disposable income on electricity bills.

For a benchmark high income household this equates to 0.5 per cent of its annual income (table 3.5).

For a benchmark middle income household consuming the same amount of gas, this annual bill represents 0.9 per cent of its annual disposable income, and 0.4 per cent for a benchmark high income household (table 3.5).

Table 3.5: Summary of annual electricity and gas bills and as a share of disposable income

Income level	Annual electricity and gas consumption	Electricity		Gas	
		Annual bill (\$)	Proportion of annual income (%)	Annual bill (\$)	Proportion of annual income (%)
Low income—concession	4700 kWh, 63 000 MJ	1273	3.91	1117	3.43
Low income—no concession	4700 kWh, 63 000 MJ	1506	4.62	1218	3.74
Middle income	5400 kWh, 63 000 MJ	1685	1.28	1218	0.92
High income	5400 kWh, 63 000 MJ	1685	0.52	1218	0.38

3.7 South Australia

South Australia has nearly 620 000 households and around 340 000 people (20 per cent) received a government pension and/or allowance. 73 per cent of South Australia's population live in major cities, 12 per cent live in inner regional areas and three per cent live in outer regional areas.⁵⁶

South Australia has two climate zones: the northern part of the state has hot and dry summers with cooler winters, while the southern coast is temperate, with warm summers and cool winters.

Around 32 per cent of households in South Australia are connected to mains gas. Due to the location of the distribution network, mains gas is only available to households in the south-east part of the state (from Whyalla to Mount Gambier, including Adelaide). Gas is mainly used for space heating followed by water heating.

South Australia commenced the Retail Law on 1 February 2013 and we obtained energy pricing data for generally available offers in South Australia from Energy Made Easy (www.energymadeeasy.gov.au).

3.7.1 Annual electricity and gas bills

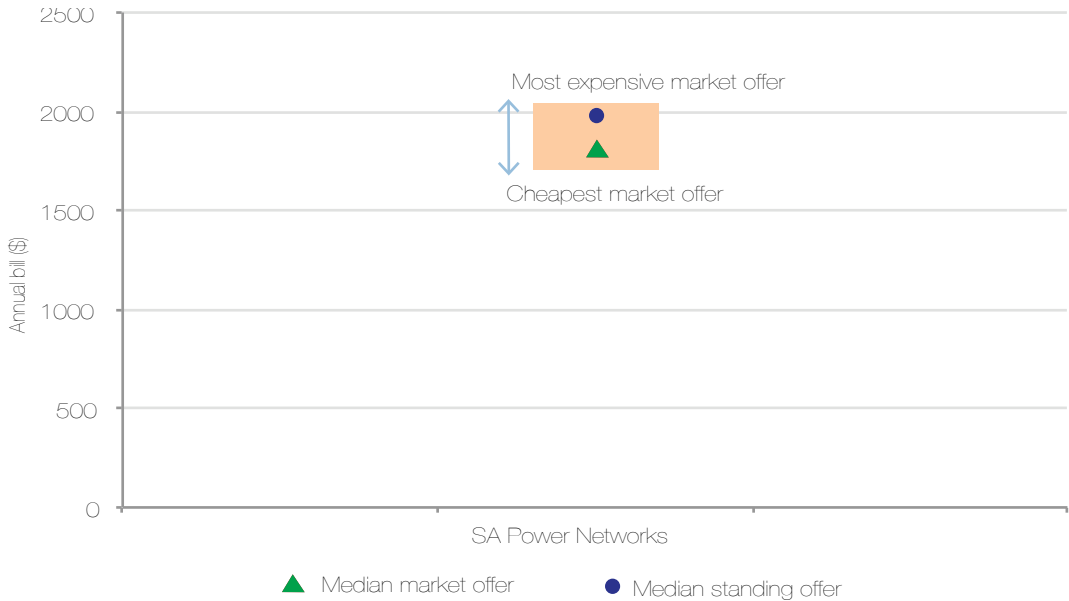
South Australia has one electricity distribution zone (SA Power Networks) and as at 30 June 2013 there were twelve retailers with offers generally available to electricity customers. Figure 3.12 shows the range in generally available electricity offers for our nominated South Australian postcode.

The most expensive offer had an annual bill of \$2044 whilst the cheapest came to \$1712. The range between these two offers was \$333 (figure 3.12). While not the most expensive offer, the median standing offer (\$1981) was higher than the median market offer (\$1816) by \$165 per year.

In 2012–13, 22.4 per cent of residential customers switched electricity offers (section 1.3). This may reflect customers continuing to move away from the more expensive standing offers and also between competitive market offers. At 30 June 2013, around 80 per cent of residential customers in South Australia were on market offers, a relatively high proportion when compared to other jurisdictions.

56 ABS, National Regional Profile: South Australia, 2010

Figure 3.12: Range of generally available electricity offers by distribution zone (5000 kWh)— June 2013

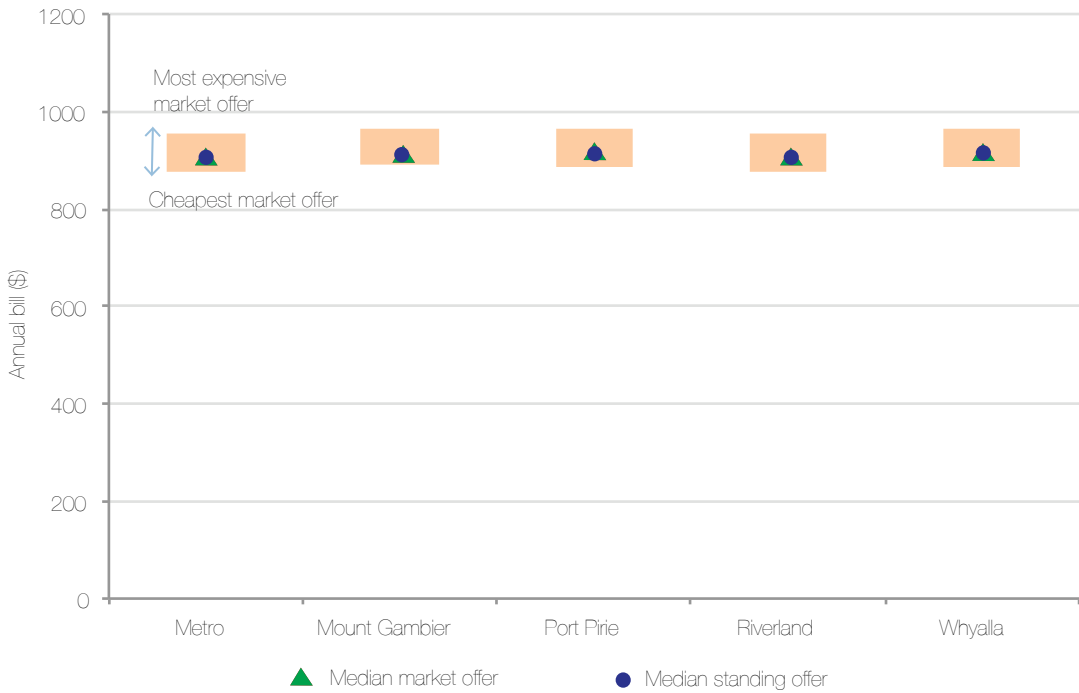


While Envestra is the only gas distribution business in South Australia, there are five gas pricing zones: Metro Area, Mount Gambier, Port Pirie, Riverland and Whyalla. Four retailers had offers generally available to gas customers.

There was little variation in prices both within and across the five gas pricing zones in South Australia (figure 3.13). The difference between the most expensive (around \$960) and the cheapest offer (around \$880) in each of the zones was only around \$75 per year. There was negligible difference between the median market and the median standing offer in all the pricing zones.

In 2012–13, 17 per cent of residential customers switched gas offers, slightly lower than electricity (section 1.3). At 30 June 2013, around 80 per cent of residential gas customers in South Australia were on market offers. Similar to electricity, this is a relatively high proportion when compared to other jurisdictions.

Figure 3.13: Range of generally available gas offers by distribution zone (21 000 MJ)— June 2013

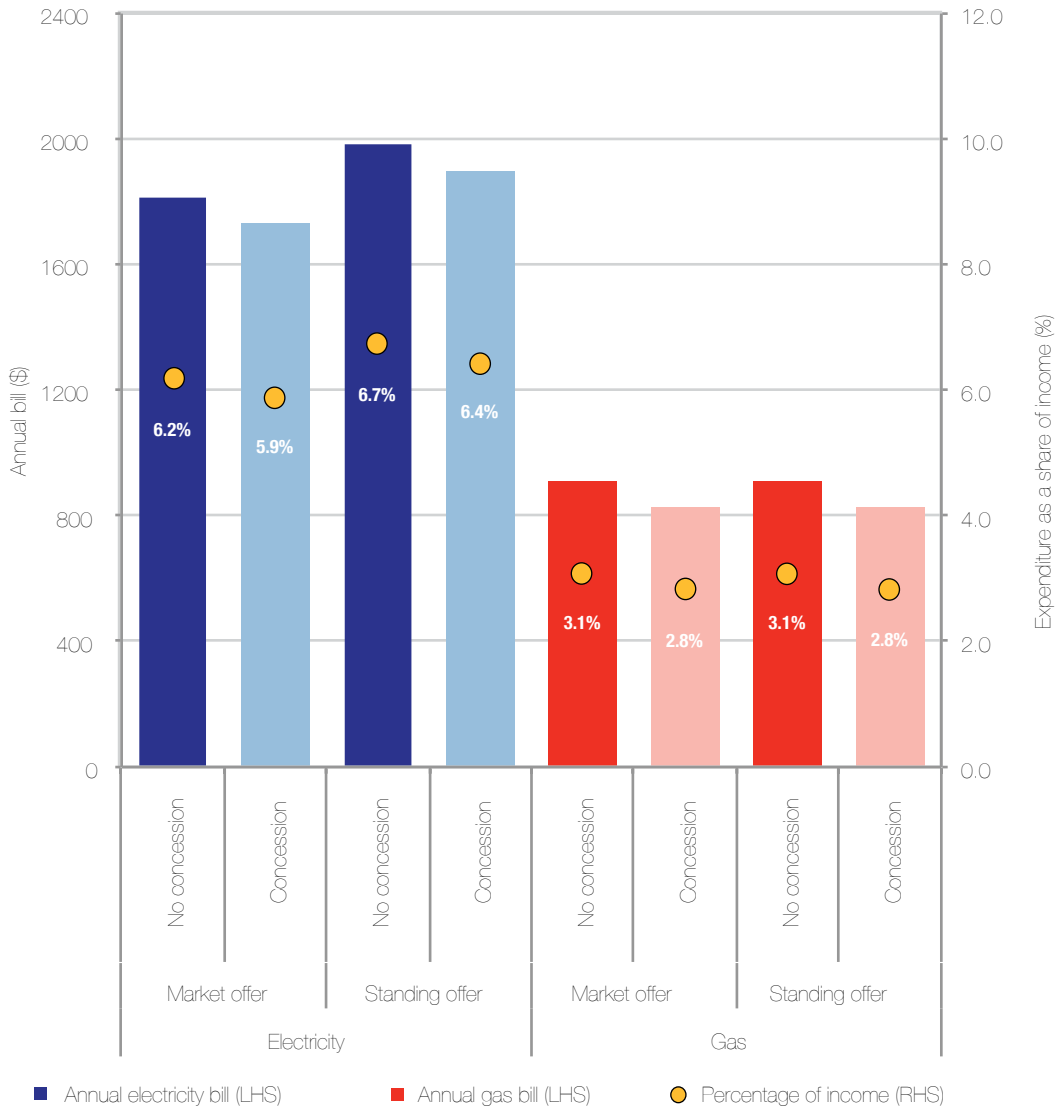


3.7.2 Electricity and gas bills as a percentage of income

Eligible households in South Australia can receive a concession of up to \$165 (in total) on their annual household energy bills (both gas and electricity).⁵⁷ In our analysis, we applied a concession of \$82.50 each to the annual electricity and gas bills (figure 3.14). At 30 June 2013, there around 211 000 customers (approximately 29 per cent) receiving a concession on their energy bills.

57 Eligibility is restricted to households that have either a Commonwealth Pensioner Concession Card, or Health Care Card, or a Department of Veterans' Affairs Gold Card.

Figure 3.14: Annual electricity and gas bills, with and without concessions (5000 kWh, 21000 MJ)



The annual electricity bill was \$1816 for a benchmark low income household on the median market offer (or \$1733 with a concession applied). The electricity bill on the median standing offer was slightly higher, at \$1981 (or \$1898 with the concession).

A benchmark low income household on this market offer, in receipt of a concession, spent 5.9 per cent of its annual disposable income on electricity bills (6.2 per cent if it did not receive a concession) (table 3.6). If the same household was on the median standing offer, it spent 6.4 per cent of its disposable income on electricity bills (6.7 per cent if it did not receive a concession).

The annual gas bill was \$910 for a benchmark low income household on the median market offer (or \$827 if it received the concession). This represents 3 per cent of its annual disposable income (or 2.8 per cent with the concession). There was almost no difference between the median market and standing offers.

A benchmark middle income household consuming a typical amount of electricity—6000 kWh for South Australia—spent 1.8 per cent of its annual disposable income on electricity bills. For a benchmark high income household, this accounts for 0.7 per cent of its annual disposable income. For a benchmark middle income household consuming the same amount of gas, this annual bill represents only 0.8 per cent of its annual income and only 0.3 per cent for a high income household (table 3.6).

Table 3.6: Summary of annual electricity and gas bills and as a share of disposable income

Income level	Annual electricity and gas consumption	Electricity		Gas	
		Annual bill (\$)	Proportion of annual income (%)	Annual bill (\$)	Proportion of annual income (%)
Low income—concession	5000 kWh, 21 000 MJ	1733	5.89	827	2.81
Low income—no concession	5000 kWh, 21 000 MJ	1816	6.17	910	3.09
Middle income	6000 kWh, 21 000 MJ	2162	1.83	910	0.77
High income	6000 kWh, 21 000 MJ	2162	0.73	910	0.31

Mehmet and Nalan save by comparing offers and switching

Mehmet and Nalan live with their children in a three bedroom house in Gilles Plains, South Australia. They are on a standing offer and receive their electricity bills quarterly. Mehmet and Nalan earn a typical household income (\$70 000) and are not eligible for any concessions.

While there is gas available in their area, Mehmet and Nalan's house does not have a gas connection and so all their major appliances are electric. Having four children between the ages of eight and sixteen, there are many appliances on during the afternoon and evening. Mehmet and Nalan have relatively high annual consumption (approximately 9000 kWh per annum). Their bills come to about \$880 per quarter or \$3520 each year (around 5 per cent of their annual income).

Mehmet and Nalan were told about a free government website, Energy Made Easy (www.energymadeeasy.gov.au), that could help them save money on their electricity bills. They visited the website and entered some simple details from their bill and discovered that they were on one of the more expensive contracts in their area. They contacted the retailer offering the cheapest deal on Energy Made Easy (using the offer ID provided), checked it was suitable for their needs and arranged to switch. After switching their average quarterly electricity bill fell to \$720 or \$2880 a year (now around 4 per cent of their annual income), saving them \$640 per year. Mehmet and Nalan also picked up a few energy saving tips from Energy Made Easy, after comparing their household's electricity consumption to other similar sized households in their area.

3.8 Tasmania

Tasmania has almost 193 000 households, and 134 000 people (26 per cent of its population) received government pensions and allowances.⁵⁸

Nearly 65 per cent of Tasmania's population live in inner regional areas, which include the Hobart and Launceston areas. Another 33 per cent live in outer regional areas and 2 per cent in rural areas.⁵⁹

Tasmania has a temperate climate with warm summers and cold winters. Mains gas has only recently become available to households and less than five per cent of households are connected. We have therefore not included gas in our analysis.

Small business and residential customers in Tasmania are currently not able to enter a contract with their electricity retailer of choice.⁶⁰ The Tasmanian Government owned Aurora Energy (Aurora) is the only electricity retailer for these customers. It has one offer that is generally

58 ABS, National Regional Profile: Tasmania: 2012.

59 ABS, National Regional Profile 2007–2011.

60 Electricity customers who consume less than 50 MWh of electricity per year.

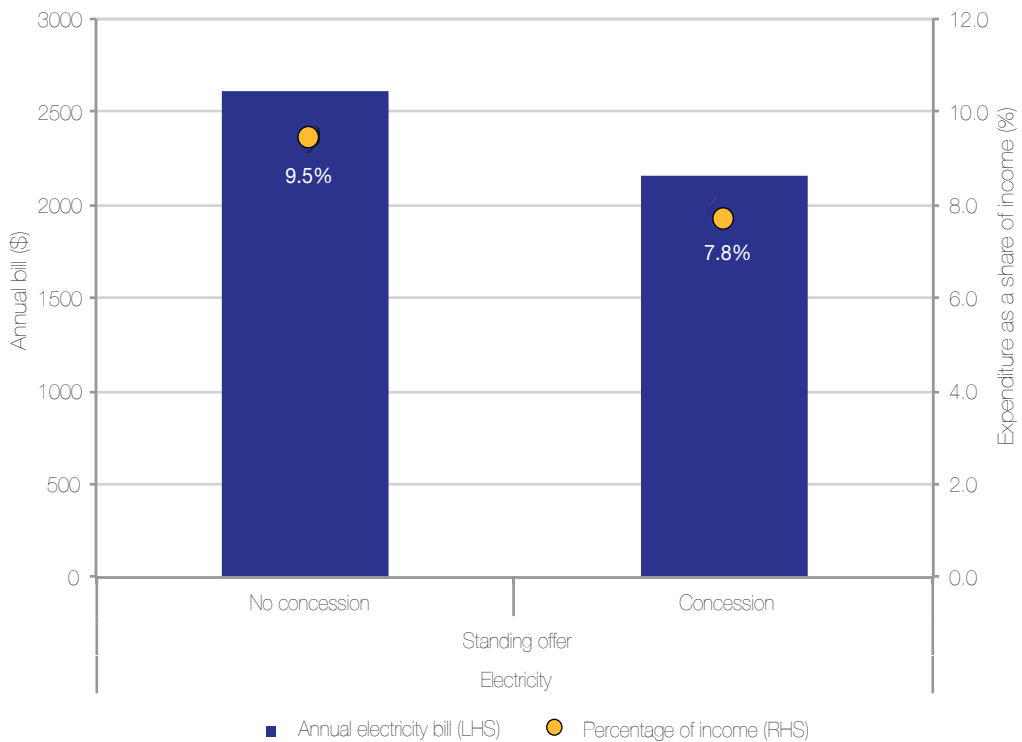
available with the price approved by the Office of the Tasmanian Economic Regulator (OTTER). Pricing data for this offer was collected from Aurora’s website. Aurora also owns and operates the electricity distribution network.

The Tasmanian Government will introduce full retail contestability from 1 July 2014, allowing all customers to exercise choice and switch retailers. To coincide with this introduction, it had also decided to package Aurora’s existing retail customer base into two bundles for sale to competing private retailers. However, in September 2013 the Tasmanian Government announced it had closed the sale process following advice that it would not deliver a fair and reasonable price.

3.8.1 Annual electricity bills and as a percentage of income

Figure 3.15 shows the generally available offer for small customers in Tasmania. The estimated annual electricity bill for this offer was \$2610, based on a consumption of 8100 kWh per year.

Figure 3.15: Annual electricity bill, and bill as a share of a low income household’s disposable income (8100 kWh)—June 2013



Eligible customers can receive a rebate of \$1.23 per day on their electricity bills.⁶¹ At 30 June 2013, Aurora reported nearly 88 000 customers received this rebate. While there were other rebates available to customers with life support equipment, these were not included in our analysis. The estimated annual electricity bill fell to around \$2160 for a benchmark low income household that received this concession (figure 3.15).

Electricity bills represented a relatively high proportion of the benchmark low income household's annual disposable income at around 9.5 per cent, or around 7.8 per cent if it received a concession (figure 3.15). While this seems relatively high compared to other jurisdictions, given that less than 5 per cent of Tasmanian households are connected to gas, it is reasonable to expect households will consume (and therefore spend) more on electricity than equivalent households with one or more gas appliances.

A benchmark middle income household consuming a typical amount of electricity—9400 kWh per annum in Tasmania—spent 2.7 per cent of its annual disposable income on electricity bills. For a benchmark high income household, this would account for only 1 per cent of its annual disposable income (table 3.7).

Table 3.7: Summary of annual electricity bills and as a share of disposable income

Income level	Annual electricity consumption	Electricity	
		Annual bill (\$)	Proportion of annual income (%)
Low income – concession	8100 kWh	2160	7.85
Low income – no concession	8100 kWh	2610	9.49
Middle income	9400 kWh	2972	2.73
High income	9400 kWh	2972	1.09

61 Eligibility is restricted to households that have either a Commonwealth Pensioner Concession Card, or Health Care Card, or a Department of Veterans' Affairs Gold Card.

Doug and Margaret manage bills by paying fortnightly

Doug and Margaret are retired aged pensioners who live in New Town, Tasmania. They are on Aurora's regulated standing offer for electricity and receive quarterly bills.

There is no gas available in their area and so all their major appliances are electric, including the oven, hot water system and space heater. Doug and Margaret try to conserve energy however they are often home during the day as they no longer work. Their electricity use is much higher between April and October as they rely on their space heaters to keep warm. Their annual electricity consumption is approximately 8300 kWh.

During the summer months, Doug and Margaret's electricity bills are approximately \$507 per quarter. However in the winter months their bill rises to \$826 a quarter. Doug and Margaret receive a combined pension of \$1106.20 a fortnight. They are eligible for an energy concession of \$1.23 per day (around \$113 off each quarterly bill). With the concession their summer bills come to around \$394 and their winter bills to around \$713.

Doug and Margaret generally pay their bills and expenses as they fall due. When paying their winter electricity bill, this represents nearly two thirds of their income for that fortnight. Doug and Margaret talk to their local financial counsellor about managing their budget, and the counsellor encourages them to talk to their energy retailer about going on a payment plan or bill smoothing arrangement so they can avoid paying large quarterly bills. After contacting their retailer, they agree to pay \$109 a fortnight towards their bill (around 10 per cent of their fortnightly income).

3.9 ACT

The ACT has 136 000 households with the vast majority (99.6 per cent) in the major urban area. Around 46 000 people (12 per cent) received government pensions and/or allowances.⁶²

The ACT has a temperate climate with relatively hot summers and cold winters, similar to surrounding areas of New South Wales. These temperature variations create significant demand for both heating and cooling, therefore average household energy (particularly electricity) use in the ACT is relatively high. Around two thirds of customers in the ACT were connected to mains gas.⁶³

We obtained energy pricing data for generally available offers in the ACT from Energy Made Easy, our energy price comparison website.

62 ABS, National Regional Profile: the ACT: 2012

63 AER, Retail Energy Market Update—Performance, January to March 2013

3.9.1 Annual electricity and gas bills

The ACT covers a small geographic area. It has one electricity distribution zone and one gas distribution zone (both ActewAGL Distribution). ActewAGL Retail is the ACT's incumbent retailer for energy, water and telecommunications. While there are currently six retailers supplying energy to small customers in the ACT, ActewAGL is the dominant retailer, supplying over 95 per cent of gas and electricity residential customers.

Figure 3.16 shows the narrow range in the generally available electricity and gas offers in the ACT. On the most expensive (market) electricity offer, the annual bill was \$1627, whilst the market cheapest offer resulted in an annual bill of \$1568 (\$59 cheaper). There was almost no difference between the median market offer and the median standing offer. As at 30 June 2013, 82 per cent of small electricity customers in the ACT were still on standard retail contracts.

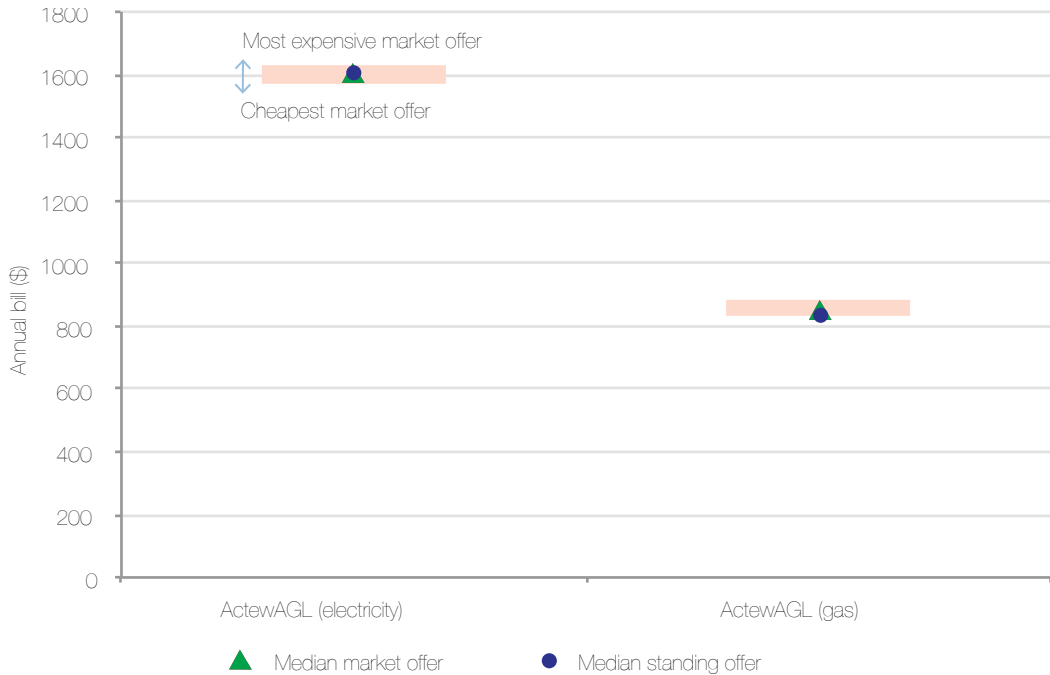
Figure 3.16 also shows a similarly narrow range (\$48) between the cheapest (\$833) and most expensive (\$881) annual gas bills. As the ACT has a very cold winter period, gas heating (where available) contributes a significant proportion to household energy costs. Although average gas consumption in the ACT was similar to New South Wales, prices, and therefore annual bills, were lower. At 30 June 2013, around 80 per cent of gas customers in the ACT were on standard retail contracts.

In 2011, the AEMC reported on the state of competition in the ACT. It found that competition was not effective partly because customers were unaware of their ability to switch retailers. It recommended removing price controls from 1 July 2012 and increasing awareness among consumers of the benefits of competition. The AEMC cited retail price regulation as a barrier to entry for other retailers.⁶⁴ The ACT Government decided to retain price controls for another two years. It noted the AEMC's finding that removing price controls would increase the average cost of electricity, which would not benefit customers.⁶⁵

64 Australian Energy Market Commission, Review of the effectiveness of competition in the electricity retail market in the ACT, <http://acc.gov.au/market-reviews/completed/review-of-the-effectiveness-of-competition-in-the-electricity-retail-market-in-the-act.html>

65 <http://info.cmcd.act.gov.au/archived-media-releases/media252c.html?v=10936&m=53&s=6>

Figure 3.16: Range of generally available electricity and gas offers by distribution zone (7000 kWh and 24 000 MJ)—June 2013



3.9.2 Electricity and gas bills as a percentage of income

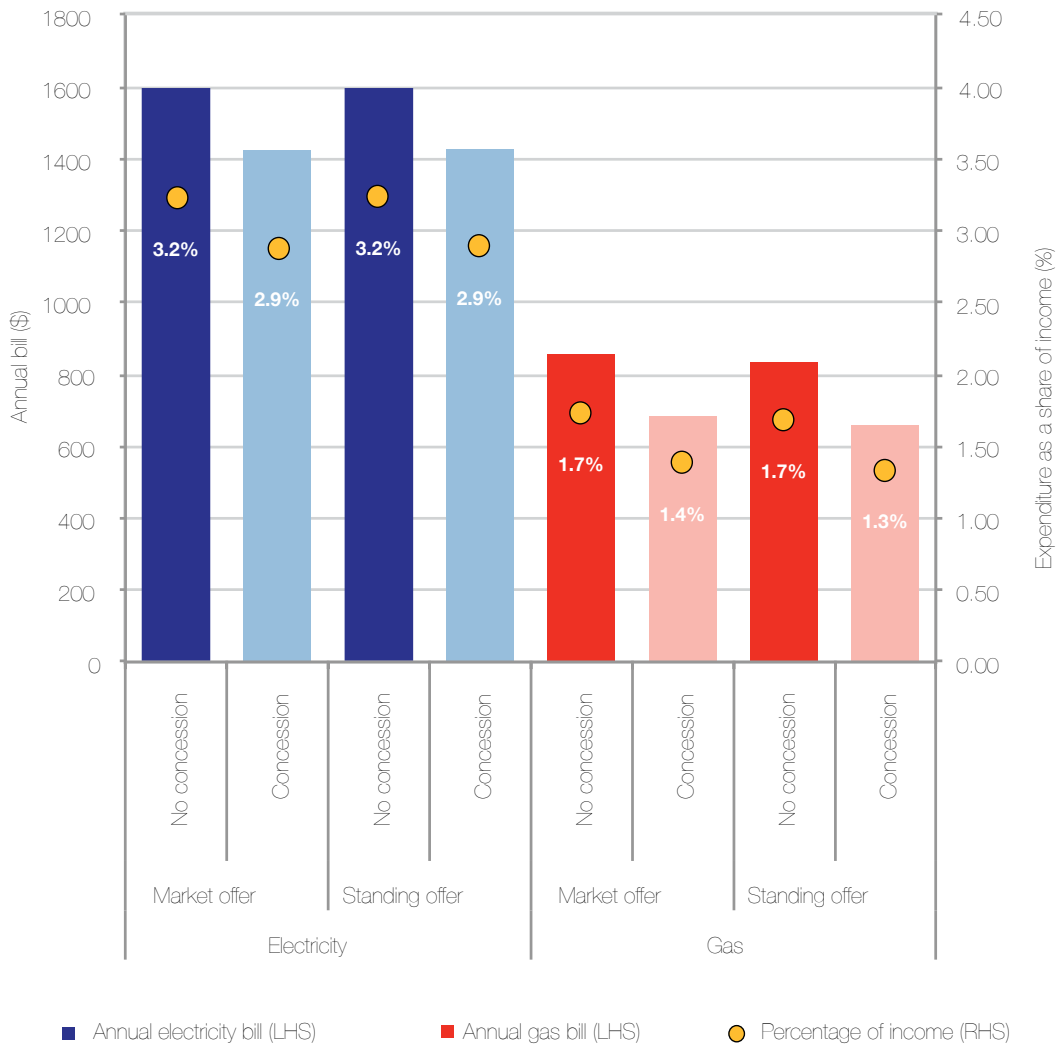
The ACT Government has an energy concession for eligible customers.⁶⁶ The concession is available for both electricity and gas, and is calculated daily with rates depending on the season. The maximum amount available is \$292.82 per year. There is also the Utility Concession that can be used towards electricity, gas and water bills. This has an annual maximum value of \$82 per year.⁶⁷

Our analysis assumed that customers eligible for this concession applied half towards their electricity bill and half towards their gas bill. Furthermore, we assumed that the utility concession was equally divided across a customer's electricity, gas and water bills. We therefore deducted \$173.74 from both the estimated electricity and gas bill in our analysis to show the impact of concessions (figure 3.17). While there were additional rebates available to customers with life support equipment, these were not included.

66 Eligibility is restricted to households who hold a Centrelink Pensioner Concession Card, a Centrelink Low Income Health Care Card or a Department of Veterans' Affairs Pensioner Concession Card.

67 The current combined summer Energy/Utility rebate is approximately 48 cents per day from 1 November to 31 May each year. The winter rebate is around 178 cents per day from 1 June to 31 October. See http://www.dhcs.act.gov.au/wac/concessions/energy_concession for more information.

Figure 3.17: Annual electricity and gas bills, with and without concessions (7000 kWh, 24000 MJ)



The annual gas bill was \$857 for a benchmark low income household on the median market offer (or \$683 with a concession applied). This represents 1.4 per cent of its annual disposable income (or 1.7 per cent without the concession applied). Again, there was little difference between the median market and standing offer (figure 3.17).

The estimated annual electricity bill was \$1597 for a benchmark low income household on the median market offer (or \$1423 with a concession applied). At the same consumption level, the electricity bill on the median standing offer was marginally higher—\$1601 without a concession or \$1427 with a concession (figure 3.17).

A benchmark low income household on the median market offer that received a concession spent 2.9 per cent of its annual disposable income on electricity bills, or 3.2 per cent if it did not receive a concession.

A benchmark middle income household consuming a typical amount of electricity—8000 kWh in the ACT—spent 1 per cent of its annual disposable income on electricity bills (table 3.8). For a benchmark high income household, it only accounted for 0.4 per cent of its annual disposable income.

For a benchmark middle income household consuming the same amount of gas, this annual bill represented only 0.5 per cent of its annual income and only 0.2 per cent for a benchmark high income household (table 3.8).

Table 3.8: Summary of annual electricity and gas bills and as a share of income

Income level	Annual electricity and gas consumption	Electricity		Gas	
		Annual bill (\$)	Proportion of annual income (%)	Annual bill (\$)	Proportion of annual income (%)
Low income—concession	7000 kWh, 24 000 MJ	1423	2.87	683	1.38
Low income—no concession	7000 kWh, 24 000 MJ	1597	3.23	857	1.73
Middle income	8000 kWh, 24 000 MJ	1769	0.98	857	0.47
High income	8000 kWh, 24 000 MJ	1769	0.44	857	0.21

Anne receives assistance under her retailer's hardship program

Anne is a single mother with children aged six and ten. They live in a two bedroom house in Ainslie, ACT. Anne has her electricity and gas provided by the same retailer and is on a market offer for both fuels.

Anne has a gas hot water system and a gas stove and oven. She has two electric space heaters as well as ceiling fans (no air conditioning). Anne has worked part time since her youngest child started school, though her income is above the Newstart Allowance threshold. As much as she tries to conserve energy, Anne is often home during the day and she cannot afford to replace her old heaters with more efficient models. Anne's annual electricity consumption is approximately 7000 kWh and her annual gas consumption is approximately 24 000 MJ. Her average quarterly electricity bill is \$344 and average quarterly gas bill is \$208.

Since Anne's rent increased and her youngest child started school, she has been struggling even more than usual to keep up with her expenses. She has paid her last few energy bills late, which meant she has not received her pay-on-time discount and has also been charged a late payment fee. As a result of this her electricity bill has increased to \$365 and her gas bill to \$224 per quarter. Anne is often unable to pay the full amount that's due, and her debt is gradually increasing. She is worried she will be disconnected and calls her retailer to find out what to do.

The customer service agent talks to Anne about her circumstances and suggests going onto their hardship program to help get back in control of her energy bills over the next year. As part of the hardship program, Anne's retailer agrees to a payment plan which takes into account Anne's capacity to pay. All late payment fees are waived and Anne feels confident that she can afford to pay \$35 per week toward her combined energy bills. The customer service team also offers to send a trained energy consultant to Anne's house to help Anne check if there are simple steps she can take to reduce her energy consumption.



4. APPENDICES

Appendix 1: Customer profile of retailers in this report

Retailer	Electricity		Gas	
	Small customers	Large customers	Small customers	Large customers
South Australia				
AGL Energy	✓	✓	✓	✓
Alinta Energy	✓	✓	✓	✓
Aurora		✓		
Diamond Energy	✓			
EnergyAustralia	✓	✓	✓	✓
EnergyAustralia Yallourn	✓	✓		
ERM Power Retail		✓		
Lumo Energy	✓	✓		
Momentum Energy	✓	✓		
Origin Energy	✓	✓	✓	✓
Powerdirect	✓	✓		
QEnergy	✓			
Red Energy	✓	✓		
Sanctuary Energy	✓			
Simply Energy	✓	✓	✓	✓
ACT				
ActewAGL	✓	✓	✓	✓
AGL Energy		✓		
Aurora		✓		
EnergyAustralia	✓	✓	✓	✓
EnergyAustralia Yallourn	✓	✓		
ERM Power Retail		✓		
Momentum Energy	✓	✓		
Origin Energy	✓	✓	✓	✓
Powerdirect	✓	✓		
Red Energy	✓	✓		
Tasmania				
Aurora	✓	✓		
ERM Power Retail		✓		
Progressive Green		✓		

Appendix 2: South Australian service standards

Clause 7 of the National Energy Retail (Local Provisions) Regulations imposes minimum service standards on retailers selling energy to small customers in South Australia. The service standards require retailers to use their best endeavours to respond to 95 per cent of written enquiries within five business days, and to answer 85 per cent of telephone calls within 30 seconds between 8 am and 6 pm from Monday to Friday.

As part of the annual reporting process, retailers must report to the AER on their compliance with these standards and give reasons for any non-compliance as well as information on strategies to improve compliance in future.

Retailer	% written enquiries responded to within 5 business days	% of telephone calls responded to between 8am–5pm, Monday–Friday
AGL Energy	79.77	89.24
Alinta Energy	97.30	76.10
Diamond Energy	100	98
EnergyAustralia	74.25	59.61
Lumo Energy	93.06	84.61
Momentum Energy	98.00	77.10
Origin Energy	47.09	84.22
Powerdirect	72.80	65.8
Q Energy	40.00	86.80
Red Energy	100	93.40
Sanctuary Energy	82.40	78.00
Simply Energy	100.00	85.05

Fewer than half of South Australia's retailers met the service standards in 2012–13. Only Diamond Energy, Red Energy and Simply Energy met both standards.

Retailers who failed to meet the standards have provided us with explanations and outlined strategies for improving their performance. We have met with retailers to discuss our expectations of their performance.

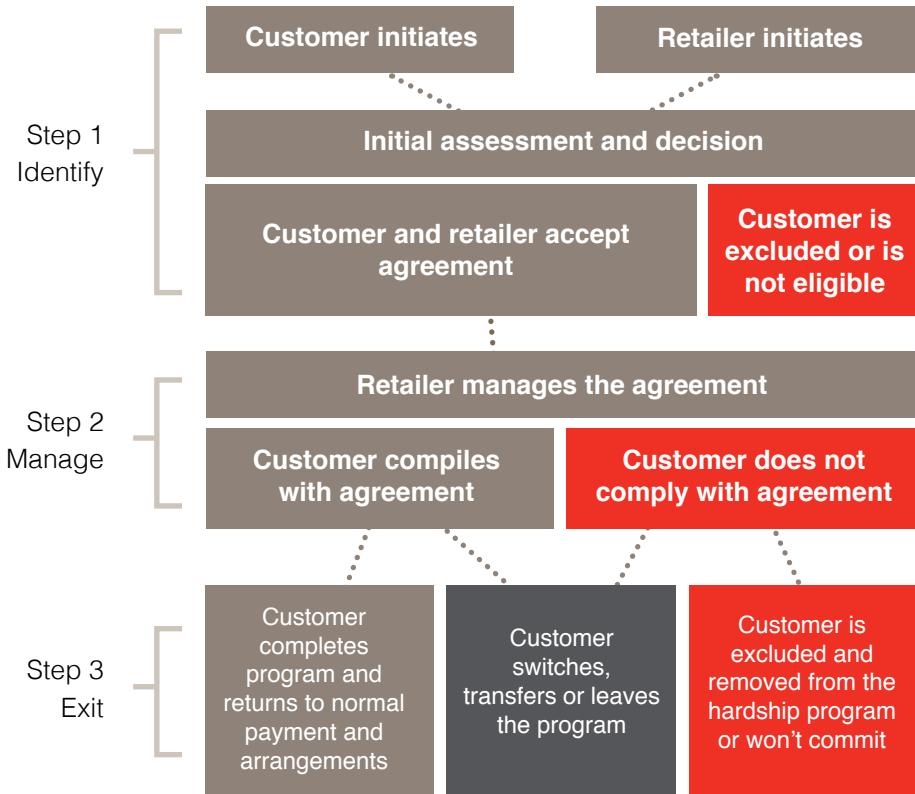
Appendix 3: Hardship program case studies

Figure A illustrates how a customer might progress through a retailer's hardship program. The process begins when a customer is identified as experiencing financial difficulties (either self-identification or retailer identification). After an initial assessment the customer and retailer decide on a suitable hardship program, and both agree to its requirements. During the initial assessment, the retailer will consider a number of factors including a customer's bill debt history, their capacity to pay bills and their current energy usage. Customers who are excluded from the hardship program or are ineligible may still be eligible for other forms of assistance, such as a payment plans.

Once a customer has completed a hardship program they may return to normal payment arrangements with the retailer's agreement. This may include agreeing to a new payment plan or flexible payment arrangement. If a customer cannot meet the requirements of their hardship program, they may be excluded or removed from the program.

Retailers may include case studies of their hardship programs as part of their annual reporting obligations. Red Energy and ActewAGL have submitted studies which are included at the end of this appendix.

Figure A: AER approved retailer hardship process



ActewAGL: Case Study 1

Customer has been referred to the ActewAGL Staying Connected team by the Credit Management team, for assessment. The customer was identified as currently experiencing financial hardship based on the following:

- Currently unemployed.
- Receiving Centrelink Newstart allowance.
- Centrelink is the only household income.
- No dependants and does not support anyone else with the Centrelink income.
- No other ActewAGL accounts.
- Resides in an ACT Housing property.
- Currently paying off ACT Housing and Centrelink debts also.

The customer was added to the Staying Connected program, with a payment arrangement of \$50 per fortnight established. This covered consumption plus an amount towards the outstanding debt.

Payment terms: \$50 per fortnight, via CPAY

Referral for external assistance:

The customer was also referred to the following external organisations for additional assistance:

- Centrelink
- HEAT (Home Energy Advice Team)

In the first 12 months:

- First payment was received from the customer on 16 July 2012.
- Four incentive payments, totaling \$200.00 [were] applied to the customer's account since joining the program.
- Payment scheduled for 8 October 2012 was missed. Customer was contacted via letter. No contact from customer was received but payments recommenced on the next scheduled date, 25 October 2012.
- Payment scheduled for 8 April 2013 was missed. Customer contacted via letter. No contact from customer was received but payments recommenced from the next scheduled date, 22 April 2013.
- The customer payments have primarily only covered consumption and as such, the outstanding debt level has remained relatively consistent and has not increased significantly over the past 12 months.

- Current debt as of 30 June 2013 is \$1296.44.
- Consumption has decreased in two out of the four quarters. This may be attributed to assistance provided by HEAT.
- The customer will remain on the ActewAGL Staying Connected program and will be monitored for any seasonal changes in consumption which may require an increase in payments or referral to an external hardship program.

ActewAGL: Case Study 2

Customer has been referred to the ActewAGL Staying Connected team by the Credit Management team after undertaking a field call for non-payment. The customer was identified as currently experiencing financial hardship based on the following:

- Currently employed part time.
- Receiving Centrelink parenting allowance.
- Three dependants.
- No other ActewAGL accounts.

The customer was added to the Staying Connected program, with a payment arrangement of \$90 per fortnight established. This was the maximum the customer could afford and did not cover consumption. Debt would be monitored to ensure referral to alternative hardship program would not be better solution.

Payment Terms: \$90 per fortnight via CPAY

Referral for external assistance:

The customer was also referred to Centrelink for additional assistance. Verbal energy savings advice was also provided.

In the first 12 months:

- First payment of \$70 was received from the customer on 12 September 2013, via CPAY.
- This was lower than the agreed instalment of \$90.
- A letter was sent to the customer reminding her of the agreement to pay \$90 per fortnight. No contact from the customer was received following this letter.
- Consistent payments of \$70 continued to be received.
- Three incentive payments totalling \$150 were applied to the customer's account.
- Payments stopped in April 2013.
- A letter was sent to the customer reminding her of the agreement to pay.
- The customer called to discuss the broken payment arrangement. It was decided that due to other personal circumstances she was unable to increase her payments from \$70 per fortnight.

- Due to the customer's personal circumstances and the ongoing increase in her debt, the customer was referred to the ACT Civil and Administrative Tribunal hardship assistance scheme.
- Customer was accepted onto the ACT Civil and Administrative Tribunal hardship assistance scheme.
- At the time of referral, the debt had increased to \$5308.37 despite consumption decreasing in three out of four quarters.

Red Energy: Case Study

Consumer H entered Red Energy's Customer Care (Hardship) program after a Lifeline referral 18/04/2012 with a debt balance of \$589.71. Consumer H had found herself in financial difficulty after high unexpected medical expenses. Red Energy's initial priority was to reduce the customer's outstanding balance via assistance forms; a concession backdate was processed which reduced the customer's balance by \$169.46. The customer's advocate proceeded to apply for the SA Emergency Electricity Payment Scheme on customer's behalf (EEPS) which was approved, and further reduced customer's balance by \$400, leaving customer with a small credit balance on the account. Despite this, customer was still unable to afford to pay for her day to day consumption. Due to customer's financial difficulties at the time, Red Energy agreed to a temporary arrangement for a term of three months, whereby the customer paid slightly less than consumption in order to enable her to deal with other bills and debts whilst she worked towards reducing her consumption.

Customer Care monitored the customer's account during the term to ensure payments were made, and EEPS applied. After the three month period the customer was asked to increase amounts to meet her consumption levels, customer agreed and entered a new arrangement of \$52 per fortnight. Again, Customer Care monitored payments to ensure these were received and to intervene if necessary where debt levels escalate. Fortunately customer made all payments but due to a possible faulty hot water system, consumption increased and customer was unable to afford a further increase to her regular payments. Customer was again provided with another temporary arrangement to allow customer to rectify HWS issue and reduce consumption. Red Energy was eventually able to move customer to a sustainable payment plan (consumption plus arrears); the temporary arrangements were provided to this consumer for over 7 months, far longer than the typical recommended term. Red Energy developed a good relationship with this customer's advocate, positive and frequent contact meant that Red Energy was able to provide more flexible terms as [it was] apprised of customer's status and plan to increase her payments. Today the consumer has a credit balance of \$58.49, and has continued to sustain her payment arrangement of \$78 for the past 3 months.

Appendix 4: CSBA Hardship Calls Benchmarking Research – Score Summary

Section 2.10 of this report includes a summary of this research. For more information, the full research report is available on the AER's website.

	RetailAve. (excl EA)	ACTEW AGL	AGL	ALINTA ENERGY	AURORA ENERGY	LUMO ENERGY	ORIGIN ENERGY	POWER DIRECT	SIMPLY ENERGY	ENERGY AUSTRALIA*
Ave. Connect Time (sec)	98	61	79	119	107	74	71	196	94	357
Calls connected <4min (%)	89	97	98	93	94	100	95	37	90	38
GREETING QUALITY %										
Ave. Greeting Quality	98	98	99	94	99	99	90	92	90	99
Salutation	98	93	96	100	100	100	93	100	99	100
Company Name	91	100	100	100	100	100	69	92	64	100
Agent Name	99	99	100	100	94	100	100	100	100	100
Offer to Help	90	97	98	77	95	100	90	69	92	95
Sign Off	99	100	100	100	100	97	99	100	97	100
AGENT MANNER %										
<i>Total Acceptable Manner</i>	99	98	100	98	99	97	98	100	98	100
Interested, Warm & Helpful	72	83	89	67	74	57	72	69	64	94
Businesslike & Unemotive	27	16	11	32	25	40	26	31	34	6
ENQUIRY HANDLING %										
<i>Ave. Enquiry Handling</i>	86	91	89	84	90	73	86	91	83	94
Clarified Needs	80	86	83	79	78	67	83	80	83	97
Good Product Knowledge	90	97	91	87	96	77	86	100	89	92
Clear Resolution to Query	87	91	91	86	93	72	87	100	78	92
Courteous & Helpful	86	93	93	83	91	74	87	82	82	95
INDEX SCORES										
<i>Overall Performance</i>	114	144	137	108	121	118	127	46	112	78
Getting Through	44	59	49	40	43	52	51	15	45	25
Service Delivery	70	85	88	68	78	66	76	31	67	53

COMMUNICATION SKILLS %										
<i>Ave. Communication Skills</i>	91	97	95	89	93	81	91	93	90	97
Matched Speech	91	99	93	95	93	76	93	88	92	100
Correct Grammar	99	100	100	100	100	93	100	100	99	97
Patient & Tolerant	85	91	92	77	87	67	88	94	87	98
Avoided Interrupting	93	99	95	93	97	87	92	88	92	100
Developed Rapport	73	92	88	69	72	51	75	72	68	94
Maintained Contact	96	100	99	92	99	92	92	100	95	95
Projected Confidence	92	96	94	92	97	85	89	100	88	95
Avoided Slang/Jargon	99	100	100	98	99	93	100	100	100	100

Note: The lowest score for each measure is shaded orange. The highest score for each measure is shaded in green.

*Calls to EnergyAustralia were based on an 8 minute maximum wait time. All other retailers had a four minute maximum wait time.

Appendix 5: Report on energy affordability – postcodes used in the analysis

Table A: Nominated postcodes used to obtain generally available electricity and gas offers from price comparison websites.

Jurisdiction	Electricity distribution zones		Gas distribution zones	
	Sample postcode	Zone name	Sample postcode	Zone name
Qld	4000	Energex	4064	Envestra (Brisbane North & Ipswich)
			4650, 4670	Envestra (Wide Bay)
			4680, 4701, 4702	Envestra (Northern)
			4350	AllGas Energy
NSW	2112	Ausgrid	2112	Jemena
	2500	Endeavour Energy	2650	Envestra (Wagga Wagga)
	2650	Essential Energy	2580	ActewAGL Distribution
			2640	Envestra (Albury)
Vic	3101	Citipower	3429	SP AusNet Central 1
	3429	Jemena	3028	SP AusNet Central 2
	3028	Powercor	3550	SP AusNet West
	3810	SP AusNet	3101	Multinet Main 1
	3174	United Energy	3174	Multinet Main 2
			3630	Envestra North
			3810	Envestra Central 1
			3083	Envestra Central 2
SA	5000	SA Power Networks	5600	Whyalla
			5000	Metro
			5290	Mount Gambier
			5330	Riverland
			5540	Port Pirie
Tas	7000	Aurora	na	na
ACT	2600	ActewAGL	2600	ActewAGL

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