

ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET 2015–16



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About this report

The Australian Energy Regulator (AER) reports on energy retailers' performance under the National Energy Retail Law (Retail Law).¹ Performance reporting enhances transparency and accountability, and provides incentives for businesses to improve performance. It helps identify emerging issues requiring a compliance or enforcement response, and brings transparency and integrity to the market.

This is our fourth annual retail market performance report and it covers:

- an overview of the retail market
- customer service and complaints
- assistance provided to customers experiencing payment difficulties, including hardship programs
- disconnections and reconnections
- energy affordability
- distribution businesses' performance against network service standards.

Energy is an essential service, necessary for a reasonable standard of living. Energy can also be a big expense for many households. Monitoring and reporting on how energy retailers assist customers experiencing payment difficulties, together with our annual analysis of energy bills for low income households, make an important contribution to the national conversation on issues of energy affordability.

It should be noted that energy retailers' reporting obligations only apply to 'small customers' as defined under the Retail Law. These are residential customers and small business customers whose annual consumption is less than 100–160 megawatt hours of electricity (depending on which jurisdiction they are located in) and/or one terajoule of gas.

This report is structured as follows:

1. Retail market overview: this chapter looks at retailers' shares in small and large customer markets, the number of customers on standard and market retail contracts in each jurisdiction that has applied the Retail Law², and switching rates in all National Electricity Market (NEM) jurisdictions (chapter 1).
2. Energy retailer performance: this chapter discusses key performance indicators of energy retailers with small customers in jurisdictions that have applied the Retail Law. Indicators include customer service levels, the assistance given to customers experiencing payment difficulties (for example payment plans and hardship programs) and the number of customers disconnected for non-payment (chapter 2).
3. Energy affordability: this chapter considers how much households in NEM jurisdictions spent on electricity and gas in 2015–16, annual bills as a proportion of household disposable income, and whether energy has become more or less affordable compared with the last two years (chapter 3).

Local provisions of the NER regulations impose minimum service standards on retailers selling energy to small customers in South Australia. Appendix 2 sets out the South Australian retailers' performance against those jurisdictional service standards

There are a number of other service standards set by the individual jurisdictions under the Retail Law. Appendix 3 of this report summarises distributors' performance against their respective jurisdictional service standards and GSL schemes.

¹ Section 284 of the National Energy Retail Law requires us to produce annual reports for retailers and sets out our obligations.

² As at 30 June 2016 these were New South Wales, South Australia, Queensland, Tasmania and the ACT.

Note on Origin Energy customer numbers for Q1–Q3

After submitting Q4 data, Origin Energy advised us that it had identified errors in its customer numbers for all quarters of data in the 2015–16 period.

Specifically, its Q1–Q3 data was wrong due its failure to remove bulk hot water customers from total gas customer numbers, while Q4 customer numbers were incorrect due to a system failure.

Origin resubmitted corrected data for all quarters which has been used for the analysis in this report. However, quarterly data for Q1–Q3, previously published on our website, was not correct.

Origin has advised us it has introduced system changes and additional validation steps to ensure correct data is submitted in the future.

Market overview

Retailers: 15 retailers marketing to residential electricity customers (in South East Queensland), with the biggest three – AGL, Origin Energy and EnergyAustralia – supplying 88% of residential South East Queensland customers. Origin Energy and AGL supply 97 per cent of the gas market.

Electricity and gas switching activity generally remained flat over the year.

Energy affordability

Energy bills for a low income household (consuming 4,100kWh and 10,000MJ)

ELECTRICITY

The annual electricity bill on the median market offer is

Concession	Without concession
\$1071 (up 0.5%)	\$1401 (up 1%)

The annual electricity bill on the median standing offer was

Concession	Without concession
\$1140 (down 1.6%)	\$1470 (down 0.6%)

For electricity, the median market offer is about 4.7% cheaper than the standing offer.

GAS

The annual gas bill on the median market offer was

Concession	Without concession
\$664	\$733 (up 3.4%)

The annual gas bill on the median standing offer is

Concession	Without concession
\$686	\$756 (up 2.9%)

For gas, the median market offer is about 3% cheaper than the standing offer.

Debt levels (non-hardship)

2.5% of non-hardship electricity customers are repaying a debt.

\$502
The average electricity debt per customer is \$502. This is the lowest average nationally.

3.3% of non-hardship gas customers are repaying a debt.

\$323
is the average gas debt.

The benefits of comparing offers on EME and switching from median standing to lowest market offer at 30 June 2016

EME ELECTRICITY OFFERS

120
residential electricity offers

ELECTRICITY SAVINGS

Resident of Brisbane area can save up to **\$185**

EME GAS OFFERS

18
residential gas offers

GAS SAVINGS

Resident of Brisbane area can save up to **\$39**

Resident of Toowoomba area can save up to **\$45**

Market offers

49% of electricity customers are on market retail contracts

74% of electricity customers are on market retail contracts in South East Queensland

68% of gas customers are on market retail contracts

Bills as percentage of income

A low income household on the median market offer and receiving an energy concession would spend:

4.3% of its disposable income on electricity (or 5.6% without a concession)

2.6% of its disposable income on gas (or 2.9% without a concession)

Disconnections

1.14%

The number of residential electricity customers who were disconnected for non-payment was 21,672. This represents 1.14% of total electricity customers.

0.79%

The number of gas customers who were disconnected was 1,410. This represents 0.79% of total gas customers.

Hardship

0.97% of electricity customers are repaying debt under a retailer's hardship program.

\$729 is the average electricity debt upon entry to a retailer's hardship program. This is the lowest average nationally.

\$1001 is the average electricity debt among customers participating in hardship programs. This is the lowest average nationally.

0.59% of gas customers are repaying debt on a hardship.

\$566 is the average gas debt upon entry to a retailer's hardship program. This is the lowest average nationally.

\$341 is the average gas debt among customers participating in hardship programs. This is the lowest average nationally.

Market overview

Retailers: 23 retailers marketing to residential electricity customers, with the biggest three – AGL, Origin Energy and EnergyAustralia – supplying 89% of customers. These three retailers supply 96 per cent of the gas market.

Electricity switching activity generally remained flat while gas switching decreased slightly over the year

Energy affordability

Energy bills for a low income household (consuming 4,300kWh and 24,000MJ)

ELECTRICITY

The annual electricity bill on the median market offer is

Concession	Without concession
\$1008 (down 1.0%)	\$1283 (down 1.2%)

The annual electricity bill on the median standing offer was

Concession	Without concession
\$1085 (down 6.0%)	\$1360 (down 4.8%)

For electricity, the median market offer is about 6% cheaper than the standing offer.

GAS

The annual gas bill on the median market offer was

Concession	Without concession
\$746	\$845 (down 8.5%)

The annual gas bill on the median standing offer is

Concession	Without concession
\$802	\$901 (up 3.9%)

For gas, the median market offer is about 6.2% cheaper than the standing offer.

Debt levels (non-hardship)

2.6% of non-hardship electricity customers are repaying a debt (down from 2.8% in 2014/15).

\$553 is the average electricity debt per customer (down \$78 from 2014/15).

3.8% of non-hardship gas customers are repaying a debt (down from 4.0% in 2014/15).

\$453 is the average gas debt (up \$10 from 2014/15).

EME ELECTRICITY OFFERS

757 residential electricity offers

ELECTRICITY SAVINGS

Resident of the Sydney area can save up to **\$454**

Resident of Wagga Wagga area can save up to **\$574**

EME GAS OFFERS

70 residential gas offers

GAS SAVINGS

Resident of the Sydney area can save up to **\$205**

Resident of Wagga Wagga area can save up to **\$68**

Market offers

74% of electricity customers are on market retail contracts (up 5% from 2014/15)

80% of gas customers are on market retail contracts (up 4%)

Bills as percentage of income

A low income household on the median market offer and receiving an energy concession would spend:

3.8% of its disposable income on electricity (or 4.8% without a concession)

2.8% of its disposable income on gas (or 3.2% without a concession)

Disconnections

6.0%

The number of residential electricity customers who were disconnected for non-payment decreased by 6.0% (from 31,979 in 2014/15). This represents almost 1.0% of total electricity customers.

15%

The number of gas customers who were disconnected decreased by 15% (from 7,555 in 2014/15). This represents 0.51% of total gas customers.

Hardship

0.8% of electricity customers are repaying debt under a retailer's hardship program (up from 0.74% in 2014/15).

\$914 is the average electricity debt upon entry to a retailer's hardship program (down \$88 from 2014/15).

\$1221 is the average electricity debt (up \$163 from 2014/15).

0.6% of gas customers are repaying debt on a hardship program (up from 0.36% in 2014/15).

\$614 is the average gas debt upon entry to a retailer's hardship program (down \$122 from 2014/15).

\$842 is the average gas debt (up \$83 from 2014/15).

The benefits of comparing offers on EME and switching

from median standing to lowest market offer at 30 June 2016

Market overview

Retailers: 17 retailers marketing to residential electricity customers, with the biggest three – AGL, Origin Energy and EnergyAustralia – supplying 75% of customers. These three retailers supply 87 per cent of the gas market.

Electricity and gas switching activity generally remained flat over the year

Energy affordability

Energy bills for a low income household (consuming 3,700kWh and 21,000MJ)

ELECTRICITY

The annual electricity bill on the median market offer is

Concession	Without concession
\$1216 (down 3.7%)	\$1324 (down 3.4%)

The annual electricity bill on the median standing offer was

Concession	Without concession
\$1311 (down 8.4%)	\$1419 (down 7.8%)

For electricity, the median market offer is about 6.7% cheaper than the standing offer.

GAS

The annual gas bill on the median market offer was

concession	Without concession
\$940 (up 4.3%)	\$1047 (up 3.9%)

The annual gas bill on the median standing offer is

concession	Without concession
\$1045 (up 4.2%)	\$1153 (up 3.9%)

For gas, the median market offer is about 9.2% cheaper than the standing offer.

Debt levels (non-hardship)

3.7% of non-hardship electricity customers are repaying a debt (down from 4.2% in 2014/15). This is the highest rate nationally.

\$728 The average electricity debt per customer is \$728 (down \$14 from 2014/15).

3.0% of non-hardship gas customers are repaying a debt (down from 3.3% in 2014/15). This is the lowest rate nationally.

\$378 is the average gas debt (up \$1.24 from 2014/15).

The benefits of comparing offers on EME and switching from median standing to lowest market offer at 30 June 2016

EME ELECTRICITY OFFERS

95

residential electricity offers

ELECTRICITY SAVINGS

Resident of Adelaide area can save up to **\$448**

Resident of Mount Gambier area can save up to **\$448**

EME GAS OFFERS

23

residential gas offers

GAS SAVINGS

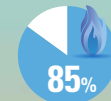
Resident of Adelaide area can save up to **\$131**

Resident of Mount Gambier area can save up to **\$105**

Market offers



85% of electricity customers are on market retail contracts (up from 84% from 2014/15)



85% of gas customers are on market retail contracts (up from 83%)

Bills as percentage of income

A low income household on the median market offer and receiving an energy concession would spend:

5.2% of its disposable income on electricity (or 5.7% without a concession)

4.0% of its disposable income on gas (or 4.5% without a concession)

Disconnections



3.6%

The number of residential electricity customers who were disconnected for non-payment increased by 3.6% (from 10,179 in 2014/15). This represents 1.39% of total electricity customers. This is the highest rate nationally.



11%

The number of gas customers who were disconnected also increased by 11% (from 4,575 in 2014/15). This represents 1.23% of total residential gas customers. This is the highest rate nationally.

Hardship

1.8% of electricity customers are repaying debt under a retailer's hardship program (up from 1.5% in 2014/15).

\$1081 is the average electricity debt upon entry when entering a retailer's hardship program (down \$305 from 2014/15).

\$1706 is the average electricity debt among hardship customers (up \$142 from 2014/15). This is the highest nationally.

1.4% of gas customers are repaying debt on a hardship program (up from 1% in 2014/15).

\$493 is the average gas debt on entry to hardship program (down \$83 from 2014/15).

\$647 is the average gas debt among those on hardship programs (up \$49 from 2014/15).

Market overview

Retailers: 1 retailer marketing to residential electricity customers.

Energy affordability



Energy bills for a low income household (consuming 6,500kWh)



ELECTRICITY

The annual electricity bill on the median standing offer was

Concession	Without concession
\$1480	\$1964
(up 0.8%)	(up 1.9%)

Debt levels (non-hardship)



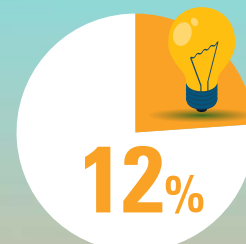
1.6%

of non-hardship electricity customers are repaying a debt (down from 1.8% in 2014/15). These are the lowest residential electricity debt rates nationally.

\$739

is the average electricity debt per customer (up \$33 from 2014/15). This is the second highest average residential electricity debt nationally.

Market offers



of electricity customers are on market retail contracts (no change from 2014/15)

Disconnections



The number of residential electricity customers who were disconnected for non-payment increased by 12% (from 1046 in 2014/15). This represents 0.5% of total electricity customers. These are the second lowest disconnection rates nationally.

Bills as percentage of income

A low income household on the median market offer and receiving an energy concession would spend



of its disposable income on electricity (or 8.5% without a concession)

Hardship



0.87%

of electricity customers are repaying debt under a retailer's hardship program (up from 0.71% in 2014/15).

\$1866

is the average electricity debt upon entry to hardship programs (up \$24 from 2014/15). This is the highest average debt upon entry nationally.

\$1267

is the average electricity debt among customers on hardship programs (down \$201 from 2014/15).

Market overview

Retailers: 3 retailers marketing to residential electricity customers, with the biggest retailer, ActewAGL supplying 93% of customers. ActewAGL also supplies 93% per cent of the residential gas market.

Electricity switching activity generally increased from 0.4% to 0.5% while gas switching decreased from 0.6% to 0.1% over the year

Energy affordability

Energy bills for a low income household (consuming 5,600kWh and 48,000MJ)

ELECTRICITY

The annual electricity bill on the median market offer is

	Concession	Without concession
The annual electricity bill on the median market offer is	\$1004 (up 0.3%)	\$1203 (up 0.3%)

The annual electricity bill on the median standing offer was

	Concession	Without concession
The annual electricity bill on the median standing offer was	\$1045 (down 0.8%)	\$1244 (down 7.4%)

For electricity, the median market offer is about 3.3% cheaper than the standing offer.

GAS

The annual gas bill on the median market offer was

	Concession	Without concession
The annual gas bill on the median market offer was	\$1334 (up 0.1%)	\$1533 (up 0.1%)

The annual gas bill on the median standing offer is

	Concession	Without concession
The annual gas bill on the median standing offer is	\$1489 (up 5.3%)	\$1688 (up 4.7%)

For gas, the median market offer is about 9.2% cheaper than the standing offer.

Debt levels (non-hardship)

2.7% of non-hardship residential electricity customers are repaying a debt (down from 2.8% in 2014/15). This is the second highest rate of residential electricity debt nationally.

\$833 is the average electricity debt per customer (up \$6 from 2014/15). This is the highest average electricity debt per customer nationally.

7.2% of non-hardship gas customers are repaying a debt (down from 7.4% in 2014/15). This is the highest rate of residential gas debt nationally.

\$442 is the average gas debt (down \$6 from 2014/15).

The benefits of comparing offers on EME and switching

from median standing to lowest market offer at 30 June 2016

EME ELECTRICITY OFFERS

48 residential electricity offers

ELECTRICITY SAVINGS

Resident of Canberra area can save up to **\$184**

EME GAS OFFERS

4 residential gas offers

GAS SAVINGS

Resident of Canberra area can save up to **\$207**

Market offers

24% of electricity customers are on market retail contracts (no change from 2014/15)

27% of gas customers are on market retail contracts (no change from 2014/15)

Bills as percentage of income

A low income household on the median market offer and receiving an energy concession would spend:

3.0% of its disposable income on electricity (or 3.6% without a concession)

4.0% of its disposable income on gas (or 4.6% without a concession)

Disconnections

12%

The number of residential electricity customers who were disconnected for non-payment increased by 12% (from 345 in 2014/15). This represents 0.24% of residential electricity customers. This is the lowest residential electricity disconnection rates nationally.

1.19%

The number of residential gas customers who were disconnected remained static (from 1,403 in 2014/15). This represents 1.19% of residential gas customers.

Hardship

0.37% of electricity customers are repaying debt under a retailer's hardship program (down from 0.42% in 2014/15). This is the lowest rate of electricity customers participating in hardship programs nationally.

\$1293 is the average electricity debt upon entry when entering a retailer's hardship program (up \$457 from 2014/15).

\$1091 is the average electricity debt (up \$12 from 2014/15).

The ACT has the lowest rate of gas hardship customers successfully completing hardship programs.

0.68% of gas customers are repaying debt on a hardship program (up from 0.50% in 2014/15). This is the second highest rate nationally.

\$1106 is the average gas debt upon entry when entering a retailer's hardship program (down \$317 from 2014/15).

\$1817 is the average gas debt (up \$283 from 2014/15). This is the highest nationally.

Key points 2015–16

Customer engagement with the market

Despite the relatively large number of electricity retailers in New South Wales (25 supplying to residential and small business customers) and South Australia (20 supplying small customers), both markets are still heavily concentrated with the ‘big three’ retailers (AGL, EnergyAustralia and Origin Energy) supplying a significant majority of customers (89 per cent in New South Wales and 75 per cent in South Australia respectively).

The smaller markets are even more concentrated: ActewAGL supplies over 93 per cent of ACT households. Tasmanian households are still waiting for a new entrant to compete with monopolist Aurora to provide choice. While the market for gas is smaller in each of these jurisdictions, the big three still dominate the South Australian and New South Wales gas markets, whereas ActewAGL is the dominant player in the ACT.

Customer switching rates are generally flat, suggesting that energy retailers may be focusing more on customer retention than on acquiring new customers. It is encouraging to see an increasing proportion of customers have moved off standing (or regulated) offers to market retail contracts, which are typically lower priced.

Standing offers (also called standard retail contracts) include set terms and conditions and can’t be changed by the retailer. Under some standard retail contracts (called regulated offers), energy prices are set by state or territory governments.

Market retail contracts have a minimum set of terms and conditions, but other terms and conditions can vary from contract to contract.

Switching rates were highest in Victoria for electricity and gas (at around 6 per cent of customers). They were lowest in Queensland for both fuel types (around 3 per cent of electricity customers and 2 per cent for gas).

In South Australia, 85 per cent of electricity and gas customers are on market retail contracts. It is slightly lower in New South Wales at 74 per cent and 80 per cent respectively. In the ACT and Tasmania, the significant majority of consumers remain on standing offers. In Queensland, customers are evenly split between market and standing offers.

Complaints to energy retailers increased nationally in 2015–16, with billing (which includes pricing) the leading cause for concern. However, excluding increases to Origin Energy (which introduced new processes that resulted in capturing increased numbers of complaints³) complaint rates were flatter, with other top tier retailers AGL and EnergyAustralia reporting decreases.

Supporting a view of improved complaint management by retailers, energy ombudsman schemes across all jurisdictions received fewer complaints in 2015–16 compared with 2014–15.

Energy debt and payment difficulties

The proportion of residential and small business customers who were repaying an electricity debt fell between 2015 and 2016 in all jurisdictions (excluding Queensland, where previous years’ data is not available). South Australia had a higher proportion of customers with electricity debt than the other jurisdictions.

The proportion of residential and small business customers who were repaying a gas debt increased slightly in South Australia and New South Wales but fell slightly in the ACT. The ACT also had the highest proportion of customers with a gas debt.

Not all customers who have a debt are receiving hardship assistance. Customers with debt may also be on a payment plan to pay off a debt, or may not be receiving any retailer assistance. Despite having lower debts than hardship customers, these customers are still in financial difficulty and need the right type of assistance. We found that the

3 See section 2.2 for a more detailed explanation.

proportion of residential customers with an electricity debt (but who were not on a hardship program) fell between 2015 and 2016.

South Australia had the highest proportion of these customers at 3.7 customers per 100, compared to around 2.6 per 100 in New South Wales and 2.7 per 100 in the ACT. Average debts were also higher in South Australia. Tasmania had the lowest proportion of customers with an electricity debt (1.6 per 100, after allowing for the number on hardship programs). This number has decreased from around 3 per 100 in the past three years.

The proportion of residential customers with a gas debt (but not on a hardship program) fell to around 3 per 100 customers in South Australia and to below 4 per 100 in New South Wales between 2015 and 2016. In the ACT, this figure fell to around 7 customers per 100 from 2015.

Managing payment difficulties through payment plans and hardship programs

Payment plans are typically the first form of assistance offered to customers showing signs of payment difficulties, and can often be enough to help customers repay their energy debt. In 2015–16, we observed a small decrease in the proportion of South Australian, New South Wales and Tasmanian customers being assisted through a payment plan. This may be due to the decrease in the proportion of customers with an energy debt.

On the other hand, the number of customers with an energy debt who entered a hardship program increased. In South Australia, the number of electricity and gas customers on hardship programs increased by around one third, to about 1.8 per 100 customers and 1.4 per 100 respectively. South Australia had the highest proportion of customers on a hardship program.

The proportion of hardship customers in other states and territories was less than 1 per cent.

Increases in the proportion of customers on a hardship program suggests that retailers are now willing to offer this high level of assistance before debt levels get too high and also that customers are actively seeking assistance from their retailers when they need it. We expect retailers to offer, and customers to ask for, assistance as soon as payment difficulties are identified.

Debt on entry to a hardship program is therefore an important indicator of how readily a retailer identifies, and moves to assist, a customer experiencing severe payment difficulties. We expect that retailers should be identifying customers having trouble and offering assistance before debts become too large to manage.

The average debt on entry to hardship programs decreased in most jurisdictions, and several retailers increased the proportion of their customers entering hardship programs with debts below \$500. These include Momentum Energy (59 per 100 electricity customers, increasing from 38 per 100 in 2014–15), Click Energy (64 per 100, up from 39 per 100) and Origin Energy (68 per 100, up from 53 per 100). Red Energy had the highest proportion of electricity customers entering hardship programs with debt less than \$500, at 82 per 100).

In contrast, other retailers continue to report a significant number of customers entering hardship programs with high levels of debt. One in five Aurora Energy and one in four Powerdirect customers entering those retailers' hardship programs had debt greater than \$2500, and almost half had debt greater than \$1500.

Gas customers generally entered hardship programs with lower levels of debt than in electricity, with most customers of gas retailers entering hardship programs with less than \$500 of debt.

After reporting that 40 per 100 customers entering hardship programs had debts greater than \$1500 in 2014–15, EnergyAustralia was able to reduce this proportion to 17 per 100 this year. Origin Energy also recorded an increase in the proportion of customers entering its hardship program with gas debt less than \$500 in 2015–16 (74 per 100, compared with 59 per 100 in 2014–15).

The proportion of hardship customers using Centrepay varies in different jurisdictions. It is relatively low in New South Wales and South Australia (less than 25 per 100 hardship customers). Tasmania and ACT have the highest rates of hardship customers using Centrepay.⁴

⁴ The Retail Law requires retailers to offer flexible payment options (including Centrepay) to hardship customers. Centrepay is a free direct bill-paying service available to customers receiving Centrelink payments.

While we would like to see greater use of Centrepay, it is restricted to customers receiving Centrelink payments. Centrepay may be poorly promoted by some retailers, or not favoured by customers. It is also possible that more customers who are not receiving Centrelink payments, and so do not have the option of Centrepay, are now entering hardship programs.

Declining rates of concession customers accessing hardship programs in some jurisdictions lends support to the plausibility of this scenario—notably in the ACT, where concession customers as a proportion of gas customers on hardship programs decreased by one third to 26 per 100 customers. As noted, ACT has the highest national rates of non-hardship customers repaying debts (over 7 per 100).

While success rates for customers on hardship programs remain low, we saw evidence of retailers being more proactive in their management of customers experiencing severe financial difficulties.

The proportion of electricity customers exiting hardship programs due to successfully repaying their debt increased from 24 per 100 customers in 2014–15 to 36 per 100 in 2015–16. Additionally, over this period the rate of customers exiting hardship programs due to exclusion for non-payment decreased from 57 per 100 of all customers exiting hardship programs to 46 per 100. These trends were similar for gas customers, with the success rate increasing from 22 to 29 customers per 100 and the exclusion rate decreasing from 57 to 48 per 100.

Disconnecting customers for non-payment

Electricity disconnections decreased in New South Wales, with disconnection numbers the lowest in three years. Electricity disconnections increased in the ACT, South Australia and Tasmania.

Proportionally, South Australia had the highest rate of electricity customers disconnected for non-payment (1.39 per 100 customers), followed by Queensland (1.14 per 100), New South Wales (1 per 100), Tasmania (0.5 per 100), and the ACT (0.24 per 100).

Gas disconnections for non-payment increased in South Australia, fell in New South Wales in 2015–16. Proportionally, South Australia had the most gas customers disconnected for non-payment (1.23 per 100), followed by the ACT (1.2 per 100), Queensland (0.8 per 100), and New South Wales (0.5 per 100).

Disconnections of customers who had previously been disconnected increased for electricity and gas from 2014–15.

Energy affordability

Between June 2015 and June 2016, electricity bills for a low income household on a market offer fell modestly in most jurisdictions ranging from a fall of 3 per cent in South Australia to an increase of 1 and 2 per cent in Queensland and Tasmania respectively.

Electricity bills for a low-income household remained highest in Tasmania (at just under \$2000), which is unsurprising, given electricity is the predominant source of fuel in Tasmania and its cool to cold climate generates high demand for electricity for heating. A household eligible for a concession, however, could be saving over \$480 on their electricity costs, which is one of the most significant electricity concessions offered by a state or territory government. Despite the increase in the 2015–16 electricity bills, South Australian households still face the highest electricity prices across the NEM.

In terms of the affordability of electricity, households in the ACT continue to fare relatively better, with low income households spending around 3.6 per cent of their disposable income on electricity. Except for Tasmanian households (spending over 8 per cent), the range is about 4.5 to 6 per cent (before any concessions).

Gas bills for low-income households on a market offer fluctuated more markedly around the country (ranging from a fall of 8.5 per cent in New South Wales to an increase of 9.2 per cent in Victoria). While Victorian households still enjoy the cheapest gas prices (20 to 40 per cent cheaper compared to other states), it is a widely available and popular fuel source for Victorian households so gas bills were still relatively high (around \$1300 for a low income household). Only households in the ACT typically spend more on gas (which is a reflection of higher prices and moderate usage). New South Wales and Queensland households spend less on gas, mainly due to less availability and lower typical usage. This is the first year that eligible households in New South Wales had access to a gas concession.

Gas typically represents around 3 to 5 per cent of a low income household's disposable income (before any concessions), with Victorian households at the higher end and Queensland households at the lower end.

The state-by-state analysis in our report continues to highlight how many households can improve the affordability of their energy bills simply by checking to see if their own, or another retailer, can offer them a better price. Depending on location, these savings can be in the order of several hundred dollars a year, if not more. Low income households should also be checking to ensure they are receiving any energy concession they may be eligible to receive.



1. Retail market overview

This chapter provides an overview of competition in the retail energy markets in Queensland, New South Wales, South Australia, Australian Capital Territory and Tasmania, with a focus on:

- the number of active retailers selling energy to different types of customers
- the proportion of small customers on standard and market retail contracts
- customers switching between retailers (in all NEM jurisdictions)
- customers using prepayment meters.

1.1 Retail competition

In June 2016 the Australian Energy Market Commission (AEMC) released its 2016 Retail Competition Review⁵. It found that:

- in electricity and gas markets across jurisdictions in the National Electricity Market (NEM), competition continued to be effective in most jurisdictions and is delivering benefits for customers.
- there is a need to make it easier for customers to access the choices available to them. This is particularly important for certain customer segments as new technology expands the range of options available in the market.
- competition remained effective for retail electricity and gas markets in New South Wales, Victoria and South Australia, and for the electricity market in South East Queensland. Key indicators in these markets improved or remained steady since 2014.
- competition was less effective for retail electricity and gas markets in the Australian Capital Territory and for retail gas markets in South East Queensland and Tasmania

Figure 1.1 shows the different stages of regulatory reform in retail energy markets of Australia.

⁵ Australian Energy Market Commission, 2016 Retail Competition Review, <http://aemc.gov.au/getattachment/d5a60d5b-d2dc-4219-af60-51c77d8aaa4f/Final-Report.aspx>

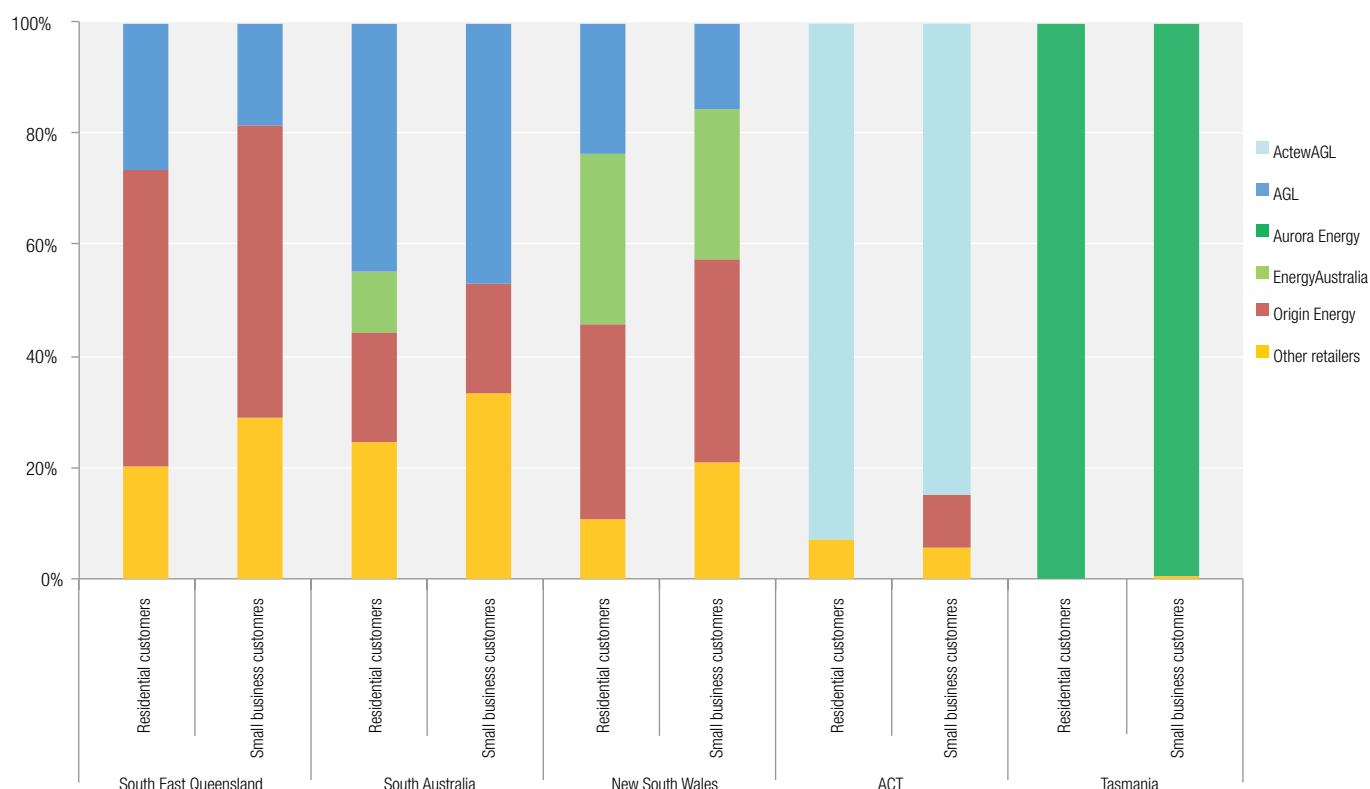
Figure 1.1: Stages of energy retail market reform



1.1.1 Electricity

Figure 1.2 shows the market share held by electricity retailers in South East Queensland, South Australia, the ACT, Tasmania and New South Wales for residential and small business customers as at 30 June 2016.

Figure 1.2: Retail market share, residential and small business customers—electricity



Twenty retailers supply electricity to small customers in South Australia. Around 74 per cent of these customers are supplied by the 'big three' retailers: AGL (45 per cent), Origin Energy (20 per cent) and EnergyAustralia (9 per cent).

Twenty-five retailers supply electricity to small customers in New South Wales. Around 89 per cent of these customers are supplied by AGL (23 per cent), Origin Energy (36 per cent) and EnergyAustralia (30 per cent).

In total, 19 retailers supply electricity to small customers in the Queensland electricity market, which is split between the contestable market in SE Queensland, and the rest of Queensland (where the incumbent supplier is Ergon Energy).

Origin (36 per cent) and AGL (18 per cent) supply over half of Queensland customers. Ergon supplies 33 per cent of customers in Queensland.

ActewAGL remains the dominant retailer for small customers in the ACT, supplying 92 per cent of small customers. However, there are signs that competition is increasing—with Origin Energy entering the market in September 2014 there are now three retailers selling to residential customers in the ACT and ActewAGL's market share fell by 3 per cent over 2015–16.

The Tasmanian Government-owned incumbent, Aurora Energy, sells electricity to all residential customers and almost all small business customers in the state.

In 2015–16, there were five new retail electricity market entrants in New South Wales, five in Victoria, and two in South Australia and South East Queensland.⁶

1.1.2 Gas

The availability and uptake of gas varies across jurisdictions. In the ACT, 72 per cent of households are also supplied with gas. Around 54 per cent of households in South Australia and 41 per cent in New South Wales are supplied with gas. It is estimated that fewer than 5 per cent of households in Tasmania are supplied with gas.

Figure 1.3 shows the market share held by gas retailers in South Australia, the ACT and New South Wales as at 30 June 2016.

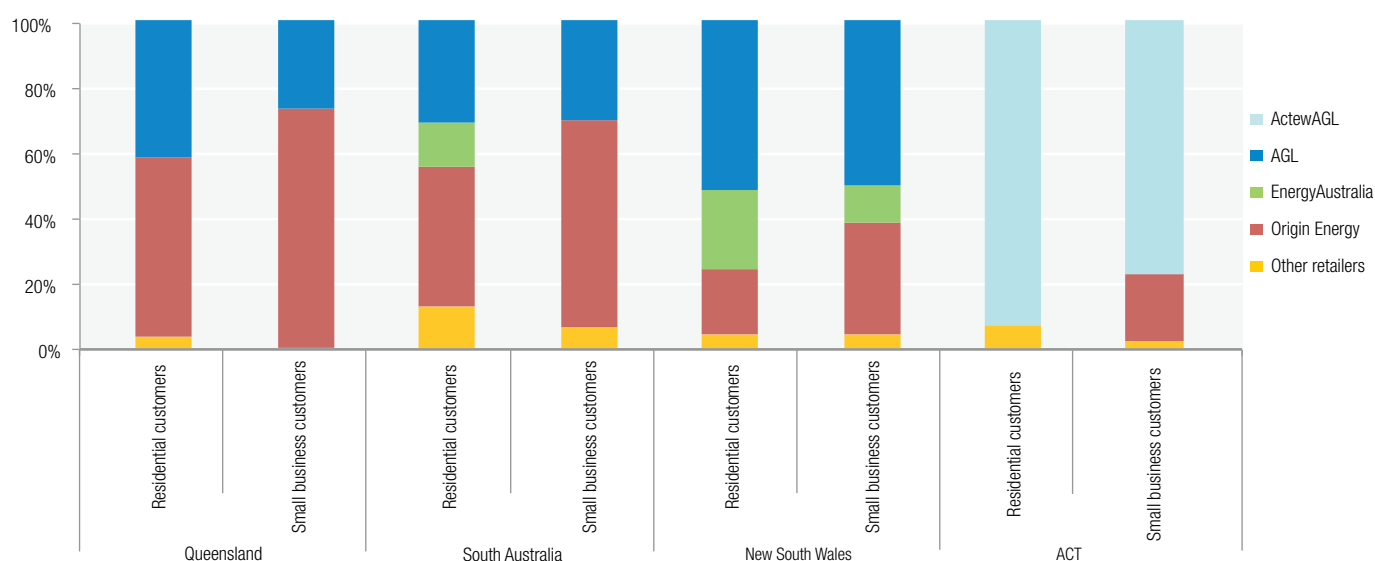
Six retailers supply gas to small customers in South Australia. Around 87 per cent of customers are supplied by the big three retailers, with the remaining 13 per cent supplied by Alinta Energy and Simply Energy.

Eight retailers supply gas to small customers in New South Wales. Despite the number of retailers, the big three retailers collectively supply 96 per cent of all small customers.

Three retailers supply gas to small customers in Queensland. Of these, two big retailers supply almost all customers. These are AGL (41 per cent) and Origin (56 per cent).

As with the electricity market, ActewAGL is the main retailer of gas for customers in the ACT.

Figure 1.3: Retail market share, residential and small business customers—gas



1.2 Standard and market retail contracts

Standard retail contracts (standing offers) are basic contracts with prescribed terms and conditions that cannot be varied by the retailer. In some jurisdictions, these contracts have regulated prices (figure 1.1). They provide a full suite of protections to customers and do not have a fixed contract term. Standing offer tariffs are generally higher than those offered under market retail contracts.

Market retail contracts permit retailers to tailor the terms and conditions, subject to minimum requirements. Under market contracts retailers can shape their different energy offers through:

- discounted prices
- non-price incentives
- different billing periods
- different payment options
- fixed term durations
- fees and charges, such as establishment or exit fees.

Market retail contracts also include renewable energy contracts (such as solar power).

At the end of June 2016, 49 per cent of Queensland electricity small customers were on market contracts, with around 1 064 181 remaining on standard contracts. A higher proportion of gas small customers (68 per cent) were on market contracts.

New South Wales electricity customers made a shift away from standard contracts during 2015–16. At the end of June 2016, 74 per cent of electricity customers were on market retail contracts—an increase of 5 per cent from the previous year. There remain around 870 000 small electricity customers on standard retail contracts in New South Wales, most of which are customers of the incumbent (pre-privatisation) retailers Origin Energy (481 000 customers) and EnergyAustralia (318 000 customers).

At the end of June 2016, 80 per cent of gas customers in New South Wales were on market retail contracts, an increase of 4 per cent. New South Wales gas consumers can choose standard retail contracts with regulated prices.

Following deregulation of electricity prices in New South Wales on 1 July 2014, there is evidence of new retailer entry, declines in market concentration and an expanded range of offers. However, the full impact of deregulating retail electricity prices on competition is likely to become clearer over the long term, as it will take time for retailers and customers to respond to new opportunities.⁷ Gas prices in New South Wales are still regulated by the Independent Pricing and Regulatory Tribunal (IPART).

In South Australia a high proportion of customers are on market retail contracts (85 per cent of electricity customers and 85 per cent of gas customers) and this figure increased slightly over 2015–16. The majority of electricity customers who remain on standard contracts are those of the local area retailer AGL (123 000 customers).

In the ACT most small customers are on standard retail contracts (76 per cent of electricity customers and 73 per cent of gas customers). Despite Origin Energy's entry into the retail market in 2014–15 causing an initial increase in customers on market contracts, these figures remained static over 2015–16.

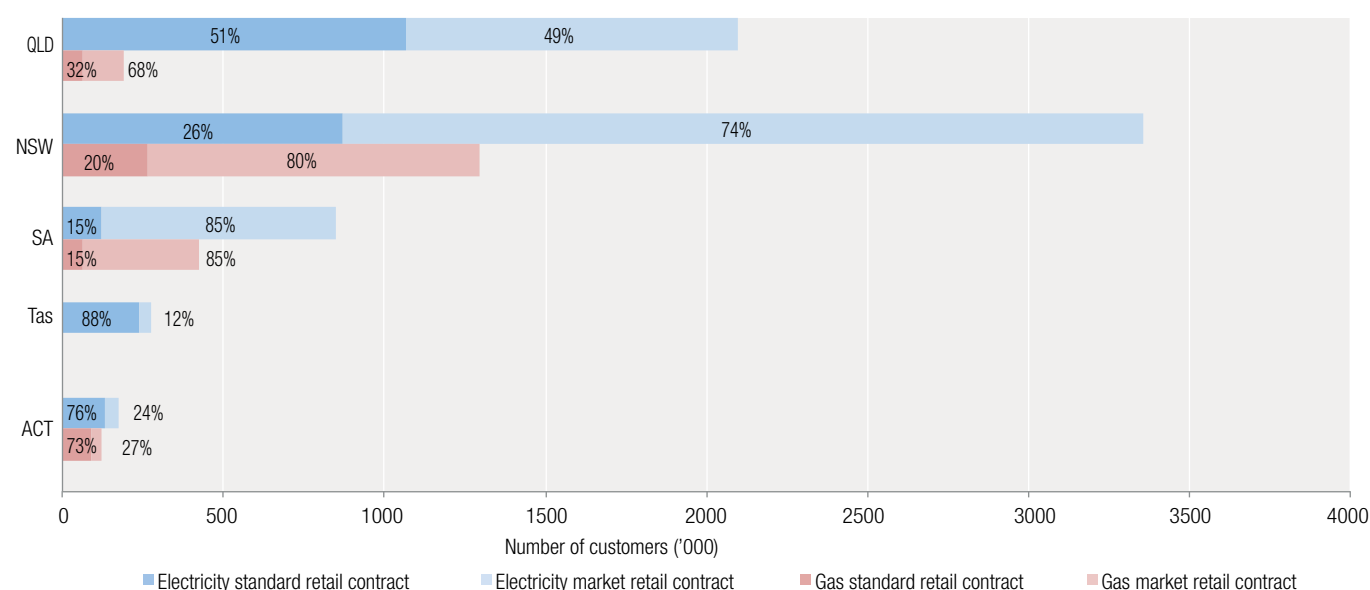
There is still a lack of choice for small customers in Tasmania, despite the introduction of full retail competition on 1 July 2014. 88 per cent of small customers remain on standard retail contracts with Aurora Energy, at the regulated prices approved by the Tasmanian Economic Regulator.

The remaining 12 per cent of customers (around 27 000 residential customers) use prepayment meters (PAYG systems) to purchase electricity, however this number is decreasing as no new PAYG systems are being installed.

Figure 1.4 compares the proportions of customers on standard and market retail contracts in Queensland (including regional Queensland), New South Wales, South Australia, Tasmania and the ACT.

⁷ AEMC 2016 Competition Review, p. 20

Figure 1.4: Small customers on standard and market retail contracts—by jurisdiction



1.3 Customer switching rates

The rate at which customers switch their energy retailer is an indication of customer participation in the retail market, but does not necessarily indicate the level of competition in a particular market. For example, if customer satisfaction is high there may be less incentive to switch, even in competitive markets. In addition, switching statistics exclude customers who switch between contracts with their current retailer.

Figures 1.5 and 1.6 show the percentage of electricity and gas customers (respectively) that switched retailers over the past six years in Queensland, New South Wales, Victoria and South Australia.⁸ Switching rates were flat or declined across these states in 2015–16.

⁸ The Australian Energy Market Operator (AEMO) regularly publishes switching data. An explanation of how AEMO's switching data is calculated is available at: www.aemo.com.au.

Generally available offers in Energy Made Easy

Energy retailers are required to submit their generally available offers to us for publication on our Energy Made Easy comparator website (www.energymadeeasy.gov.au).

Table 1.1 provides a snapshot of the offers of the number of generally available contracts offered by fuel type and customer segment that were in Energy Made Easy at the end of June 2016. It should be noted that the figures below are an aggregate of contracts that were available in all the gas and electricity zones in each jurisdiction, and do not capture special offers that were available to particular customers.

Table 1.1: Generally available offers in Energy Made Easy as at 30 June 2016

Jurisdiction	Fuel type	Residential	Small business
Queensland	Electricity (2 distribution zones)	120 Market	85 Market
		51 Standard	47 Standard
		16 Regulated	30 Regulated
	Gas (2 distribution zones)	18 Market	18 Market
		6 Standard	6 Standard
New South Wales	Electricity (3 distribution zones)	757 Market	661 Market
		372 Standard	346 Standard
			2 Regulated
	Gas (6 distribution zones)	70 Market	69 Market
		15 Standard	13 Standard
		10 Regulated	10 Regulated
South Australia	Dual	21 Market	
	Electricity (1 distribution zone)	95 Market	128 Market
		51 Standard	47 Standard
		16 Regulated	30 Regulated
	Gas (1 distribution zone)	23 Market	26 Market
		9 Standard	7 Standard
Tasmania	Dual	17 Market	4 Market
		2 Standing	
ACT	Electricity (1 distribution zone)	2 Regulated	10 Market
			5 Standard
			2 Regulated
	Gas (1 distribution zone)	48 Market	30 Market
		15 Standard	17 Standard
	Gas (1 distribution zone)	4 Market	6 Market
		3 Standard	3 Standard
	Dual	16 Market	

Figure 1.5: Electricity customer switching rates—by jurisdiction

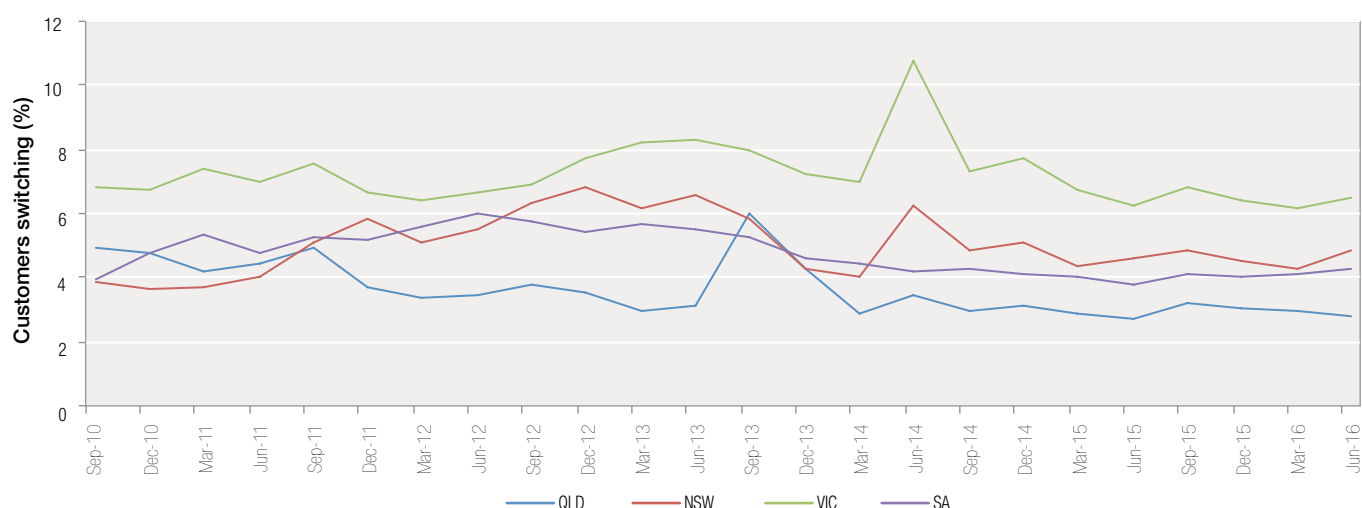
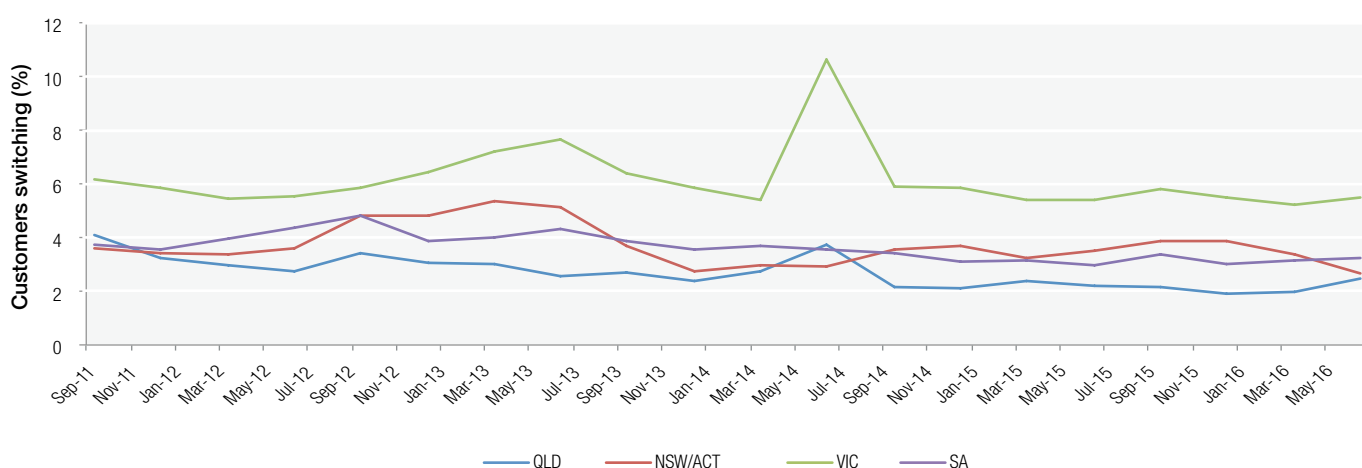


Figure 1.6: Gas customer switching rates—by jurisdiction



The declining or flat rates of customer switching suggest that energy retailers may be shifting their focus away from customer acquisition and towards customer retention. This continues the trend from 2014–15.

The AEMC's 2016 Competition Review⁹ supports this conclusion, highlighting that across NEM jurisdictions (excluding regional Queensland and Tasmania) the proportion of customers who had been directly approached by energy retailers remained steady.

Around 38 per cent of residential customers were approached by retailers in the past 12 months. Half of those customers said that they had been approached by one or two retailers, while about 25 per cent of customers were approached by three or more retailers.

Among small businesses around 52 said that they had been approached at least once over the past 12 months. Of those, 24 per cent had been approached by three or more retailers.¹⁰

Additionally, the continuation of flat switching rates and the increasing proportion of customers on market retail offers has increased in a number jurisdictions, may indicate that more customers on standing offers are benefitting by taking up the option of a market offer with their existing retailer.

Small customers in Victoria more actively switch between energy retailers compared with customers in other jurisdictions. This is likely due to more choice of products (due to the use of smart meters) and greater awareness

⁹ AEMC 2016.

¹⁰ AEMC 2016.

of these choices.¹¹ There is also more competition in the retail gas market, with nine gas retailers available to Victorian households.

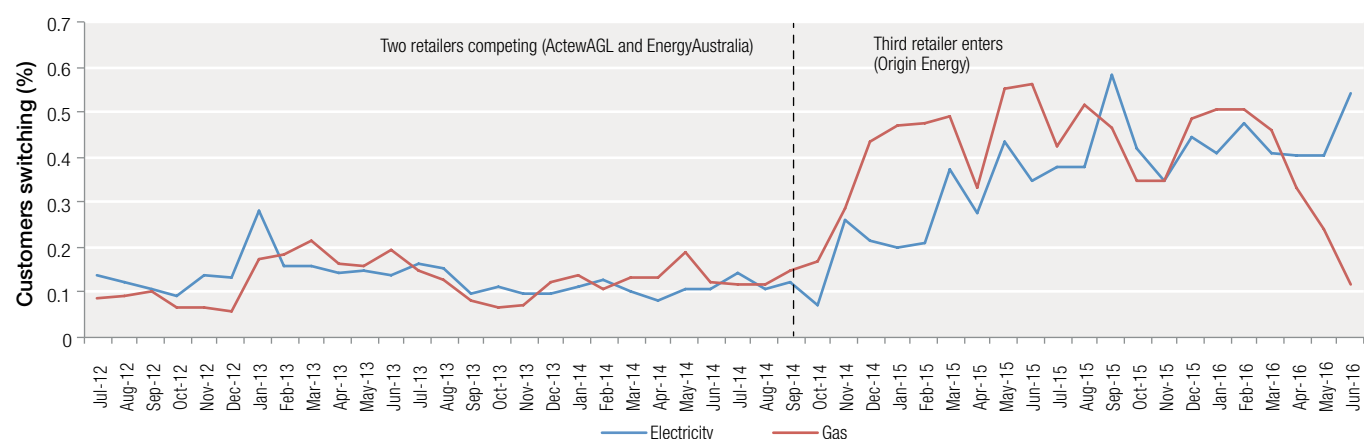
A customer who finds a preferable offer may still have to pay an early exit fee if they choose to switch retailers. The NERL governs the use of exit fees. Retailers can only charge exit fees in a market retail contract that is a fixed period contract and if the contract is terminated in that fixed period. The amount of the fee must be a reasonable estimate of the costs to the retailer resulting from early termination.¹² Some jurisdictions have separate regulatory requirements governing exit fees. For example, in New South Wales retailers must waive exit fees for hardship and certain other customers experiencing financial difficulty.

Despite the recent increased availability of market contracts without these exit fees, they still may act as a barrier to customer switching.

Figure 1.7 shows switching rates in the ACT over the last four years for electricity and gas. Historically, switching has been very low, as ActewAGL only competed with EnergyAustralia for electricity and gas. Origin Energy entered the ACT market in September 2014, and has attracted a small share of the market through its market offers.

Gas switching rates dropped significantly in 2015–16 to near their lowest historical rate of 0.1 per 100 customers prior to Origin’s entry to the gas market. The drop may indicate that ACT customers were initially encouraged to switch following Origin’s entry, but did not keep up this behaviour. Electricity switching rates in ACT rose slightly over the year and remained steady over 2015–16.

Figure 1.7: Electricity and gas customer switching rates in the ACT



11 AEMC, 2016.

12 National Energy Retail Rules, r. 49A.

Queensland engagement with Energy Made Easy

The National Energy Retail Law and Rules commenced in Queensland on 1 July 2015.

The Retail Law and Rules introduced a range of benefits and protections, which are enforced by us, including:

- access to better quality information. Specifically, retailers are required to give energy consumers clear, accurate and up-front information
- rules that require providers to offer more help to people struggling to pay their bills, such as flexible payment options and hardship requirements
- rules about marketing conduct by retailers, such as how they present their offers to customers, door-to-door sales and telemarketing.

For the first time, customers in South East Queensland were able to use our offer comparison website Energy Made Easy (www.energymadeeasy.gov.au). All retailers are required by law to submit the details of their energy offers to Energy Made Easy website.

We held a stakeholder launch event for Energy Made Easy in Queensland in August 2015, attended by more than 20 groups, including those representing small business, multicultural and disadvantaged customers.

EME usage figures for the 2015–16 financial year show that Queensland customers were actively engaged with the market.

For instance, EME received 70 174 unique visits from customers in Queensland over the financial year—an average of around 1350 per week.

The highest number of visits in a single day was 3494. This was on 5 August 2015, the day of our EME launch which received significant media coverage.

Over the year, visitors downloaded 3770 Energy Price Fact Sheets (offer summaries).



2. Energy retailer performance

There are a number of reasons why a customer may contact their retailer. For example, customers may contact them to pay a bill, to ask about their bill or a better deal, to seek payment assistance and sometimes to make a complaint.

While price is important to customers, so too is good customer service. This chapter discusses the customer experience with energy retailers, including:

- customer service and complaints
- assistance provided to customers with energy debt, such as energy concessions, payment plans and hardship programs
- the disconnection and reconnection of an energy service.

2.1 Customer service

Retailers' responsiveness to inquiries and complaints is an important measure of customer service. Table 2.1 shows call centre responsiveness, specifically:

- percentage of calls answered within 30 seconds
- average time before a call is answered¹³
- percentage of calls abandoned before being answered.

¹³ 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 2015–16, with percentage of calls answered in 30 seconds, average wait time and percentage of calls abandoned before being answered

Retailer	Calls taken in 30 secs (%)		Average wait time (secs)		Calls abandoned before being answered (%)	
1st Energy	95%	N/A	0	N/A	5%	N/A
ActewAGL	70%	▼1%	191	▲33.8	4%	0%
AGL	84%	▼2%	28	▲11.0	2%	0%
Alinta Energy	79%	▲2%	67	▲30.8	3%	▲1%
Aurora Energy	74%	▲2%	40	▼5.5	3%	0%
BlueNRG	75%	▼25%	–	–	7%	▲3%
Click Energy	69%	▼5%	45	▼4.8	3%	▲1%
CovaU	88%	▼5%	19	▲15.5	5%	0%
Diamond Energy	100%	0%	0	–	0%	0%
EnergyAustralia	77%	▼15%	31	▲21.5	2%	0%
Enova Energy	86%	N/A	4	N/A	5%	N/A
Ergon Energy Queensland	51%	N/A	120	N/A	7%	N/A
ERM Power Retail	97%	▲2%	0	▼11.8	1%	▼5%
Locality Planning Energy	80%	N/A	18	N/A	5%	N/A
Lumo Energy	84%	▼2%	19	0.0	1%	0%
M2 Energy	88%	▲9%	26	▲6.3		
Metered Energy Holdings	100%	N/A	0	N/A		N/A
Mojo Power	81%	N/A	9	N/A		N/A
Momentum Energy	84%	▲8%	35	▼74.5	1%	▼2%
Next Business Energy	92%	▼1%	0	▼11.6	0%	0%
Origin Energy	53%	▼6%	139	▲61.5	12%	▲2%
Pacific Hydro Retail	98%	▲1%	5	1.0	2%	▼1%
Pooled Energy	91%	▼5%	8	0.0	4%	0%
Powerdirect	89%	▲9%	13	▼19.9	1%	▼1%
Powershop	95%	▲16%	12	▼19.1	2%	▼1%
QEnergy	96%	▲1%	4	▼0.1	4%	▼1%
Red Energy	77%	▼3%	36	▲2.0	3%	0%
Sanctuary Energy	90%	▼1%	11	▼1.7	1%	0%
Savant Energy Power Networks	92%	N/A	2	N/A	2%	N/A
Simply Energy	83%	▼9%	21	▲0.5	2%	0%
Urth Energy	98%	N/A	3	N/A	2%	N/A

Most energy retailers answered at least 80 per cent of calls within 30 seconds, and had average waiting times of less than one minute. ActewAGL, Ergon Energy and Origin Energy had the longest call waiting times, with Origin Energy's waiting time increasing by more than one minute since 2014–15. Momentum Energy's improved, with average call time decreasing by 75 seconds.

The South Australian Government requires retailers selling energy to small customers to meet minimum customer service standards (National Energy Retail (Local Provisions) Regulations¹⁴). These are reported in appendix 2.

14 Under Clause 7 of the National Energy Retail (Local Provisions) Regulations.

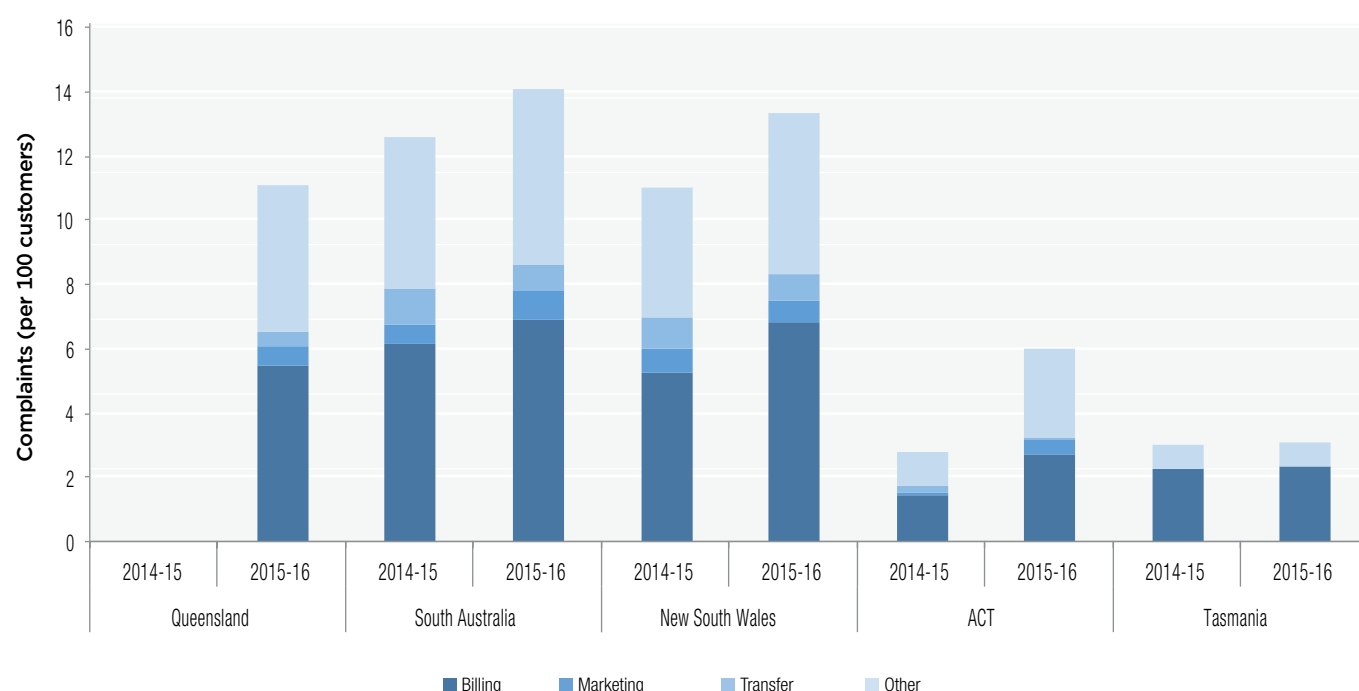
2.2 Complaints

Energy retailers must report the number of small customer complaints they receive against the following categories:

- billing—including complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- energy marketing—including complaints about sales practices, advertising, contract terms and misleading conduct
- customer transfer—including complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- other complaints—including complaints about customer service, privacy issues, failure to respond to complaints, and health and safety issues.

Figure 2.1 shows the number of residential customer complaints made to energy retailers in each jurisdiction in 2014–15 and 2015–16.

Figure 2.1: Residential customer complaints to retailers in 2014–15 and 2015–16—by jurisdiction



Nationally, complaint numbers rose in South Australia, New South Wales and ACT.

In Queensland around 11 per cent of residential customers complained to their retailer.

Complaints continued to increase in South Australia, with over 14 residential customers per 100 complaining to their retailer (compared to around 12 per 100 in 2014–15). This followed an earlier substantial increase in 2013–14.

In New South Wales more than 13 per 100 customers made complaints (increasing from around 11 per 100). Around half of these complaints were for billing issues.

Complaints to retailers in the ACT increased in 2015–16, rising to nearly 6 per 100 customers (from around 3 per 100). Billing and ‘other’ issues largely drove this.

Around 3 per 100 customers made complaints in Tasmania.

We note that complaint figures nationally were significantly influenced by large increases in complaints to Origin Energy. Origin advised us in August 2016 that the increases in its complaint numbers were due to its introduction of new complaint processes, which led to it capturing higher complaint numbers over the first three quarters of 2015–16.

Origin advised that it introduced a revised process for recording complaints, effective from Q4.

Excluding increases to Origin Energy, complaint rates were flatter across most jurisdictions, with other top tier retailers AGL and EnergyAustralia reporting significant decreases.

While the overall number of complaints provides an indication of customer satisfaction levels, caution should be used in drawing conclusions about retailers' performance from them. The nature of some complaints can be outside the control of the energy retailer. For example, complaints about prices due to wholesale and network costs may reflect unfairly on energy retailers. Therefore the manner in which complaints are handled is a more effective measure of retailer performance.

Retailers with effective customer service are generally able to promptly resolve customer complaints when they receive them. Such complaints often do not need to be escalated or referred elsewhere to be resolved. Customers may contact the energy ombudsman in their state or territory if their complaint is not resolved or is dealt with unsatisfactorily by their retailer. Table 2.2 compares the number of complaints made to retailers with those referred to each jurisdictional ombudsman scheme.

It shows the ombudsmen schemes received fewer complaints for investigation in 2015–16 when compared with 2014–15.

Table 2.2: Small customer complaints made to each retailer and the respective ombudsman in 2015–16

Retailer	Complaints to Retailer		Complaints to ombudsman ¹⁵		Ombudsman Complaints as % of total Complaints
	2015–16	Change	2015–16	Change	
Queensland					
AGL	15 253		1 109	▼ 319	7%
Click Energy	400		180	▼ 251	45%
Diamond Energy	15		5	▲ 3	33%
EnergyAustralia	1 768		488	▼ 349	28%
Ergon Energy Queensland	4 860		640	▼ 39	13%
ERM Power Retail	1		0	0	0%
Locality Planning Energy	6		1	-	17%
Lumo Energy	2 314		279	▲ 14	12%
M2 Energy ¹⁶	384		64	▼ 5	17%
Metered Energy Holdings	1 347		N/A ¹⁷	-	N/A
Momentum Energy	2		6	▲ 4	300%
Origin Energy	197 878		2 058	▼ 770	1%
Powerdirect	709		285	▲ 42	40%
QEnergy	87		50	▼ 41	57%
Sanctuary Energy	95		190	▼ 81	200%
Simply Energy	90		17	0	19%
Total Qld	225 209		5372	▼ 1 791	2%
South Australia					
AGL	17 159	▼ 19 430	1 767	▼ 387	10%
Alinta Energy	1 428	▲ 691	314	▼ 63	22%
Click Energy	4	N/A	3	▲ 3	75%
Diamond Energy	6	▼ 6	1	▼ 1	17%
EnergyAustralia	3 328	▼ 3 438	932	▼ 465	28%
ERM Power Retail	23	▲ 7	4	▲ 4	17%
Lumo Energy	1 877	▼ 58	285	▼ 28	15%
M2 Energy	240	▲ 112	34	▼ 4	14%
Momentum Energy	105	▼ 259	68	▼ 23	65%
Origin Energy	85 217	▲ 36 228	1 548	▼ 554	2%
Pacific Hydro	1	N/A	0	0	0%
Powerdirect	585	▼ 1869	271	▼ 11	46%
QEnergy	7	▼ 1	4	▼ 2	57%
Red Energy	82	▼ 9	19	1	23%
Sanctuary Energy	37	▼ 18	34	▼ 4	92%
Savant Energy	14	N/A	0	0	0%
Power Networks					
Simply Energy	3 593	▲ 478	749	▼ 112	21%
Total SA	113 706	▲ 12 447	6 033	▼ 1646	5%
ACT					
ActewAGL	5 583	2 034	589	▼ 370	11%

¹⁵ Excludes matters closed as general enquiries or not escalated/investigated.

¹⁶ Includes complaints for customers of Dodo Power & Gas (Queensland, South Australia and New South Wales) and Commander Power & Gas (South Australia).

¹⁷ Metered energy holdings are not a participant of the Energy and Water Ombudsman Queensland scheme.

Retailer	Complaints to Retailer		Complaints to ombudsman ¹⁵		Ombudsman Complaints as % of total Complaints
	2015–16	Change	2015–16	Change	
EnergyAustralia	118	▼ 151	33	▼ 38	28%
ERM Power Retail	1	▲ 1	0	0	0%
Origin Energy	4 919	▲ 4 008	41	▲ 26	1%
Powerdirect Pty Limited	3	▼ 7	0	0	0%
Total ACT	10 624	▲ 5 885	663	▼ 382	6%
Tasmania					
Aurora Energy	8 018	▼ 53	107	▼ 60	1%
ERM Power Retail	5	▲ 5	0	0	0%
Total Tas	8 023	▼ 48	107	▼ 60	1%
New South Wales					
1st Energy	34	N/A	<50	-	-
ActewAGL	1 249	▲ 407	165	▼ 8	13%
AGL	58 065	▼ 49 575	3915	▼ 2 594	7%
Alinta Energy	137	▲ 137	<50	-	-
Blue NRG	36	▼ 32	<50	-	-
Click Energy	290	▼ 72	195	▼ 78	67%
CovaU	810	▼ 705	129	▲ 74	16%
Diamond Energy	13	▼ 11	<50	-	-
EnergyAustralia	17 684	▼ 11 141	3 498	▼ 1351	20%
ERM Power Retail	91	▼ 75	<50	-	-
Lumo Energy	2 676	▼ 411	521	▲ 60	19%
M2 Energy	903	▲ 36	119	▼ 63	13%
Momentum Energy	211	▼ 305	144	▼ 23	68%
Next Business Energy	21	▲ 21	<50	-	-
Origin Energy	352 104	▲ 145 169	5 330	▼ 1561	2%
Pooled Energy	13	▲ 7	0	0	0%
Powerdirect	694	▼ 1 865	380	▲ 8	55%
Powershop	40	▲ 39	<50	-	-
QEnergy	125	▼ 3	97	▼ 15	78%
Red Energy	2 733	▲ 372	357	▲ 195	13%
Sanctuary Energy	151	▼ 229	104	▼ 158	69%
Simply Energy	1 479	▲ 147	422	▲ 54	29%
Total NSW	439 559	▲ 81 945	15 376	▼ 5 476	3%

2.3 Energy bill debt

Energy bill debt is defined as an amount owed to a retailer that has been outstanding for 90 days or more.¹⁸ If a customer hasn't asked their retailer for help, accumulating energy debt should be a signal to a retailer to discuss assistance measures with the customer. This could include a payment plan for more moderate payment difficulties or a hardship program for more chronic and severe difficulties. Energy bill debt is therefore one of several indicators that provide information about the overall affordability of energy and how quickly and effectively retailers are assisting customers.

¹⁸ The Retail Rules require us to distinguish between customers experiencing payment difficulties generally and customers on hardship programs.

Figures 2.2 and 2.3 show the proportion of residential customers with electricity and gas debt in each jurisdiction. These figures also show the proportion of customers repaying their debt through a hardship program, as well as the average levels of debt for customers not on hardship programs, and average debt upon entry to hardship programs.

There are differences between jurisdictions in the proportion of residential customers with debt. For example, South Australia has the largest proportion of electricity customers in debt (5.5 per 100 residential customers) and the ACT has the highest proportion of gas customers in debt (7.9 per 100). This reflects differences in prices and consumption, as discussed in chapter 3.

The proportion of residential customers with electricity debt has generally decreased in recent years, and the proportion of these customers receiving assistance to repay their debt through a hardship program has increased.

In the case of electricity, the average debt of customers entering hardship programs has decreased in South Australia (by \$305) and New South Wales (by \$88). However, the ACT saw its fourth consecutive increase in the average debt of these customers, rising by \$124 (to \$1293).

In Queensland, 3.5 per 100 residential electricity customers are repaying debt, including customers in hardship programs (0.97 per 100). The average debt of customers entering hardship programs was \$729, the lowest of any jurisdiction.

Electricity debt for hardship program customers remained steady in Tasmania, following a significant fall in 2014–15.

While the proportion of customers with electricity debt has generally decreased, in most jurisdictions the average debt (of customers not on hardship programs) has remained steady.

While the proportion of gas customers with a debt was steady across New South Wales, South Australia and ACT, the proportion of those customers receiving assistance to repay their debt through a hardship program increased in these jurisdictions.

The average debt of gas customers entering hardship programs in the ACT decreased by \$622 (to \$1106) and by \$123 (to \$613) in New South Wales.

Figure 2.2: Residential electricity customers repaying debt and average debt—as at 30 June

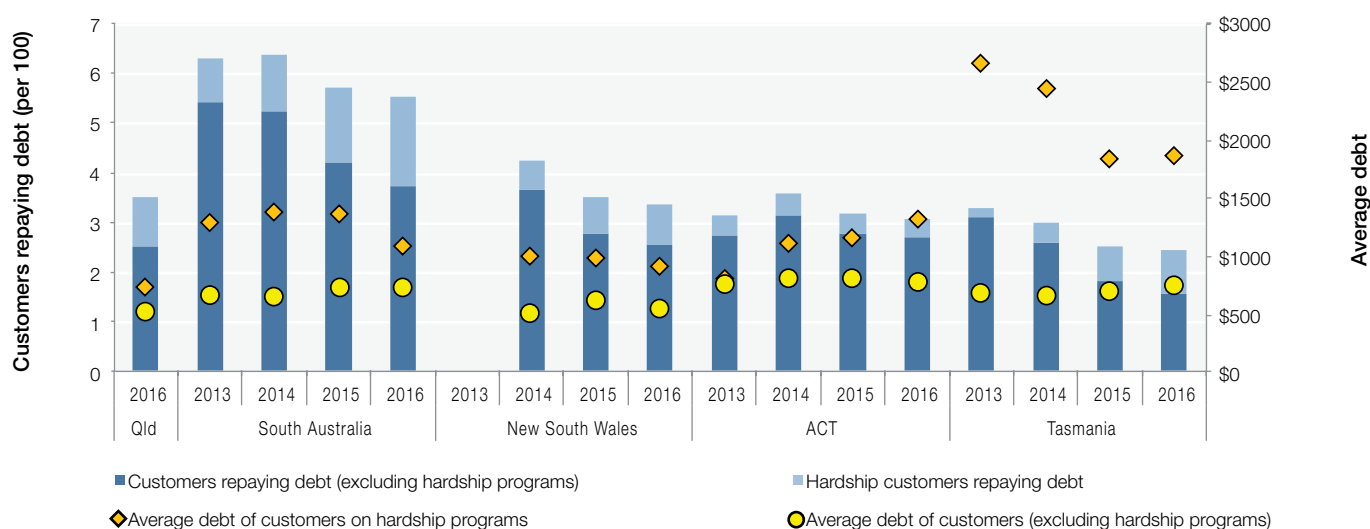
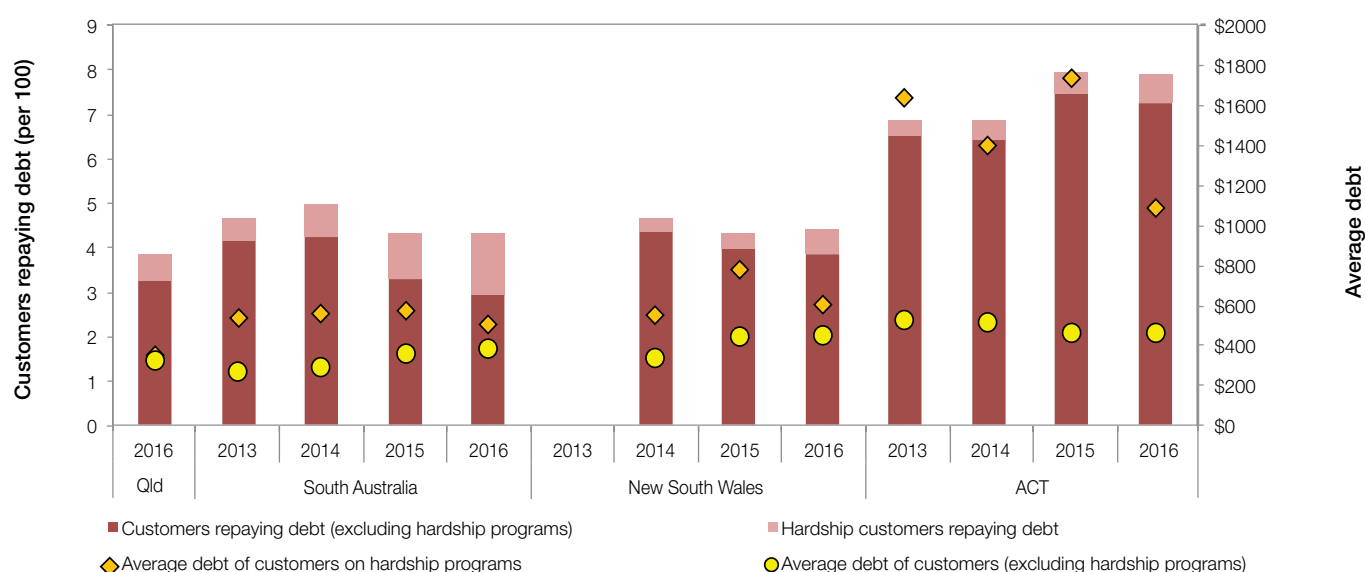


Figure 2.3: Residential gas customers repaying debt and average debt—as at 30 June



Tables 2.3 and 2.4 show the proportion of small business customers with electricity and gas debt, along with average debt levels. Generally a smaller proportion of businesses held electricity debt in 2016, with the most significant decrease occurring in the ACT. Only New South Wales recorded an increase in this category.

Average debt levels notably decreased in all jurisdictions except the ACT. New South Wales small businesses had the highest average debt, at \$1666. While the proportion of ACT small business with gas debt decreased significantly, the average debt more than doubled to \$3724, the highest of all jurisdictions.

Table 2.3: Small business electricity debt (by jurisdiction, as at 30 June)

Jurisdiction	Customers in debt			Average debt		
	2014	2015	2016	2014	2015	2016
Queensland	N/A	N/A	2.1%	N/A	N/A	\$1 639
South Australia	3.9%	3.6%	3.4%	\$1 453	\$1 490	\$1 441
ACT	6.3%	3.6%	3.0%	\$803	\$868	\$1 158
New South Wales	3.9%	3.1%	3.3%	\$1 636	\$1 973	\$1 667
Tasmania	1.4%	0.8%	0.3%	\$1 918	\$1 138	\$885

Table 2.4: Small business gas debt (by jurisdiction, as at 30 June)

Jurisdiction	Customers in debt			Average debt		
	2014	2015	2016	2014	2015	2016
Queensland	N/A	N/A	4.1%	N/A	N/A	\$834
South Australia	3.6%	3.4%	4.7%	\$1571	\$1769	\$1586
ACT	9.5%	10.8%	6.5%	\$1537	\$1499	\$3724
New South Wales	7.2%	6.8%	6.6%	\$1679	\$2057	\$2100

2.4 Payment plans

The Retail Law requires energy retailers to offer payment plans to customers experiencing payment difficulties. A payment plan is a plan for a residential customer experiencing payment difficulties to pay a retailer in periodic instalments, any overdue amount payable by the customer.

Customers should contact their retailer for assistance as soon as they think it may be required. Retailers must also have processes in place to promptly identify customers who are in debt and help them manage debt through payment plans or hardship programs.

Table 2.5 shows the proportion of residential customers on a payment plan for each retailer in each jurisdiction, as well as the rate of payment plan cancellations that occurred in 2015–16. The proportion of customers on payment plans decreased in South Australia, Tasmania and New South Wales, but increased slightly for ACT electricity customers.

An increase in payment plan customers, accompanied by a decrease in the number of customers on hardship programs (discussed in the following section) may indicate a retailer is more proactively working with customers to address their debt before it gets unmanageably large.

In South Australia, EnergyAustralia reported increases in the proportion of electricity and gas customers on payment plans (up to around 11 and 13 per 100 customers respectively). Separately, its proportion of hardship customers fell for both fuel types (discussed in the following section).

Table 2.5: Customers on payment plans as at 30 June 2015 (change since 2014) and with payment plans cancelled during 2015–16

Retailer	Customers on payment plans (per 100)				Customers with payment plans cancelled (per 100)			
	Electricity		Gas		Electricity		Gas	
Qld								
AGL	1.05	–	0.37	–	2.69	–	1.22	–
Click Energy	1.38	–	N/A	–	4.60	–	N/A	–
Diamond Energy	2.34	–	N/A	–	0.12	–	N/A	–
EnergyAustralia	10.83	–	N/A	–	16.96	–	N/A	–
Ergon Energy	2.60	–	N/A	–	7.54	–	N/A	–
Locality Planning Energy	0.27	–	N/A	–	0.03	–	N/A	–
Lumo Energy	4.82	–	N/A	–	0.90	–	N/A	–
M2 Energy	0.20	–	N/A	–	0.25	–	N/A	–
Metered Energy Holdings	1.19	–	N/A	–	0.00	–	0.00	–
Origin Energy	0.66	–	0.40	–	2.03	–	1.53	–
Powerdirect	2.37	–	N/A	–	0.33	–	N/A	–
QEnergy	8.35	–	N/A	–	0.00	–	N/A	–
Sanctuary Energy	1.89	–	N/A	–	1.78	–	N/A	–
Simply Energy	0.63	–	N/A	–	1.01	–	N/A	–
Total Qld	2.05	–	0.38	–	4.69	–	1.35	–
SA								
AGL	0.85	▲0.21	0.46	▲0.17	2.08	▼0.18	1.42	▲0.02
Alinta Energy	2.85	▼1.70	1.33	▼1.03	9.40	▲4.57	5.74	▼4.40
Click Energy	0.06	–	0.06	N/A	0.06	▲0.06	N/A	N/A
Diamond Energy	2.46	▲0.33	N/A	N/A	0.00	▲0.00	N/A	N/A
EnergyAustralia	10.76	▲0.67	8.46	▲0.33	13.13	▲0.14	10.51	▲0.22
Lumo Energy	3.13	▼0.33	N/A	N/A	0.57	▼0.21	N/A	N/A
M2 Energy	0.15	▼0.07	N/A	N/A	0.22	▲0.18	N/A	N/A
Momentum Energy	1.08	▼1.81	N/A	N/A	4.82	▼1.85	N/A	N/A
Origin Energy	0.95	▼0.34	0.47	-0.13	2.78	▼0.59	1.47	▼0.25
Pacific Hydro Retail	2.17	–	N/A	N/A	0.00	▲0.00	N/A	N/A
Powerdirect	1.48	▲0.34	N/A	N/A	0.27	▼0.02	N/A	N/A
Red Energy	4.56	▼0.16	N/A	N/A	5.47	▼0.39	N/A	N/A
Sanctuary Energy	2.03	▲1.21	N/A	N/A	1.42	▼0.55	N/A	N/A
Savant Energy Power Networks	0.93	–	N/A	N/A	0.00	0.00	N/A	N/A
Simply Energy	2.11	▼1.99	1.56	-0.63	6.79	▼2.87	5.32	▼1.21
Total SA	2.29	▼0.10	1.66	▼0.03	4.09	▼0.63	3.16	▼0.28
ACT								
ActewAGL	0.18	▲0.01	0.09	▼0.07	1.99	▲0.06	0.94	▼0.38
EnergyAustralia	14.46	▲0.83	13.94	▲0.54	8.86	▼0.16	8.56	▲1.99
Origin	0.48	▲0.43	0.73	▲0.23	0.72	▲0.65	1.02	▲0.97
Total ACT	0.66	▲0.04	0.60		2.17	▲0.03	1.21	▼0.28
Tasmania								
Aurora	0.88	▼0.13	N/A	N/A	1.45	▼0.15	N/A	N/A
NSW								
ActewAGL	0.50	▼0.02	0.15	▼0.06	4.61	▼0.42	1.29	▼0.42
AGL	0.69	▲0.27	0.20	▲0.02	1.98	▼0.41	0.78	▼0.08
Click Energy	0.44	▲0.08	N/A	N/A	1.09	▲0.01	N/A	N/A

Retailer	Customers on payment plans (per 100)				Customers with payment plans cancelled (per 100)			
	Electricity		Gas		Electricity		Gas	
CovaU	1.56	▲0.42	0.74	▲0.25	2.29	▲1.91	1.17	▲1.17
Diamond Energy	2.03	▲0.09	N/A	N/A	0.00	0.00	N/A	N/A
EnergyAustralia	6.35	▼0.16	4.96	▲0.08	8.46	▲2.10	6.51	▲2.16
Lumo Energy	4.32	▲0.75	3.40	▲0.48	1.14	▲0.10	0.71	▼0.03
M2 Energy	0.08	▼0.08	0.00	0.00	0.28	▲0.08	0.00	0.00
Momentum Energy	1.21	▲0.38	N/A	N/A	7.30	▲1.24	N/A	N/A
Origin Energy	0.58	▼0.25	1.17	▲0.19	1.82	▼0.41	1.59	▼0.16
Powerdirect	1.42	▲0.15	N/A	N/A	0.17	▼0.13	N/A	N/A
Powershop	0.32	▲0.32	N/A	N/A	0.00	0.00	N/A	N/A
QEnergy	3.24	▲0.77	N/A	N/A	0.00	0.00	N/A	N/A
Red Energy	2.65	▼0.25	0.57	▲0.57	3.25	▼0.19	0.24	N/A
Sanctuary Energy	1.71	▲1.10	N/A	N/A	1.40	▼0.20	N/A	N/A
Simply Energy	3.28	▲1.62	N/A	N/A	11.61	▼1.09	N/A	N/A
Total NSW	2.49	▼0.10	1.58	▲0.08	4.00	▲0.39	2.33	▲0.49

Managing customers with payment difficulties: The AER's Sustainable Payment Plans Framework

Payment plans are one of the main ways energy retailers can help customers who are experiencing financial difficulties to better manage their energy bills. Under the National Energy Retail Law and Rules energy retailers must establish payment plans by having regard to a customer's capacity to pay, any amount they owe, and how much energy they expect to use over the next year.

During 2015–16 we worked collaboratively with a wide range of stakeholders to develop a good practice framework for assessing customers' capacity to pay.

The Sustainable Payment Plans Framework (Framework) is intended to improve the quality of capacity to pay conversations while still allowing flexibility and encouraging retailers to offer extra assistance to customers. Its aim is to achieve better outcomes by helping customers and retailers agree to payment plans that are affordable and sustainable.

The Framework consists of:

- a set of principles that should guide retailers' capacity to pay conversations with customers. The principles are:
 - Empathy and respect—including that retailers should avoid blame and judgement, and act in good faith towards customers
 - Flexibility—including accepting that customers' circumstances vary, and that financial issues may be short or long-term
 - Consistency—including that retailers consistently apply the Framework's principles to their engagement with payment plan customers, so that those with the same circumstances will receive the same standard of assistance.
- a flow chart outlining good practice actions and considerations at different stages of a payment plan, including: determining the customer's capacity to pay, reviewing the payment plan, helping customers in severe financial difficulty, dealing with missed payments and completing a payment plan.

Background

In January 2015, we published a review of energy retailers' customer hardship policies and practices.

The review made a number of findings and observations about energy retailers' approaches to dealing with customers experiencing payment difficulties, including how they approached establishing payment plans with customers.

These included numerous examples of good practice in regard to some retailers' approaches to negotiating affordable repayment amounts with customers, but also practices and attitudes that contributed to poor consumer outcomes.

The review identified a range of issues that had a negative impact on outcomes for consumers, including:

- customers feeling pressured to agree to retailers' proposed repayment amounts, even if they could not afford them

- retailers pushing customers to meet their current consumption costs even if the customer said they could not afford that amount, and
- retailer uncertainty about processes for dealing with payment plan customers, such as requiring customers to see a financial counsellor as a pre-condition of accessing a payment plan.

The report noted that we would work collaboratively with retailers and other stakeholders to develop and implement strategies to improve outcomes for customers experiencing financial difficulties.

In October 2015, we commenced preliminary discussions with stakeholders about developing a practical Framework, based on identified and agreed good practice, which retailers could adopt to guide their engagement with customers when having conversations about a customer's capacity to pay in the context of setting up payment arrangements.

Consultation

We engaged with large, medium and small energy retailers, financial counsellors, consumer representatives, energy Ombudsman schemes and other interested stakeholders to develop the Framework. Many of these stakeholders provided feedback to inform specific aspects of the Framework.

Retailer, consumer and ombudsman stakeholders were all supportive of the Framework's principles-based approach, and of the principles themselves.

Implementation

The framework is voluntary. In November 2016 we published a list on our website and Energy Made Easy of retailers whose businesses committed to meeting the Framework's standards.

This published list will assist customers and their representatives know what to expect when dealing with a retailer, provide positive recognition for retailers that adopted the Framework, and promote transparency and accountability.

2.5 Hardship programs

A key protection for vulnerable customers is the requirement for energy retailers to develop and maintain a customer hardship policy that sets out their approach to identifying and assisting customers experiencing difficulty paying their energy bills.¹⁹

Referral to a hardship program is generally the most appropriate form of assistance when a customer's payment difficulties are overwhelming, such that they cannot meet a payment plan arrangement because they lack the capacity to pay for current and future consumption.

Help under a retailer's hardship program can include tailored payment plans and further support measures to assist customers to manage their bills on an ongoing basis. As long as a customer is meeting their payments, they can't be disconnected.

Retailers report annually on:

- the number of customers who each retailer has on hardship programs
- the payment methods used by these customers
- the average level of debt held by customers on hardship programs
- the reasons for customers exiting hardship programs.

¹⁹ Hardship programs are available to eligible customers, and must include: processes to identify customers who need assistance, flexible payment options including specifically tailored payment plans and Centrepay, advice on concessions and government grants, referrals to financial counselling services, energy efficiency advice and waiving late payment fees. Customers on hardship programs will not be disconnected while they continue to meet agreed payment arrangements.

2.5.1 Customers on hardship programs

Table 2.6 shows the number of electricity and gas customers on hardship programs for each retailer in each jurisdiction.

In New South Wales, Queensland, the ACT and Tasmania, fewer than 1 per 100 electricity customers are receiving assistance under a retailer's hardship program.

In South Australia, the rate increased to 1.8 per 100 electricity customers and 1.4 per 100 gas customers.

This was driven in part by AGL, for whom the rate of electricity customers on hardship programs (increased to 2.2 per 100 electricity customers and up to 2.45 per 100 gas customers. AGL's hardship rates were the highest in South Australia, followed by Simply Energy.

Decreases were reported by EnergyAustralia and Momentum Energy. Interestingly, both these retailers had high levels of customers on payment plans compared to other retailers.

In New South Wales, increases in the proportion of electricity customers on hardship programs were reported by AGL and QEnergy. Decreases were recorded by Simply Energy and M2 Energy.

In Tasmania, the number of Aurora Energy's customers on hardship programs increased to 0.87 per 100 customers.

There was little change in the proportion of electricity customers on hardship programs in the ACT.

Table 2.6: Customers on hardship programs as at 30 June 2016 (change since 2015)

Retailer	Customers on hardship programs (per 100)			
	Electricity		Gas	
Qld				
AGL	1.43	—	1.04	—
Click Energy	0.80	—	—	—
Diamond Energy	0.31	—	—	—
EnergyAustralia	1.06	—	—	—
Ergon Energy	1.06	—	—	—
Lumo Energy	0.74	—	—	—
M2 Energy	1.63	—	—	—
Metered Energy Holdings	0.15	—	0.00	—
Origin Energy	0.68	—	0.29	—
Powerdirect	1.01	—	—	—
QEnergy	3.03	—	—	—
Sanctuary Energy	0.70	—	—	—
Simply Energy	0.13	—	—	—
Total Qld	0.97		0.59	
SA				
AGL	2.20	▲0.84	2.45	▲1.10
Alinta Energy	1.02	▼0.50	0.61	▼0.44
Diamond Energy	0.21	▲0.21	—	0.00
EnergyAustralia	1.83	▼0.70	0.87	▼0.27
Lumo Energy	0.60	▲0.07	—	—
M2 Energy	1.47	▲0.30	—	—
Momentum Energy	1.55	▼0.41	—	—
Origin Energy	1.50	▲0.02	0.65	▲0.13
Powerdirect	1.11	▲0.45	—	—
QEnergy	0.81	—	—	—
Red Energy	0.91	▲0.07	—	—
Simply Energy	2.02	▼0.14	2.14	▲0.13
Total SA	1.8	0.3	1.36	▲0.36
ACT				
ActewAGL	0.36	▼0.02	0.70	▲0.21
EnergyAustralia	0.86	▼0.95	0.72	▼0.35
Origin	0.16	▲0.16	0.25	N/A
Total ACT	0.37	▼0.05	0.68	▲0.18
Tasmania				
Aurora	0.87	▲0.16	—	N/A
NSW				
1st Energy	0.07	N/A	—	—
ActewAGL	1.29	▼0.15	1.03	▲0.25
AGL	1.53	▲0.64	0.80	▲0.37
Click Energy	0.29	▲0.16	—	—
CovaU	0.23	▲0.16	0.11	N/A
Diamond Energy	0.13	▲0.06	—	—
EnergyAustralia	0.36	▼0.20	0.16	▲0.00
Lumo Energy	0.46	▲0.10	0.29	▲0.03
M2 Energy	0.81	▼0.47	0.07	▲0.07

Retailer	Customers on hardship programs (per 100)			
	Electricity		Gas	
Momentum Energy	1.66	▼ 0.39	–	–
Origin Energy	0.68	▼ 0.09	0.45	▲ 0.10
Powerdirect	0.72	▲ 0.23	–	–
Powershop	0.14	N/A	–	–
QEnergy	3.24	▲ 1.42	–	–
Red Energy	0.45	0.00	0.13	N/A
Sanctuary Energy	0.21	▼ 0.04	–	–
Simply Energy	2.21	▼ 0.70	–	–
Total NSW	0.79	▲ 0.05	0.56	▲ 0.20

Note: Excludes retailers with zero customers on hardship programs.

Table 2.7 shows the proportion of customers on hardship programs that also receive payment assistance through energy concessions.

The proportion of New South Wales electricity customers on hardship programs receiving concessions increased to 73 per cent (from 60 per cent). Only 41 per cent of electricity customers on hardship programs in South Australia receive concessions, whereas 79 per cent in Tasmania receive concessions.

The proportion of ACT gas hardship customers receiving an energy concession more than halved to 26 per cent (from 57 per cent).

Table 2.7: Concession customers on hardship programs (change since 2014)

Jurisdiction	Electricity		Gas	
	(% of customers on hardship programs)		(% of customers on hardship programs)	
Queensland	52%	N/A	53%	
South Australia	41%	0%	12%	▼ 4%
ACT	60%	▲ 2%	26%	▼ 31%
New South Wales	73%	▲ 13%	66%	▲ 66%
Tasmania	79%	▼ 2%	–	–

2.5.2 Payment methods of hardship program customers

The Retail Rules require that a payment plan for a hardship customer must be established having regard to the customer's capacity to pay, any amounts owed by the customer, and the customer's expected energy consumption over the coming 12 months.²⁰

The Retail Law requires retailers to offer flexible payment options (including Centrepay) to hardship customers.²¹ Centrepay is a free direct bill-paying service available to customers receiving Centrelink payments. Through Centrepay, customers can pay bills by having a regular amount deducted from their Centrelink payments and transferred electronically to an approved Centrepay business. Centrepay make it easier for customers to budget by having their bills paid in more manageable instalments.

Table 2.8 shows the payment methods of electricity and gas customers on hardship programs.

The table shows take-up of Centrepay as a payment option varies across jurisdictions, with New South Wales, South Australia and Queensland having low levels of Centrepay use (fewer than one in four hardship customers) while in the ACT and Tasmania more than one in three hardship customers are using Centrepay.

²⁰ National Energy Retail Rules, r. 72(1)(a).

²¹ National Energy Retail Law, s. 44(c).

This may be due to a range of factors, including lack of retailer promotion of Centrepay as a payment option.²²

Other reasons may include demographic changes. As with energy concessions, lower proportions of customers on hardship programs using Centrepay to repay energy debt (as in South Australia and New South Wales) may suggest that not only customers with low incomes are accessing hardship programs.

This observation supports findings of consumer welfare organisations that the demographic of people needing assistance is changing, that more middle income families are seeking assistance to pay their energy bills²³, and that energy stress is not limited to traditionally socio-economically disadvantaged areas.²⁴

In contrast, Tasmania's rate of Centrepay use increased to 48 per 100 hardship customers (from 39 per 100).

We consider that Centrepay is an important budget management tool that retailers should actively promote and offer to eligible customers not only those customers in hardship programs.

In this context, our voluntary Sustainable Payment Plans Framework states that retailers should offer Centrepay and conduct concession checks to every customer who receives income from Centrelink, as this is a very easy way to assist this particular group of vulnerable customers.²⁵

Table 2.8: Payment methods of hardship program customers

Jurisdiction	Payment plan (non-Centrepay)		Centrepay		Other	
Electricity						
Queensland	51%	—	17%	—	32%	—
South Australia	63%	▼10%	23%	▲1%	14%	▲9%
ACT	52%	▼6%	47%	▲5%	1%	▲1%
New South Wales	56%	▼16%	25%	▼2%	18%	▲17%
Tasmania	52%	▼9%	48%	▲9%	0%	0%
Gas						
Queensland	68%		14%	—	18%	▲18%
South Australia	61%	▼8%	22%	▼1%	17%	▲9%
ACT	69%	▼6%	30%	▲5%	2%	▲2%
New South Wales	68%	▼6%	21%	▼5%	11%	▲11%

2.5.3 Debt levels of customers on hardship programs

If a customer enters a hardship program with a low level of debt they have a greater chance of fully repaying their debt, and successfully completing the hardship program. Low debt levels may indicate that retailers are being more proactive in identifying customers experiencing financial issues, as well as greater awareness among customers that they should seek assistance as soon as they experience payment difficulties. Figures 2.4 and 2.5 show the debt levels of electricity and gas customers who entered hardship programs in 2014–15 and 2015–16.

Around 64 per 100 Click Energy customers, 76 per 100 Lumo Energy customers and 82 per 100 Red Energy customers entering those retailers' hardship programs had debt less than \$500. In contrast, 44 per 100 Aurora customers and 47 per 100 Powerdirect customers entering hardship programs had debts over \$1500.

22 Our 2015 Review of retailers' hardship policies and practices found relatively low numbers of hardship customers using Centrepay, suggesting it is not being well-promoted, or even offered to eligible customers by retailers. We raised this issue with a number of retailers and indicated our expectation that this improve.

23 Kildonan, 'Two incomes, still short', 2015, www.kildonan.org.au/media-and-publications/news/two-incomes-still-short/.

24 St Vincent de Paul, 'Households in the Dark', 2016, https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/VINNIES_NATIONAL/Households_in_the_dark.

25 AER Sustainable Payment Plans Framework, 2016, <http://www.aer.gov.au/retail-markets/retail-guidelines/aer-sustainable-payment-plans-framework>.

Origin Energy had proportionally 14 per cent fewer electricity customers entering its hardship program with debts over \$1500.

Gas customers generally entered hardship programs with lower levels of debt, with most customers of gas retailers entering hardship programs with less than \$500 of debt.

After reporting 40 per cent of customers entering hardship programs had debts greater than \$1500 in 2014–15, EnergyAustralia this year reported 17 per cent of customers with this level of debt. Origin Energy also recorded an increase in the proportion of customers entering its hardship program with debt less than \$500 in 2015–16 (74 per cent, compared with 59 per cent in 2014–15).

Nationally, the customers with the highest average debt when entering their retailer's hardship program belonged to Aurora (\$1866), Powerdirect (\$1717) and M2 Energy (\$1629).

Figure 2.4: Electricity debt levels of customers entering hardship programs in 2014–15 and 2015–16

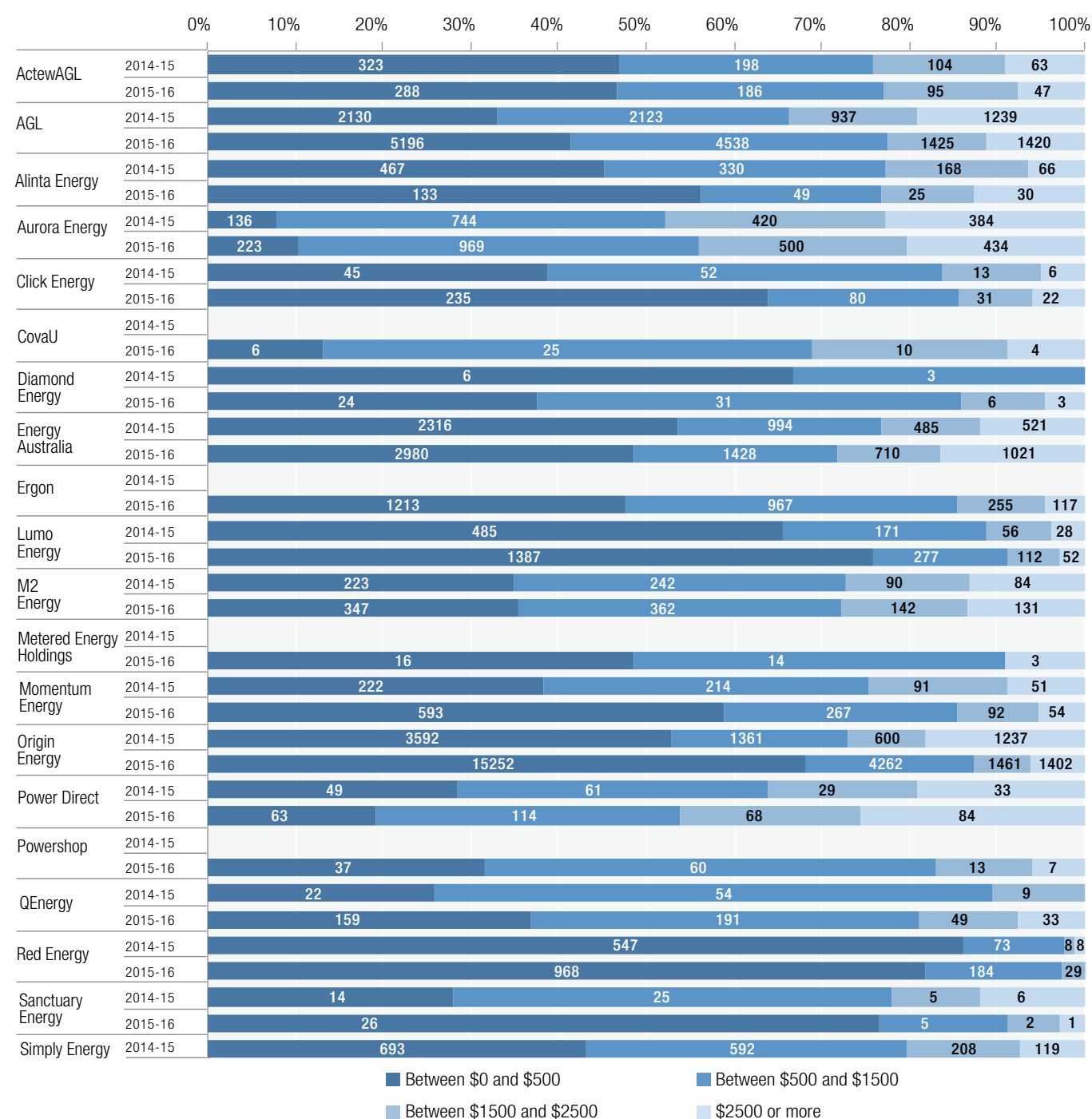
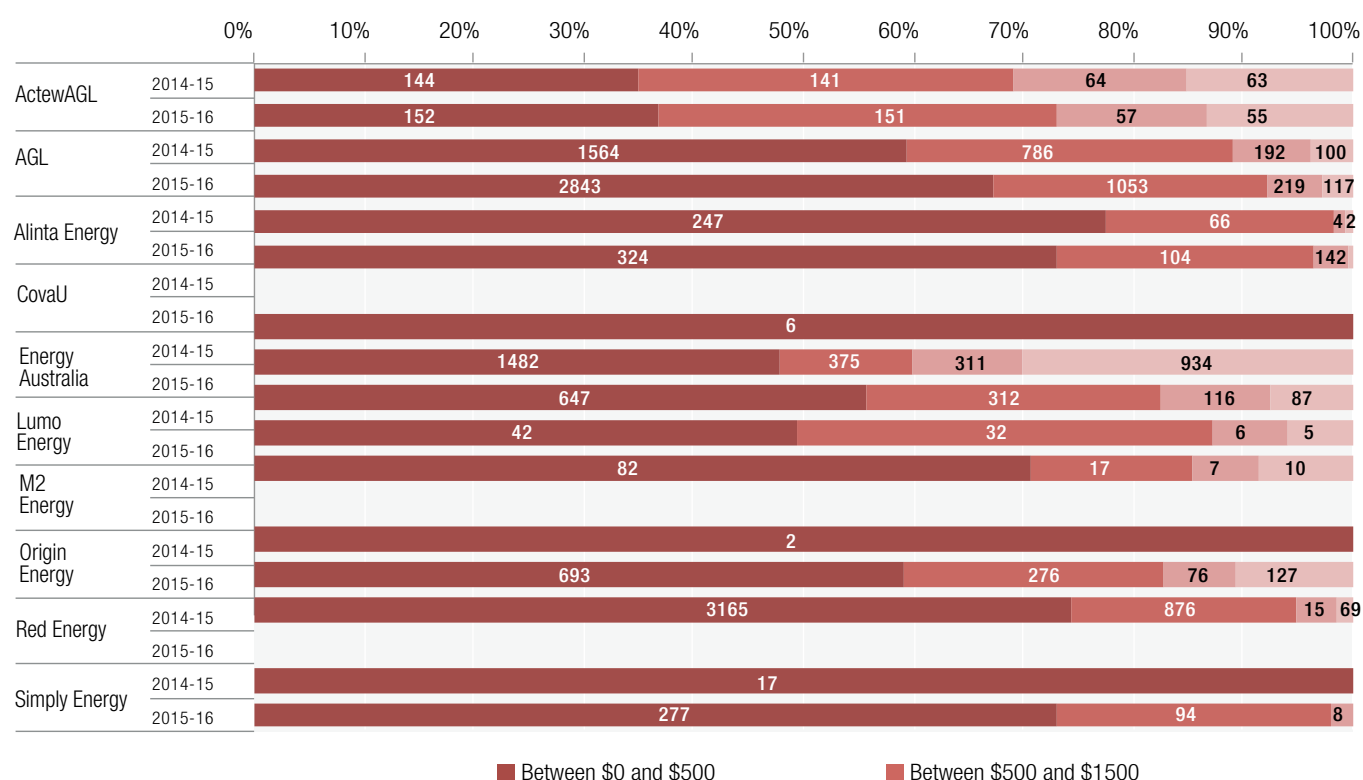


Figure 2.5: Gas debt levels of customers entering hardship programs in 2014–15 and 2015–16



2.5.4 Customers exiting hardship programs

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

- customer who successfully completed the program or exited with the agreement of the retailer
- customers who transferred, switched or left the retailer, and
- customers who were excluded or removed from the program for failing to meet the requirements.

Figures 2.6 and 2.7 shows the number of electricity and gas customers who exited hardship programs for each retailer in 2014–15 and 2015–16.

These figures, read in conjunction with debt levels and debt on entry, may indicate retailers are taking a more proactive approach to managing customers through their hardship programs.

The proportion of electricity customers exiting hardship programs due to successfully paying off debt increased from 24 per 100 customers exiting in 2014–15 to 36 per 100 exiting 2015–16.

Additionally, over this period the rate of customers exiting hardship customers due to exclusion decreased from 57 to 46 per 100 customers, while the proportion of customers exiting by transfer to other retailers remained static.

This increase in successful completion was due in part to the three largest retailers, all of which reported higher rates of customers exiting hardship plans for this reason.

Alinta Energy's rate of exit for successful completion also increased from 10 to 36 per 100 customers.

Momentum Energy (13 per 100 exiting customers) and M2 Energy (11 per 100) had among the lowest rates of customers exiting hardship programs due to successful completion over the year.

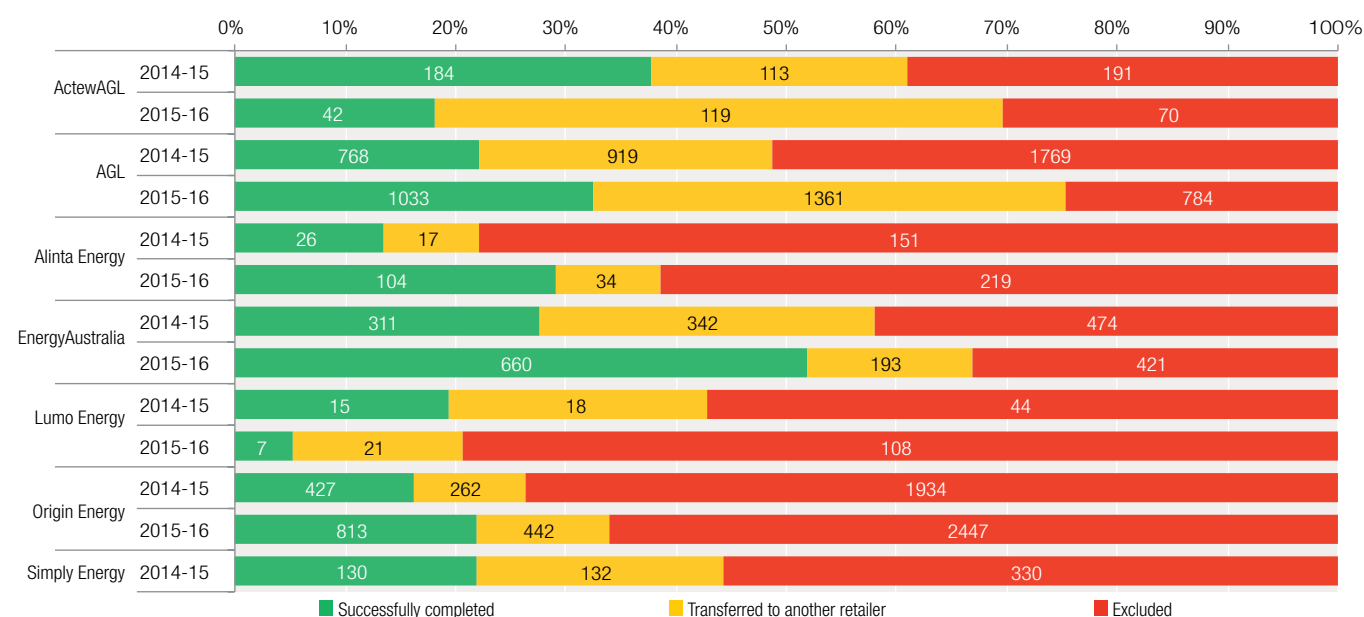
Figure 2.6: Electricity customers exiting hardship programs in 2014–15 and 2015–16



The 'success rate' of gas customers exiting hardship programs increased, from 22 per 100 customers in 2014–15 to 29 per 100 customers in 2015–16. Additionally over this period the proportion of customers leaving due to exclusion decreased from 57 to 48 per 100 customers.

Lumo Energy had the lowest rate of gas customers exiting hardship programs for successful completion (5 per cent). EnergyAustralia had the highest success rate, with more than half exiting due to successful completion.

Figure 2.7: Gas customers exiting hardship programs in 2014–15 and 2015–16



2.5.5 How do retailers manage customers on hardship programs?

Retailers have reported to us different types of assistance that they may provide under their hardship program. For example, retailers generally found the following methods were successful in helping the customer repay their energy debt:

- early identification of customers with debt
- conducting home energy audits and replacing faulty appliances
- matching customer debt repayments, or providing goodwill credits towards customer accounts
- accepting lower than normal repayments in the short term.

No clear correlation between average debt on entry, use of Centrepay and success rate was evident from the 2015–16 figures. While the retailers with the highest successful hardship program rates tended to have lower debt on entry, several retailers with low average debt on entry also had very low success rates.

We note that while there were improvements in the indicators for customers exiting hardship programs in 2015–16 (figures 2.6 and 2.7) success rates for hardship programs as a proportion of all hardship customers were generally low. Only four electricity retailers and one gas retailer had a success rate greater than 10 per 100 hardship customers.

In summary, it is important not to view these indicators in isolation when assessing the performance of retailers in managing customers on hardship programs. For example, in some cases the success rates reported by retailers may be due to early intervention; but the data suggests that this is not the case for all retailers.

Table 2.9: Hardship program performance indicators—by retailer

	Customers on hardship programs (as % of customers with debt)	Average debt on entry to hardship programs	Hardship customers using Centrepay	Success rate of hardship programs
Electricity				
1st Energy	38%	\$846.52	0%	0%
ActewAGL	15%	\$988.09	48%	3%
AGL	29%	\$967.01	17%	9%
Alinta	24%	\$1000.00	0%	52%
Aurora	36%	\$1866.00	48%	9%
Click Energy	27%	\$704.93	15%	23%
CovaU	13%	\$1296.90	0%	10%
Diamond Energy	22%	\$924.49	19%	10%
EnergyAustralia	13%	\$1093.46	34%	9%
Ergon	32%	\$581.00	26%	42%
Lumo	20%	\$574.53	7%	11%
M2 Energy	81%	\$1629.42	9%	3%
Metered Energy	6%	\$658.03	79%	14%
Momentum	58%	\$546.39	46%	8%
Next Business	33%	\$630.00	0%	0%
Origin	34%	\$790.15	30%	10%
Powerdirect	10%	\$1716.92	26%	4%
Powershop	13%	\$656.67	0%	3%
QEnergy	29%	\$983.71	20%	12%
Red Energy	21%	\$223.36	41%	9%
Sanctuary	13%	\$258.42	10%	5%
Simply Energy	38%	\$1216.87	39%	5%
Gas				
ActewAGL	9%	\$1065.23	27%	1%
AGL	23%	\$512.99	15%	8%
Alinta	17%	\$460.00	0%	42%
CovaU	18%	\$376.00	0%	0%
EnergyAustralia	6%	\$848.88	31%	8%
Lumo	7%	\$1424.21	5%	8%
M2 Energy	19%	\$455.21	0%	0%
Origin Energy	14%	\$514.59	35%	9%
Red Energy	6%	\$26.66	8%	0%
Simply Energy	44%	\$501.08	26%	5%

2.6 Disconnections and reconnections

Energy is an essential service. Disconnection for non-payment of bills should be viewed as a last resort. The number of disconnections may be analysed alongside hardship program and energy debt statistics to provide an indication of how retailers meet their obligations to help customers manage their debt while ensuring that customers continue to receive an energy supply.

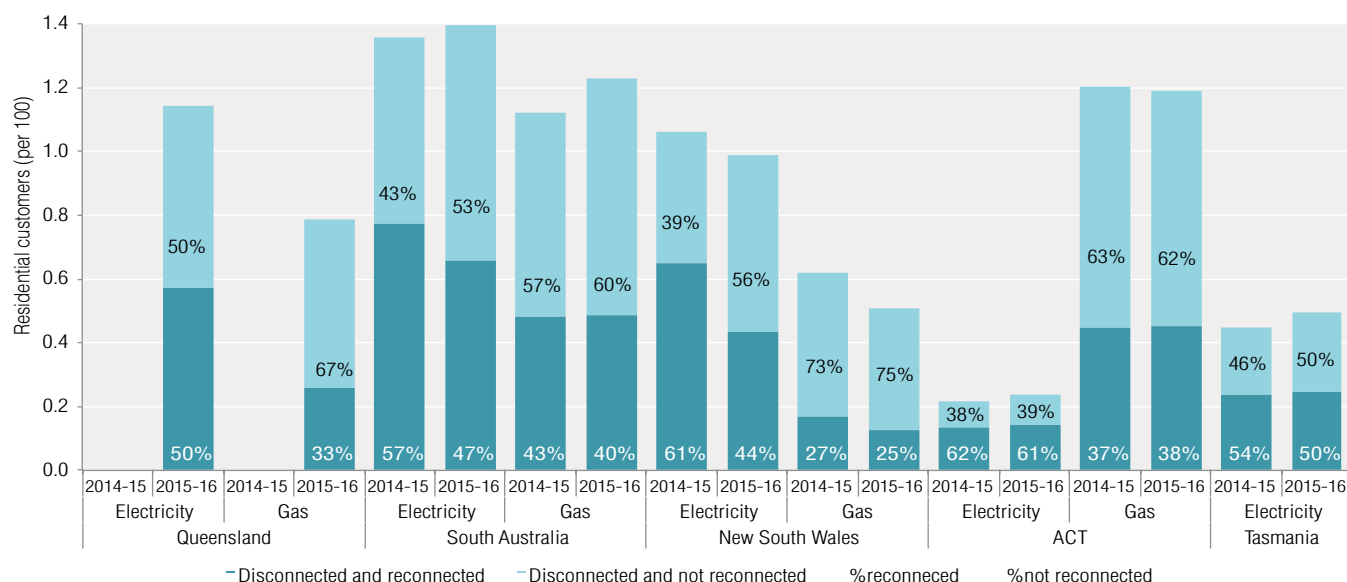
Figure 2.8 shows the proportion of residential customers disconnected for non-payment in each jurisdiction. It also shows the proportion of customers who were reconnected under the same name and address by their retailer.

Disconnections for non-payment increased in South Australia for electricity and gas to 1.39 electricity customers per 100 and 1.2 gas customers per 100.

While disconnections for non-payment increased in the ACT and Tasmania, overall the rates remained comparatively low.

Disconnection rates decreased in NSW for both fuel types, and there was a slight decrease in the rate of gas disconnections in the ACT.

Figure 2.8: Residential customers disconnected for non-payment in 2014–15 and 2015–16 by jurisdiction



Tables 2.10 and 2.11 show the rates of electricity and gas customers (respectively) disconnected for non-payment. The tables also show the percentage of disconnected customers who were reconnected as well as the percentage of those reconnections that occurred within seven days.

South Australia had the highest rate of electricity customers disconnected for non-payment. Three large retailers—AGL, Origin Energy and Simply Energy—disconnected a smaller proportion of customers than in 2014–15, but these decreases were offset by increases in the rate of disconnections by EnergyAustralia (a three-and-a-half-fold increase from 2014–15), Alinta Energy (around double 2014–15), Lumo Energy (more than double) and Red Energy (up by a half).

Alinta Energy had the highest electricity disconnection rate of South Australian retailers, disconnecting 3.64 electricity customers per 100.

In South Australia, Alinta's disconnection rate of over 6 per 100 gas customers was more than three times the rate of the next highest retailer.

Electricity disconnections rates fell in New South Wales fell, assisted by decreased numbers of disconnections by Origin Energy and AGL.

Table 2.10: Residential electricity customers disconnected and reconnected by retailers for non-payment in 2015–16

Retailer		Disconnections (per 100)	Reconnections (% of disconnections)	% of reconnections within 7 days
Queensland				
AGL	1.16	–	42%	96%
Click Energy	0.65	–	45%	95%
Diamond Energy	0.35	–	67%	100%
EnergyAustralia	1.76	–	49%	91%
Ergon Energy	1.40	–	45%	93%
Locality Planning Energy	0.20	–	100%	100%
Lumo Energy	2.07	–	40%	100%
M2 Energy	0.45	–	22%	81%
Metered Energy Holdings	1.98	–	77%	100%
Origin Energy	0.33	–	67%	95%
Powerdirect	2.21	–	52%	98%
QEnergy	1.90	–	28%	100%
Sanctuary Energy	0.38	–	71%	80%
Simply Energy	0.76	–	42%	80%
Total Qld	1.14		50%	94%
South Australia				
AGL South Australia	0.93	▲ 0.30	48%	92%
Alinta Energy	3.64	▲ 1.86	38%	92%
Diamond Energy	0.14	N/A	50%	100%
EnergyAustralia	1.99	▲ 1.44	51%	81%
Lumo Energy (SA)	1.91	▲ 1.04	20%	100%
M2 Energy	0.32	▲ 0.21	40%	100%
Momentum Energy	1.56	▲ 0.41	48%	75%
Origin Energy	1.40	▼ 0.35	55%	89%
Powerdirect	1.24	▲ 0.43	41%	94%
QEnergy	0.81	▼ 5.81	0%	N/A
Red Energy	1.61	▲ 0.53	20%	89%
Simply Energy	1.61	▼ 0.78	57%	70%
Total SA	1.39	▲ 0.03	47%	87%
ACT				
ActewAGL	0.19	▼ 0.03	64%	94%
EnergyAustralia	1.21	▲ 1.10	55%	67%
Origin Energy	0.54	N/A	44%	44%
Total ACT	0.24	▲ 0.03	61%	86%
Tasmania				
Aurora	0.50	▲ 0.05	50%	90%
New South Wales				
1st Energy	0.07	N/A	33%	100%
ActewAGL	0.52	▼ 0.01	36%	87%
AGL	1.36	▼ 0.45	38%	95%
Click Energy	0.23	▼ 0.55	28%	75%
CovaU	2.11	▲ 2.04	31%	81%
Diamond Energy	0.67	▲ 0.54	42%	100%
EnergyAustralia	0.72	▲ 0.45	43%	89%

Retailer		Disconnections (per 100)	Reconnections (% of disconnections)	% of reconnections within 7 days
Lumo Energy	3.18	▲ 2.00	22%	100%
M2 Energy	0.52	▼ 0.11	27%	88%
Momentum Energy	2.31	▲ 1.18	40%	91%
Next Business Energy	0.59	N/A	100%	100%
Origin Energy	0.89	▼ 0.31	55%	90%
Powerdirect	2.22	▲ 1.26	35%	96%
Powershop	0.08	N/A	22%	100%
QEnergy	2.68	▼ 1.32	33%	75%
Red Energy	0.69	▲ 0.04	29%	71%
Sanctuary Energy	0.10	▼ 0.19	75%	100%
Simply Energy	4.50	▼ 1.78	48%	79%
Total NSW	0.99	▼ 0.07	44%	90%

Table 2.11: Residential gas customers disconnected and reconnected by retailers for non-payment in 2015–16

Retailer	Disconnections (per 100)		Reconnections (% of disconnections)	% of reconnections within 7 days
Queensland				
AGL	1.23		31%	76%
Metered Energy Holdings	0.14		75%	100%
Origin Energy	0.49		36%	49%
Total Qld	0.79		33%	67%
South Australia				
AGL	0.98	▼ 0.29	40%	84%
Alinta Energy	6.25	▲ 4.58	23%	71%
EnergyAustralia	1.36	▲ 0.93	50%	57%
Origin Energy	0.80	▲ 0.12	49%	74%
Simply Energy	1.64	▼ 0.98	34%	55%
Total SA	1.23	▲ 0.11	40%	71%
ACT				
ActewAGL	1.21	▼ 0.04	38%	73%
EnergyAustralia	1.48	▲ 0.79	37%	48%
Origin Energy	0.55		29%	57%
Total ACT	1.19	▼ 0.01	38%	72%
New South Wales				
ActewAGL	2.16	▼ 0.32	28%	78%
AGL	0.43	▼ 0.29	25%	81%
CovaU	0.80		33%	100%
EnergyAustralia	0.56	▲ 0.42	23%	64%
Lumo	1.34	▲ 1.25	11%	60%
Origin Energy	0.49	▼ 0.26	27%	65%
Total NSW	0.51	▼ 0.11	25%	73%

Tables 2.12 and 2.13 show the number of residential electricity and gas disconnections in each jurisdiction since 2009–10.

Electricity disconnections in New South Wales decreased slightly for the second consecutive year to around 30 000. For the fourth successive year, over 10 000 electricity customers were disconnected for non-payment of electricity bills in South Australia.

Despite the increase in gas disconnections in New South Wales, the number of customers disconnected was well below the peak in 2011–12. Gas disconnections in South Australia have reached their highest ever level.

Table 2.12: Residential electricity disconnections for non-payment, 2009–10 to 2015–16

	Queensland	New South Wales	South Australia	Tasmania	ACT
2009–10	–	15 835	4 748	1 396	880
2010–11	–	18 561	7 383	958	402
2011–12	–	23 207	9 893	178	420
2012–13	–	24 888	10 723	1 057	73
2013–14	–	32 940	10 148	1 555	269
2014–15	–	31 979	10 179	1 046	345
2015–16	21 672	30 065	10 546	1 172	388

Table 2.13: Residential gas disconnections for non-payment, 2009–10 to 2015–16

	Queensland	New South Wales	South Australia	ACT
2009–10	–	14 811	3 410	1 611
2010–11	–	17 480	2 724	1 411
2011–12	–	20 118	4 403	2 356
2012–13	–	7 520	3 129	1 572
2013–14	–	4 921	3 418	1 066
2014–15	–	7 555	4 575	1 404
2015–16	1 410	6 389	5 081	1 403

2.6.1 Disconnections of customers experiencing financial difficulty

Table 2.14 provides further information about residential customers disconnected in 2015–16 with indicators of financial difficulty.

These indicators include the proportion of disconnected customers who:

- were on a payment plan in the previous 12 months
- had been disconnected more than once in the previous 24 months
- were on an energy concession
- were on a hardship program.

The proportion of people disconnected while on a hardship program remained very low (less than 1 per cent of disconnections), although there were increases in other categories, such as multiple disconnections.

The proportion of disconnected electricity customers who had been on a payment plan in the previous 12 months increased to 33 per cent of disconnections (up from 25 per cent in 2014–15) and to 24 per cent for gas (up from 19 per cent).

Disconnections of customers who had been disconnected more than once in the previous 24 months also increased. For electricity, 18 per cent of disconnected customers have previously been disconnected (up from 10 per cent). For gas, disconnections of customers in this category more than doubled, increasing from 6 per cent to 13 per cent of disconnections.

These increases are concerning as they suggest more customers may be experiencing long-term and/or severe financial difficulties²⁶, and that they may not be receiving extra support under retailers' hardship programs to help them avoid disconnection.

²⁶ St Vincent de Paul Society's report *Households in the Dark* (2016) observed that communities where many households had multiple disconnections were likely to be those with 'entrenched poverty or ongoing financial hardship'.

In many cases, disconnection occurs because customers are unwilling to engage with retailers about their financial difficulties. This reluctance can be caused by a range of factors, including shame and distrust.

However, the low disconnection rates for hardship customers clearly highlights the benefit of customers proactively discussing their payment difficulties with their retailer and negotiating a sustainable approach to repaying debt.

Our Sustainable Payment Plans Framework, which commenced in November 2016, sets out good practice principles for retailers to enhance the quality of retailers' engagement with customers by encouraging open, clear and ongoing engagement based on trust, respect and empathy, and that increase the likelihood of constructive and long-term relationships.

We are hopeful that over the coming year, adoption by retailers of the Framework will see future positive impacts for customers.

Table 2.14: Residential customer disconnections, 2015–16

Type of customer disconnected	Electricity (% of disconnections)	Gas (% of disconnections)
Customer had been on a payment plan in previous 12 months	33% ▲ 8	24% ▲ 5
Customer had been disconnected on more than one occasion in the previous 24 months	18% ▲ 8	13% ▲ 7
Customer was receiving an energy concession	24% ▼ 2	N/A
Customer was on a hardship program	<1% ●	<1% ●

As discussed earlier in this report, a small number of residential customers in Tasmania use prepayment meters (PAYG) to manage their electricity account. Around half of the customers who use PAYG also receive energy concessions.

Table 2.15 shows the number of customers using PAYG (as at the end of June each year), as well as the number and length of self-disconnections²⁷ that occurred in each of the last four years.

Table 2.15: Disconnection of customers using prepayment meters in Tasmania

	Customers with PAYG	PAYG systems capable of detecting and reporting self-disconnections	Self-disconnection events	Average duration of self-disconnections (mins)
2012–13	33 158	4 662	1 068	225
2013–14	30 640	7 194	2 069	287
2014–15	29 612	8 902	2 632	325
2015–16	26 670	10 854	3 098	246

2.7 Energy concessions

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

We use the following indicators to report on energy concessions:

- number of customers in receipt of energy concessions (table 2.16)
- number of customers in receipt of energy concessions who were disconnected for non-payment (table 2.14)
- number of customers in receipt of energy concessions who were on a hardship program (table 2.7).

²⁷ Self-disconnection means an interruption to the supply of energy because a prepayment meter system has no credit (including emergency credit) available.

Table 2.16: Customers receiving energy concessions

	Electricity		Gas	
Queensland	26%	—	20%	—
New South Wales	27%	▼ 2%	18%	18%
South Australia	27%	▼ 2%	8%	▼ 18%
Tasmania	34%	▼ 4%	—	—
ACT	16%	▼ 1%	4%	▲ 13%

Note: The proportion of gas customers receiving concessions in South Australia and the ACT is estimated, as not all retailers distinguish whether the total energy concession is applied to gas bills.

Chapter 3 of this report examines energy concessions in greater detail, including typical savings that customers make with concessions in each jurisdiction.

2.8 Security deposits

Retailers can only require small customers to provide security deposits in specific 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.²⁸ Very few retailers hold security deposits—only Aurora Energy, Origin Energy and Ergon Energy in 2015–16.

Ergon holds deposits from more than 40 000 customers, which total \$14.2 million. Ergon stopped requesting security deposits from new residential customers from 1 July 2015 (the date the Retail Law commenced in Queensland) and has advised²⁹ that it will return deposits, with interest, after completing one year of paying bills by the due date. Accordingly, we would expect to see the number of customers with deposits decrease (and the amount held) by time of the next annual performance report.

Table 2.17: Security deposits held by retailers as at 30 June 2016

Retailer	Customers with security deposits	Total value of security deposits
Aurora Energy	24 (small business)	\$11 7350
Ergon Energy	33 494 (residential)	\$1 422 5047
	7 616 (small business)	
Origin Energy	7 (residential)	\$1 240

²⁸ National Energy Retail Rules, r. 40.

²⁹ <https://www.ergon.com.au/retail/residential/billing-and-payments/security-deposit>.

GoEnergy RoLR event

In April 2016 we oversaw the first transfer of customers of a failed energy retailer in our role overseeing the national Retailer of Last Resort (RoLR) scheme.

The transfer followed the Australian Energy Market Operator suspending electricity and gas retailer GoEnergy for failing to comply with market requirements.

GoEnergy's customers were transferred to other energy retailers under the provisions of the RoLR scheme to ensure the continued supply of essential energy services without interruption.

The RoLR scheme is principally designed to ensure that in the event of retailer failure, arrangements are in place to ensure that customers continue to receive electricity and/or gas supply. If an energy retailer fails, we have the power to transfer customers to a new retailer.

Approximately 2200 electricity customers in the ACT, South Australia, Queensland, and New South Wales were affected by Go Energy's failure.

The failure of Go Energy's gas retail operations only affected small number of large commercial customers in New South Wales and Queensland, with no residential or small business customers affected.

The former customers of Go Energy in these jurisdictions were transferred to ActewAGL Retail, AGL, Origin Energy, and EnergyAustralia.



3. Energy affordability

3.1 How we report on energy affordability

This chapter provides an overview of the annual cost of electricity and gas around the country³⁰ for a 'benchmark household'³¹ as at June 2016.

Our state-by-state analysis shows:

- the range in prices of electricity and gas offers generally available to residential customers in each distribution zone,
- estimates of annual electricity and gas bills (based on the median standing and market offers for benchmark consumption levels in each jurisdiction), and
- annual expenditure on electricity and gas bills as a share of disposable income for benchmark low, middle and high income households. For low income households, we also consider the impact of energy concessions.

Unless we state otherwise, any reference to 'market offer' and 'standing offer' refers to the median market and standing offer respectively. Similarly, any reference to an annual bill or charges refers to an estimated annual bill based on a benchmark household's consumption level. In our analysis of electricity bills we use two benchmark consumption levels for each jurisdiction: one for low income households (which, on average, have 1–2 people) and one for middle and high income (typical) households (which, on average, have 2–3 people). Our analysis of gas bills uses only typical consumption levels. 'Income' refers to annual disposable income.³²

Our methodology and approach is consistent with previous years. It is further explained in appendix 7.

3.2 National overview

Energy bills reflect the price customers pay and how much they use.

Energy customers pay different prices depending on where they live, how much network infrastructure is required to supply energy to them, how much competition there is between retailers in their area, what offer they are on, and whether they are eligible for a concession or rebate to offset the cost.

³⁰ We consider each jurisdiction that is part of the National Electricity Market (Queensland, New South Wales, Victoria, South Australia, Tasmania and the ACT). We have not considered energy affordability for customers in Western Australia and the Northern Territory.

³¹ We use the concept of a 'benchmark' household as every household has a different level of consumption and income and it is not possible to account for the individual characteristics of every household.

³² Disposable income is derived by deducting estimates of personal income tax and the Medicare levy from gross income.

Customers use different amounts of energy depending on how many people they live with; how the local climate impacts their heating and cooling needs; their lifestyle and whether they have access to gas or just electricity.

How 'affordable' energy is to each customer also varies, and is largely dependent on household income, as well as the other essential costs of living.

Our affordability report considers, but simplifies, these variables to present an overview of how electricity and gas bills are trending around the country, with a particular focus on low income households.

In this national overview section, we present the analysis in two ways. Figure 3.1 shows the estimated annual electricity and gas bill (respectively) for a low income household on a median market offer in each jurisdiction, and also the percentage of a low-income household's disposable income that this bill would represent. These bills are calculated using energy usage amounts specific to each jurisdiction. To represent relative prices between jurisdictions, figure 3.2 calculates bills using the same usage level across all jurisdictions.

In 2015–16, our analysis shows that electricity bills for a low income household on a market offer fell modestly in most jurisdictions (ranging from a fall of 3 per cent in South Australia to an increase of 2 per cent in Tasmania) over the year to June 2016. Gas bills for low-income households fluctuated more markedly around the country (ranging from a fall of 8.5 per cent in New South Wales to an increase of 9.2 per cent in Victoria).

Electricity bills for a low-income household remained highest in Tasmania (at \$1964 before any concessions) where electricity is the predominant source of fuel and cool climates generate high demand for electricity for heating. Although representing a significant 8.5 per cent of disposable income for a low income household, it is important to note that for most Tasmania households, this would be the only energy bill they receive, unlike in other jurisdictions where many households may also pay a gas bill.

Annual electricity bills to June 2016 for low income households in other jurisdictions on the median market offer ranged between \$1200 and \$1400 (before concessions). As a percentage of income, low-income households in ACT (where incomes are generally higher across all deciles) continued to fare slightly better, spending 3.6 per cent. This compares favourably to the relative spend by low income households in other jurisdictions of between 4.6–5.7 per cent (with Tasmania at 8.5 per cent).

While Tasmanian households are paying more for their electricity (when calculated using the same usage rate) than households in New South Wales, Victoria and the ACT (and a similar amount to Queensland), South Australian households are actually paying about 11 per cent more than Tasmanians and Queenslanders, even after two successive years of price falls of 3 and 4 per cent respectively.

Low income households in the ACT (\$1533) and Victoria (\$1316) continue to spend the most on their annual gas bills, where gas is both relatively prevalent and a popular fuel for heating during cool to cold winters. Unlike the ACT where bills are comparable to recent years, Victorian households spent 9.2 per cent more than the previous year. For a low-income household in Victoria, this would represent 5.2 per cent of income—higher than the relative spend on gas for a low income household in any other jurisdiction. Relative to the usage of a low-income household, New South Wales households enjoyed the largest fall in their annual gas bills (8.5 per cent), with an annual bill of around \$845 (with only Queensland lower at \$733 where heating demand is much lower).

Victorian households' spending on gas is due to higher usage alone, rather than price. Even with a 7.5 per cent increase in Victoria to June 2016, gas bills calculated at the same usage rate across all jurisdictions show that charges in Victoria are around 20 per cent cheaper than in New South Wales (the next cheapest) and about 40 per cent cheaper than Queensland and South Australia, where prices are similarly the highest.

Each state and territory government offers an energy concession to eligible households. Concessions can significantly improve energy affordability. The potential savings vary in each jurisdiction and depend on how the concession is applied, but could be in the order of several hundred dollars a year for each fuel (for example a \$484 concession for electricity for Tasmania households, a new \$100 concession for gas in New South Wales to go with the existing \$250 electricity concession and \$215 across both fuels in South Australia). We look more closely at the value and impact of concessions in our state-by-state sections.

While concessions represent an important saving for eligible households, our affordability analysis shows that, for many households, there are significant savings to be achieved just by switching to a cheaper offer. We encourage customers to visit our Energy Made Easy website (www.energymadeeasy.gov.au) to check the generally available offers in their area³³. Again, we look more closely at this in our state-by-state sections.

Figure 3.1: Annual electricity and gas bills, and as a share of benchmark low income household's disposable income (without concession)—jurisdiction specific 'low' consumption levels, June, 2014, 2015 and 2016

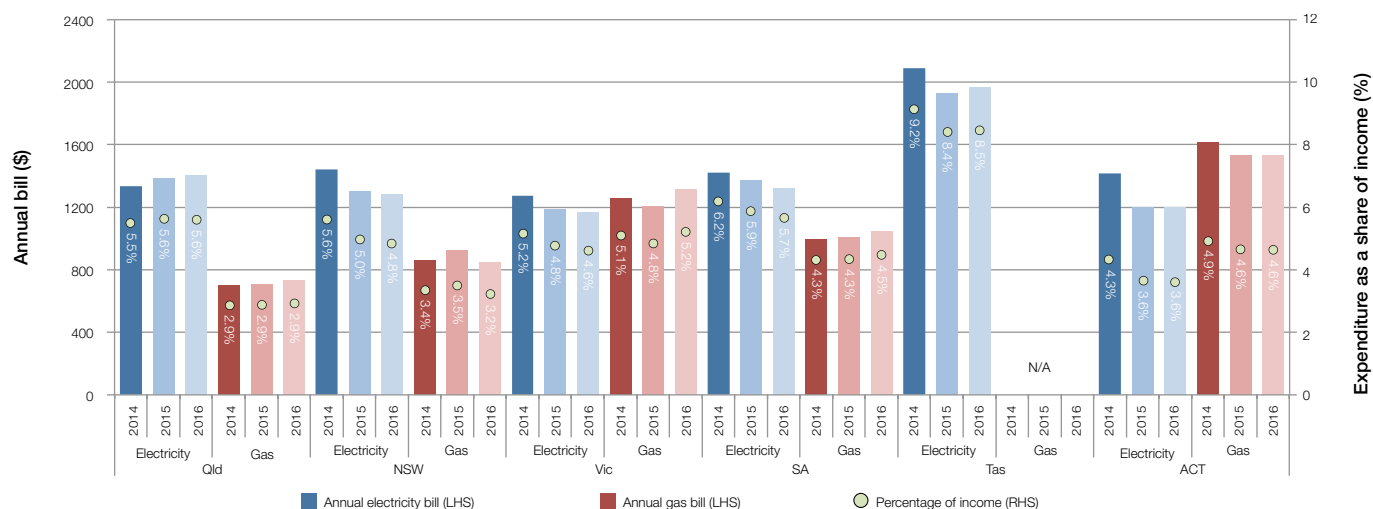
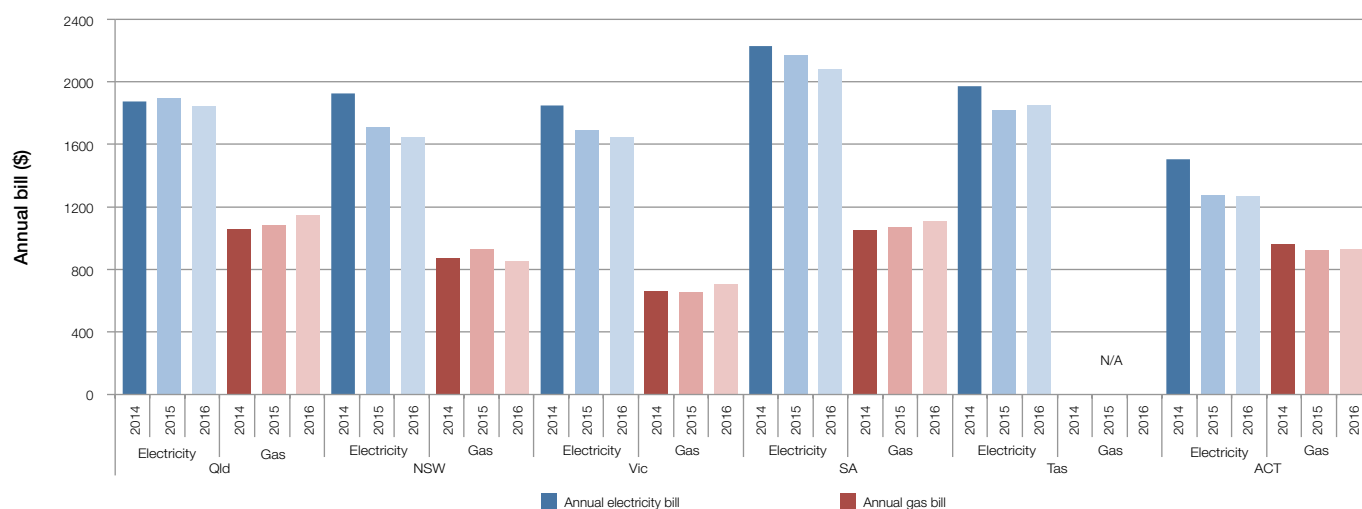


Figure 3.2: Annual electricity and gas bills (6000 kWh 24000 MJ—all jurisdictions), June 2014, 2015 and 2016



3.3 Queensland

3.3.1 Energy prices and bills

There are two electricity distribution zones in Queensland:

- Energex covers south east Queensland (including Brisbane, Sunshine Coast and Gold Coast) and
- Ergon Energy, the rest of the state (mostly rural and regional).³⁴

³³ Victorian households can visit the Victorian Government's comparison website at <https://compare.switchon.vic.gov.au>.

³⁴ Essential Energy's network in New South Wales also extends into Queensland near Goondiwindi.

Historically, and for the 12 months of this analysis, the Queensland Competition Authority (QCA) has reviewed the regulated tariffs in Queensland and made annual price determinations.

However with the commencement of retail electricity price deregulation in south east Queensland (the Energex zone) on 1 July 2016, the QCA will no longer regulate retail electricity prices for residential and small business customers in south east Queensland (but will continue to do so in regional Queensland).

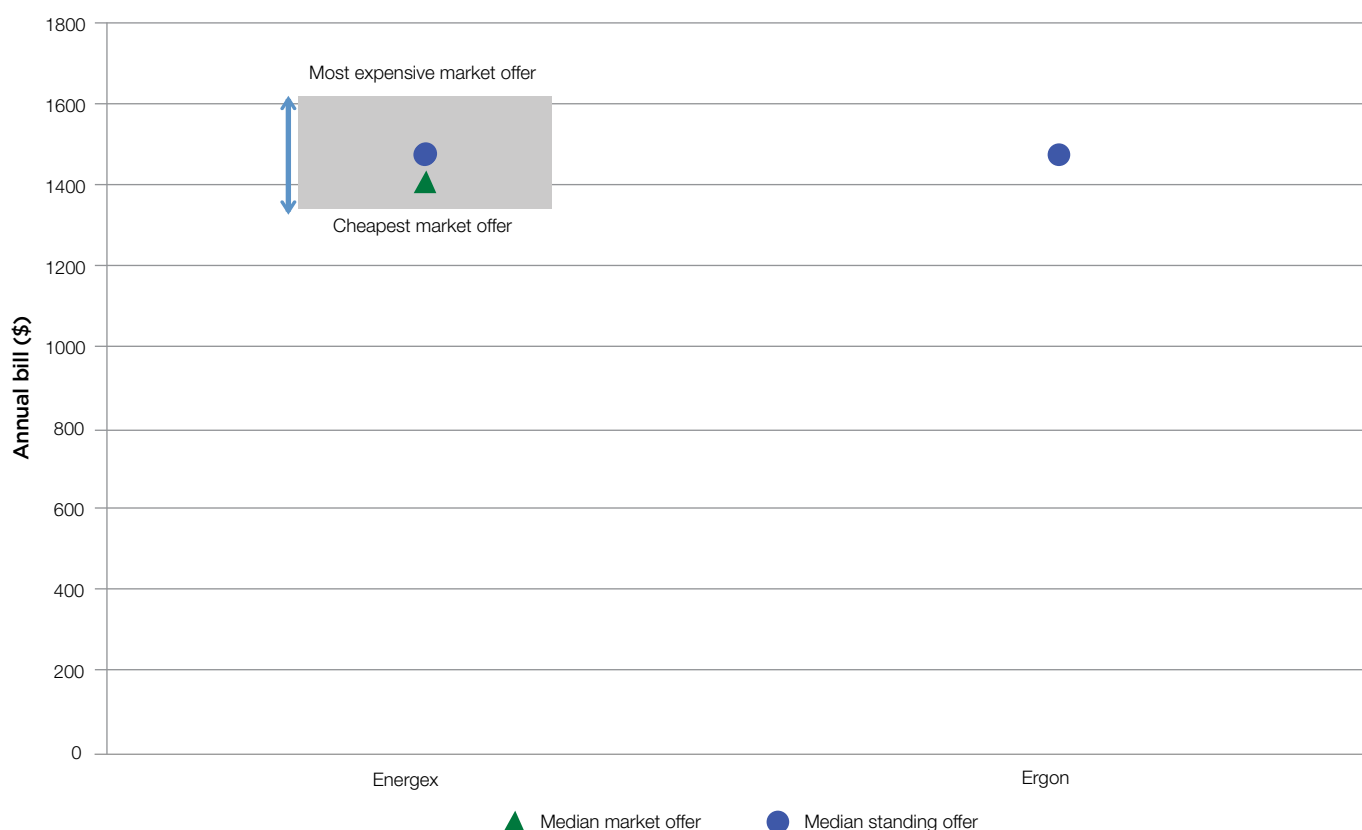
The Queensland Government's decision to commence price deregulation in south east Queensland follows recommendations made in the draft report of the Queensland Productivity Commission's Electricity Pricing Inquiry. This is aimed at stimulating competition among retailers with respect to prices and products and services.³⁵

While the Queensland Government continues to consider how competition in regional areas of the state can be improved, for now Ergon Energy will continue to sell electricity at regulated prices, subsidised by the Queensland Government under its uniform tariff policy.

In 2015–16, the annual electricity bill for households using a typical 4100 kWh per year in Ergon Energy's zone is \$1470. Due to the uniform tariff policy, this is the same as the standing offer available to customers in the Energex zone.

Any early price effects of deregulation in the Energex zone may become apparent in next year's 2016–17 affordability analysis. However even before price deregulation commenced, during 2015–16, households in the Energex zone were able to choose from a range of market and standing electricity offers from up to 15 retailers. Annual electricity bills for these offers ranged from \$1340 to \$1615, showing the potential savings to customers who shop around. The annual electricity bill for the median market offer was \$1401, which was \$69 less than the median standing offer (figure 3.3).

Figure 3.3: Range of generally available electricity offers by distribution zone (4100 kWh)—June 2016



Queensland has four gas distribution zones: Allgas Energy (south Brisbane and the Gold Coast), Australian Gas Networks (AGN) (Brisbane North and Ipswich), AGN (Northern) and AGN (Wide Bay).

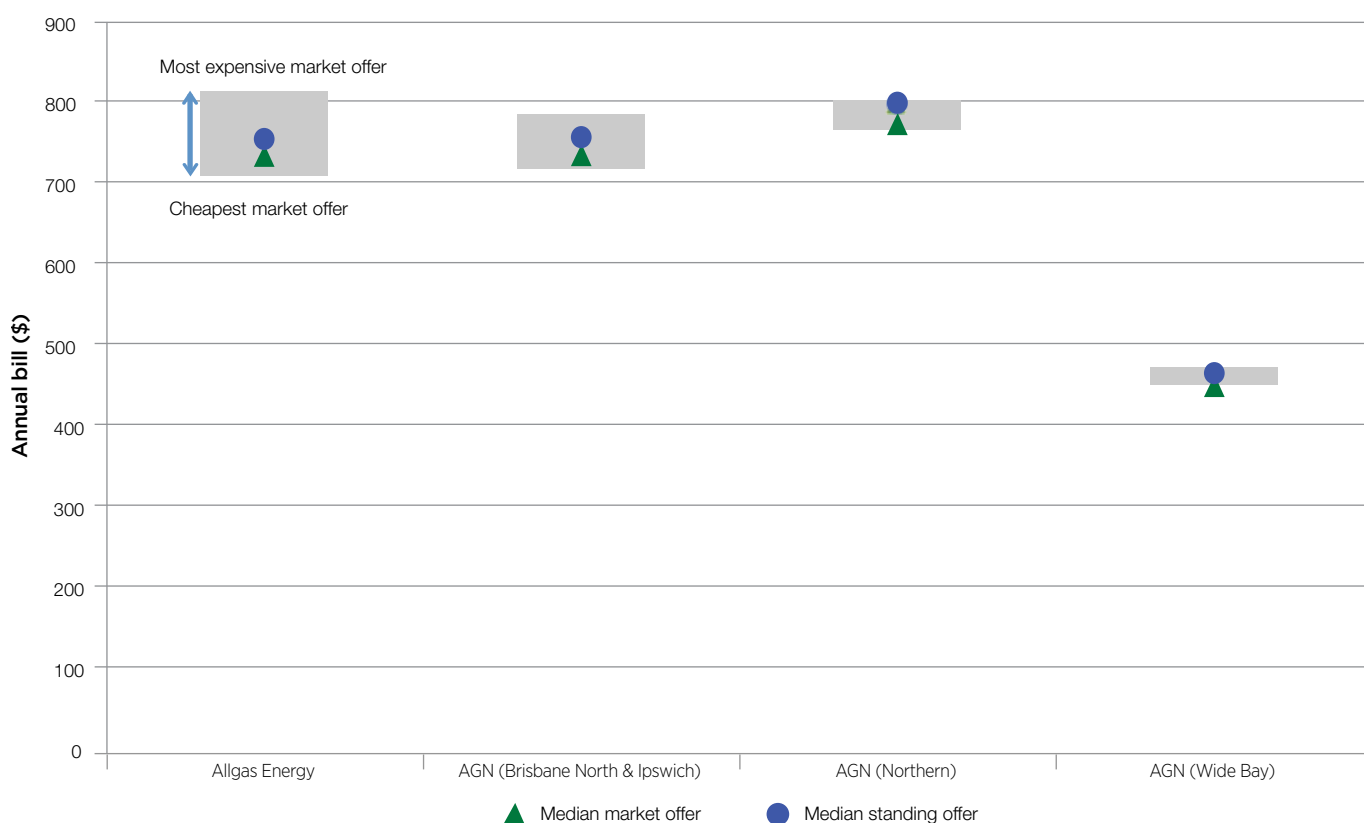
35 <https://www.dews.qld.gov.au/electricity/prices>.

While gas prices are not subject to price regulation in Queensland, in its 2016 Competition Review, the AEMC maintained that competition continues to be less effective in the south east Queensland retail gas market, due to the small size of the market and the tightening demand and supply conditions in the wholesale gas market. There are only a relatively small number of gas customers in regional Queensland with access to reticulated gas.

Figure 3.4 shows the range of annual gas bills across the distribution zones. The median market offer was lowest in AGN (Wide Bay) (\$460) and highest in AGN (Northern) (\$776) for a typical gas consumption level (of 10 000 MJ per year).

The range between the cheapest and most expensive market offer was most pronounced in the Allgas Energy zone (at \$103), with the three AGN zones relatively narrow—as low as \$22 for AGN (Wide Bay), where households have the lowest annual bills.

Figure 3.4: Range of generally available gas offers by distribution zone (10 000 MJ)—June 2016

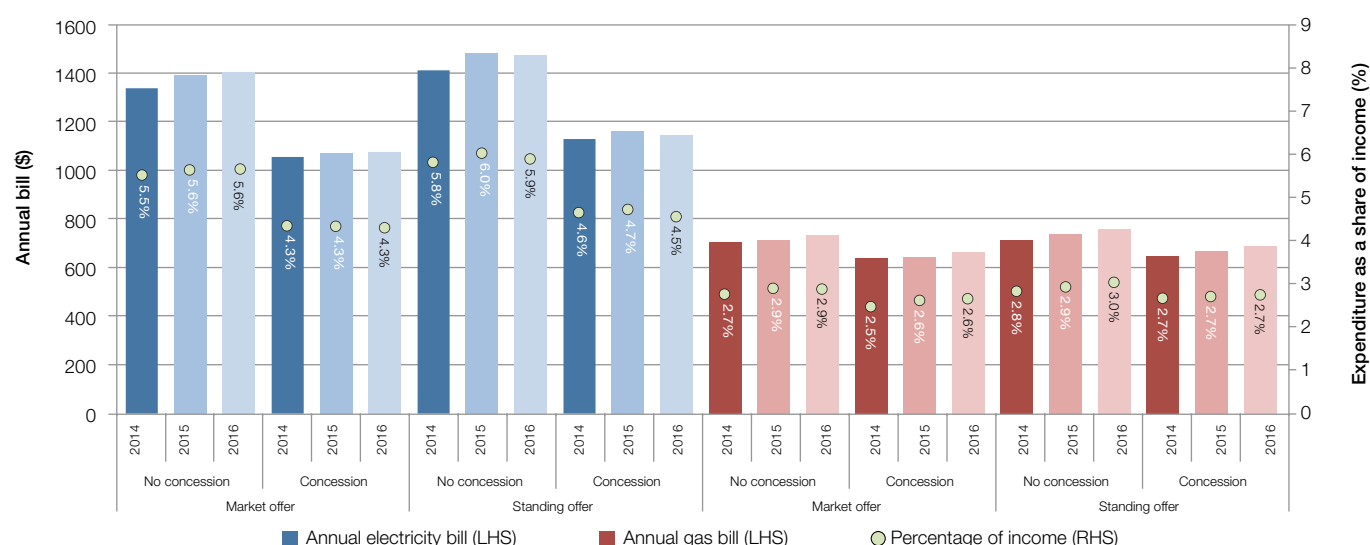


3.3.2 Energy bills as a percentage of income

Two types of energy rebate are available to eligible customers in Queensland.³⁶ In 2015–16, the Electricity Rebate provided up to \$330 per year towards electricity bills. The Reticulated Natural Gas Rebate provided around \$70 per year. Figure 3.5 shows the impact of these rebates on bills for a benchmark low income household.

³⁶ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Department of Veterans' Affairs Gold Card or Queensland Seniors Card. 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 disposable income for a benchmark low income household (4100 kWh and 10 000 MJ)



For a low income household, the annual electricity bill for the median market offer was \$1401 (\$1071 with a concession). Consistent with last year, this is 5.6 per cent of annual disposable income, or 4.3 per cent with a concession. The annual electricity bill for the median standing offer was \$1470, (\$1140 with a concession). This represents 5.9 per cent of a benchmark low income household's annual disposable income, or 4.5 per cent with a concession. The steadying of electricity prices this year in Queensland follows increases of around 3–4 per cent last year but over 20 per cent the year before (not shown). In part, this reflects 2015–20 network determinations for Energex and Ergon, which were expected to contribute to bill reductions in this and coming years.

The annual gas bill for a low income household increased by just over 3 per cent for customers on the median market offer, and just under 3 per cent for customers on the median standing offer. While still cheaper than median standing offers, median market offers are currently not significantly cheaper in Queensland. For example, a low income household on a median market offer would spend \$733 (or \$664 with a concession) compared to the standing offer of \$756 (or \$686 with a concession). Annual bills of this size are around 3 per cent of a low income household's annual income (3.4 per cent for a market offer with a concession; 2.8 per cent for a standing offer with a concession).

For a household using a typical amount of electricity—5800 kWh in Queensland—annual bills represent 2.5 per cent of a middle income household's annual disposable income and 0.9 per cent of a high income household's annual disposable income.

For a household using a typical amount of gas, annual gas bills represent 1 per cent of a middle income household's annual disposable income and 0.4 per cent of a high income household's income (table 3.1).

Table 3.1: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 4100 kWh	1071	4.3
Low income—without concession	Electricity 4100 kWh	1401	5.6
Middle income	Electricity 5800 kWh	1787	2.5
High income	Electricity 5800 kWh	1787	0.9
Low income—with concession	Gas 10 000 MJ	664	2.6
Low income—without concession	Gas 10 000 MJ	733	2.9
Middle income	Gas 10 000 MJ	733	1.0
High income	Gas 10 000 MJ	733	0.4

3.3.3 Composition of energy bills and impact of concessions

Table 3.2 shows the portions of low income household energy bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for electricity increased to around \$467 per annum in 2016, which represents 33.4 per cent of a low income household's annual electricity bill, and 1.9 per cent of its disposable income. Daily supply charges are relatively high in Queensland (and have increased markedly in recent years); but as a proportion of a low income household's electricity bill, supply charges are relatively similar to other jurisdictions.

Daily supply charges for gas also increased and are now around \$311 per annum, which represents 42 per cent of a low income household's annual gas bill, and around 1.2 per cent of its disposable income. Gas supply charges in Queensland as a proportion of a low income household's bill are significantly higher than other jurisdictions (which are in the range of 18 to 26 per cent).

Energy concessions can help eligible customers save nearly 24 per cent on their electricity and 10 per cent on their gas bills.

Table 3.2: Composition of low income household energy bills (median market offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—4100 kWh	2013	9.7	90.3	21.2
	2014	15.1	84.9	21.2
	2015	24.1	75.9	23.1
	2016	33.4	66.7	23.5
Gas—10 000 MJ	2013	46.3	53.7	10.0
	2014	42.4	57.6	9.3
	2015	36.8	63.2	9.6
	2016	42.4	57.6	9.5

3.4 New South Wales

3.4.1 Energy prices and bills

There are three electricity distribution zones in New South Wales: Ausgrid, Endeavour Energy and Essential Energy. The New South Wales Government deregulated electricity prices on 1 July 2014. Two years later, by June 2016, there were 23 retailers marketing generally available electricity contracts to residential customers in New South Wales.

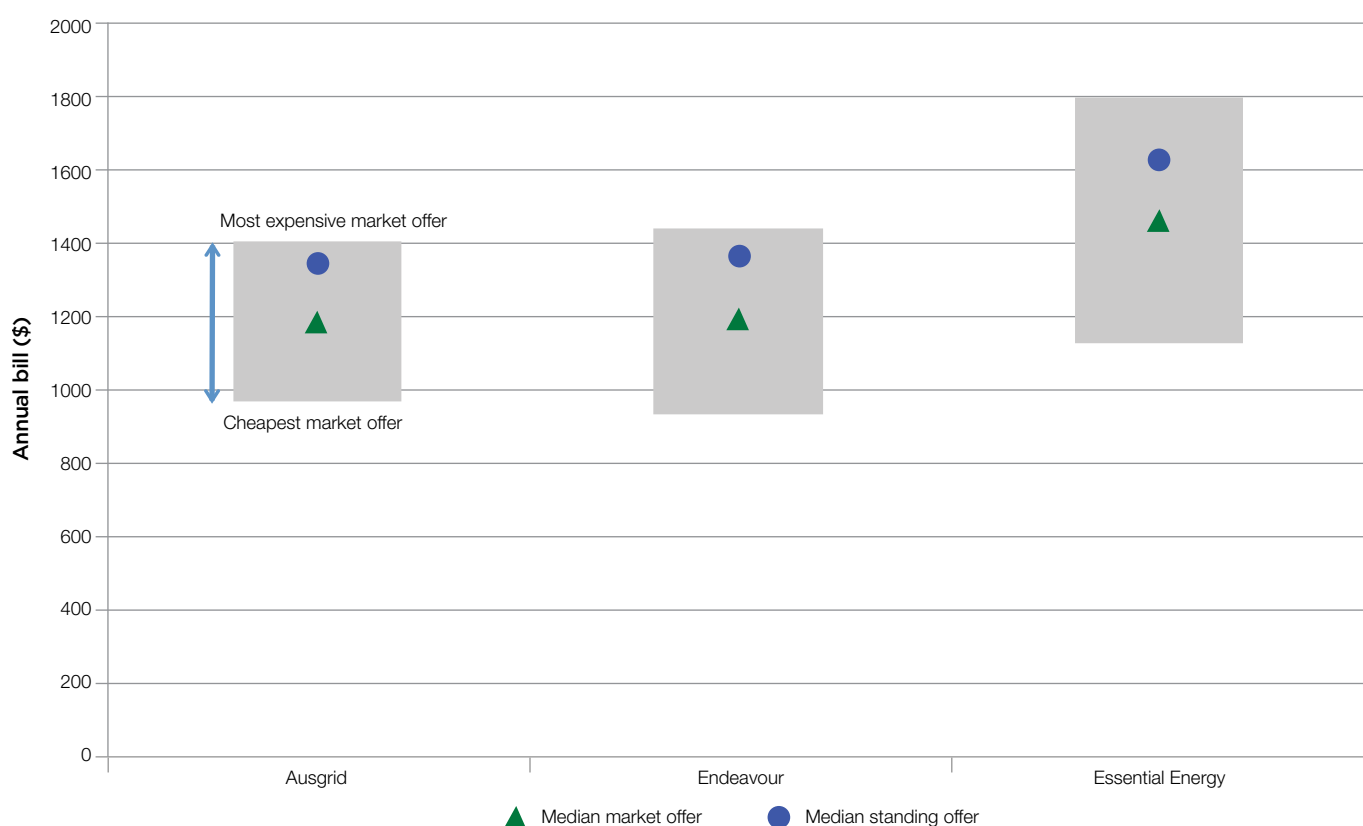
The Essential Energy distribution zone had the highest electricity bills (\$1603 for the median standing offer) and also the greatest range (\$661) between the cheapest (\$1109) and most expensive (\$1770) market offers (figure 3.6). Essential Energy covers most of regional and rural New South Wales, so typically has fewer customers to pay for a larger area of network infrastructure. The greater network costs are reflected in the final bills to customers.

The Ausgrid and Endeavour Energy distribution zones had similar median standing offers (\$1326 and \$1347 respectively), and customers in both zones could potentially save several hundred dollars if they switched to one of the cheaper market offers in their area.

In the Ausgrid zone, an annual bill on the cheapest market offer was around \$951 (over \$400 cheaper than the most expensive market offer of \$1383) and households in the Endeavour zone could potentially save even more, with the cheapest market offer at \$920—almost \$500 less than an annual bill for a household on the most expensive market offer in that zone.

While the median market offer is less than the median standing offer in each distribution zone as at 30 June 2016, 25 per cent of residential customers remained on standing offers, compared with 30 per cent for the same time last year.

Figure 3.6: Range of generally available electricity offers by distribution zone (4300 kWh)—June 2016



There are four gas distribution zones in New South Wales: Jemena, AGN (Albury), AGN (Wagga Wagga) and ActewAGL Distribution. Seven retailers had offers generally available to gas customers in the Jemena distribution zone, but there were only two retailers for AGN (Albury) and ActewAGL, and one retailer for AGN (Wagga Wagga).

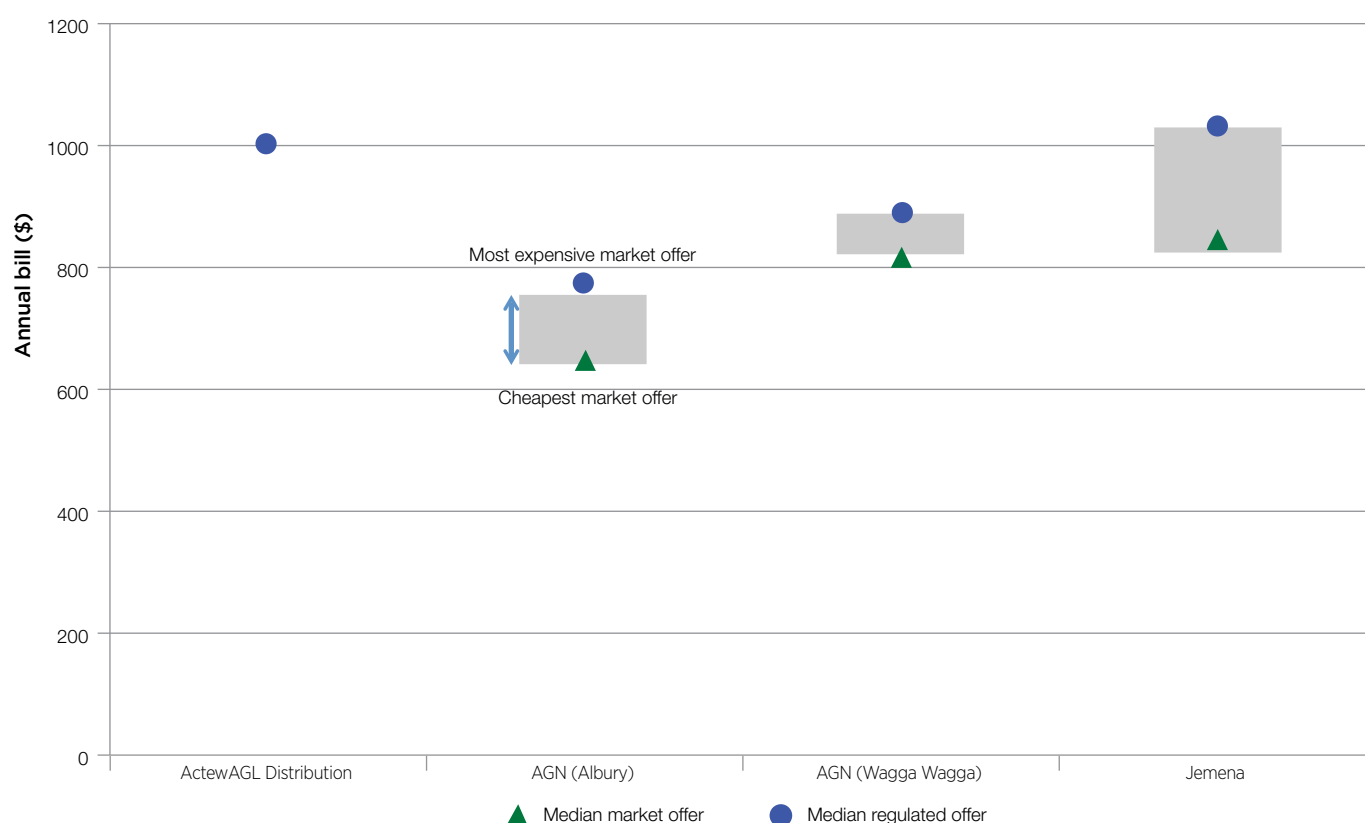
Historically and currently, regulated gas prices are determined by the New South Wales Independent Pricing and Regulatory Tribunal (IPART) under voluntary pricing arrangements with ActewAGL, AGL and Origin Energy. In October 2015, the New South Wales Government announced that it would remove retail gas price regulation from 1 July 2017, subject to an increase in retail gas market competition within regional areas.³⁷ In its 2016 Retail Competition Review, the AEMC found there is sufficient competition in the New South Wales retail gas market for customers to benefit from the removal of retail price regulation from 1 July 2017³⁸.

Figure 3.7 shows the range of annual gas bills across the distribution zones.

³⁷ <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/energy-sources/gas/removal-of-gas-price-regulation-deregulation>

³⁸ AEMC Competition Review, 2016, p20

Figure 3.7: Range of generally available gas offers by distribution zone (24 000 MJ)—June 2016



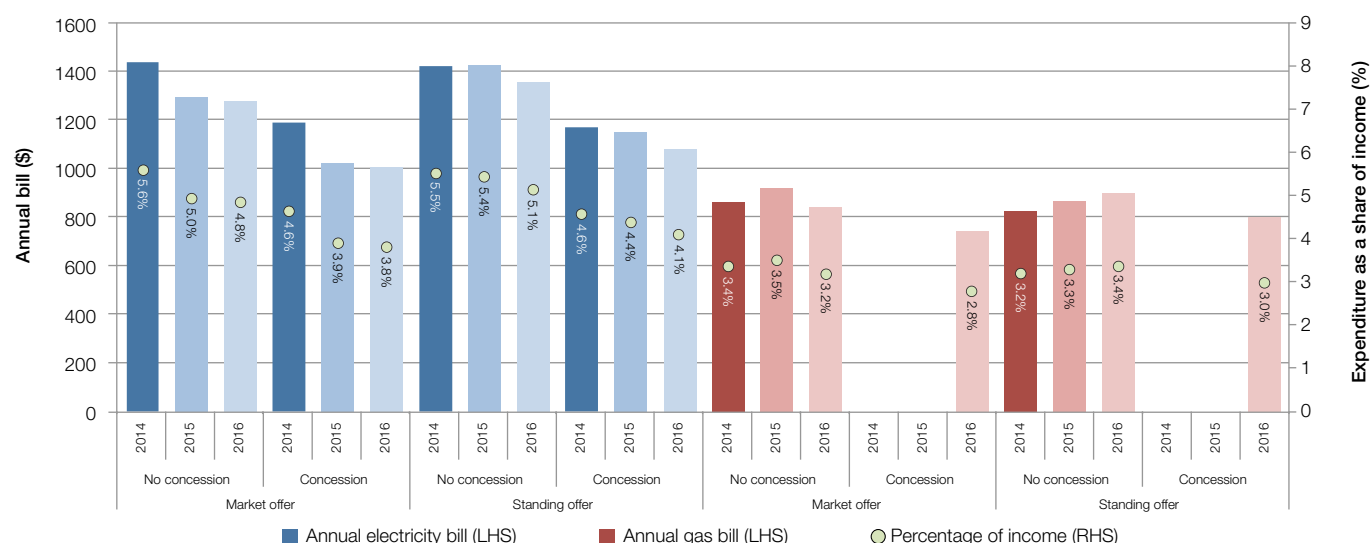
3.4.2 Energy bills as a percentage of income

The Low Income Household Rebate is the primary energy concession available to eligible customers³⁹ in New South Wales. It applies only to electricity bills and is capped at \$235 (excluding GST) per year. Some customers are also eligible⁴⁰ for the Family Energy Rebate, which is capped at \$150 per year. For households eligible for both the Low Income Household Rebate and the Family Energy Rebate, the Family Energy Rebate is capped at \$15 per year, making the maximum annual electricity concession available \$250. On 1 July 2015, the New South Wales Government introduced a Gas Rebate to help eligible householders pay their gas bills. The gas rebate is \$90 per year. The analysis of annual electricity bills in figure 3.8 includes the maximum value of both concessions.

³⁹ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans' Affairs Gold Card.

⁴⁰ Eligibility is restricted to households that receive the Australian Government's Family Tax Benefit A and/or B.

Figure 3.8: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (4300 kWh and 24 000 MJ, June)



Across New South Wales, annual electricity bills fell slightly, although not as significantly as the 10 per cent drop the previous year. For a low income household on the median market offer, bills fell by around 1.2 per cent to \$1283 (or \$1008 with a concession). While a low income household on the median standing offer (including regulated offers) faced higher bills than the market offer (\$1360 or \$1085 with a concession), the fall in the median standing offer was greater, at 4.8 per cent. For a low income household on a market offer and receiving a concession, this represents 3.8 per cent of its income (or 4.8 per cent if it did not receive a concession). A low income household on the median standing offer and receiving a concession, spent 4.1 per cent of its income on its annual electricity bill, or 5.1 per cent without a concession.

Annual gas bills for a household on the median market offer in New South Wales fell by 8.5 per cent to \$845 (or around 20 per cent if the household was eligible for the new gas concession). The annual bill for the median regulated offer was slightly higher at \$901 (without the new concession).

For a low income household, gas bills represent between 2.8 and 3.2 per cent of income, depending on whether they are on a market or standing offer and whether they receive a concession or not.

A middle income household using a typical amount of energy—5900 kWh in New South Wales—spent 2.1 per cent of its income on electricity (table 3.3). For a high income household, electricity accounted for 0.8 per cent of its income. Middle and high income households spent 1.2 per cent and 0.4 per cent on gas respectively.

Table 3.3: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 4300 kWh	1008	3.8
Low income—without concession	Electricity 4300 kWh	1283	4.8
Middle income	Electricity 5900 kWh	1615	2.1
High income	Electricity 5900 kWh	1615	0.8
Low income—with concession	Gas 24 000 MJ	802	3.0
Low income—without concession	Gas 24 000 MJ	901	3.4
Middle income	Gas 24 000 MJ	901	1.2
High income	Gas 24 000 MJ	901	0.4

3.4.3 Composition of energy bills and impact of concessions

Table 3.4 shows the portions of low income household energy bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for a median market electricity offer were \$364 per annum in 2016, which represents 29 per cent of a low income household's annual electricity bill and 1.4 per cent of its disposable income.

Daily supply charges for a median market gas offer were \$217 per annum, which represents 26 per cent of a low income household's annual gas bill and 0.8 per cent of its disposable income.

The electricity concession helps eligible customers save over 21 per cent on electricity; and the new gas concession an additional 11 per cent for eligible customers.

Table 3.4: Composition of low income household energy bills (median market offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—4300 kWh	2013	18.3	81.7	18.1
	2014	24.6	75.4	19.1
	2015	26.4	73.6	21.2
	2016	28.4	71.6	21.4
Gas—24 000 MJ	2013	19.6	80.44	N/A
	2014	24.9	75.09	N/A
	2015	20.5	79.52	N/A
	2016	25.7	74.33	11.0

3.5 Victoria

3.5.1 Energy prices and bills

There are five electricity distribution zones in Victoria (Powercor, United Energy, CitiPower, Jemena and AusNet Services). 25 retailers had offers generally available to electricity customers in Victoria.

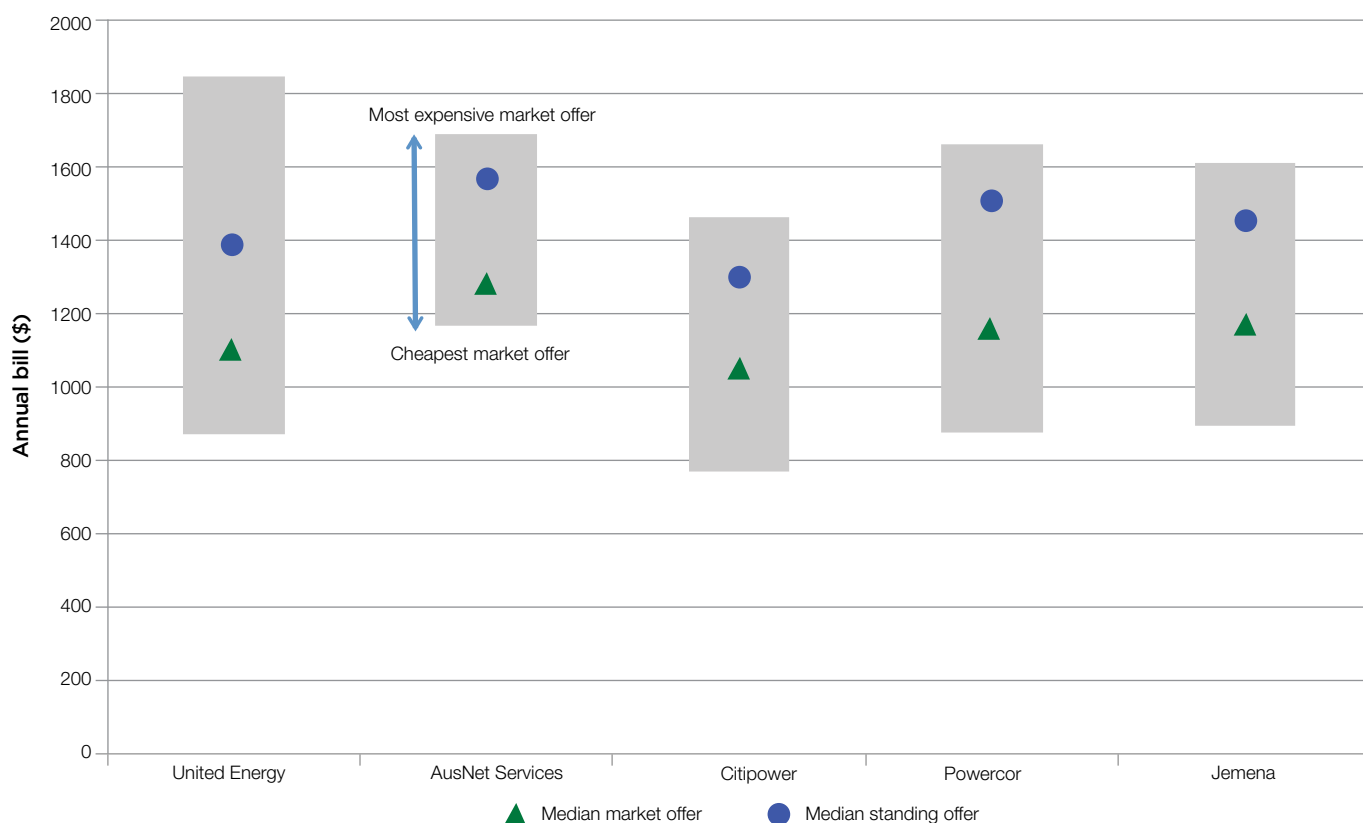
As in previous years, customers in AusNet Services' distribution zone—which covers most of the eastern part of Victoria, including some of the eastern suburbs of Melbourne—had the highest electricity bills for the median market (\$1278) and median standing offer (\$1563). It is reasonable to expect distributors servicing regional areas to have higher prices, given the large amount of network infrastructure required to service a relatively smaller number of customers.

In terms of the median market offer, the Jemena and Powercor distribution zones had very similar annual bills of around \$1160, with United Energy and CitiPower slightly lower again.

What is most interesting to observe in Victoria, however, is the range between the cheapest and most expensive annual electricity bills (for a typical usage level) within each distribution zone. While the median market offer was consistently several hundred dollars cheaper than the median standing offer, the range between the cheapest and most expensive market offer was as high as \$968 in the United Energy zone. The range was also significant in each of the other zones, between \$523 (AusNet Services) and \$785 (Powercor), figures that should be providing strong incentive to households around Victoria to shop around for a better offer.

Customers in Victoria can compare energy offers using the Victoria Energy Compare website (<https://compare.switchon.vic.gov.au>).

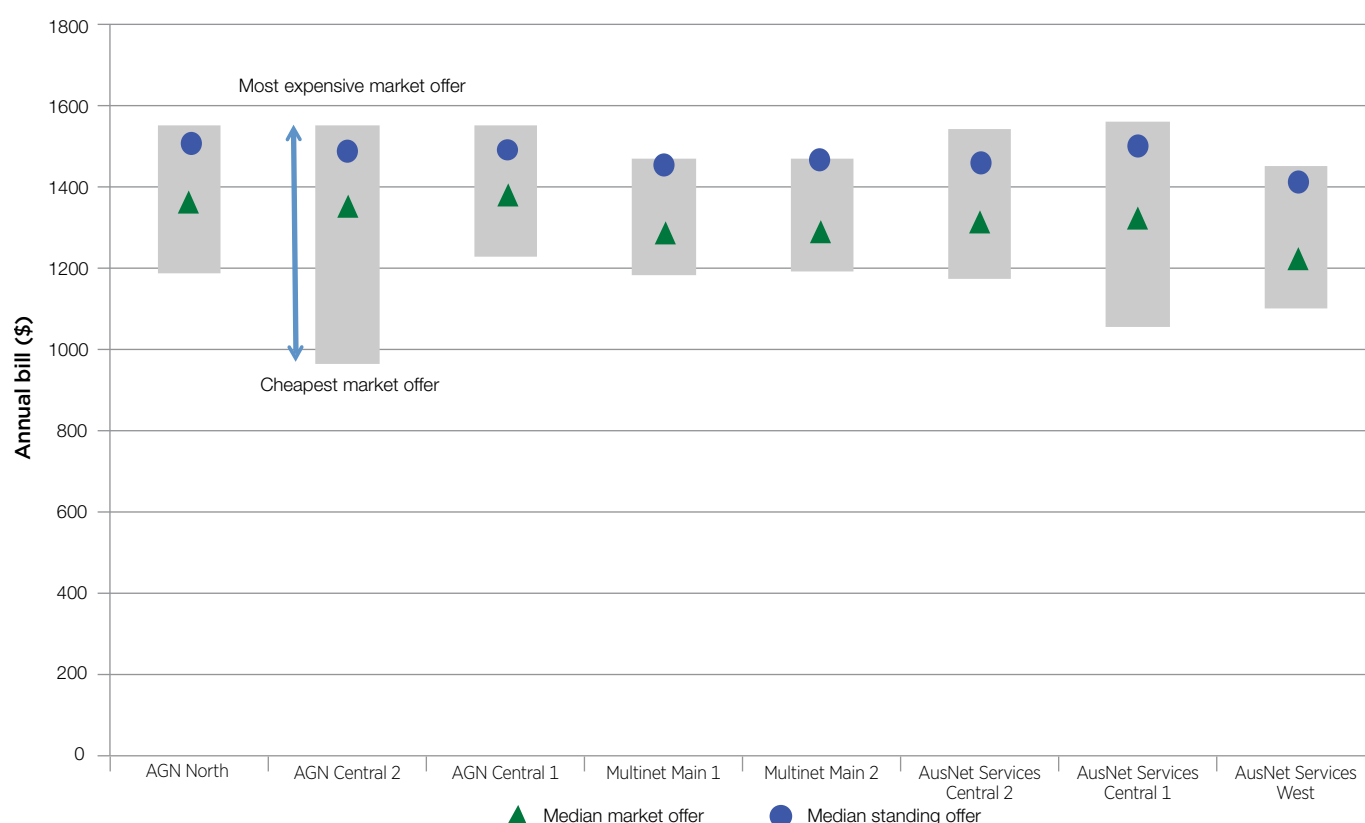
Figure 3.9: Range of generally available electricity offers by distribution zone (3700 kWh)—June 2016



There are eight gas distribution zones in Victoria: Multinet Main 1, Multinet Main 2, AusNet Services Central 1, Ausnet Services Central 2, AusNet Services West, AGN Central 1, AGN Central 2 and AGN North. 9 retailers had offers generally available to gas customers in Victoria.

Annual gas bills in Victoria are relatively consistent, both across and within each distribution zone. For the median standing offer, annual gas bills were between about \$1410 and \$1510. The median market offer was consistently several hundred dollars cheaper, between \$1220 and \$1360 for a typical level of usage. However in each zone, the cheapest market offers were lower again, most noticeably in AGN where the cheapest market offer fell below \$1000.

Figure 3.10: Range of generally available gas offers by distribution zone (63 000 MJ)—June 2016



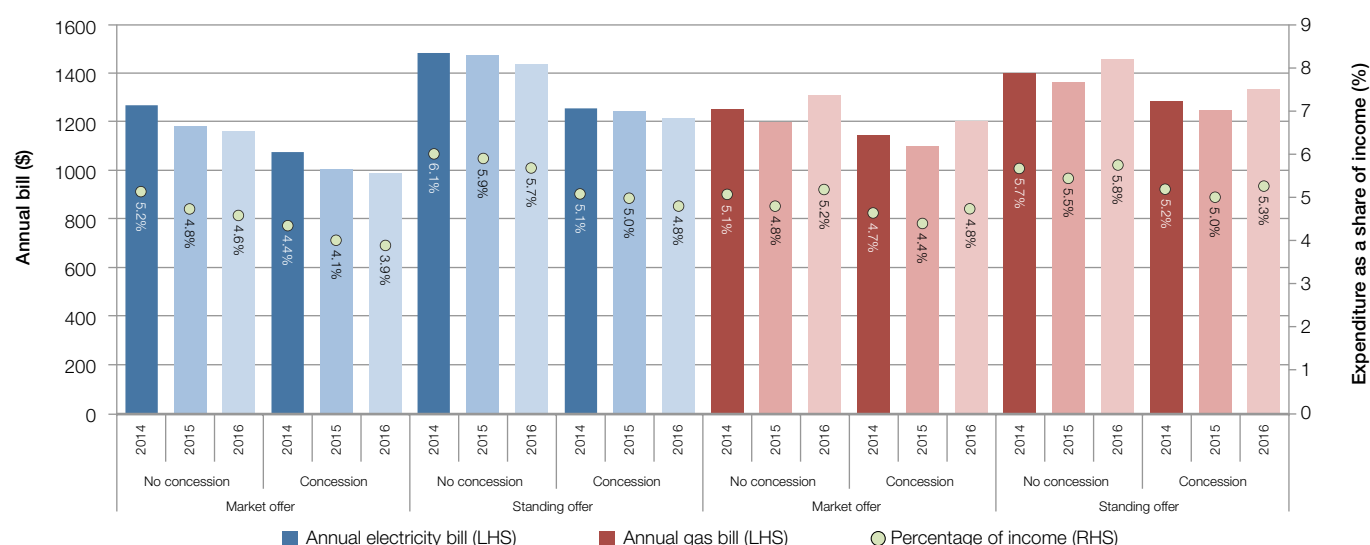
3.5.2 Energy bills as a percentage of income

The Victorian Government offers electricity and gas concessions to eligible households.⁴¹ The Annual Electricity Concession provides a 17.5 per cent discount off electricity bills. The discount does not apply to the first \$171.60 or automatically to any value above \$2882. Concession households with annual electricity bills of more than \$2882 can apply for the Excess Electricity Concession to continue to receive the 17.5 per cent concession on electricity consumed above this amount.

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 does not apply to the first \$62.40 or automatically to any value above \$1439. Eligible households with gas bills of more than \$1439 during the winter period can apply for the Excess Gas Concession to continue to receive the 17.5 per cent concession. Figure 3.11 shows the impact of these concessions on annual electricity and gas bills.

⁴¹ 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.

Figure 3.11: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (3700 kWh and 63 000 MJ, June)



The electricity bill for a household on the median market offer was \$1166 (or \$992 with a concession). Electricity bills for the standing offer were higher, at \$1445 (or \$1222 with a concession). A low income household on the median market offer and receiving an energy concession would spend 3.9 per cent of its disposable income on electricity (or 4.6 per cent without a concession). For the median standing offer, the annual electricity bill would be 4.8 per cent of a low income household's disposable income (receiving a concession), or 5.7 per cent without a concession.

Annual electricity bills for the median market offer continued to decline and were 1.8 per cent lower in 2016 when compared to 2015. Electricity bills for the standing offer are also trending down, falling by 2.2 per cent over the same period.

Unlike the fall in electricity bills, gas bills in Victoria increased over the year. The annual bill for median market offer was \$1316 (or \$1206 with a concession), or around 9.2 per cent higher than 2015. The median standing offer increased by around 7.0 per cent to \$1464 (or \$1341 with a concession).

A low income household on the median market gas offer and receiving a concession spent 4.8 per cent of its disposable income on gas (or 5.2 per cent without a concession). For the median standing offer, the annual gas bill would be 5.3 per cent of a low income household's disposable income (receiving a concession), or 5.8 per cent without a concession.

A benchmark middle income household using a typical amount of electricity (4900 kWh in Victoria) and on the median market offer spent 2 per cent of its disposable income on electricity bills. A high income household using the same amount of electricity would spend 0.8 per cent of its income. Middle and high income households would spend 1.8 per cent and 0.7 per cent of their disposable income respectively on gas.

Table 3.5: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 3700 kWh	992	3.9
Low income—without concession	Electricity 3700 kWh	1166	4.6
Middle income	Electricity 4900 kWh	1436	2.0
High income	Electricity 4900 kWh	1436	0.8
Low income—with concession	Gas 63 000 MJ	1206	4.8
Low income—without concession	Gas 63 000 MJ	1316	5.2
Middle income	Gas 63 000 MJ	1316	1.8
High income	Gas 63 000 MJ	1316	0.7

3.5.3 Composition of energy bills and impact of concessions

Table 3.6 shows the portions of low income household energy bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for electricity continued to gradually rise to \$429 per annum in 2016. This represents 37 per cent of a low income household's annual electricity bill, which is high relative to other states and territories.

Daily supply charges for gas were \$257 per annum, which represents 19.6 per cent of a low income household's annual gas bill, and 1 per cent of its disposable income.

Energy concessions help eligible customers save 15 per cent on electricity and at least 8 per cent on gas.⁴²

Table 3.6: Composition of low income household energy bills (median market offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—3700 kWh	2013	26.6	73.4	15.1
	2014	31.3	68.7	15.1
	2015	33.7	66.3	15.0
	2016	36.8	63.2	15.0
Gas—63 000 MJ	2013	17.9	82.1	8.3
	2014	18.2	81.8	8.3
	2015	20.6	79.4	8.3
	2016	19.6	82.4	8.4

3.6 South Australia

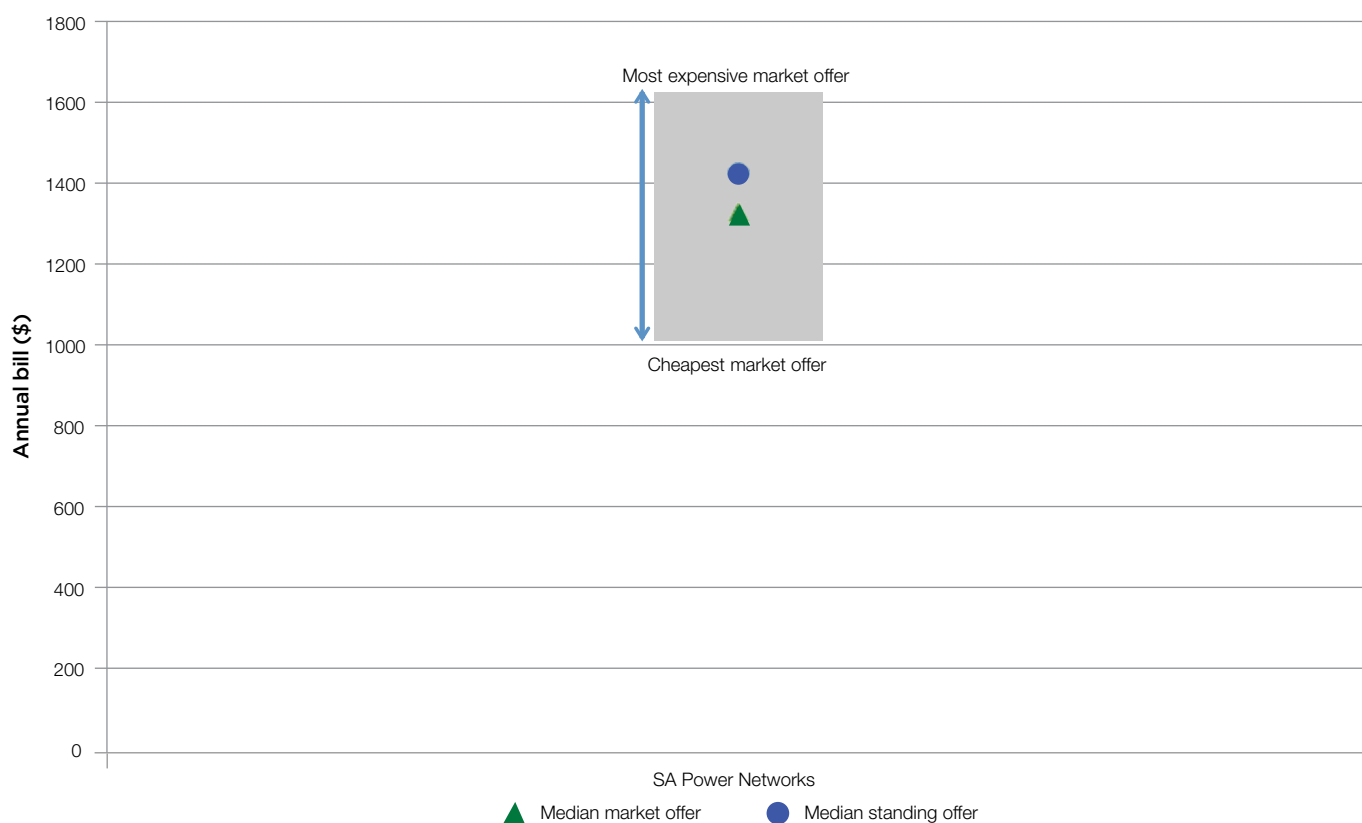
3.6.1 Energy prices and bills

South Australia has one electricity distribution zone (SA Power Networks). Seventeen retailers had offers generally available to residential electricity customers in South Australia. Figure 3.12 shows the range in generally available electricity offers.

At \$1419, the annual bill on the median standing offer was around \$100 more expensive than the median market offer. Households can potentially make significant savings by shopping around, with the cheapest market offer returning an annual bill of \$1012.

⁴² The 17.5 per cent electricity concession does not apply to the first \$171.60, and the 17.5 per cent winter concession does not apply to the first \$62.40. Our analysis assumes constant electricity and gas consumption in each year, however it is likely that customers would consume more gas during winter periods (for heating), and therefore receive a greater part of the 17.5 per cent winter concession available to them.

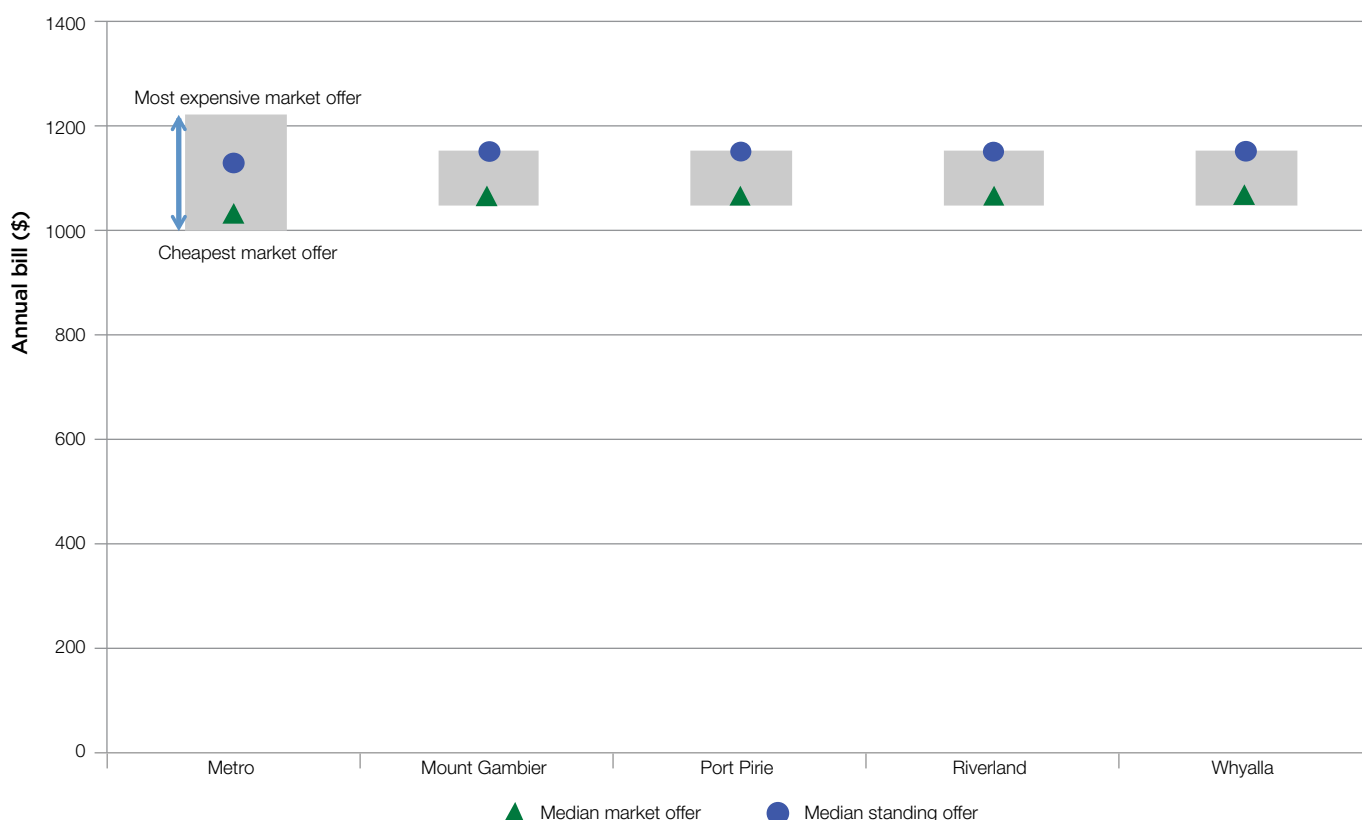
Figure 3.12: Range of generally available electricity offers by distribution zone (3700 kWh)—June 2016



Australian Gas Networks (AGN) is the gas distributor in South Australia. It has five pricing zones: Metro Area, Mount Gambier, Port Pirie, Riverland and Whyalla. Five retailers had offers generally available to gas customers.

In the Mount Gambier, Port Pirie and Whyalla pricing zones, the median standing offer marked the top of the range at \$1153. The median market offer was just over \$100 cheaper at \$1065. While the median standing offer in Metro was similar to the median standing offers in the other pricing zones, the range between the cheapest and most expensive market offers was more significant (range of over \$200).

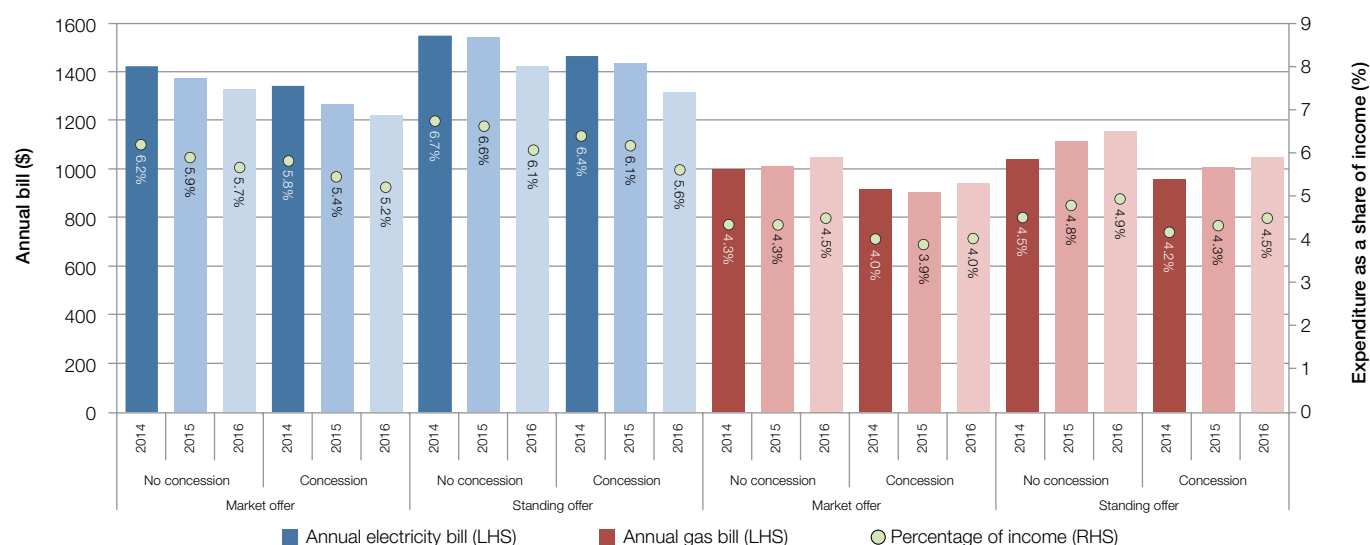
Figure 3.13: Range of generally available gas offers by distribution zone (21 000 MJ)—June 2016



3.6.2 Energy bills as a percentage of income

Eligible households in South Australia can receive a concession of up to \$215 (in total) on their annual household energy (electricity and gas) bills.⁴³ In our analysis, we applied a concession of \$107.50 each to the annual electricity and gas bills of low income households (figure 3.14).

Figure 3.14: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (3700 kWh and 21 000 MJ, June)



⁴³ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans' Affairs Gold Card.

The electricity bill for a household on the median market offer was \$1324 (or \$1216 with a concession). This is 3.4 per cent cheaper than 2015 (or 3.7 per cent with a concession). Electricity bills for the standing offer were higher, at \$1419 (or \$1311 with a concession). While still more expensive than market offers (by around \$100), the median standing offer fell by 7.8 per cent in the year to June 2015 (8.4 per cent if the household received a concession).

At June 2016, a low income household on the median market offer and receiving an energy concession would spend 5.2 per cent of its disposable income on electricity (or 5.7 per cent without a concession). If the household was on the median standing offer, its electricity bill would comprise 6.6 per cent of a low income household's disposable income (with a concession), or 6.1 per cent without a concession.

The analysis continues to indicate a gradual increase in gas bills in South Australia. For a low income household on the median market offer, the annual bill was \$1047 (or \$940 with a concession). This is 3.9 per cent higher than last year (without a concession). Households on a standing offer are paying more—\$1153 in June 2016 (or \$1045 with a concession). This represents a similar price rise to market offers, again 3.8 per cent (without a concession).

A low income household on the median gas market offer and with a concession would spend 4 per cent of its disposable income on gas or 4.5 per cent without a concession. For the median standing offer, the annual gas bill would comprise 4.5 per cent of a low income household's disposable income (receiving a concession), or 4.9 per cent without a concession.

A benchmark middle income household using a typical amount of electricity—5100 kWh in South Australia—spent 2.8 per cent of its disposable income on electricity bills. A high income household using the same amount of electricity spend 1.1 per cent of its income. Middle and high income households spent 1.8 per cent and 0.7 per cent of their disposable income respectively on gas.

Table 3.7: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 3700 kWh	1216	5.2
Low income—without concession	Electricity 3700 kWh	1324	5.7
Middle income	Electricity 5100 kWh	1771	2.8
High income	Electricity 5100 kWh	1771	1.1
Low income—with concession	Gas 21 000 MJ	1045	4.5
Low income—without concession	Gas 21 000 MJ	1153	4.9
Middle income	Gas 21 000 MJ	1153	1.8
High income	Gas 21 000 MJ	1153	0.7

3.6.3 Composition of energy bills and impact of concessions

Table 3.8 shows the portions of low income household energy bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for electricity were around \$282 per annum in 2016, which represents 21 per cent of a low income household's annual electricity bill and 1.2 per cent of its disposable income. Electricity supply charges in South Australia are significantly cheaper than other states and territories (considered in this report), with households on the median market offer in Queensland, New South Wales and the ACT all spending more than \$350 per year.

Daily supply charges for gas were \$275 per annum—about the middle of the range compared to other jurisdictions—which represents 26 per cent of a low income household's annual gas bill and 1.2 per cent of its disposable income.

For eligible customers, concessions provide savings of around 8 per cent on electricity bills and 10 per cent on gas bills (assuming the energy concession is evenly allocated across both fuels).

Table 3.8: Composition of low income household energy bills (median market offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—3700 kWh	2013	19.1	80.9	6.0
	2014	18.9	81.1	5.8
	2015	20.1	79.9	7.8
	2016	21.2	78.8	8.1
Gas—24 000 MJ	2013	28.8	71.2	9.2
	2014	27.3	72.7	8.3
	2015	25.8	74.2	10.7
	2016	26.3	73.7	10.3

3.7 Tasmania

3.7.1 Electricity bills as a percentage of income

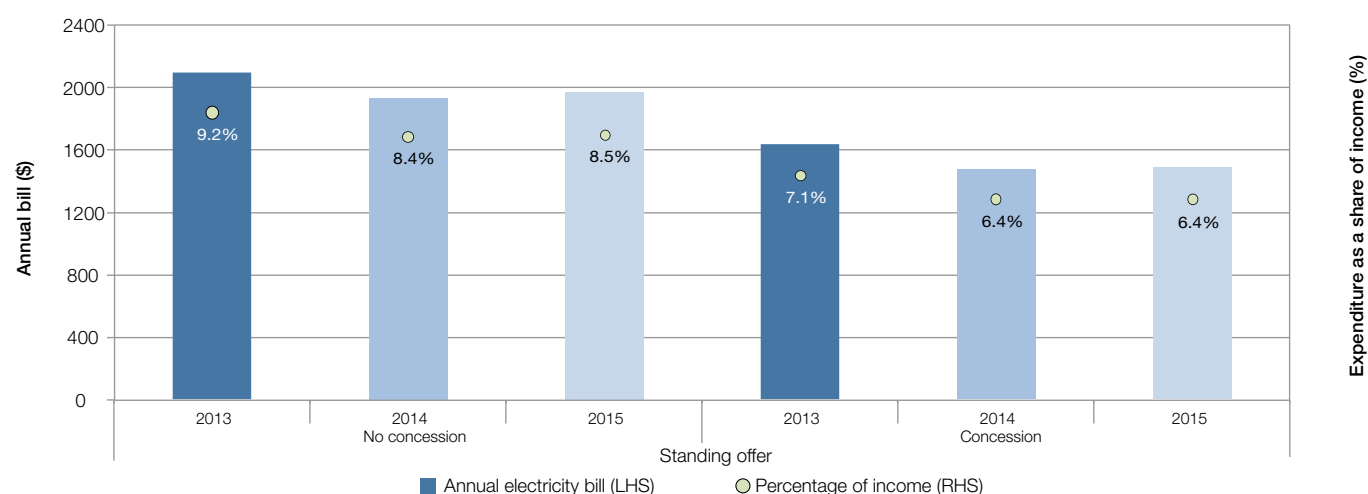
TasNetworks is the only electricity distributor in Tasmania, and Aurora Energy remains the only electricity retailer for residential customers. As fewer than around 5 per cent of Tasmanian households have gas, we do not undertake an analysis of gas prices in this report.

From 1 July 2014, electricity customers could choose to enter a market retail contract with Aurora Energy, or with a potential new entrant retailer. Customers could also choose to remain on the regulated standard retail contract. As at 30 June 2016, no new retailer had entered the Tasmanian electricity market, and with active competition yet to be fully realised in Tasmania, Aurora Energy's customers remained on standard retail contracts under regulated prices.⁴⁴

Eligible customers in Tasmania can receive a rebate of 132.56 cents per day (around \$484 per year) towards their electricity bills.⁴⁵

Figure 3.15 shows the impact of this concession on the annual electricity bills of residential customers on the standing offer.

Figure 3.15: Annual electricity bills, and as a share of disposable income for a benchmark low income household (6500 kWh, June)



⁴⁴ Excludes customers that use prepayment meters.

⁴⁵ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card or a Department of Veterans' Affairs Gold Card.

The annual electricity bill for a low income household (on the standing offer) is \$1964, (or \$1480 with the concession). While this is an increase of 2 per cent from 2015 (or 1 per cent with a concession), it is still less than the amount similar sized households were paying in 2014. Electricity bills represented a relatively high proportion of a low income household's disposable income, at a steady 6.4 per cent (or 8.5 per cent without a concession).

It is not surprising to see that Tasmanian households have higher electricity bills relative to other jurisdictions, as only a small proportion of households are connected to gas and the cooler climate typically demands greater electricity use for heating.

Consistent with last year's findings, a middle income household using a typical 8800 kWh per annum in Tasmania spent 4.3 per cent of its disposable income on electricity bills. This same usage would account for 1.7 per cent of a high income household's disposable income (table 3.9).

Table 3.9: Summary of annual electricity bills (for the standing offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 6500 kWh	1 480	6.4
Low income—without concession	Electricity 6500 kWh	1 964	8.5
Middle income	Electricity 8800 kWh	2 544	4.3
High income	Electricity 8800 kWh	2 544	1.7

3.7.2 Composition of energy bills and impact of concessions

Table 3.10 shows the portions of low income household electricity bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for electricity were \$326 per annum in 2016, which represents 17 per cent of a low income household's annual electricity bill and 1.4 per cent of its disposable income, which is consistent with 2015.

Energy concessions help eligible customers save around 25 per cent (\$484) on electricity.

Table 3.10: Composition of low income household energy bills (regulated offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—6500 kWh	2013	16.6	83.4	20.8
	2014	16.6	83.4	22.0
	2015	16.6	83.4	23.8
	2016	16.6	83.4	24.6

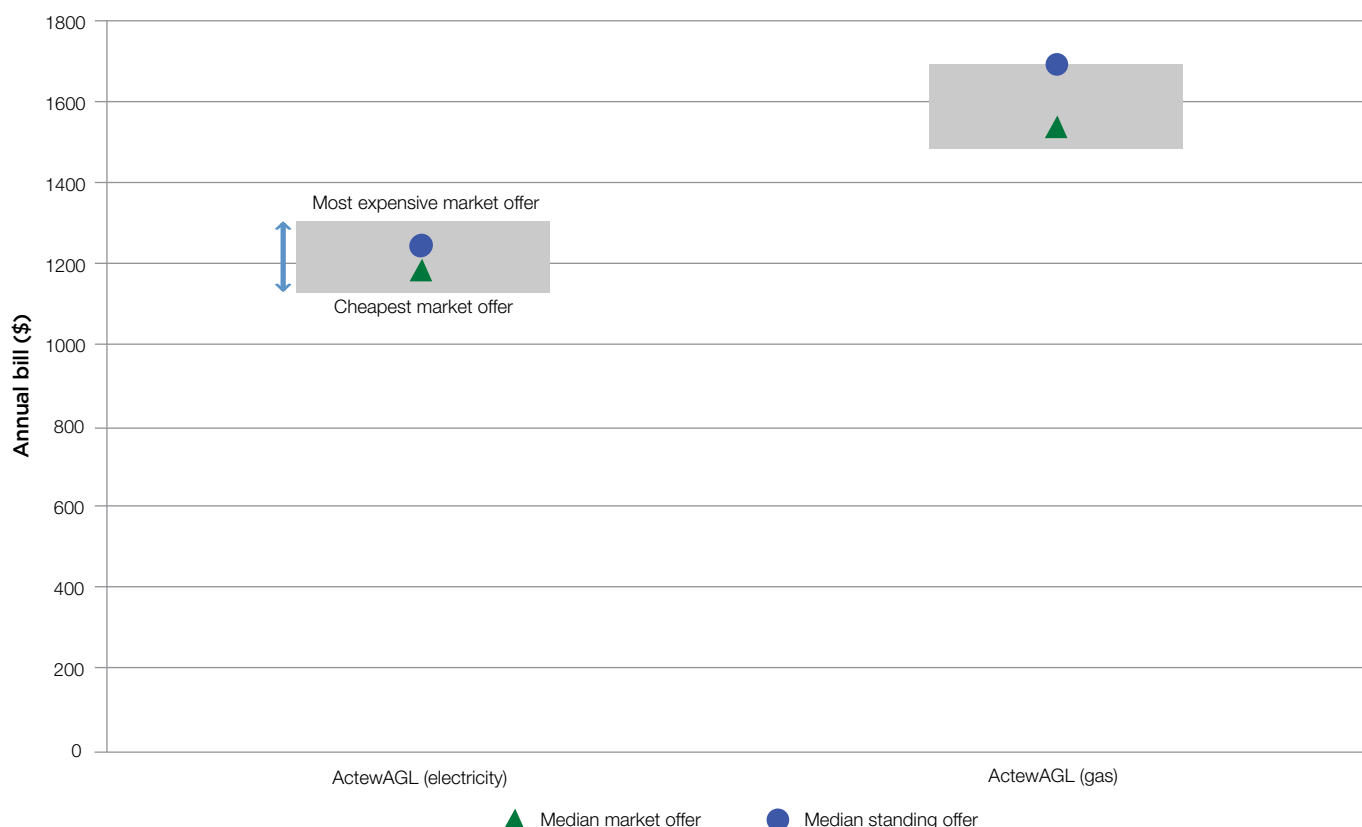
3.8 ACT

3.8.1 Energy prices and bills

The ACT has one electricity and one gas distribution zone (both ActewAGL distribution). ActewAGL Retail is the incumbent retailer for energy, water and telecommunications, and supplies around 93 per cent of residential electricity and gas customers. However with a further three retailers offering energy contracts to households in the ACT, customers are beginning to have a great range of offers to choose from.

Figure 3.16 shows the range in generally available electricity and gas offers in the ACT. The range for electricity offers was narrower than last year, with the cheapest market offer electricity (\$1128) only \$180 cheaper than the most expensive market offer (\$1302), with the median market offer (\$1203) and median standing offer (\$1204) in between. Figure 3.16 also shows a range of \$207 between the cheapest (\$1481) and most expensive (\$1688) gas bills.

Figure 3.16: Range of generally available electricity and gas offers by distribution zone (5600 kWh and 48 000 MJ)—June 2016



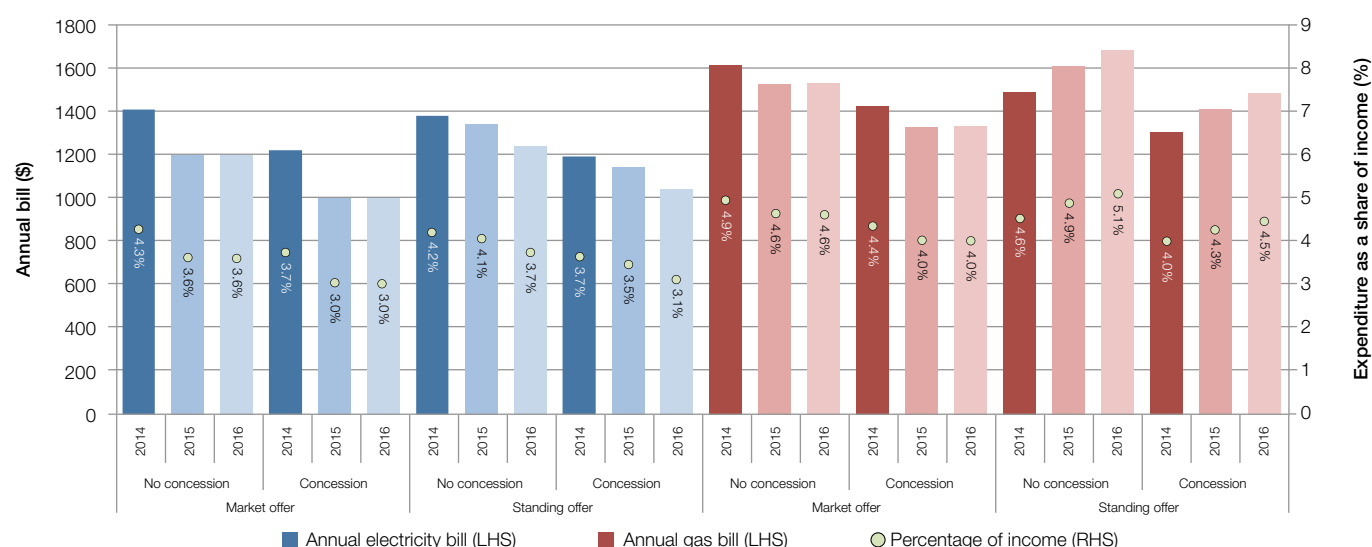
3.8.2 Electricity and gas bills as a percentage of income

The main energy concession available in the ACT is for both electricity and gas and is calculated daily, with rates depending on the season.⁴⁶ The annual rebate amount in 2015–16 was \$338.21. There is also the Utility Concession which can be used towards electricity, gas and water bills, and provided a maximum rebate of \$88.25 in 2015–16.

Consistent with our approach in previous years, we have assumed that eligible customers applied half the energy concession toward their electricity bill and half towards their gas bill (\$169.11 each). We assumed that the utility concession was equally divided into thirds across a customer's electricity, gas and water bills (\$29.41 each). We therefore used \$198.52 to represent the value of an annual concession for each of electricity and gas bills (figure 3.17).

⁴⁶ Eligibility is restricted to households that hold a Centrelink Pensioner Concession Card, a Centrelink Low Income Health Care Card or a Department of Veterans' Affairs Pensioner Concession Card.

Figure 3.17: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (5600 kWh and 48 000 MJ, June)



In 2015, fresh competition helped drive a marked fall in electricity bills in the ACT, particularly for households on market offers. While 2016 bills remain comparable to the previous year for households on the median market offer (0.25 per cent increase having fallen nearly 18 per cent the previous year), the annual bill on a standing offer decreased over 8 per cent (although still about \$200 more than expensive than the median market offer). Going back to 2014 (and earlier) before more active competition, standing offers were, unusually, cheaper than market offers in the ACT.

For a low income household on the median market, the annual bill in 2016 would be \$1203 (3.6 per cent of income) without a concession, or \$1004 (or 3 per cent) with a concession. Low income households on the standing offer would be paying about \$200 more.

Like electricity bills, gas bills have fluctuated in the ACT in recent years, with standing offers and market offers not necessarily trending together. In 2016, the annual gas bill was \$1533 for a low income household on the median market offer (or \$1334 with a concession)—less than 0.1 per cent different to last year. This represents 4.6 per cent of disposable income (4 per cent with a concession).

A middle income household using 7500 kWh per annum in the ACT spent 1.5 per cent of its disposable income on electricity. For a high income household, that usage would account for 0.7 per cent of a high income household's disposable income (table 3.11).

Table 3.11: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income—June 2016

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 5600 kWh	1004	3.0
Low income—without concession	Electricity 5600 kWh	1203	3.6
Middle income	Electricity 7500 kWh	1457	1.5
High income	Electricity 7500 kWh	1457	0.7
Low income—with concession	Gas 48 000 MJ	1334	4.5
Low income—without concession	Gas 48 000 MJ	1533	4.9
Middle income	Gas 48 000 MJ	1533	1.5
High income	Gas 48 000 MJ	1533	0.7

3.8.3 Composition of energy bills and impact of concessions

Table 3.12 shows the portions of low income household energy bills attributed to daily supply charges and energy use charges, as well as the savings provided by energy concessions.

Daily supply charges for the median market electricity offer increased to \$361 (from \$319 the previous year) which represents 30 per cent of a low income household's annual electricity bill and around 1 per cent of its disposable income.

Daily supply charges for gas were \$280 per annum, which represents 18 per cent of a low income household's annual gas bill and around 0.8 per cent of its disposable income.

Energy concessions help eligible customers save 17 per cent on electricity and 13 per cent on gas.

Table 3.12: Composition of low income household energy bills (median market offer)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—5600 kWh	2013	29.0	71.0	12.8
	2014	19.9	80.1	13.4
	2015	26.6	73.4	16.5
	2016	30.1	69.9	16.5
Gas—24 000 MJ	2013	17.8	82.2	12.1
	2014	17.4	82.6	11.7
	2015	17.5	82.5	13.0
	2016	18.3	81.7	12.9



4. Appendices

Appendix 1: Customer profile of energy retailers

Retailer	Electricity		Gas	
	Small customers	Large customers	Small customers	Large customers
Queensland				
AGL	X	X	X	X
Alinta Energy		X		X
Click Energy	X			
COzero Energy Retail		X		
CS Energy		X		
Diamond Energy	X	X		
EnergyAustralia	X	X		
EnergyAustralia Yallourn		X		
Ergon Energy	X			
ERM Power Retail	X	X		
Locality Planning Energy	X	X		
Lumo	X	X		
M2 Energy	X			
Macquarie		X		
Metered Energy	X		X	
Momentum	X	X		
Next Business Energy	X			
Origin Energy	X	X	X	X
OzGen Retail		X		
Powerdirect	X	X		
Progressive Green		X		
QEnergy	X	X		
Red Energy	X	X		
Sanctuary Energy	X	X		
Simply Energy	X	X		
Stanwell		X		
Urth Energy	X			
Winconnect		X		
New South Wales				
1st Energy	X			
ActewAGL	X	X	X	X
AGL	X	X	X	X
Alinta Energy	X	X		
Blue NRG	X	X		
Click Energy	X			
CovaU	X	X	X	
COzero Energy Retail		X		
Diamond Energy	X			
EnergyAustralia	X	X	X	X
EnergyAustralia Yallourn		X		
Enova Energy				
ERM Power Retail	X	X		
Infigen Energy Markets		X		
Lumo Energy	X	X	X	X

Retailer	Electricity		Gas	
	Small customers	Large customers	Small customers	Large customers
M2 Energy	X		X	
Macquarie Bank		X		
Mojo Power	X			
Momentum Energy	X	X		
Next Business Energy	X	X		
Origin Energy	X	X	X	X
Pooled Energy	X			
Powerdirect	X	X		
Powershop	X	X		
Progressive Green		X		
QEnergy	X	X		
Red Energy	X	X	X	
Sanctuary Energy	X	X		
Simply Energy	X	X		
Stanwell		X		
Urth Energy	X	X		
WINenergy		X		
South Australia				
AGL	X	X	X	X
Alinta Energy	X	X	X	
Blue NRG	X	X		
COzero Energy Retail		X		
Diamond Energy	X			
EnergyAustralia	X	X	X	X
EnergyAustralia Yallourn		X		
ERM Power Retail	X	X		
Lumo Energy	X	X		
M2 Energy	X			
Macquarie Bank		X		
Momentum Energy	X	X		
Next Business Energy	X			
Origin Energy	X	X	X	X
Pacific Hydro	X	X		
Powerdirect	X	X		
Progressive Green		X		
QEnergy	X			
Red Energy	X	X		
Sanctuary Energy	X			
Savant Energy	X		X	
Simply Energy	X	X	X	X
Urth Energy	X	X		
WINenergy	X			
ACT				
ActewAGL	X	X	X	X
AGL		X		
Alinta Energy		X		

Retailer	Electricity		Gas	
	Small customers	Large customers	Small customers	Large customers
EnergyAustralia	X	X	X	X
EnergyAustralia Yallourn		X		
ERM Power Retail	X	X		
Macquarie Bank		X		
Momentum Energy	X	X		
Next Business Energy	X	X		
Origin Energy	X	X	X	X
Powerdirect	X	X		
Red Energy	X	X		
Simply Energy	X	X		
Stanwell		X		
Tasmania				
Aurora Energy	X	X		
ERM Power Retail	X	X		
Macquarie Bank		X		

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 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.

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 the future.

Retailer	Percentage of written enquiries responded to within five business days			Percentage of telephone calls answered within 30 seconds		
	2013–14	2014–15	2015–16	2013–14	2014–15	2015–16
AGL	97%	95%	91%	93%	93%	85%
Alinta Energy	100%	98%	100%	77%	77%	77%
Blue NRG	–	–	100%	–	–	N/A ⁴⁷
Click Energy	–	–	97%	–	–	77%
Diamond Energy	100%	95%	95%	100%	95%	95%
EnergyAustralia	100%	95%	99.9%	71%	93%	84%
ERM Power Retail	100%	100%	N/A	100%	95%	97%
Lumo Energy	92%	99%	92%	88%	92%	93%
M2 Energy	100%	88%	93%	70%	79%	88%
Momentum Energy	100%	100%	100%	72%	83%	90%
Next Business Energy	–	–	100%	–	–	92%
Origin Energy	97%	99%	99.7%	93%	94%	87%
Pacific Hydro	N/A	100%	100%	100%	97%	100%
Powerdirect	95%	95%	95%	65%	85%	89%
QEnergy	97%	100%	100%	98%	100%	100%
Red Energy	100%	100%	100%	96%	94%	96%
Sanctuary Energy	100%	88%	87%	77%	80%	90%
Savant Energy	–	–	N/A	–	–	100% ⁴⁸
Simply Energy	78%	100%	97.83%	93%	91%	89%
Urth Energy	–	–	100%	–	–	91%

Alinta Energy has failed to meet the telephone responsiveness service standard for the last four years (Alinta Energy reported 76 per cent of telephone calls answered within 30 seconds for 2012–13).

⁴⁷ The phone systems currently used by Blue NRG could not provide this information.

⁴⁸ Savant Energy changed phone systems in March 2016, figure covers period from March 2016 to 30 June 2016.

Appendix 3: Distribution service standards, associated GSL schemes and small claims compensation regimes

Section 285 of the Retail Law specifies that a retail market performance report must include, amongst other things, a report on the performance of distributors by reference to distributor service standards and associated Guaranteed Service Level (GSL) schemes.⁴⁹ The Retail Law defines distributor service standards as service standards imposed on distributors by or under energy laws⁵⁰, including, for example, service standards relating to the following:⁵¹

- the frequency and duration of supply interruptions
- the timely notice of planned interruptions
- the quality of supply (excluding frequency) for electricity (including voltage variations)
- wrongful de-energisation (disconnection)
- timeframes for de-energisation and re-energisation (reconnection)
- being on time for appointments
- response time for fault calls
- the provision of fault information.

A number of service standards are set by the individual jurisdictions and therefore differ between individual states and territories. The following tables summarise distributors' performance against their respective jurisdictional service standards and GSL schemes.

4.8.1 Summary of distributor performance

Queensland

- Energex and Ergon paid a total of \$795 585 and \$877 674 in GSL compensation payments.
- Ergon had roughly twice as many connections not provided by the agreed date as Energex, however Energex had roughly four times as many instances of reconnections not being provided within the required time as Ergon.

New South Wales

- On a pro rata basis, the number of customer complaints received by Endeavour Energy was the lowest in the state.
- Endeavour Energy had a slightly higher rate of telephone calls compared to the other New South Wales distributors. Essential Energy had the highest rate of abandoned phone calls.
- Ausgrid reported a low percentage of calls answered within 30 seconds (32 per cent), however this increased from 23 per cent in 2014–15.
- Faulty street light repairs were actioned within the 12 business day window in the majority of cases.
- Ausgrid and Essential Energy reported no instances of connections not being made on time, and Endeavour Energy reported seven instances.

South Australia

- Overall SAPN reliability levels are relatively good compared to the national averages (taking into account the mix of urban and rural service areas).
- Compensation paid to customers where the duration of supply interruptions exceeded the threshold amount was \$1 905 605, down from \$2 371 405 in 2014–15.
- SAPN reported a high proportion of calls answered within 30 seconds.

⁴⁹ National Energy Retail Law, s. 285(d).

⁵⁰ Energy laws are defined to include national energy legislation, jurisdictional energy legislation, the Rules, the NER and the NGR and instruments made under this Law, the Rules, the NER and NGR (including the Retail Market Procedures).

⁵¹ National Energy Retail Law, s. 2.

- Street light repairs were typically undertaken within the performance targets—96% in CBD, metropolitan and major regional areas and almost 100 per cent in country areas.
- SAPN reported two instances of appointments with customers where a SAPN representative was more than 15 minutes late out of a total of 30 214 appointments.

ACT

- Overall ActewAGL reliability levels are relatively good compared to the national averages (taking into account the mix of urban and rural service areas).
- There were 54 instances where ActewAGL did not provide at least 4 business days' notice of a planned interruption, down from 298 in 2015–16.

Tasmania

- TasNetworks reported receiving 479 customer complaints in the period—a relatively low number compared to other distributors.
- The number of instances where TasNetworks did not provide sufficient notice of a planned interruption was relatively low at 56 customers for the period.
- TasNetworks reported a total of \$1 222 240 in payments for exceeding minimum restoration times, which is around \$2 million less than 2014–15.

Table A.1: Queensland electricity distributor performance, 2015–16

	Energex	Ergon
GSL		
Wrongful disconnections	109	125
Compensation paid	\$15 274	\$17 666
Connection not provided by the agreed date	36	70
Compensation paid	\$4 322	\$8 874
Reconnection not provided within the required time	138	32
Compensation paid	\$14 534	\$4 985
Failure to attend to customer's premises within the time required concerning loss of hot water supply	1	1
Compensation paid	\$171	\$57
Failure to attend appointments on time	252	891
Compensation paid	\$14 254	\$50 803
Notice of planned interruption to supply not given—small residential customers	1 448	1 743
Compensation paid	\$40 354	\$48 933
Notice of planned interruption to supply not given—small business customers	144	236
Compensation paid	\$10 176	\$16 756
Interruption duration GSL	6 110	6 342
Compensation paid	\$696 500	\$722 988
Interruption frequency GSL	0	58
Compensation paid	\$0	\$6 612
Total GSL payments given	8 238	9 498
Total Compensation paid	\$795 585	\$877 674
Total System Average Interruption Duration Index (SAIDI)—(minutes)		
Central Business District	28	—
Urban	86	145
Short rural	258	397
Long rural	—	1040
Total System Average Interruption Frequency Index (SAIFI)—(number)		
Central Business District	0.13	—
Urban	0.79	1.40
Short rural	1.76	3.20
Long rural	—	7.18

Table A.2: NSW electricity distributor performance, 2015–16

	Ausgrid	Endeavour Energy	Essential Energy
Customers			
Total number of customers	1 697 604	951 801	834 594
Residential customers	1 515 068	868 750	737 191
Small non-residential customers	169 715	77 867	92 976
Complaints			
Total complaints received	7 281 ⁵²	2 179	3 845
Residential (%)	N/A	93%	88%
Small non-residential (%)	N/A	7%	12%
Telephone services			
Total calls received	534 840	338 004	256 213
Calls answered within 30 seconds (%)	32%	90%	71%
Calls abandoned (%)	4%	4%	10%
Promptness of connection			
Connections provided for new and existing premises	281	137 217	209 627
Connections not provided on or before agreed time	0	7	0
Compensation paid for failing to provide connections on time	\$0	\$960	\$0
Faulty street lights			
Number of reported street light faults	21 781	19 726	7 155
Occasions where repairs not completed on or before agreed date	338	1 370	38
Compensation paid to customers	\$5 070	\$3 990	\$570
Planned interruptions			
Number of planned interruptions	3 688	7 964	15 861
Occasions where there was insufficient notice of the interruption	64	41	159
Occasions where the planned interruption was for longer than the time indicated on the notice	0 ⁵³	356	1 260

52 Complaints to Ausgrid could not be distinguished between residential and non-residential customers as insufficient customer information was supplied.

53 Under Ausgrid's Deemed Standard Connection Contract planned interruptions are no longer covered by the guaranteed customer service standards, and therefore there is no report on occasions and compensation for this period.

Table A.3: SA electricity distributor performance, 2015–16 (SA Power Networks)

Customers	
Total number of customers	854 721
Residential customers	756 227
Small non-residential customers	98 494
Customer service	
Total calls received	432 151
Calls answered within 30 seconds (%)	87%
Calls abandoned (%)	4%
Promptness of connection	
New supply addresses connected	11 620
Connections not provided on or before agreed time	192
Compensation paid for failing to provide connections on time	\$52 620
Faulty street lights—Adelaide Business Area, Adelaide Metropolitan Area and Major Regional Areas	
Number of reported street light faults	27 486
Occasions where repairs not completed on or before agreed date (within five days)	1 126
Compensation paid to customers	\$190 650
Faulty street lights—Country Areas	
Number of reported street light faults	4 149
Occasions where repairs not completed on or before agreed date (within 10 days)	12
Compensation paid to customers	\$425
Timeliness of appointments	
Total number of appointments	30 214
Total number of appointments with customers where a representative of SAPN is more than 15 minutes late	2
Compensation paid to customers	\$50

Table A.4: Duration of supply interruptions, 2015–16 (SA Power Networks)

System Average Interruption Duration Index (SAIDI)	
CBD Feeder	2.3
Urban Feeder	97.9
Short Rural Feeder	174.8
Long Rural Feeder	289.4
SAIDI TOTAL	139.0
Percentage contribution of planned interruptions to state-wide SAIDI	36%
Number of customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	2 964
Compensation paid to customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	\$294 600
Number of customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	3630
Compensation paid to customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	\$544 500
Number of customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	3051
Compensation paid to customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	\$610 200
Number of customers who experienced a supply interruption greater than 24 hours	1 049
Compensation paid to customers who experienced a supply interruption greater than 24 hours	\$424 845
Total amounts paid to customers for duration of supply interruptions exceeding the threshold amount	\$1 905 605

Table A.5: Frequency of supply interruptions, 2015–16 (SA Power Networks)

System Average Interruption Frequency Index (SAIFI)	
CBD Feeder	0.024
Urban Feeder	1.038
Short Rural Feeder	1.482
Long Rural Feeder	1.700
SAIFI TOTAL	1.201
Number of customers with greater than nine but less than or equal to 12 interruptions	395
Compensation paid to customers with greater than nine but less than or equal to 12 interruptions	\$39 500
Number of customers with greater than 12 but less than or equal to 15 interruptions	74
Compensation paid to customers with greater than 12 but less than or equal to 15 interruptions	\$11 100
Number of customers with greater than 15 interruptions	0
Compensation paid to customers with greater than 15 interruptions	\$0
Total amounts paid to customers for frequency of supply interruptions exceeding the threshold amount	\$50 600

Table A.6: ACT electricity distributor performance, 2015–16 (ActewAGL)

Complaints	
Total complaints received	796
Complaints responded to within 20 business days	N/A
Planned interruptions	
Number of planned interruptions	1105
Instances where notice of at least 4 business days was not provided to customers	54
Instances where supply was not restored within 12 hours of the initial interruption	6
Number of customers that received compensation	65
Compensation paid	\$3 250
Unplanned interruptions	
Number of unplanned interruptions	1839
Instances where supply was not restored within 12 hours of the initial interruption	48
Compensation paid to customers	\$0
System Average Interruption Duration Index (SAIDI)	
Overall	79.04
Distribution network—planned	38.86
Distribution network—unplanned	40.19
Normalised distribution network—unplanned	35.10
System Average Interruption Frequency Index (SAIFI)	
Overall	0.92
Distribution network—planned	0.18
Distribution network—unplanned	0.74
Normalised distribution network—unplanned	0.68
Customer Average Interruption Duration Index (CAIDI)	
Overall	85.71
Distribution network—planned	210.76
Distribution network—unplanned	54.47
Normalised distribution network—unplanned	52.03

Table A.7: Tasmania electricity distributor performance, 2015–16 (TasNetworks)

Complaints	
Total complaints received	479
Planned interruptions	
Number of planned interruptions	8929
Number of customers not notified of planned interruptions	56
Compensation paid to customer not notified of planned interruptions	\$1 860
Faulty street lights	
Number of reported street light faults	2 441
Occasions where repairs not completed within 7 days	1 129
Compensation paid to customers for repairs not completed within 7 days	\$330
New connections and reconnections	
New connections	3 018
New connections completed by scheduled date	2 251
Compensation paid to customers for late connections	\$41 670
Reconnections	29 913
Reconnections completed by scheduled date	29 851
Compensation paid to customers for late reconnections	\$0
System Average Interruption Duration Index (SAIDI)	
Average duration of interruptions	358
Normalised average duration of interruptions	221
Number of timely restoration payments made	11 647
Value of restoration payments made	\$1 222 240
System Average Interruption Frequency Index (SAIFI)	
Average frequency of interruptions	2.22
Normalised average frequency of interruptions	1.86
Number of reliable supply payments made	2 067
Value of reliable supply payments made	\$165 360

Appendix 4: Supplementary tables

Table A.8: Electricity customers—payment plans, hardship programs and disconnections for non-payment

Retailer	Customers on payment plans		Customers on hardship programs		Customers disconnected for non-payment	
	June 2015	June 2016	June 2015	June 2016	2014–15	2015–16
Queensland						
AGL		3 637		4 966		4037
Click Energy		744		434		350
Diamond Energy		99		13		15
EnergyAustralia		11 189		1 093		1 820
Ergon Energy		15 483		6 321		8 381
Locality Planning Energy		8				6
Lumo		2 534		391		1 088
M2 Energy		32		264		73
Metered Energy		111		14		184
Origin Energy		4 532		4 729		5 632
Powerdirect		334		143		312
QEnergy		110		40		25
Sanctuary Energy		35		13		7
Simply Energy		10		2		12
South Australia						
AGL	2 231	2 865	4 711	7 440	4 274	3 145
Alinta Energy	1 450	1 071	490	383	575	1 369
Click Energy	–	1	0	0	0	0
Diamond Energy	17	35	0	3	0	2
EnergyAustralia	8 122	8 628	2 017	1 471	437	1 597
Lumo Energy	1 470	1 273	226	242	371	777
M2 Energy	6	7	32	68	3	15
Momentum Energy	159	58	108	83	63	84
Origin Energy	1 909	1 461	2 192	2 295	2 587	2151
Pacific Hydro		1		0		0
Powerdirect	208	250	120	188	147	210
QEnergy	0	125	0	1	9	1
Red Energy	140	10	22	25	32	44
Sanctuary Energy	5	11	0	0	2	0
Simply Energy	2 176	1 511	1 371	1 445	1 679	1 151
ACT						
ActewAGL	258	277	580	544	339	287
EnergyAustralia	739	775	98	46	6	65
Origin Energy	1	32	0	11	0	36
Tasmania						
Aurora Energy	2 376	2 085	1 663	2 065	1 046	1 172
New South Wales						
1st Energy	–	0	–	3		3
ActewAGL	153	145	420	376	154	152
AGL	2 993	4 991	6 293	10 994	12 844	9 781
Click Energy	78	112	27	74	168	58
CovaU	33	62	2	9	2	57

Retailer	Customers on payment plans		Customers on hardship programs		Customers disconnected for non-payment	
	June 2015	June 2016	June 2015	June 2016	2014–15	2015–16
Diamond Energy	58	79	2	5	4	26
EnergyAustralia	60 034	58 617	5 157	3 360	2 478	6 659
Lumo Energy	1 810	1 136	183	122	597	837
M2 Energy	36	22	282	230	139	147
Momentum Energy	68	103	169	141	93	196
Next Business Energy	0	0	0	1		1
Origin Energy	9 244	6 243	8 621	7 320	13 400	9 669
Powerdirect	195	205	75	104	148	322
Powershop	–	69		31		18
QEnergy	23	29	17	29	40	24
Red Energy	1 945	942	301	503	437	771
Sanctuary Energy	29	66	12	8	14	4
Simply Energy	1 139	957	676	645	1 461	1 313

Table A.9: Gas customers—payment plans, hardship programs and disconnections for non-payment

Retailer	Customers on payment plans		Customers on hardship programs		Customers disconnected for non-payment	
	June 2015	June 2016	June 2015	June 2016	2014–15	2015–16
Queensland						
AGL		275		776		916
Metered Energy						8
Origin Energy		396		282		486
South Australia						
AGL	376	591	1 723	3 159	1 623	1 260
Alinta Energy	345	230	153	106	244	1 081
EnergyAustralia	4 357	4 645	609	478	228	744
Origin Energy	1 075	834	931	1 143	1 597	1 426
Simply Energy	737	541	675	744	883	570
ACT						
ActewAGL	174	94	542	762	1 375	1 317
EnergyAustralia	561	583	45	30	29	62
Origin Energy	1	32	0	11	0	24
New South Wales						
ActewAGL	46	32	172	217	544	457
AGL	905	1 315	2 858	5 167	4 771	2 789
CovaU	5	14	0	2	0	15
EnergyAustralia	14 022	15 063	443	487	395	1 708
Lumo Energy	530	462	48	39	17	182
M2 Energy	0	0	0	3	0	0
Origin Energy	2 377	2 983	854	1 138	1 828	1 238
Red Energy	0	52	0	12	0	0

Appendix 5: Benchmark low income household, annual electricity and gas bills and proportion

Jurisdiction		Electricity 2015	Electricity 2016	Electricity % change	Gas 2014	Gas 2015	Gas % change
Qld	Annual bill (\$)	1387	1401	▲ 1.0	709	733	▲ 3.4
Qld	Percentage of income (%)	5.6	5.6	N/A	2.9	2.9	N/A
NSW	Annual bill (\$)	1386	1283	▼ 1.2	923	845	▼ 8.5
NSW	Percentage of income (%)	5.0	4.8	N/A	3.5	3.2	N/A
Vic	Annual bill (\$)	1188	1166	▼ 1.9	1206	1316	▲ 9.2
Vic	Percentage of income (%)	4.8	4.6	N/A	4.8	5.2	N/A
SA	Annual bill (\$)	1370	1324	▼ 3.4	1008	1047	▲ 3.9
SA	Percentage of income (%)	5.9	5.7	N/A	4.3	4.5	N/A
Tas	Annual bill (\$)	1927	1964	▲ 2.0	N/A		
Tas	Percentage of income (%)	8.4	8.5	N/A	N/A		
ACT	Annual bill (\$)	1200	1203	▲ 0.2	1532	1533	▲ 0.1
ACT	Percentage of income (%)	3.6	3.6	N/A	4.6	4.6	N/A

Appendix 6: Benchmark medium and high income households, annual electricity and gas bills and proportion

Jurisdiction		Electricity 2015	Electricity 2016	Electricity % change	Gas 2014	Gas 2015	Gas % change
Qld	Annual bill (\$)	1829	1787	▼2.3	709	733	▲3.4
Qld	Percentage of middle income (%)	2.6	2.5		1.0	1.0	
Qld	Percentage of high income (%)	1.0	0.9		0.4	0.4	
NSW	Annual bill (\$)	1670	1615	▼3.3	923	845	▼8.5
NSW	Percentage of middle income (%)	2.3	2.1		1.3	1.1	
NSW	Percentage of high income (%)	0.9	0.8		0.4	0.4	
Vic	Annual bill (\$)	1436	1411	▼1.8	1206	1316	▲9.2
Vic	Percentage of middle income (%)	2.0	1.9		1.7	1.8	
Vic	Percentage of high income (%)	0.8	0.7		0.6	0.7	
SA	Annual bill (\$)	1842	1771	▼3.9	1008	1047	▲3.9
SA	Percentage of middle income (%)	3.0	2.8		1.6	1.7	
SA	Percentage of high income (%)	1.1	1.1		0.6	0.6	
Tas	Annual bill (\$)	2495	2544	▲2.0	N/A		
Tas	Percentage of middle income (%)	4.3	4.3		N/A		
Tas	Percentage of high income (%)	1.7	1.7		N/A		
ACT	Annual bill (\$)	1481	1457	▲1.6	1532	1533	▲0.1
ACT	Percentage of middle income (%)	1.5	1.5		1.6	1.5	
ACT	Percentage of high income (%)	0.7	0.7		0.7	0.7	

Appendix 7: Energy affordability methodology

The key elements of our analysis include:

- the estimated annual electricity and gas consumption levels in each state and territory for low, middle and high income households
- the collection of retail electricity and gas offers in each distribution or pricing zone
- the development of estimated annual electricity and gas bills based on our estimated consumption levels and pricing information, and
- the household disposable income data used.

For each jurisdiction, we determined electricity and gas consumption levels for our benchmark low, middle and high income households (see tables A.9 and A.10). 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 tariffs we collected. Our analysis shows the range in annual bills across 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 incomes (also tables A.9 and A.10) 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.

In 2015–16, we released updated electricity consumption benchmarks and the ABS released updated income data. We used the updated figures in the 2014–15 analysis and we also recalculated annual bills from previous years (2013 and 2014) to provide comparisons with the 2015 analysis.

Annual electricity and gas consumption levels

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 data to determine an average consumption level for that sized household. Our 2013–14 annual report on energy affordability used electricity consumption levels obtained from ACIL Tasman's 2011 Electricity bill benchmarks survey. ACIL Allen updated the benchmarks in 2014, and annual electricity bills in both the 2014–15 and 2015–16 report are based on the updated consumption benchmarks.⁵⁴

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 (a two to three person household). This is higher than for our benchmark low income households which are typically smaller—on average one to two persons.⁵⁵

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 'typical' gas consumption, which was formed by various jurisdictional energy regulator reports and St Vincent de Paul's energy price reports.

⁵⁴ 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 Allen's 2014 electricity benchmarks show that annual consumption has fallen 12.3 per cent on average from the 2011 survey. Consumption fell most in Queensland and South Australia where the penetration of PV systems is highest. The electricity bill benchmarks for residential customers 2014 report is available at: www.aer.gov.au/retail-markets/retail-guidelines/electricity-bill-benchmarks-for-residential-customers-2014.

⁵⁵ Data obtained from the Australian Bureau of Statistics (ABS) shows that low income households are on average one to two person households.

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.⁵⁶

Collection of energy offers

We selected a postcode in each distribution or pricing zone and collected all of the generally available offers in that postcode in June 2013, June 2014, June 2015 and June 2016. We only consider single-rate tariffs and exclude any GreenPower-only and solar offers. Where possible, we collect offer details from our energy price comparison website, Energy Made Easy (www.energymadeeasy.gov.au). For Victoria (the only state in our analysis in which the Retail Law had not commenced at 30 June 2016, we collected tariffs from the Victoria Energy Compare website (<https://compare.switchon.vic.gov.au>).

Estimating annual energy bills

Annual electricity and gas bills for each of the offers in the nominated postcode were calculated using the energy consumption levels in tables A.9 and A.10. The estimated bills include key discounts offered by energy retailers (such as discounts for paying on time, paying by direct debit and other cash incentives), but do not include discounts for bundling or dual fuel offers. One-off credits and non-cash incentives are also not included. Seasonal pricing was taken into account when calculating the annual bills; however we assume a consistent level of consumption throughout the year. Annual electricity and gas bills are represented by the median market and standing offers 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.

Annual household disposable income

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

In previously used ABS data, 'low income' households in each state and territory were represented by the second and third income deciles. More recent ABS analysis suggests that this approach may have over-estimated the economic wellbeing of low income households, and unnecessarily excluded some of the most vulnerable households in the lowest income quintile.

This report now uses an adjusted lowest income quintile to represent 'low income' households, which is made up of the lowest two deciles, excluding the first and second percentiles. The 'middle income' households continue to be represented by the third income quintile and 'high income' households are represented by the fifth income quintile. The latest available data from the ABS was for 2013–14 and was adjusted to 2014–15 and 2015–16 dollars using the Consumer Price Index for low income households and the Wage Price Index for middle and high income households (see tables A.9 and A.10).

Table A.9: 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 (\$)
Queensland	4 100	10 000	1.46	25 072.06
New South Wales	4 300	24 000	1.45	26 487.72
Victoria	3 700	63 000	1.45	25 276.42
South Australia	3 700	21 000	1.23	23 419.72
Tasmania	6 500	N/A	1.20	23 243.05
ACT	5 600	48 000	1.45	33 207.36

⁵⁶ 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 A.10: 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 (\$)
Queensland	5 800	10 000	2–3	72 229.58	191 962.95
New South Wales	5 900	24 000	2–3	75 295.47	213 409.50
Victoria	4 900	63 000	2–3	73 258.23	190 177.07
South Australia	5 100	21 000	2–3	63 014.41	166 931.00
Tasmania	8 800	N/A	2–3	59 702.83	151 134.69
ACT	7 500	48 000	2–3	100 243.41	214 414.01

Appendix 8: Map of electricity distribution zones



Appendix 9: Map of gas distribution zones

