Quarterly retail performance report October – December 2023

Q2 2023–24

March 2024

AUSTRALIAN ENERGY REGULATOR

Australian Government

Purpose of the AER's retail performance reporting

Why we report

The AER's retail performance function helps the AER and its stakeholders understand how energy retailers are delivering outcomes under the National Energy Customer Framework that are in the long-term interest of energy consumers. In doing so, we aim to help policymakers, consumer advocates, market participants and other key parties to deliver stronger consumer outcomes in response to emerging opportunities and risks.

How we report

The AER publishes quarterly and annual retail performance reports that analyse key outcomes and trends affecting energy consumers and energy retail markets. Our reports cover:

- energy pricing
- customers facing payment difficulty, including trends in debt, payment plans and hardship programs
- trends in disconnection of customers for non-payment of energy bills
- customer complaints
- market share.

Regions our reports cover

The AER's retail performance reporting covers jurisdictions that are covered by the National Energy Retail Law and the Retail Rules – NSW, Queensland, South Australia, Tasmania and the ACT.

Reporting period

This report looks at the market for October to December 2023, analysing key trends and providing comparisons with the same quarter in the previous year (October to December 2022).

The corresponding quarterly schedules are available in Excel.

Retail market at a glance

October to December 2023 (as at 31 December 2023). bps: basis points

Customer numbers

RESIDENTIAL

6,850,244
Electricity

2,310,016
Gas

Customer debt (excludes hardship customers)

RESIDENTIAL

2.8%
of customers in debt

Up 36 bps on Oct–Dec 2022

$1,079
average energy debt

Up $70 on Oct–Dec 2022

Residential payment plans

Electricity

107,071
1.56% of customers

Up 7,877 on Oct–Dec 2022

Gas

27,060
1.17% of customers

Up 4,431 on Oct–Dec 2022

Residential disconnections

Electricity

2,589
0.04% of customers

Down 3,412 on Oct–Dec 2022

Gas

508
0.02% of customers

Down 1,188 on Oct–Dec 2022

Residential credit collection

Electricity

35,230
0.51% of customers

Up 2 bps on Oct–Dec 2022

Gas

9,376
0.41% of customers

Up 4 bps on Oct–Dec 2022

Residential hardship

Electricity

1.7%

of customers on hardship programs

Up 49 bps on Oct–Dec 2022

$1,692

average hardship debt

Down $168 on Oct–Dec 2022

Gas

1.2%

of customers on hardship programs

Up 35 bps on Oct–Dec 2022

$810

average hardship debt

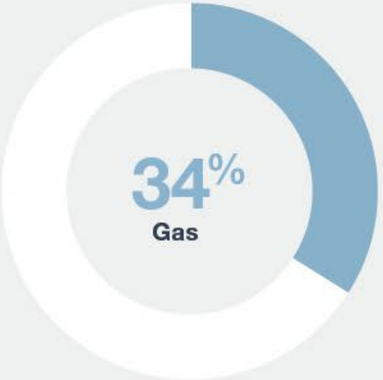
Down $74 on Oct–Dec 2022

Hardship customers not meeting usage costs

Electricity

Down 887 bps on Oct–Dec 2022

Gas



Down 991 bps on Oct–Dec 2022

Key trends

- The median market offer prices for electricity and gas increased across most distribution zones from June to December 2023, before decreasing slightly in the period from 31 December 2023 to 21 February 2024.
- Most jurisdictions saw increases in payment difficulties and hardship indicators this quarter, but the Cost of Living Rebate in Queensland over the second half of 2023 is likely the cause of differing trends with some payment difficulties and hardship measures in Queensland. These include:
  - a 39.2% decrease in electricity customers on payment plans over the previous 2 quarters, compared with increases in all other jurisdictions
  - a 25.3% decrease in the number of residential customers with non-hardship energy debt over the previous 2 quarters, compared with increases in most of the other jurisdictions
  - an increase of only 9.8% in the number of residential electricity customers on hardship programs over the previous 2 quarters, compared with an increase of 22.1% across all jurisdictions.
- The proportion of indebted residential customers, as measured by the sum of the proportion of customers with non-hardship energy debt and the proportion of electricity customers in hardship programs, has increased to 4.5% (up 0.85 percentage points since the same period in 2022).
- Ongoing early retailer engagement with customers experiencing payment difficulties may be reflected in the following changes since the same period in 2022:
  - an 7.9% increase in residential electricity customers and a 19.6% increase in residential gas customers on payment plans – this may also reflect more customers experiencing hardship
  - a 41.4% increase in residential electricity customers participating in hardship programs, which is now 1.7% of customers – higher program participation may also reflect more customers experiencing payment difficulties
  - a 15.5% decrease in average debt on entry to a hardship program.

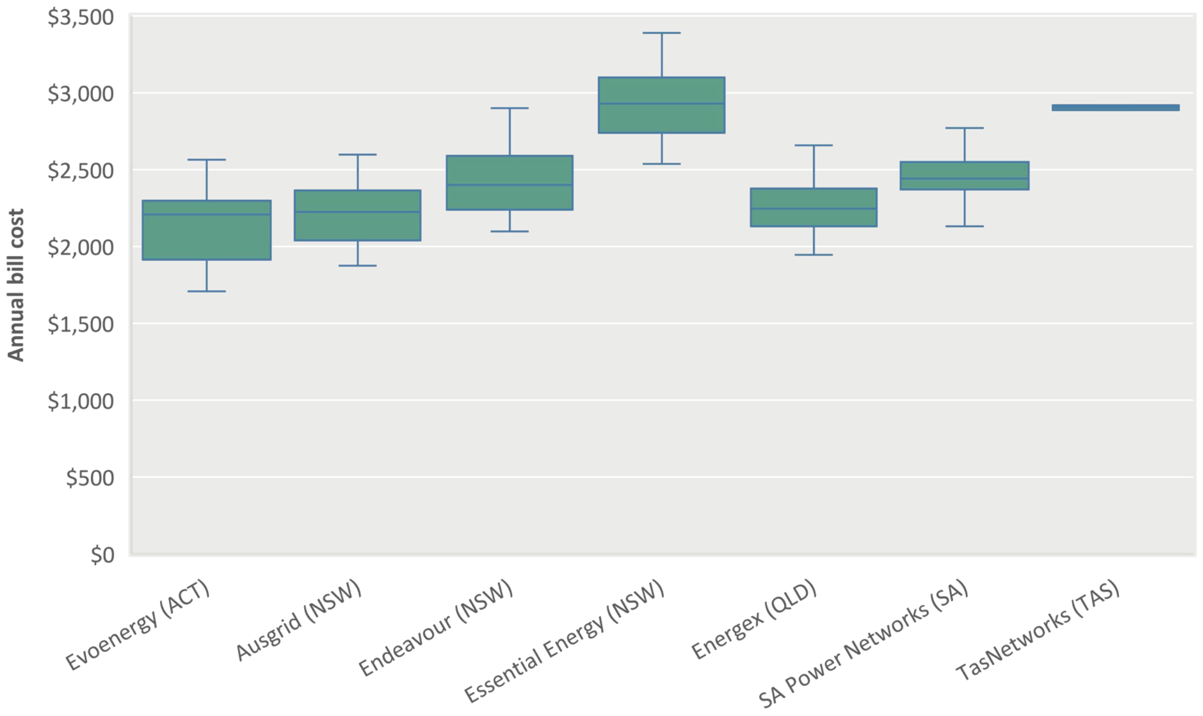
Key trends

- Several indicators show that hardship programs are not yet fully effective. Since this quarter in 2022, we observe the following concerning movements:
  - the proportion of hardship customers who have been on the program for more than 12 months is 33.1% (up 8.8 percentage point increase)
  - the difference between average debt on entry to a hardship program and average hardship debt has increased by $31 – the gap between these measures indicates that customers are continuing to accrue debt while on a hardship program
  - a 43% decrease in electricity hardship customers who successfully completed the program.
- However, some changes in the hardship program since this quarter in 2022 that may be considered positive include:
  - customers are entering hardship programs with less debt and on average holding less debt while on a hardship program as shown by
    - a 15.5% decrease in average debt on entry to a hardship program
    - 48.7% of electricity customers entering a hardship program with less than $500 of debt (up 4.6 percentage points) and 73% of customers entering a hardship program with less than $1,500 of debt (up 3.7 percentage points)
  - some customers are getting hardship assistance sooner – the proportion of customers with debt greater than 12 months old on entry decreased to 18.8% (down 4.7 percentage points), whereas the proportion of customers holding debt of less than 6 months on program entry increased to 58% (up 5.9 percentage points).

After rising in second half of 2023, electricity median market offers have dropped in early 2024

- Between June and December 2023, the median market offers increased by between 7% and 19% across the different electricity distribution zones.
- As at 31 December 2023, a large proportion of electricity market offers were priced near the median offer in each distribution zone. The boxes in Figure 1 show the interquartile range where 50% of offers are available. Since June 2023, the range of these offers has increased around the median offer.
- The cheapest offers available are shown by the horizontal line below each of the boxes, which shows that customers can achieve savings by shopping around.
- As at 21 February 2024, the median market offer has dropped by between 1% and 5% across most electricity distribution zones since 31 December 2023.

Figure 1 Retail market offers update – annual costs spread of market offers for electricity

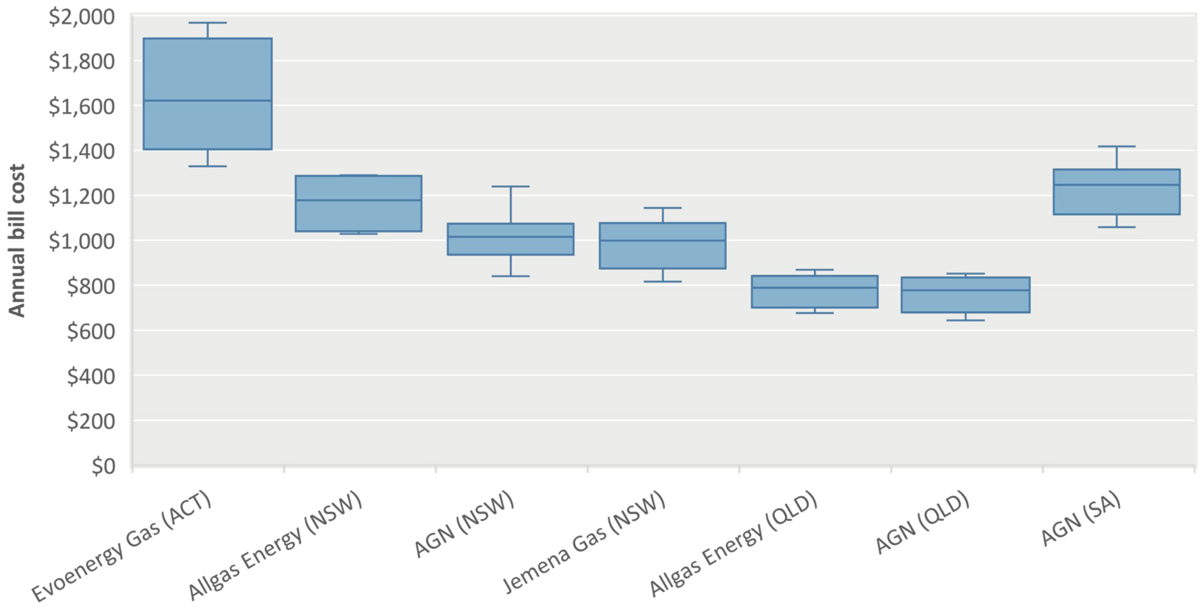


Note: Pricing data is based on prices as at 31 December 2023. A few offers are significantly higher than the median price. However, these represent a very small number of offers in the market, so we have removed these dots from the chart. The regulated price has been used as a proxy of the market offer for TasNetworks. This analysis does not include Victorian offers.
Source: AER analysis using offer data from Energy Made Easy

After rising in second half of 2023, gas median market offers have dropped in early 2024

- Between June and December 2023, the median market offers increased by between 8% and 14% across the different gas distribution zones.
- As at 31 December 2023, a large proportion of gas market offers were priced near the median offer in each distribution zone. The boxes in Figure 2 show the interquartile range where 50% of offers are available. Since June 2023, the range of these offers has increased around the median offer.
- The cheapest offers available are shown by the horizontal line below each of the boxes, which shows that customers can achieve savings by shopping around.
- As at 21 February 2024, the median market offer has dropped by between 1% and 8% across most gas distribution zones since 31 December 2023.

Figure 2 Retail market offers update – annual costs spread of market offers for gas

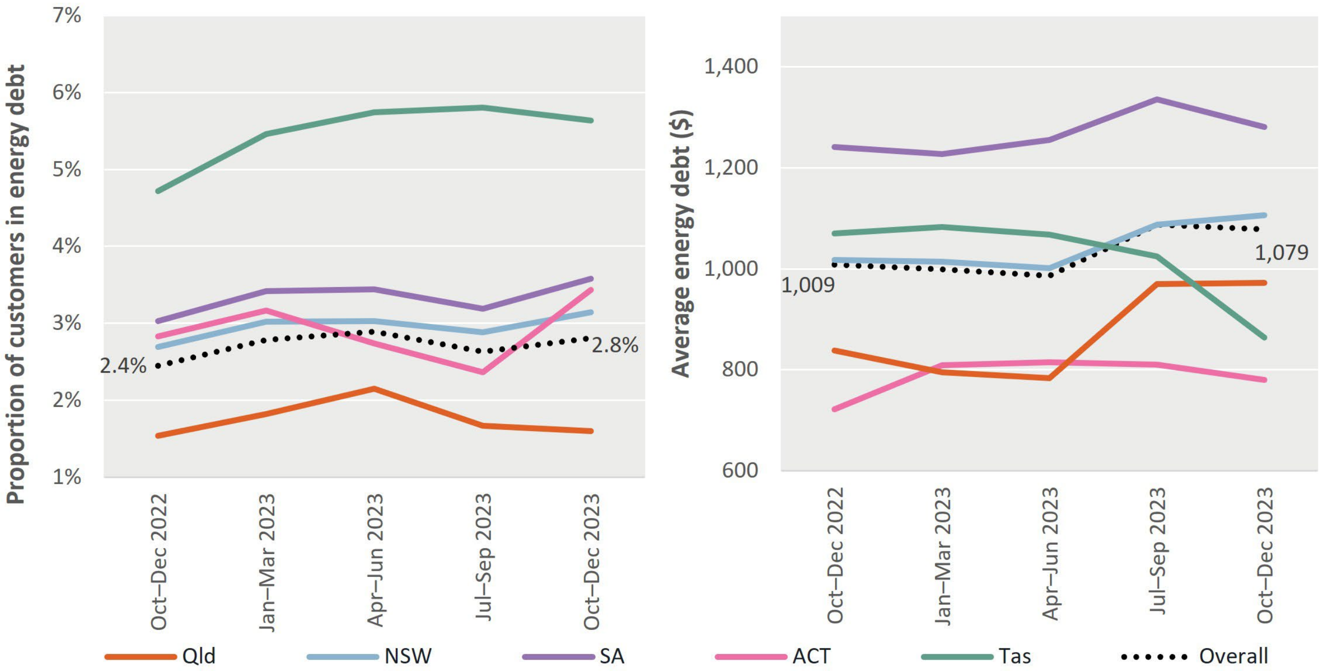


Note: Pricing data is based on prices as at 31 December 2023. A few offers are significantly higher than the median price. However, these represent a very small number of offers in the market, so we have removed these dots from the chart. This analysis does not include Victorian offers.
Source: AER analysis using offer data from Energy Made Easy.

Residential energy debt increased over the last 12 months

- The proportion of customers with energy debt increased by 0.18 percentage points (12,749 customers) compared with the previous quarter and is 0.36 percentage points higher (26,207 customers) than this quarter in 2022.
- The increase in the proportion of residential customers with energy debt in the ACT this quarter compared with the previous quarter is related to seasonality and winter bills now exceeding the 90-day threshold to be included in this metric.
- The average residential energy debt has decreased slightly (0.8%) compared with the previous quarter but there was an increase of 6.9% in average energy debt compared with the same quarter in 2022.
- Average energy debt decreased by 15.7% in Tasmania compared with the previous quarter, with the ACT and South Australia also seeing a decrease in average energy debt levels.

Figure 3 Proportion of residential customers in energy debt and average energy debt

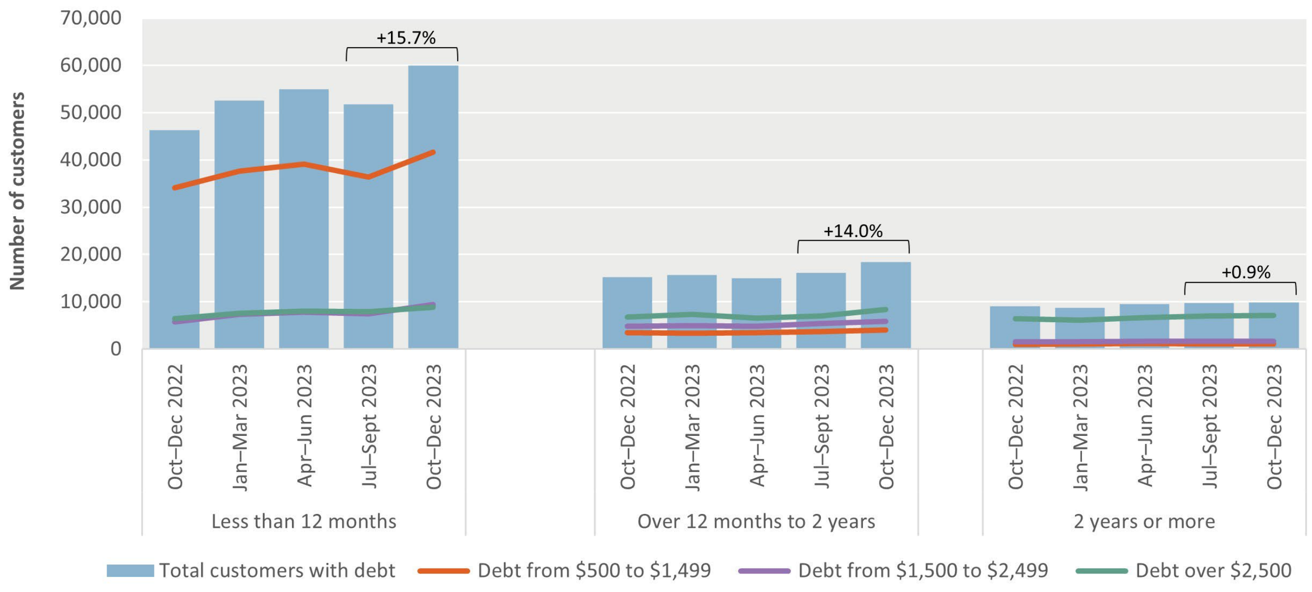


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: 'Repaying & Avg Debt Resi'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'.

Increase in residential customers holding debts, driven by increases in new debt

- The number of customers with debt greater than $500 increased by 13.5% compared with last quarter.
- Residential customers holding more than $2,500 debt has increased substantially, by 23.9% from the same quarter in 2022 and by 11.1% from the previous quarter.
- The number of residential customers holding debt greater than $500 for less than 12 months has seen the biggest increase compared with the same quarter in 2022, at 29.6%.
- 47.3% of customers with energy debt have debt between $500 and $1,500 and have held that debt for less than 12 months.

Figure 4 Quarterly change in number of residential customers with aging energy debt

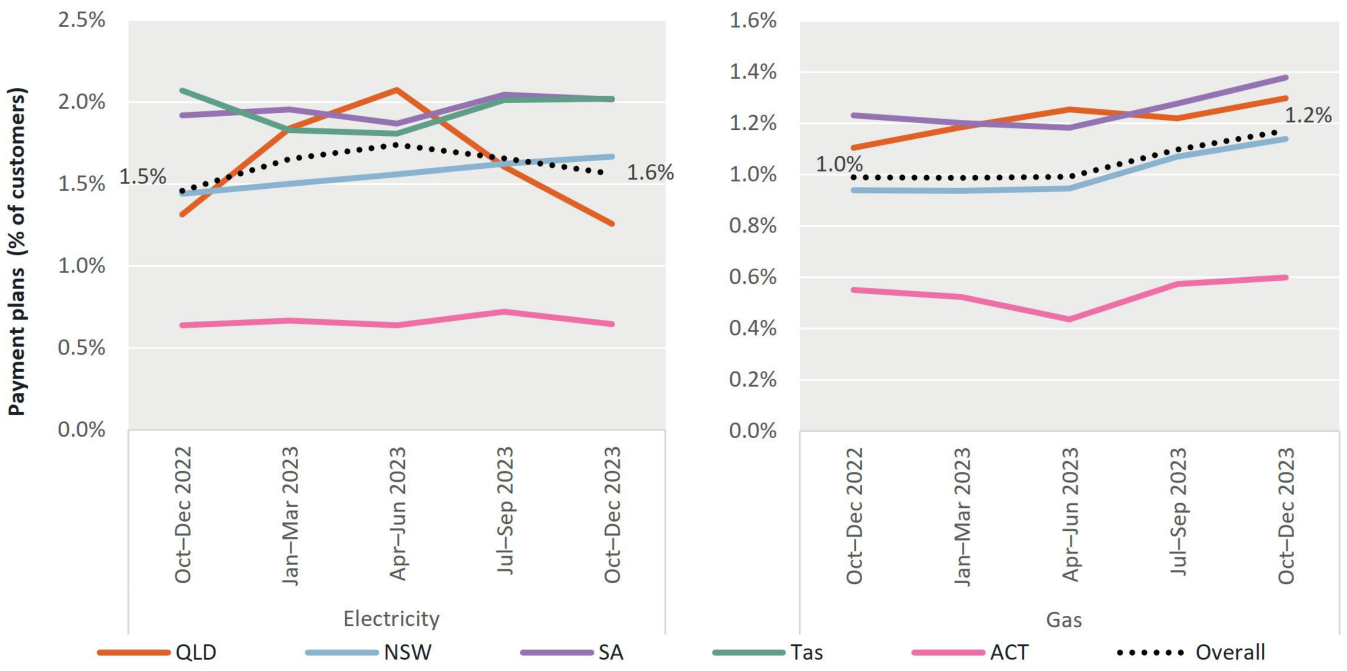


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: 'Amt & Age of Debt – Resi Elec'.

Continued gradual increase in payment plans

- Since this quarter last year, the proportion of residential customers with an electricity payment plan has increased from 1.5% to 1.6% (Figure 5), while the number of customers on a payment plan has increased by 7.9% to 107,071.
- Similarly, since this quarter last year, the proportion of customers on a gas payment plan has increased from 1.0% to 1.2%, while the number of customers on a payment plan has increased by 19.6% to 27,060.
- The decreases over the previous 2 quarters in the proportion of electricity customers on payment plans in Queensland is related to the Cost of Living Rebate for households being applied quarterly from July 2023 to June 2024.

Figure 5 Proportion of residential electricity and gas customers on payment plans

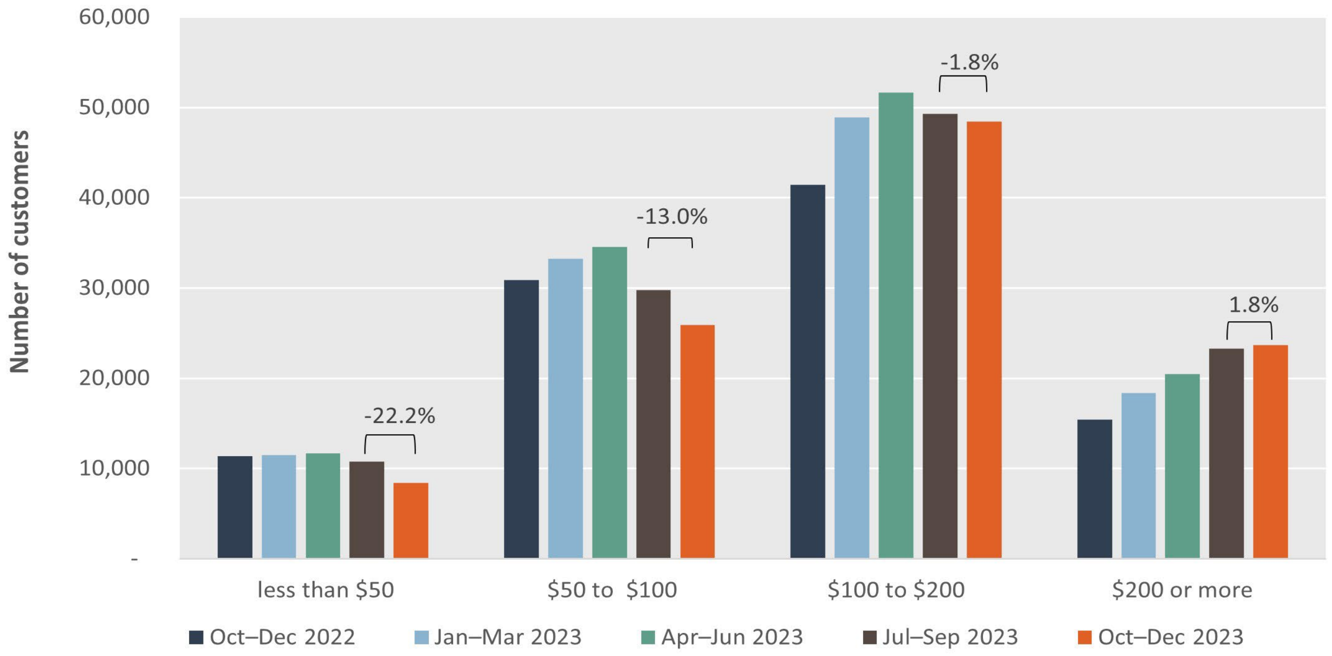


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: 'Payment Plans'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Increase in fortnightly payments and multiple payment plan cancellations for electricity customers

- Since this quarter in 2022, the number of residential electricity customers:
  - making fortnightly payments of between $100 to $200 increased by 16.9%
  - making fortnightly payments of $200 or more increased by 53.6%
  - with multiple payment plans cancelled in the previous 12 months increased by 35%.
- Since last quarter, the number of residential electricity customers:
  - making fortnightly payments of less than $200 has decreased by 8.0% while those making payments of $200 or more increased by 1.8%
  - with multiple payment plans cancelled in the previous 12 months increased by 5.9%
  - completing a payment plan decreased by 13.5%.

Figure 6 Customer payments per fortnight

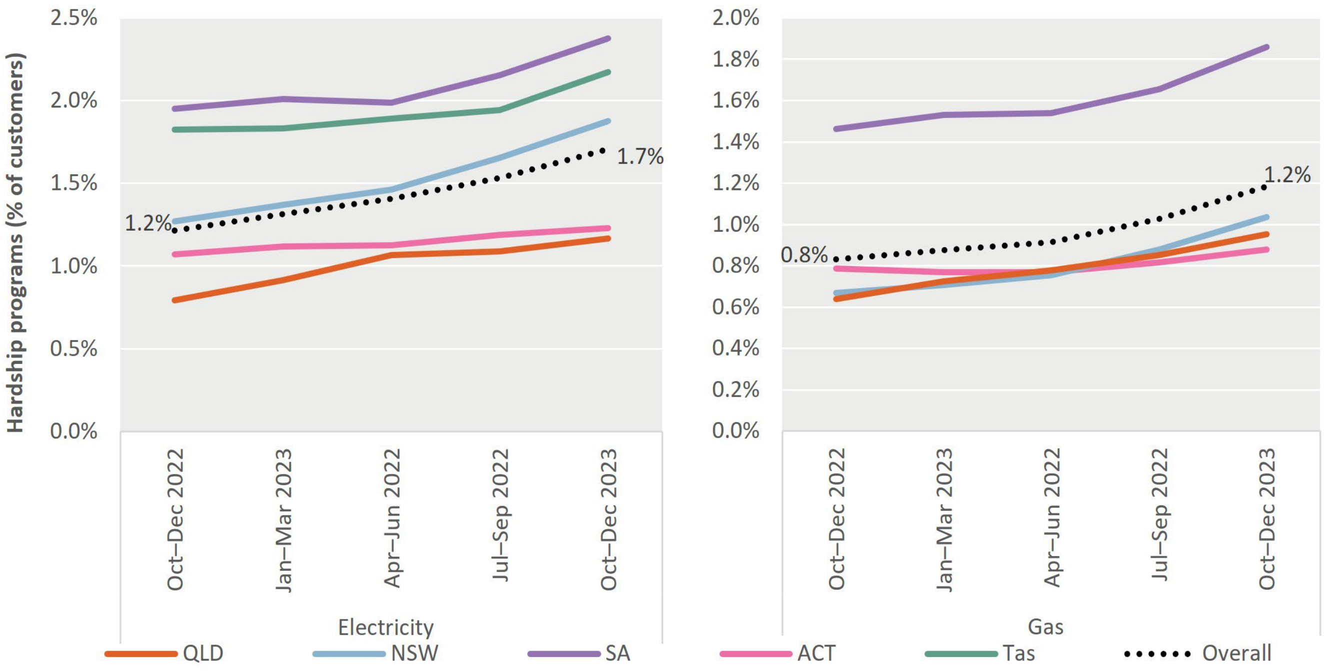


Source: AER, Schedule 3 – Retail Performance Data Q2 2023–24, Sheet: 'Payment Plan by Type – Elec'. '.

Customers accessing a hardship program continues to increase

- The proportion of residential electricity customers accessing hardship programs has increased from 1.2% to 1.7% (Figure 7) since this quarter in 2022. This is reflected in the number of electricity customers on hardship plans increasing by 41.4% to 116,753 over that period.
- Residential electricity hardship customer numbers increased since last quarter in all jurisdictions, with NSW having the largest increase of 13.5%.
- Gas customer hardship numbers have also increased by 44% since this quarter in 2022, from 18,975 to 27,322.

Figure 7 Proportion of residential electricity and gas customers on hardship programs



Source: AER, Schedule 4 – Retail Performance Data Q2 2023–24, Sheet: 'Hardship Numbers' Schedule 2 – Retail Performance Data Q2 2023–24, Sheet: 'Res Elec Cust#s & Mkt Contr'.

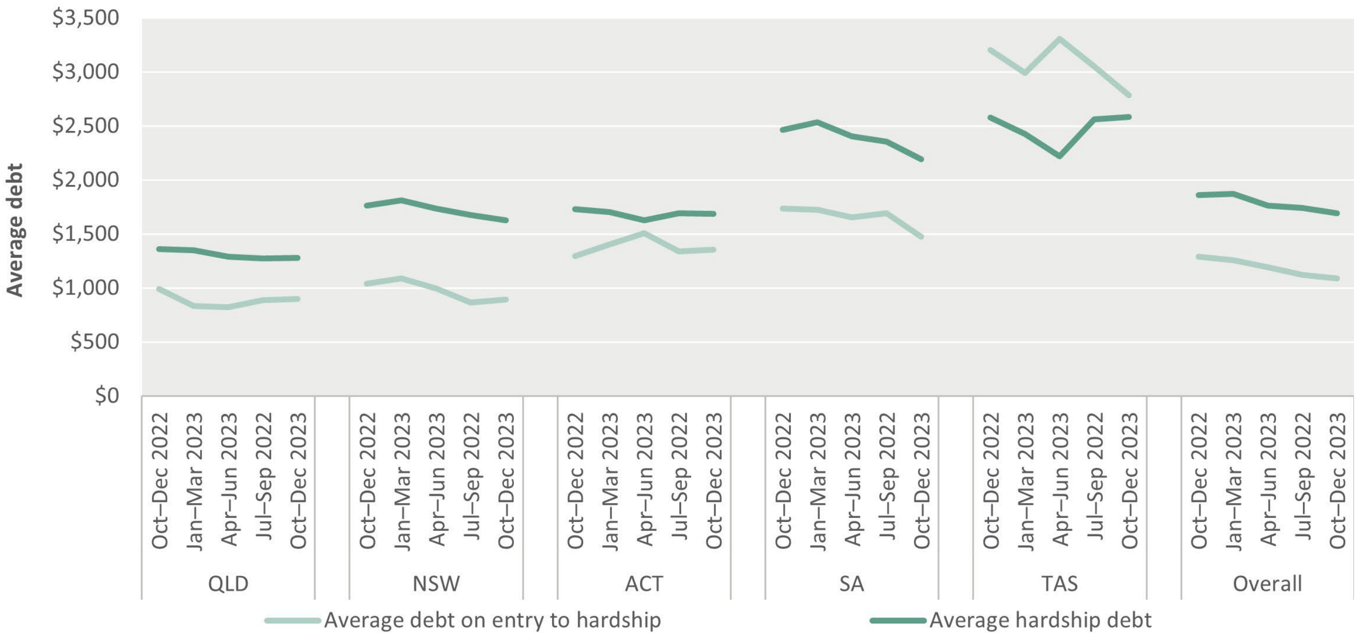
Customers on hardship programs are finding it harder to meet energy costs

- The following changes since this quarter in 2022 indicate that customers experiencing hardship are continuing to find it harder to meet their energy costs and debt commitments:
  - The number of customers on hardship programs who have been in their program for greater than 12 months has increased from 24.3% a year ago to 33.1%. Nearly one-third of these (10.2% of customers on hardship programs) have been on the program for more than 2 years.
  - The difference between the average debt on entry to a hardship program and the average hardship debt has increased from $571 to $603.
  - 43.0% less residential electricity hardship customers successfully completed the program (3.2% of customers on hardship programs).

Average debt on entry to hardship programs decreased more than average hardship debt

- Since this quarter last year, average debt on entry to hardship programs has decreased by 15.5% from $1,288 to $1,089 (Figure 8). All jurisdictions other than the ACT now have a lower average debt on entry to hardship programs than they did in this quarter in 2022.
- Average debt of customers while in a hardship program has decreased by 9% from $1,860 to $1,692 since this quarter in 2022. All jurisdictions, except Tasmania, experienced a decrease in average debt levels over that period.
- This decrease may be related to the increased number of customers now experiencing hardship. Retailers have advised us they are continuing to engage with customers earlier, which increases the number of customers in hardship but also reduces the average amount of debt customers have when entering hardship.

Figure 8 Average electricity hardship debt and average electricity debt at time of entry to hardship programs

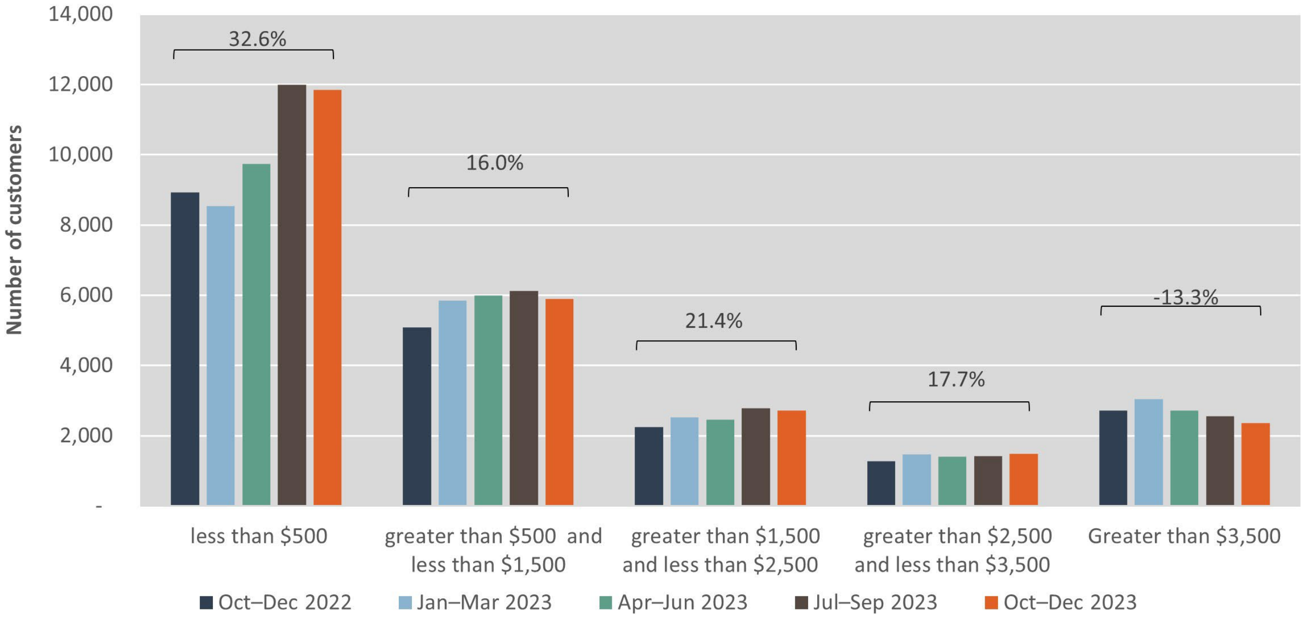


Source: AER, Schedule 4 – Retail Performance Data Q2 2023–24, Sheet: 'Hardship Avg & Entry Debt'.

Customers entering hardship with lower and newer debt

- The number of customers entering hardship programs with a debt increased by 20.1% compared with this quarter in 2022:
    - 73% of customers entering hardship programs with a debt had debt of less than $1,500, which is a 3.7 percentage point increase compared with this quarter in 2022.
    - 58.0% of customers entering hardship programs had debt less than 6 months old, which is a 5.9 percentage point increase compared with this quarter in 2022.

Figure 9 Number of electricity hardship debt customers and debt on entry to hardship programs, by debt level

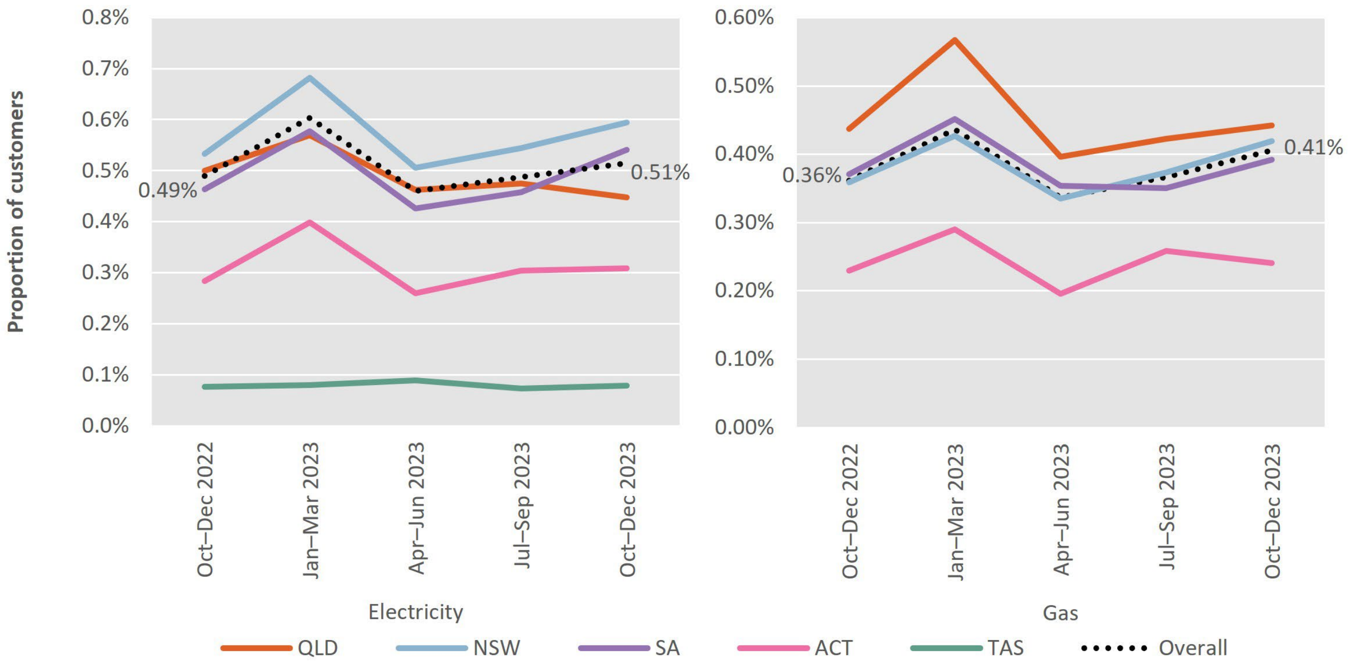


Source: AER, Schedule 4 – Retail Performance Data Q2 2023–24, Sheet: 'Hardship debt on entering'.

Credit collections have fluctuated between quarters but remain similar to last year

- 0.51% of residential electricity customers were referred to external credit collection agencies this quarter. Despite increases over the past 2 quarters, this is a similar rate to this quarter in 2022 (Figure 10).
- 0.41% of residential gas customers were referred to external credit collection agencies this quarter. Similar to residential electricity, despite increases over the past 2 quarters, this rate is similar to this quarter in 2022 (Figure 10).

Figure 10 Proportion of residential electricity and gas customers referred to external credit collection agencies

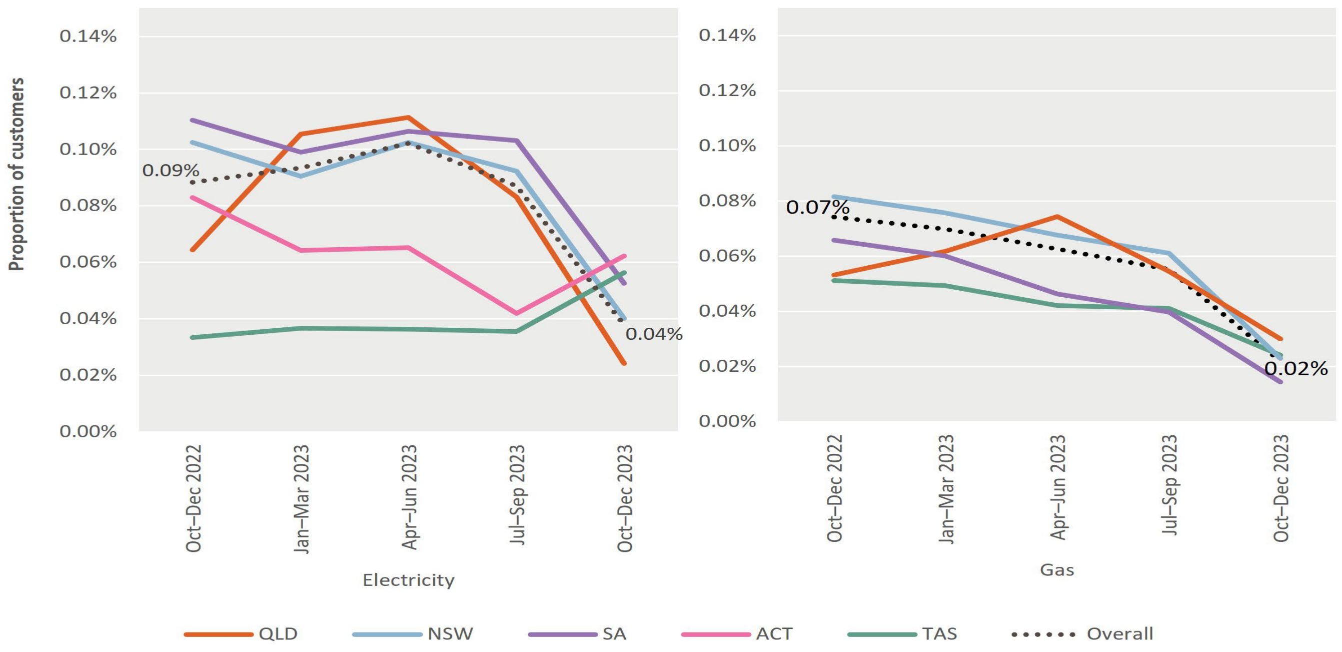


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: 'Credit Collection'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Overall disconnection rates continue to trend downwards

- Residential electricity disconnections decreased significantly this quarter in NSW, Queensland and South Australia, but increased in the ACT and Tasmania (Figure 11).
- Disconnection rates decreased across all jurisdictions for gas customers compared with the previous quarter.
- The decrease in the overall disconnection rates and in NSW, Queensland and South Australia were assisted by some retailers choosing to pause or reduce disconnections this quarter for different business reasons.
- The increase in residential electricity disconnections in Tasmania is linked to a recommencement of disconnections.

Figure 11 Proportion of residential electricity and gas customers disconnected

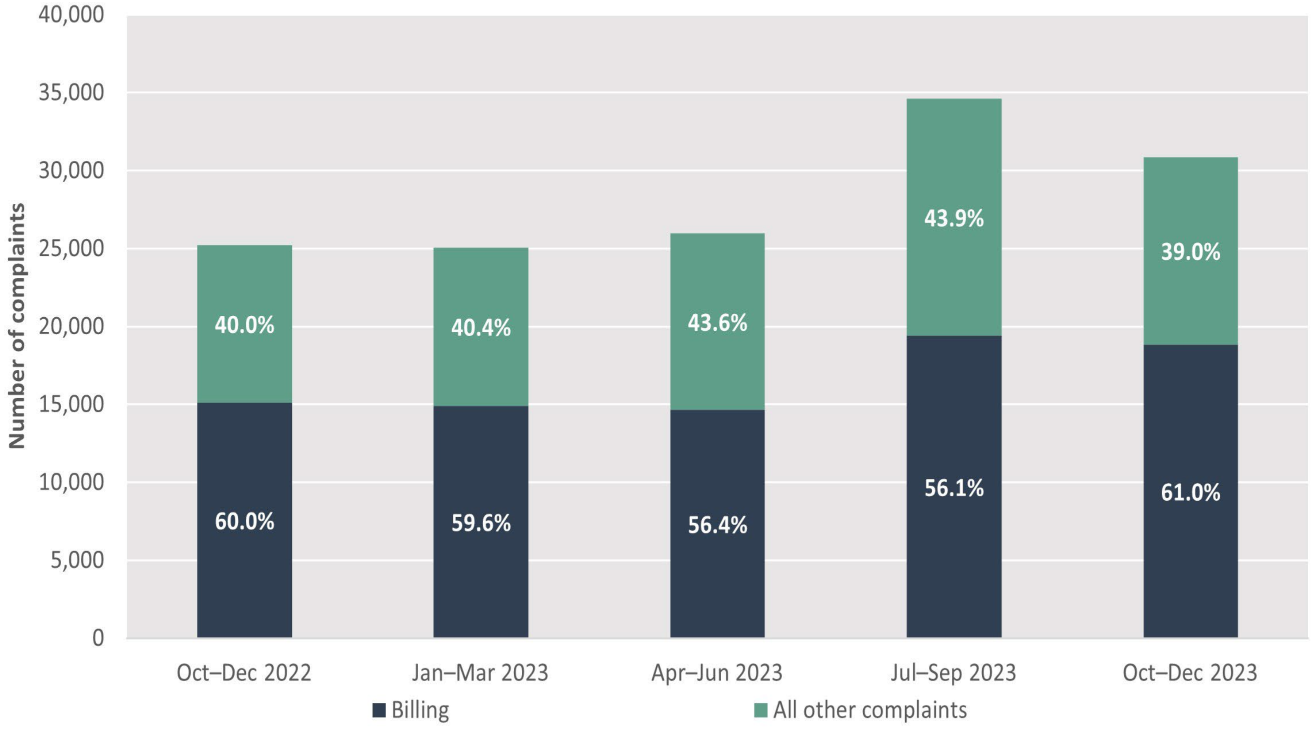


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: 'Disconnections Resi'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Complaints remain higher than this quarter in 2022

- The total number of complaints has increased from 26,691 to 32,569 (up 22.0%) since this quarter last year (Figure 12).
- The proportion of complaints relating to billing increased this quarter compared with the previous quarter. Billing complaints include grievances with price, billing errors, payment arrangements and debt recovery practices.
- Retailers have advised that the higher complaints over the past 2 quarters are due to 2 main factors:
  - the price increases in July 2023, which resulted in an increase in complaints and general calls to their call centres
  - the increase in the number of calls, which resulted in a worsening of call centre responsiveness indicators, leading to a further increase in complaints.

Figure 12 Electricity customer complaint types, by number and percentage

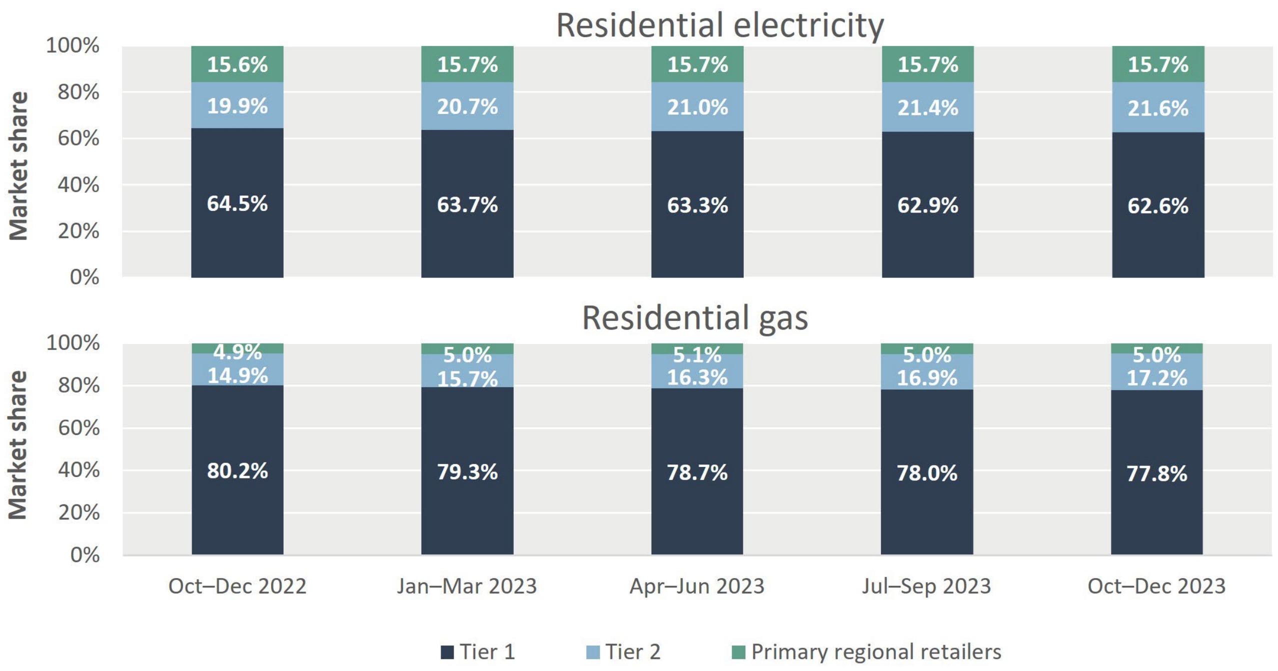


Source: AER, Schedule 3 – Retail Performance Data Q2 2023-24, Sheet: ‘Complaints by type – Resi’; Schedule 2 – Retail Performance Data Q2 2023-24, Sheet: ‘Res Elec Cust#s & Mkt Contr’.

Market share of smaller retailers continues to gradually increase

- Both the residential electricity market and residential gas market have continued their slow trend away from Tier 1 retailers towards Tier 2 retailers.
- Tier 2 retailers have increased their market share by 1.7 percentage points in the residential electricity market and by 2.3 percentage points in the residential gas market since this quarter in 2022 (Figure 13).
- The market share of primary regional retailers for both the residential electricity and gas markets has remained consistent over the past 5 quarters.
- Tier 1 retailers are Origin Energy, AGL and EnergyAustralia. Primary regional retailers are Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania. Tier 2 retailers are all other retailers.

Figure 13 Residential market share by Tier 1, Tier 2 and primary regional retailers



Source: AER, Schedule 2 – Retail Performance Data Q2 2023–24, Sheet: ‘Res Elec Cust#s & Mkt Contr’, Schedule 2 – Retail Performance Data Q2 2023–24, Sheet: ‘Res Gas Cust#s & Mkt Contr’.