Annual retail markets report 2018-19

Released November 2019

AUSTRALIAN ENERGY REGULATOR

Australian Government

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Glossary

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Concessions	State and territory governments provide a range of concessions that eligible consumers can use towards their energy bills.
Conditional discount	A discount applied to an energy bill based on a certain condition being met (e.g. paying a bill on time)
Customer	A person who purchases energy from a business.
DELWP	Victorian Department of Environment, Land, Water and Planning
Disconnection	Disconnection means that the retailer ceases to supply the customer's premises with energy.
DMO	The Default Market Offer was introduced in NSW, south east Queensland and South Australia on 1 July 2019. It caps the price that retailers can charge electricity customers on standing offers.
EME	Energy Made Easy
ESC	Essential Services Commission Victoria
Hardship program	A program to help residential customers who are having difficulty paying their electricity and/or gas bills. All retailers must have a customer hardship policy.
Large customer	Large customers are business customers identified as at or above the upper consumption thresholds set out below: For electricity, 100 MWh pa except in SA (160 MWh) and Tasmania (150 MWh). For gas, 1 TJ pa.
Market contract	Also known as retail contracts. A contract for electricity or gas that includes terms and conditions not included in standard contracts. The tariff rates in market retail contracts are set by energy retailers.
National	This reference covers the jurisdictions we regulate under the Retail Law and Retailer Rules – namely Queensland, the ACT, Tasmania, South Australia and NSW.
Non-hardship debt	Customers in debt but not on hardship programs.
NSW	New South Wales
Performance Reporting Procedures and Guidelines	The AER (Retail Law) *Performance Reporting Procedures and Guidelines* set out the manner and form in which regulated entities must submit information and data to the AER relating to their performance under the Retail Law and Retail Rules. The latest version took effect from January 2019 and we first reported on the new data in our *Retail energy market performance update for Q3, 2018-19.*

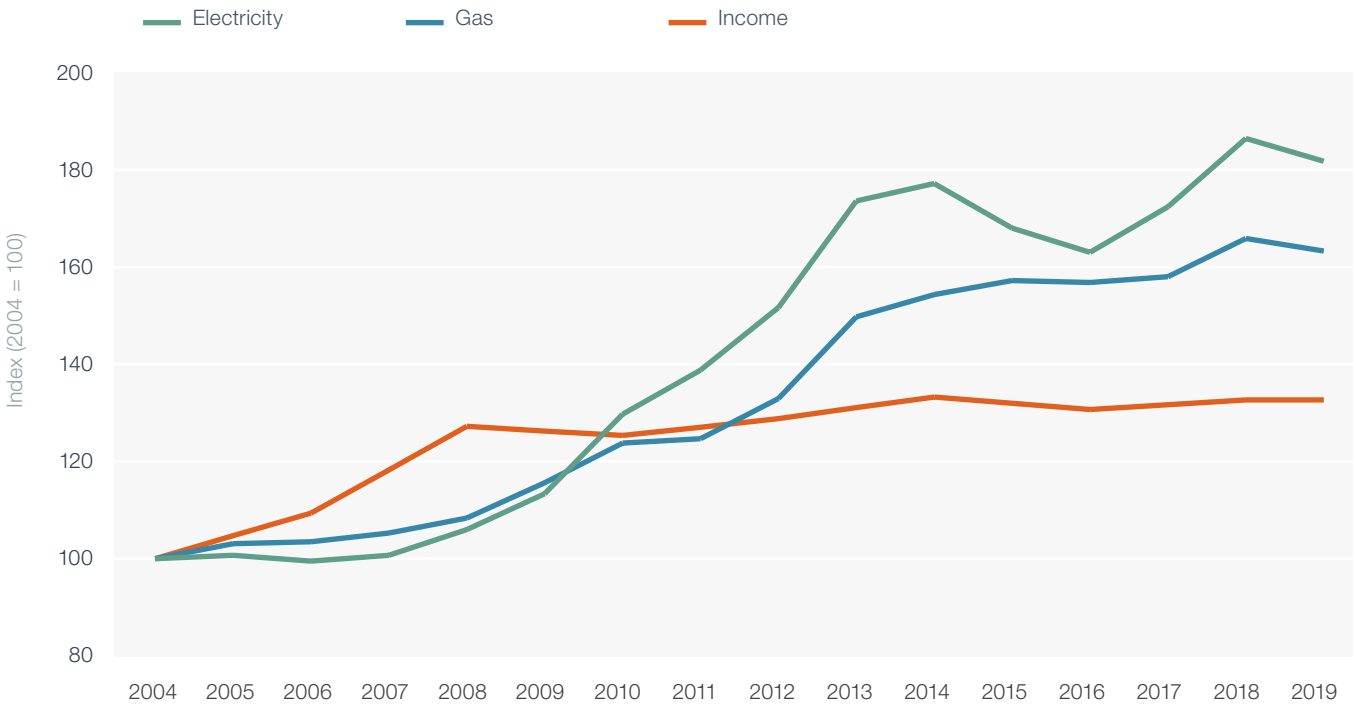
Primary regional retailers	The primary regional retailers are Ergon Energy (regional Queensland), ActewAGL (the ACT) and Aurora Energy (Tasmania).
QLD	Queensland
REPI	Retail Electricity Pricing Inquiry
Retail Law	National Energy Retail Law
Retail Rules	National Energy Retail Rules
Retailer report cards	In Chapter 6 we profile the performance of the 10 largest retailers (by market share). Consistent with the content of the report we cover a range of metrics including market shares, call waiting times and complaints, debt and hardship, and disconnections.
SA	South Australia
Small customer	Small customers include both residential customers and small business customers that consume energy below the upper consumption thresholds set out below: For electricity, 100 MWh pa except in SA (160 MWh) and Tasmania (150 MWh). For gas, 1 TJ pa (in NSW 1000GJ or 1TJ pa).
Standing contract	Also known as a standard contract or regulated offer/contract. A basic plan for electricity or gas offered by a retailer. The law sets the terms and conditions these contracts must contain.
Supply charge	A daily charge that is payable for each connection, regardless of whether any energy is used.
Switching	When a customer signs up to a new plan for their electricity and/or gas supply either with their current retailer or a different energy retailer.
Tariff	The price of electricity or gas under an energy plan. Tarrifs typically include two parts: • supply charge • usage charge
TAS	Tasmania
Tier 1 retailer	Tier 1 retailers include Origin Energy, AGL and EnergyAustralia, as they collectively service the majority of the retail markets in NSW, South Australia and south east Queensland.
Tier 2 retailer	All retailers not defined as a tier 1 retailer or a primary regional retailer.
Usage charge	Usage charges are charged for each unit of energy used by a customer.
VDO	The Victorian Default Offer, like the Default Market Offer defined above, was introduced on 1 July 2019. The VDO replaces standing offers in Victoria and aims to provide customers with access to a 'fair' priced electricity offer.
VIC	Victoria
Weighted average	A weighted average is an average obtained by multiplying each component by a factor. This factor represents the importance of each component (the weighting).

About this report

The *National Energy Retail Law* (Retail Law) requires us to report annually on compliance and performance in the retail energy market.[1] This, our *Annual retail markets report 2018-19*, satisfies the relevant statutory requirements. The report aims to provide customers, businesses and governments access to quality information on the retail energy market.[2] Our approach to reporting is also underpinned by the statutory objective of the Retail Law, namely to promote the long term interests of consumers.[3] The data we cover in this report is critical to the AER's economic and market monitoring function which helps ensure market transparency and effective policy making.

Monitoring the retail market is more important than ever given that energy is difficult to afford by historical standards. In our *Affordability in retail energy markets report* (Affordability report), we explored trends in income and energy prices.[4] As shown in figure 1, increases in energy prices significantly outpaced income growth between about 2008-2014 – and, in recent years, energy prices have remained at a relatively high level, albeit with a small decrease in the past year. Figure 1 below illustrates how the affordability gap between income levels and energy prices has become a persistent problem.

Figure 1: Long term trends in energy prices and income



Source: AER analysis using data from the Australian Bureau of Statistics (ABS). Electricity and gas price index – Consumer Price Index, cat. No. 6401.0, various years; income index – ABS, Household Income and Wealth, Australia, 2017-18.

In a departure from our usual practice of including analysis of energy affordability in our annual report, this year we published our Affordability report as a standalone.[5] This was to take a more focused look at the issues in light of ongoing widespread concerns about energy affordability. Reporting earlier in the year was particularly important in 2019 because significant pricing and advertising reforms associated with the Default Market Offer and Victorian Default Offer were introduced into the market from 1 July 2019.

1 National Retail Energy Law, sections 279 and 284.
2 See National Energy Retail Law (South Australia) Bill, 2nd Reading Speech, Hansard.
3 National Retail Energy Law, section 13.
4 AER, *Affordability in retail energy markets*, September 2019.
5 Section 166 of the Retail Rules requires a report on energy affordability for small customers to be part of a retail market performance report.

This report covers the jurisdictions that have adopted the National Energy Customer Framework and are therefore covered by the Retail Law and the Retail Rules – namely Queensland, the Australian Capital Territory, Tasmania, South Australia and New South Wales. We also cover Victoria in the 'Price Update' chapter of this report.

To better monitor the market, we instigated an update to the *AER Performance Reporting Procedures and Guidelines* and we now collect a broader range of market performance indicators than in previous years.[6] In particular, the new data includes more indicators on customers experiencing payment difficulties and hardship. The latest version of the Guidelines took effect from January 2019 and we first reported on the new data in our *Retail energy market performance update for Q3 2018-19*.

How to navigate this report

To provide the reader an overview of the headline data contained in this report, we include a *Key facts* section. We also include separate *Retailer report cards* in chapter 6 in which we provide a profile of the 10 largest retailers by market share.

Chapter 1, *Market overview*, provides an overview of the key characteristics of the retail energy market. It examines indicators on competition in the retail market including retailer customer numbers and retailer market share, as well as new market and policy developments.

Chapter 2, *Retailer customer service*, looks at how retailers handle calls from customers and the most common types of complaints that customers make.

Chapter 3, *Payment difficulties and hardship*, looks at the indicators that shed light on those customers struggling to pay their energy bills, those customers on payment plans or hardship programs administered by retailers and, in the worst case scenario, those customers who are disconnected. We also cover government concessions in this chapter.

Chapter 4, *Compliance and enforcement*, provides a summary of the AER's compliance and enforcement activity over 2018-19 including the amount of penalties paid and the number of infringement notices issued.

Chapter 5, *Price update*, provides a snapshot of electricity and gas prices as at September 2019.

6 Version 3 of the *AER Performance Reporting Procedures and Guidelines* took effect from January 2019 and we first reported on the new data in our Retail Performance Report for Q3 2018-19. We have also made improvements to the reporting template in MS Excel which was updated to version 4.2 in April 2019.

Chair foreword

Our *Annual retail markets report 2018-19* is one of the most important publications the Australian Energy Regulator (AER) releases – it provides insight into the average Australian energy consumer and guides us as the regulator to the issues that matter most to them.

What have we learned this year? Lots of us are shopping around to get a better deal, which is vital at a time when power prices remain high. Tier 2 retailers have improved their share in all market segments and we've seen new retailers enter the market and existing retailers expand into different parts of the market.

One of the AER's core priorities is that consumers should pay no more than they need for safe and reliable energy. We strive to provide people with information and the means to engage with the market and get the best deal for themselves and their families.

So it is good to see that the proportion of residential electricity and gas customers on market contracts increased in the past year, as did the number of small business electricity customers.

For those customers still on standing offers, the introduction – on 1 July 2019 – of the Default Market Offer and Victorian Default Offer saw a significant reduction in standing offer prices across relevant jurisdictions. Standing offer prices remain higher than market offer prices in most areas, though the gap between the two is narrowing.

The AER also stands firm that retailers have a responsibility to customers experiencing financial hardship or who are otherwise struggling. Protecting those who are most vulnerable in our community is core to the work we do and we use the information collated in this report to focus our work in this area over the coming year.

We reported on the effects of persistently high energy costs in our *Affordability report* this year and the indicators we collect on payment difficulties and hardship tell us that many households continue to struggle to pay their energy bills.

The good news in this regard is that the proportion of residential and small business customers in debt decreased compared to last year, and the level of that debt has decreased for most jurisdictions.

But the proportion of residential electricity customers on hardship programs increased, and the average debt of those customers is significantly higher than last year. The proportion of customers on payment plans also increased, although it is important to remember that not all those on such plans are in hardship. The number of customers disconnected decreased slightly from last year but has stabilised at a relatively high level in recent years.

This information feeds into a new and troubling indicator that we have started tracking on credit collection. Customers are often referred to debt collectors for sums of less than $500 and about half of the people referred have had a negative impact on their credit rating because of that debt.

To help address such issues, the AER introduced a new Hardship Guideline in 2019 that works to ensure customers requiring assistance receive the protection to which they are entitled.

Another key element of this report is our compliance and enforcement work under the Retail Law and Rules. Robust enforcement ensuring compliance with the law is vital in building consumer trust that companies are doing the right thing.

In 2018-19, our compliance and enforcement work focused on specific areas, including retailer compliance with the requirements for assisting customers in financial difficulties and retailers' and distributors' compliance with new life support obligations.

Compliance with new metering contestability obligations and submission of timely and accurate market performance data also featured in AER enforcement work, including current court proceedings against retailers for allegedly failing to provide accurate data.

Overall our enforcement action in 2018–19 resulted in retailers and distributors paying $320 000 in penalties, in response to 16 infringement notices, for allegedly failing to meet their obligations under the Retail Law and Rules. By the time this report comes out next year, we're hoping we will have our new penalty structure in place that will allow us to seek more appropriate financial sanctions through the courts when required.

We all use electricity and gas every day and we are all entitled to legal protections when we do so. The AER has a key role in ensuring those protections are provided fairly and effectively through our market oversight and compliance and enforcement action.

The data we collect and collate shows us where we need to act and where market reforms might help us do our job more effectively. This report is a record of that work and a source of valuable information for stakeholders as the transformation of Australia's energy sector continues.

Clare Savage
Chair

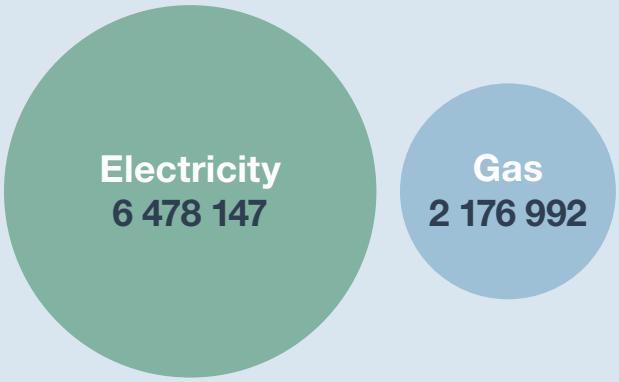
November 2019

Key facts 2018-19

Market overview

Residential

TOTAL NUMBER OF CUSTOMERS



TIER 1 MARKET SHARE

PROPORTION OF MARKET CONTRACTS

Small business

TOTAL NUMBER OF CUSTOMERS

TIER 1 MARKET SHARE

PROPORTION OF MARKET CONTRACTS

Payment difficulties and hardship

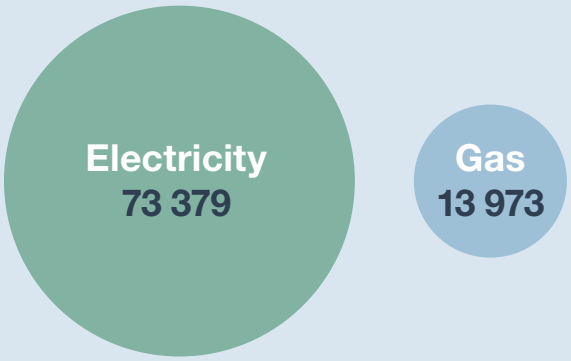
CUSTOMERS IN DEBT (NON-HARDSHIP)

150 127
customers in debt

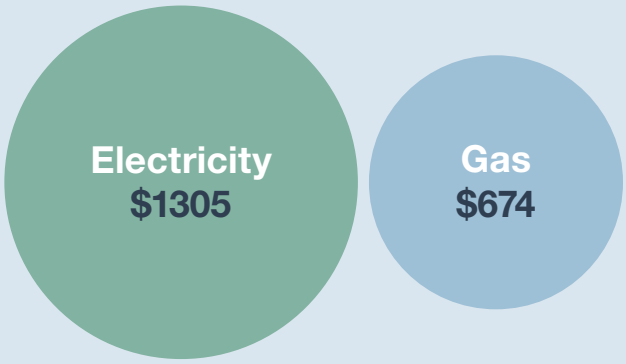
AVERAGE DEBT (NON-HARDSHIP CUSTOMERS)

$792
average debt

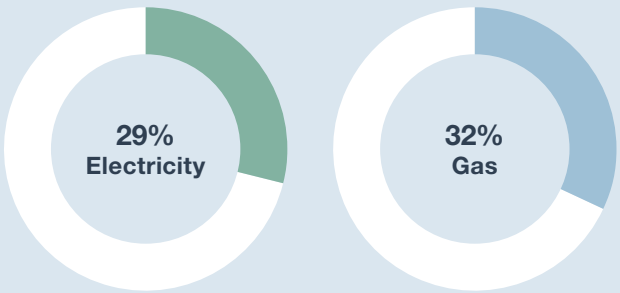
CUSTOMERS ON HARDSHIP PROGRAMS



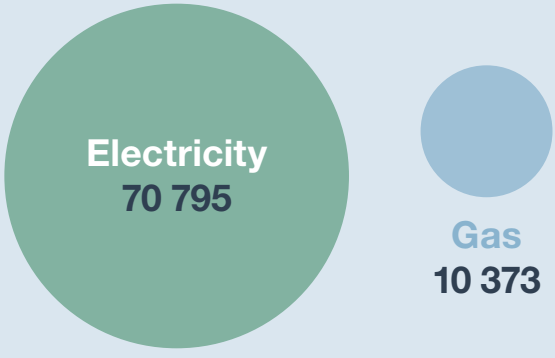
AVERAGE DEBT (HARDSHIP CUSTOMERS)



RATE OF HARDSHIP PROGRAM SUCCESS



DISCONNECTIONS



Customer service

AVERAGE WAITING TIME

52
Seconds

COMPLAINTS

2.9%
of customers complain

Compliance

$320 000
Penalities paid

16
Infringement notices

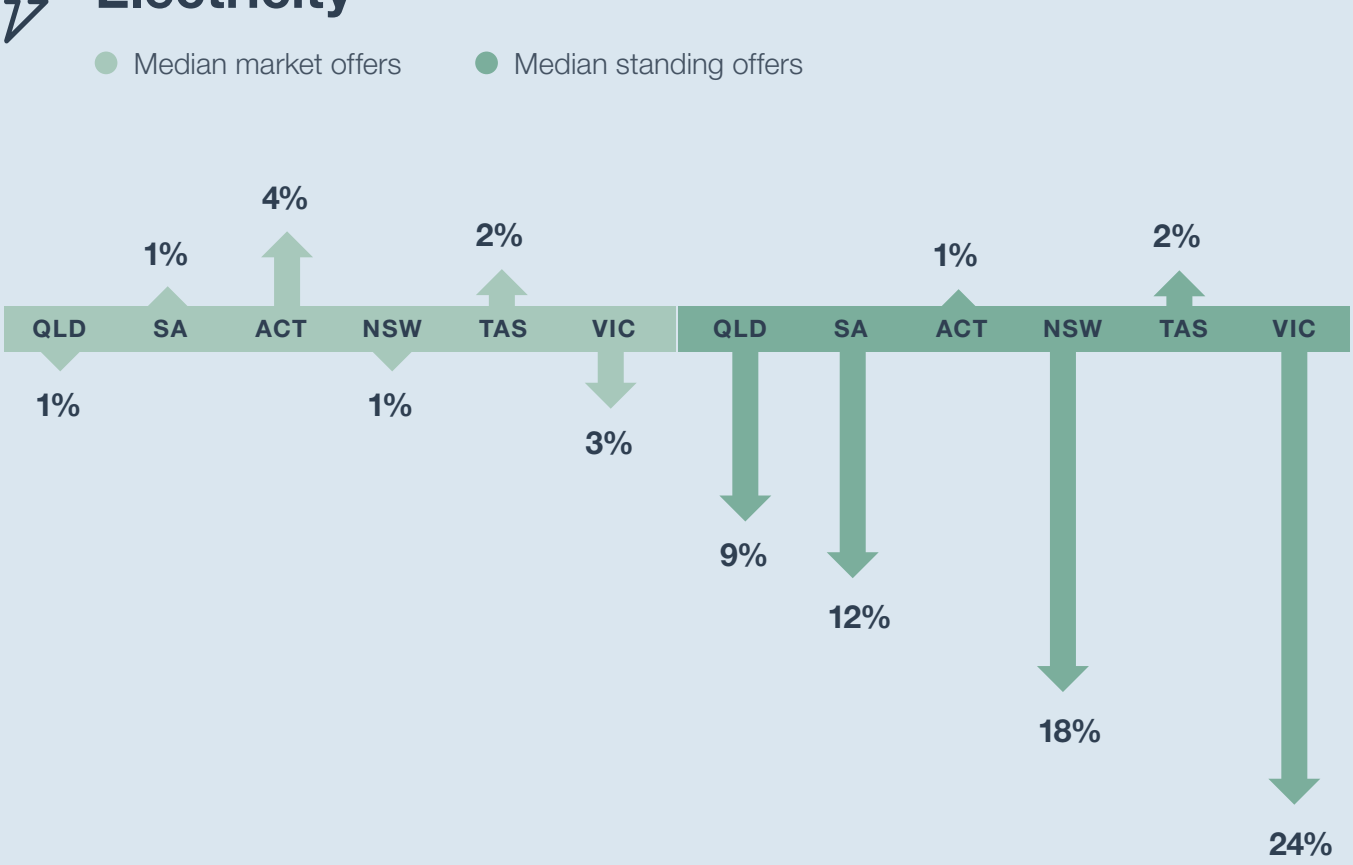
5
Compliance audits

49
Improved hardship policies submitted

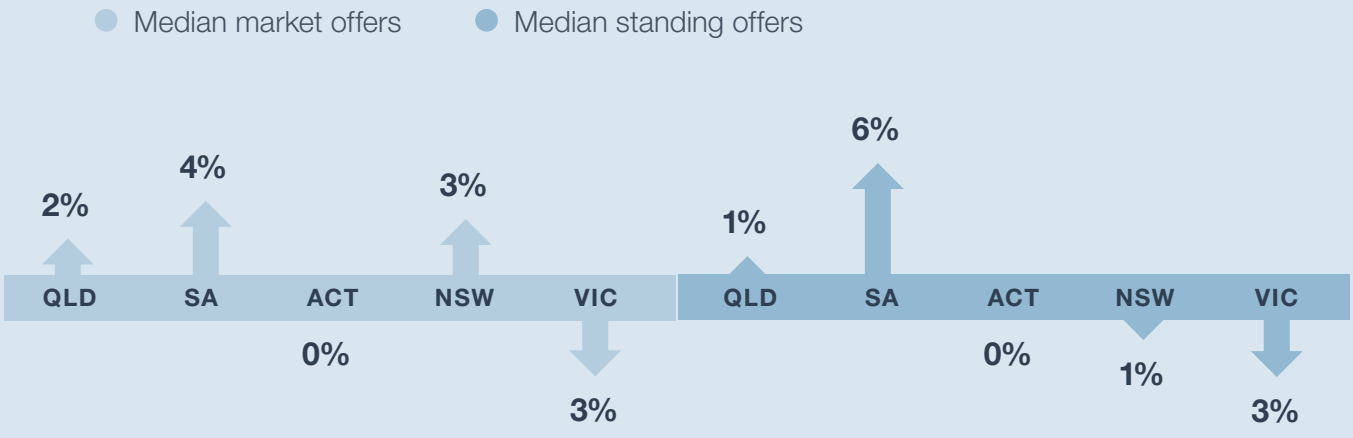
Price update

% CHANGE IN ANNUAL RESIDENTIAL BILL COSTS JUNE 2019 TO SEPTEMBER 2019

Electricity



Gas



Notes on retailer data

EnergyAustralia has resubmitted its reported customer numbers across a range of categories, for all jurisdictions. These numbers vary by up to 15% from the originally submitted numbers. We received this data in November 2019, too late to incorporate into our analysis for this report.

Given EnergyAustralia has market shares of up to 20% across various national energy markets and we use customer numbers to compare retailer performance on a range of indicators, this revision may affect our findings throughout the report.

We will publish EnergyAustralia's revised customer numbers in our next quarterly *Retail energy market performance update for Q1, 2018-19*

Market overview

1

1.1. Market structure

KEY FINDINGS

- Tier 1 retailers continue to hold the greatest market share in NSW, South Australia and south-east Queensland
- Ergon Energy, ActewAGL and Aurora continue to hold the greatest market share in regional Queensland, the ACT and Tasmania respectively
- Tier 2 retailers increased market share in all market segments
- The proportion of customers on market contracts increased in the residential electricity and gas, and small business electricity market segments
- The proportion of residential customers on market contracts increased in all jurisdictions except Tasmania
- Six new retailers were authorised in 2018-19 and various existing retailers entered new market segments

In this section, we report total customer numbers and market share for all retailers across each of the six market segments – residential, small business, and large customers across electricity and gas. In the data accompanying this report, we have also broken down customer numbers by retailer for each jurisdiction.

The ownership structure of the market influences competitive outcomes in the market. Participants' market share is an indication of market concentration. High market concentration may indicate a lack of competition, while changes in market concentration over time can provide insight into the ability of new entrants and smaller competitors to attract new customers.

In our analysis, we categorise retailers as Tier 1 retailers, primary regional retailers or Tier 2 retailers:

- **Tier 1** retailers include Origin Energy, AGL and EnergyAustralia, as they collectively service the majority of the retail markets in NSW, South Australia and south-east Queensland.
- **Primary regional retailers** include Ergon Energy, ActewAGL and Aurora Energy.
- **Tier 2** retailers include all other retailers.

There are signs of reduced market concentration in the retail energy market.

The market share of Tier 2 retailers has increased in all market segments, particularly for large customers across gas and electricity. Although the Tier 1 and primary regional retailers continue to hold the most market share, their market share has decreased.

It is important to note that reduced market concentration is not in itself determinative of increased competition, and that several retailers classified as Tier 2 are subsidiaries of Tier 1 retailers.[7]

Among the Tier 1 retailers, AGL and Origin Energy lost market share in most market segments. Despite this, AGL gained customers in the small business electricity market, while Origin Energy made some inroads into gas markets, gaining share in small business and large customers. EnergyAustralia's customer numbers fell in small business and large electricity customers, but increased in all other segments. Similarly, the primary regional retailers lost market share in all market segments except for large electricity customers.

7 We make some comments on retailer ownership:
- Sun Retail and OC Energy are owned by Origin Energy.
- Powerdirect is owned by AGL.
- Red Energy and Lumo Energy share ownership.

We note EnergyAustralia has resubmitted its reported customer numbers across a range of categories, for all jurisdictions. These numbers vary by up to 15% from the originally submitted numbers. We received this data in November 2019, too late to incorporate into our analysis for this report. We will publish EnergyAustralia's revised customer numbers in our next quarterly *Retail Performance Report* (for Q1 2019-20).

There are more Tier 2 retailers in the electricity market than in gas. Relative to the residential and small business market segments, Tier 2 retailers had a greater market share in large electricity and a smaller market share in large gas.

New retailers

The AER is responsible for authorising new retailers to the energy market. We authorised four new entrants to sell electricity this year:

- ReAmped Energy
- The Embedded Networks Company
- Arc Energy
- Elysian Energy

We also authorised two existing electricity retailers, Real Utilities and Sumo Power, to sell gas. Some of these retailers have already commenced operations.

Updates to the AER (Retail Law) *Performance Reporting Procedures and Guidelines* (April 2018)

We updated to version 3 of the *Performance Reporting Procedures and Guidelines*, effective from 1 January 2019. The updated Guidelines require that: "all regulated entities are required to submit information and data to the AER in the manner prescribed by these Procedures and Guidelines".

As a result of this update, we contacted a number of regulated entitles that may have previously been inactive to remind them of their reporting obligations effective from 1 January 2019. All retailers are required to submit quarterly reports to the AER irrespective of whether they have any active customers.

Similarly, we spoke with retailers that may have included a subsidiary brand in their reports to the AER prior to 1 January 2019, to advise them that each regulated entity must now be separately reported.

For example: Sun Retail is a subsidiary of Origin Energy and is a separately regulated entity. From 1 January 2019 Origin Energy and Sun Retail are reported as unique entities. Sun Retail will have nil values reported for previous years. As a result of this change there is a reduction of around 80 000 in Origin Energy's reported residential electricity customer numbers that are related to the extraction of their Sun Retail customers.

The following retailers are now reporting to the AER under the *Performance Reporting Procedures and Guidelines* effective from 1 January 2019. These retailers are active in the residential electricity, small business electricity and small business gas markets. We may note a nil value for historical metrics for these retailers.

Retailers now reporting to the AER (effective 1 January 2019)

- Enwave Mascot
- Future X Power
- Power Club
- PowerHub
- ReAmped Energy
- Sumo Power
- Sun Retail
- The Embedded Networks Company
- Weston Energy

Residential customer numbers

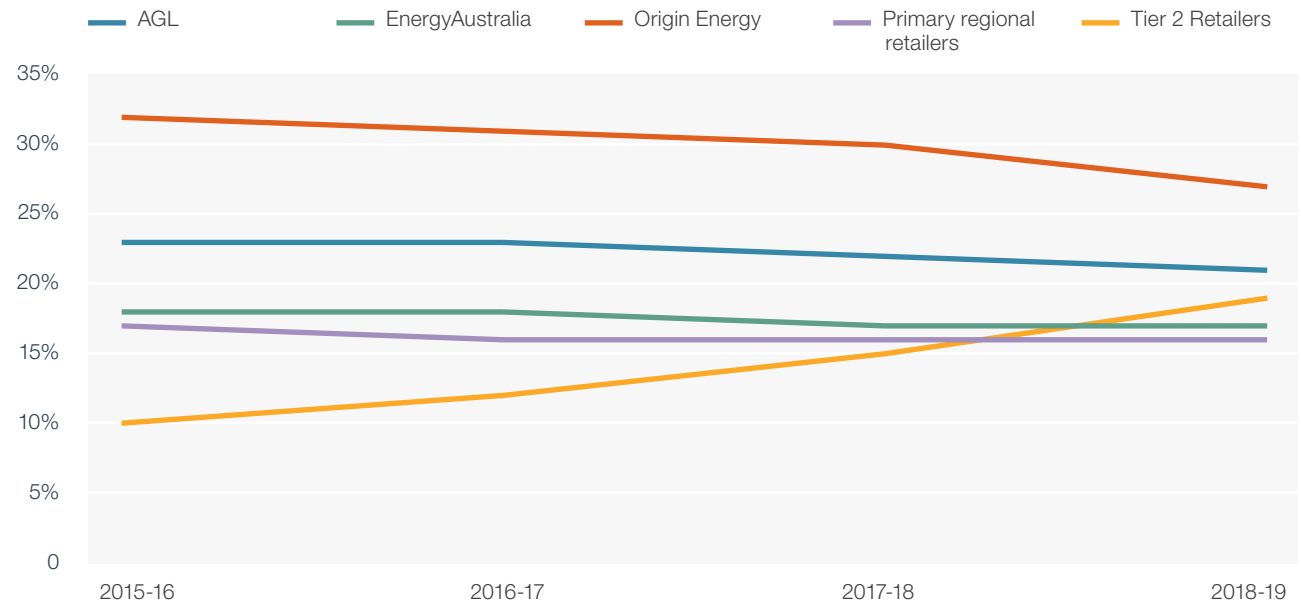
Residential electricity customers

There were 43 retailers supplying electricity to 6 478 147 residential customers in 2018-19.

Tier 1 retailers collectively lost market share, down from 68% in 2017-18 to 65% in 2018-19, while the primary regional retailers (Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania) maintained a 16% market share.

Tier 2 retailers increased market share from 15% in 2017-18 to 19% in 2018-19, gaining market share from Tier 1 retailers (as seen in figure 1.1). This continued an existing trend. The increase in Tier 2 customer numbers was shared among various retailers.

Figure 1.1: Residential electricity market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Table 1.1 shows that Alinta Energy had an increase in market share in 2018-19, up by 1.1 percent points from the previous year. As a result, Alinta Energy became the fifth largest retailer (by customer numbers) in 2018-19, up from seventh largest in 2017-18. Alinta Energy's increase in market share was driven primarily by growth in Queensland and NSW.

Other Tier 2 retailers also experienced substantial increases in customer numbers.

Table 1.1: Residential electricity market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
Origin Energy	1 869 626	1 749 413	-6%	29.7%	27.0%	-2.7
AGL	1 378 777	1 376 845	0%	21.9%	21.3%	-0.6
EnergyAustralia	1 062 092	1 113 774	5%	16.8%	17.2%	0.3
Ergon Energy	613 300	617 542	1%	9.7%	9.5%	-0.2
Alinta Energy	240 936	316 582	31%	3.8%	4.9%	1.1
Red Energy	248 176	279 068	12%	3.9%	4.3%	0.4
Aurora Energy	241 125	244 488	1%	3.8%	3.8%	-0.1
ActewAGL	180 579	171 311	-5%	2.9%	2.6%	-0.2
Simply Energy	125 240	129 855	4%	2.0%	2.0%	0.0
amaysim Energy	97 198	96 325	-1%	1.5%	1.5%	-0.1
Sun Retail	0	77 168	-	-	1.2%	1.2
Powerdirect	35 748	47 568	33%	0.6%	0.7%	0.2
Dodo	49 269	46 964	-5%	0.8%	0.7%	-0.1
Powershop	34 748	40 043	15%	0.6%	0.6%	0.1
Lumo Energy	35 082	36 694	5%	0.6%	0.6%	0.0
Locality Planning Energy	15 120	20 165	33%	0.2%	0.3%	0.1
Momentum Energy	9 444	19 907	111%	0.1%	0.3%	0.2
Energy Locals	5 084	14 715	189%	0.1%	0.2%	0.1
1st Energy	13 118	14 019	7%	0.2%	0.2%	0.0
Metered Energy	11 598	13 069	13%	0.2%	0.2%	0.0
Diamond Energy	10 158	9 646	-5%	0.2%	0.1%	0.0
OC Energy	4 062	6 442	59%	0.1%	0.1%	0.0
Qenergy	4 396	5 638	28%	0.1%	0.1%	0.0
Enova Energy	4 144	5 451	32%	0.1%	0.1%	0.0
Sumo Power	0	4 886	-	-	0.1%	0.1
CovaU	3 307	3 698	12%	0.1%	0.1%	0.0
Flow Systems	244	3 374	1283%	0.0%	0.1%	0.0
Savant Energy	1 781	2 591	45%	0.0%	0.0%	0.0
Mojo Power	3 787	2 576	-32%	0.1%	0.0%	0.0
Sanctuary Energy	3 393	2 211	-35%	0.1%	0.0%	0.0
Winenergy	813	1 948	140%	0.0%	0.0%	0.0
Pooled Energy	518	1 190	130%	0.0%	0.0%	0.0
ReAmped Energy	0	930	-	-	0.0%	0.0
Real Utilities	363	614	69%	0.0%	0.0%	0.0
Evergy	0	603	-	-	0.0%	0.0
People Energy	569	487	-14%	0.0%	0.0%	0.0
Power Club	0	137	-	-	0.0%	0.0
Next Business Energy	141	88	-38%	0.0%	0.0%	0.0
PowerHub	0	40	-	-	0.0%	0.0
The Embedded Networks Company	0	30	-	-	0.0%	0.0
Future X Power	0	22	-	-	0.0%	0.0
Tango Energy	21	16	-24%	0.0%	0.0%	0.0
Discover Energy	0	14	-	-	0.0%	0.0
Total	**6 303 957**	**6 478 147**	**3%**	**100%**	**100%**	

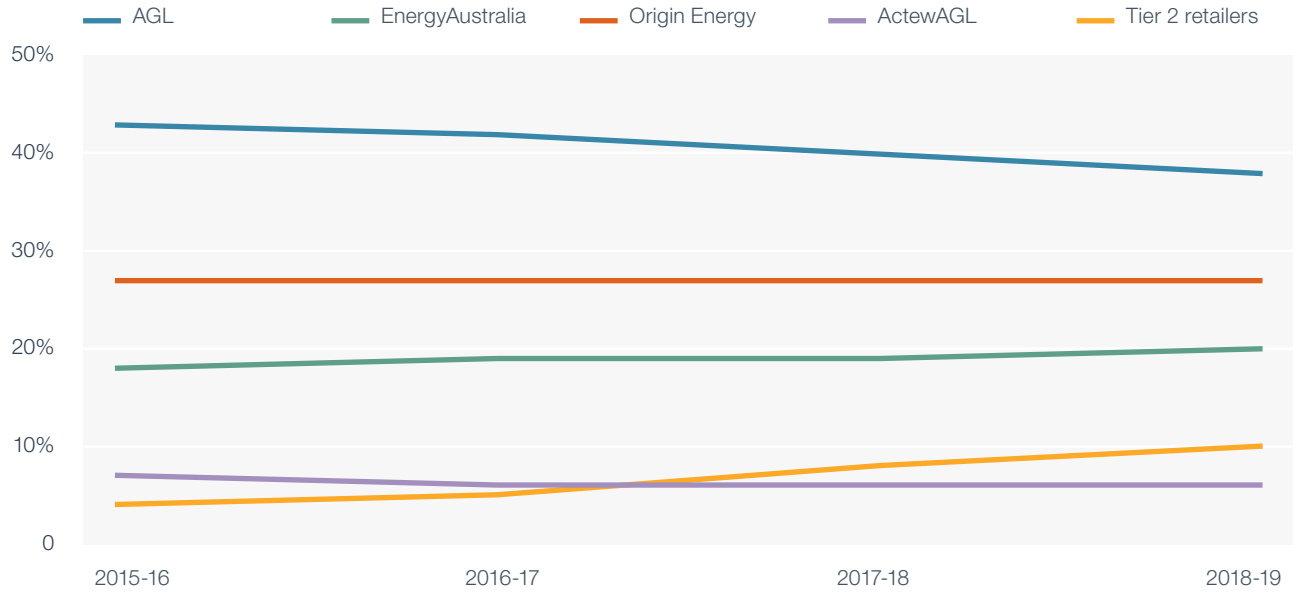
Source: AER

Residential gas customers

With only 14 retailers supplying gas to 2 176 992 residential customers in 2018-19, gas is a more concentrated market than the residential electricity market.

Figure 1.2 shows that Tier 1 retailers accounted for 85% of the market, slightly down from 86% in 2017-18. ActewAGL, the only primary regional gas retailer, maintained its 6% market share from the previous year, while Tier 2 retailers increased their market share from 8% to 10%.[8]

Figure 1.2: Residential gas market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Table 1.2 shows that AGL's market share fell from around 40% to around 38%, while EnergyAustralia's market share increased from 19% to 20%. Tier 2 retailers Red Energy, Simply Energy, Alinta Energy, amaysim Energy and Lumo Energy all recorded increases in market share. Newly authorised retailer Real Utilities gained customers for the first time in 2018-19.

Table 1.2: Residential gas market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
AGL	826 589	822 787	0%	39.7%	37.8%	-1.9
Origin Energy	565 486	587 158	4%	27.2%	27.0%	-0.2
EnergyAustralia	400 342	438 681	10%	19.2%	20.2%	0.9
ActewAGL	128 194	121 203	-5%	6.2%	5.6%	-0.6
Red Energy	42 969	57 664	34%	2.1%	2.6%	0.6
Simply Energy	43 429	49 808	15%	2.1%	2.3%	0.2
Alinta Energy	38 489	46 876	22%	1.8%	2.2%	0.3
amaysim Energy	14 103	20 732	47%	0.7%	1.0%	0.3
Dodo	10 512	11 481	9%	0.5%	0.5%	0.0
Metered Energy	8 476	9 038	7%	0.4%	0.4%	0.0
Lumo Energy	695	8 054	1059%	0.0%	0.4%	0.3
CovaU	1 998	2 259	13%	0.1%	0.1%	0.0
Savant Energy	676	1 022	51%	0.0%	0.0%	0.0
Real Utilities	0	229	-	-	0.0%	0.0
Total	**2 081 958**	**2 176 992**	**5%**	**100%**	**100%**	

Source: AER

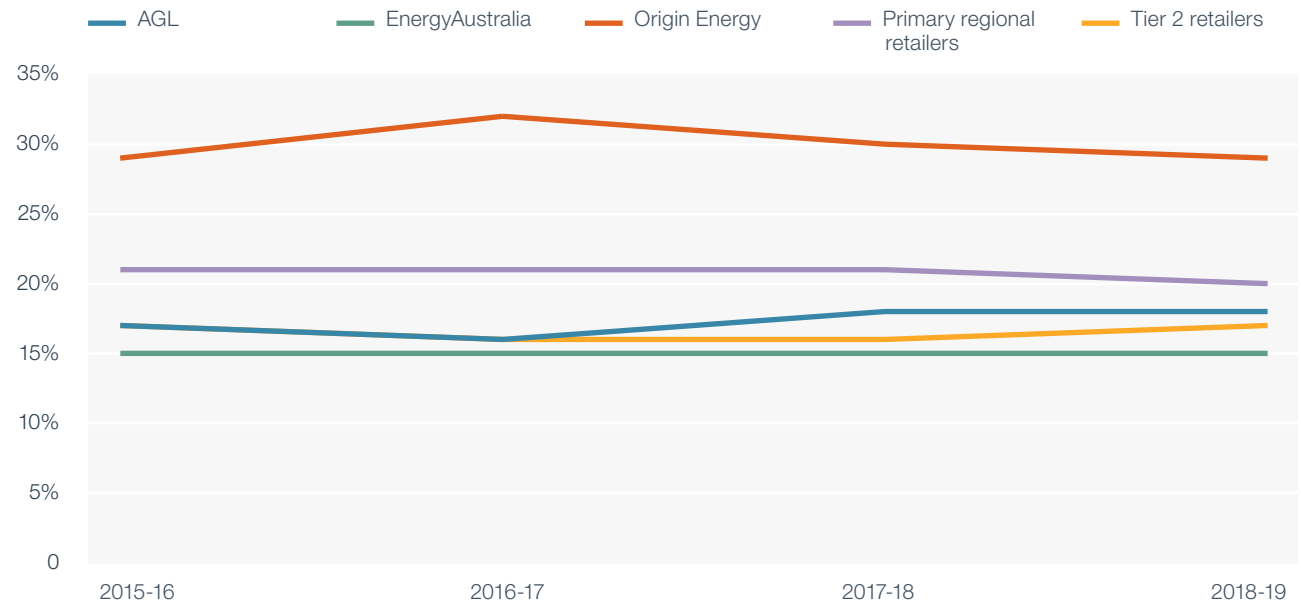
8 Very few customers in Tasmania have gas (and we do not regulate or report on this small segment of the market). In Queensland, the primary regional retailer Ergon Energy, does not supply gas to regional customers.

Small business customer numbers

Small business electricity customers

There were 44 retailers supplying electricity to 662 834 small business customers in 2018-19. Figure 1.3 shows only small changes in market share in 2018-19.

Figure 1.3: Small business electricity market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Market share for Tier 2 retailers increased from 2017-18 to 2018-19, but much of this increase is explained by Sun Retail reporting separately from Origin Energy. Over the same timeframe primary regional retailers experienced slight decreases in their market share. AGL increased its market share slightly.

Table 1.3 details the changes in each individual retailer's market share. Of note are the shifts in customer numbers between Red Energy and Lumo Energy. Owned and operated by the same organisation, this change may be due in part to internal branding policy decisions. Similarly, the decrease in customer numbers reported by Powerdirect may be attributable to an increase in customer numbers for its parent company, AGL.

Many small Tier 2 retailers are growing their market share. Next Business Energy almost doubled its customer numbers in the last year, Savant Energy quadrupled its customer numbers, and Energy Locals recorded a similar increase. Locality Planning increased its small business electricity customer numbers from 151 to 1390 and Flow Systems from 3 to 357.

Winenergy (a retailer that specialises in embedded network customers) reported an increase from 16 to 268 customers. This may be indicative of the shifting nature of embedded network metering infrastructure (often the type of metering installed in high-rise apartment buildings or shopping centres).

Table 1.3: Small business electricity market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
Origin Energy	198 443	195 169	-2%	30.2%	29.4%	-0.8
AGL	115 706	119 559	3%	17.6%	18.0%	0.4
EnergyAustralia	100 607	97 214	-3%	15.3%	14.7%	-0.7
Ergon Energy	88 873	87 657	-1%	13.5%	13.2%	-0.3
Aurora Energy	35 468	35 634	0%	5.4%	5.4%	0.0
Alinta Energy	24 231	27 746	15%	3.7%	4.2%	0.5
Powerdirect	18 689	13 054	-30%	2.8%	2.0%	-0.9
ActewAGL	12 220	11 796	-3%	1.9%	1.8%	-0.1
Red Energy	6 085	8 589	41%	0.9%	1.3%	0.4
Momentum Energy	9 318	8 116	-13%	1.4%	1.2%	-0.2
Sun Retail	0	7 857	-	-	1.2%	1.2
Next Business Energy	3 808	7 374	94%	0.6%	1.1%	0.5
Qenergy	6 943	7 063	2%	1.1%	1.1%	0.0
Simply Energy	6 770	6 385	-6%	1.0%	1.0%	-0.1
CovaU	4 267	4 975	17%	0.7%	0.8%	0.1
BlueNRG	4 348	4 949	14%	0.7%	0.7%	0.1
amaysim Energy	2 777	3 414	23%	0.4%	0.5%	0.1
Lumo Energy	5 396	2 866	-47%	0.8%	0.4%	-0.4
Powershop	1 533	2 330	52%	0.2%	0.4%	0.1
ERM Power	3 738	2 319	-38%	0.6%	0.3%	-0.2
Dodo	2 993	2 100	-30%	0.5%	0.3%	-0.1
Locality Planning Energy	151	1 390	821%	0.0%	0.2%	0.2
1st Energy	1 467	1 302	-11%	0.2%	0.2%	0.0
Energy Locals	280	990	254%	0.0%	0.1%	0.1
Diamond Energy	773	825	7%	0.1%	0.1%	0.0
OC Energy	393	588	50%	0.1%	0.1%	0.0
Enova Energy	291	393	35%	0.0%	0.1%	0.0
Flow Systems	3	357	11800%	0.0%	0.1%	0.1
Metered Energy	298	60	-80%	0.0%	0.0%	0.0
Winenergy	16	268	1575%	0.0%	0.0%	0.0
Savant Energy	40	182	355%	0.0%	0.0%	0.0
Tango Energy	97	126	30%	0.0%	0.0%	0.0
Sumo Power	0	67	-	-	0.0%	0.0
Enwave Mascot	0	46	-	-	0.0%	0.0
People Energy	34	27	-21%	0.0%	0.0%	0.0
Power Club	0	12	-	-	0.0%	0.0
Pooled Energy	9	11	22%	0.0%	0.0%	0.0
Mojo Power	8	5	-38%	0.0%	0.0%	0.0
Real Utilities	1	5	400%	0.0%	0.0%	0.0
Future X Power	0	4	-	-	0.0%	0.0
The Embedded Networks Company	0	4	-	-	0.0%	0.0
Discover Energy	0	2	-	-	0.0%	0.0
Evergy	0	2	-	-	0.0%	0.0
PowerHub	0	2	-	-	0.0%	0.0
Sanctuary Energy	5	0	-100%	0.0%	-	0.0
Total	**656 079**	**662 834**	**1%**	**100%**	**100%**	

Source: AER

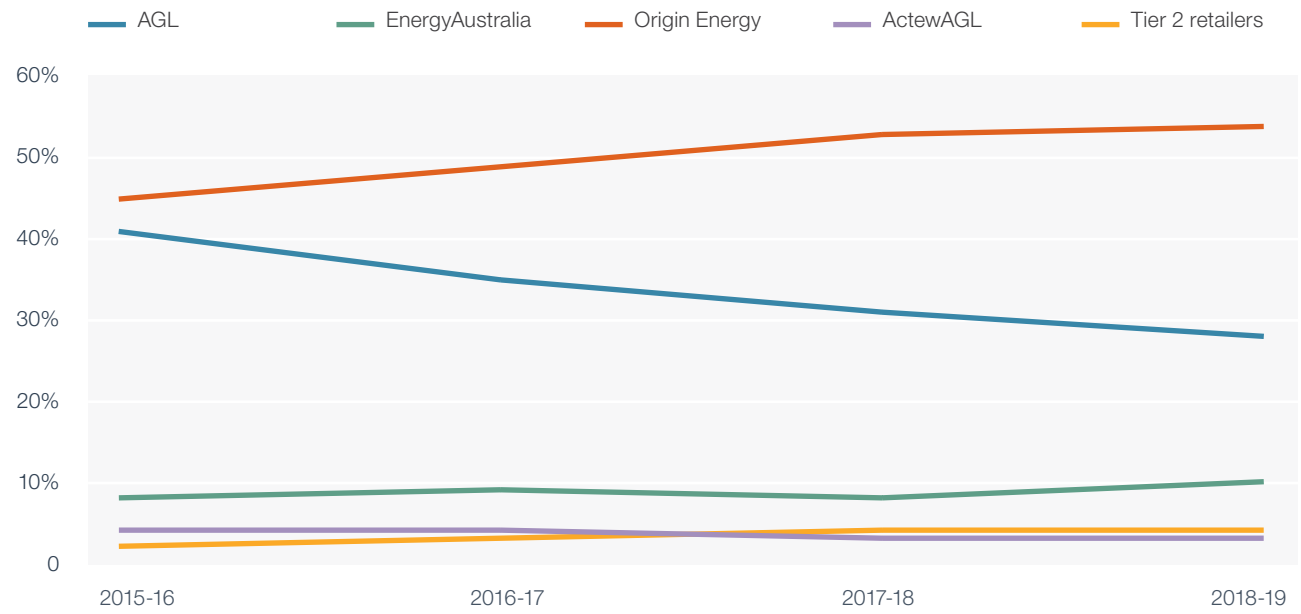
Small business gas customers

There were 12 retailers supplying gas to 80 833 small business customers in 2018-19.

As can be seen in figure 1.4, Origin Energy's market share increased from 2017-18 to 2018-19, in line with previous years. EnergyAustralia had a much lower market share than Origin Energy or AGL, but recorded a slight market share increase to just over 10% in 2018-19.

In contrast, AGL continued a trend of falling market share, falling from 31% in 2017-18 to 28% in 2018-19.

Figure 1.4: Small business gas market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Table 1.4 shows that Tier 1 retailers account for 93% of the small business gas market, unchanged from 2017-18. Most of AGL's customers transferred to the other Tier 1 retailers (Origin Energy and Energy Australia, who experienced 1.2% and 1.9% increases in market share respectively).

Table 1.4: Small business gas market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
Origin Energy	38 950	43 900	13%	53.1%	54.3%	1.2
AGL	23 099	22 782	-1%	31.5%	28.2%	-3.3
EnergyAustralia	6 175	8 335	35%	8.4%	10.3%	1.9
CovaU	2 165	2 600	20%	2.9%	3.2%	0.3
ActewAGL	2 446	2 366	-3%	3.3%	2.9%	-0.4
amaysim Energy	166	363	119%	0.2%	0.4%	0.2
Simply Energy	328	288	-12%	0.4%	0.4%	-0.1
Alinta Energy	41	109	166%	0.1%	0.1%	0.1
Red Energy	30	56	87%	0.0%	0.1%	0.0
Lumo Energy	5	23	360%	0.0%	0.0%	0.0
Savant Energy	3	6	100%	0.0%	0.0%	0.0
Winenergy	0	5	-	-	0.0%	0.0
Total	**73 408**	**80 833**	**10%**	**100%**	**100%**	

Source: AER

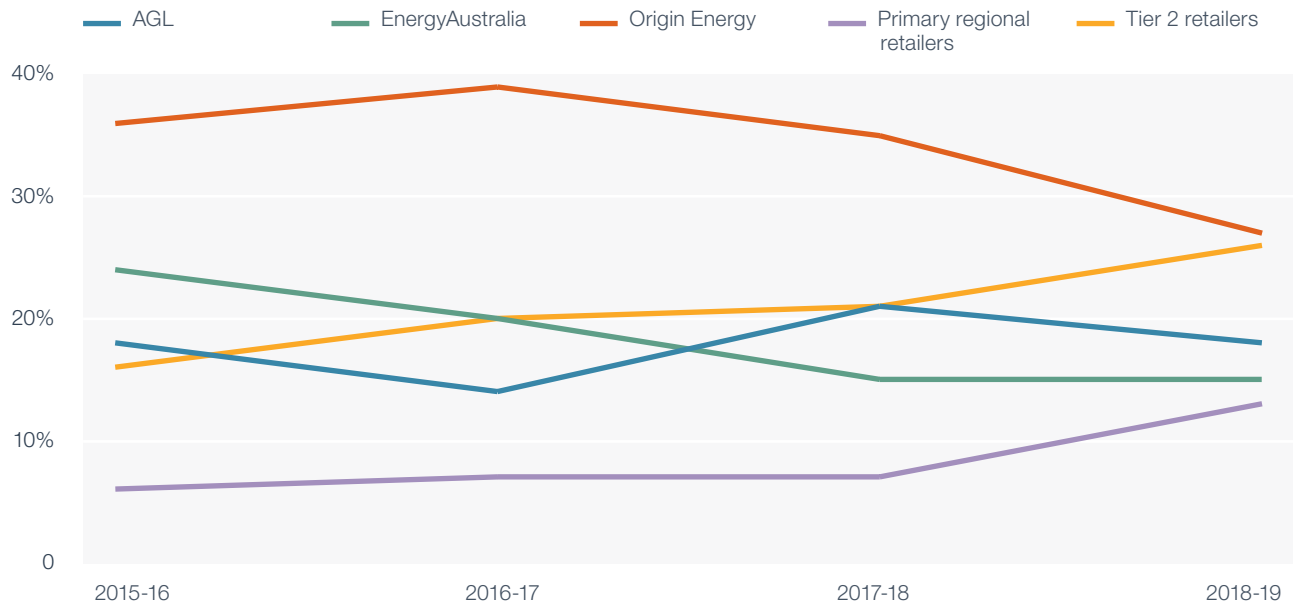
Large customer numbers

Large electricity customers

Large electricity customers are classified based on their higher annual consumption levels. In 2018-19, 39 retailers supplied electricity to 64 812 large customers. Not all authorised retailers offer large market electricity contracts, and many do not offer large market contracts for gas.

Figure 1.5 demonstrates an interesting shift in the market for large electricity customers. Tier 2 retailers increased market share again this year, as did primary regional retailers (driven by Ergon Energy). Origin Energy, AGL and EnergyAustralia lost market share (see table 1.5 also). We understand that the alignment of retailer reporting practices with the new Guidelines may have resulted in the new reporting or re-categorisation of many large market customers.[9]

Figure 1.5: Large electricity market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Table 1.5 shows that there has been a significant increase in the reported number of large market electricity customers. Despite losing market share, in 2018-19 Tier 1 retailers gained customers. Reporting indicates an increase of 14 538 large market customers across the jurisdictions.

9 For example, under the new Guidelines retailers had to report large customers on standing offers for the first time. This has resulted in new reporting of Ergon Energy's large customers.

Table 1.5: Large electricity market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
Origin Energy	17 641	17 783	1%	35.1%	27.4%	-7.7
AGL	10 712	11 968	12%	21.3%	18.5%	-2.8
EnergyAustralia	7 549	9 640	28%	15.0%	14.9%	-0.1
SIMEC ZEN Energy	26	5 525	21150%	0.1%	8.5%	8.5
Ergon Energy	0	4 918	-	-	7.6%	7.6
ERM Power	3 055	2 879	-6%	6.1%	4.4%	-1.6
Momentum Energy	2 755	2 814	2%	5.5%	4.3%	-1.1
Aurora Energy	2 046	2 050	0%	4.1%	3.2%	-0.9
Stanwell	1 773	1 808	2%	3.5%	2.8%	-0.7
ActewAGL	1 540	1 541	0%	3.1%	2.4%	-0.7
Next Business Energy	299	599	100%	0.6%	0.9%	0.3
Red Energy	485	574	18%	1.0%	0.9%	-0.1
Tango Energy	127	434	242%	0.3%	0.7%	0.4
Simply Energy	461	332	-28%	0.9%	0.5%	-0.4
BlueNRG	129	330	156%	0.3%	0.5%	0.3
Progressive Green	228	308	35%	0.5%	0.5%	0.0
Alinta Energy	807	239	-70%	1.6%	0.4%	-1.2
1st Energy	44	233	430%	0.1%	0.4%	0.3
Powerdirect	233	168	-28%	0.5%	0.3%	-0.2
CovaU	75	159	112%	0.1%	0.2%	0.1
Sun Retail	0	128	-	-	0.2%	0.2
Winenergy	39	65	67%	0.1%	0.1%	0.0
OC Energy	50	57	14%	0.1%	0.1%	0.0
Qenergy	35	51	46%	0.1%	0.1%	0.0
Diamond Energy	39	47	21%	0.1%	0.1%	0.0
Powershop	46	35	-24%	0.1%	0.1%	0.0
Locality Planning Energy	20	33	65%	0.0%	0.1%	0.0
Flow Systems	0	16	-	-	0.0%	0.0
Lumo Energy	32	16	-50%	0.1%	0.0%	0.0
Infigen Energy	4	14	250%	0.0%	0.0%	0.0
Enwave Mascot	0	13	-	-	0.0%	0.0
OzGen	8	12	50%	0.0%	0.0%	0.0
CS Energy	5	6	20%	0.0%	0.0%	0.0
Macquarie Bank	8	6	-25%	0.0%	0.0%	0.0
Delta Electricity	2	4	100%	0.0%	0.0%	0.0
ReNu Energy	0	3	-	-	0.0%	0.0
Evergy	0	2	-	-	0.0%	0.0
People Energy	1	1	0%	0.0%	0.0%	0.0
Real Utilities	0	1	-	-	0.0%	0.0
Total	**50 274**	**64 812**	**29%**	**100%**	**100%**	

Source: AER

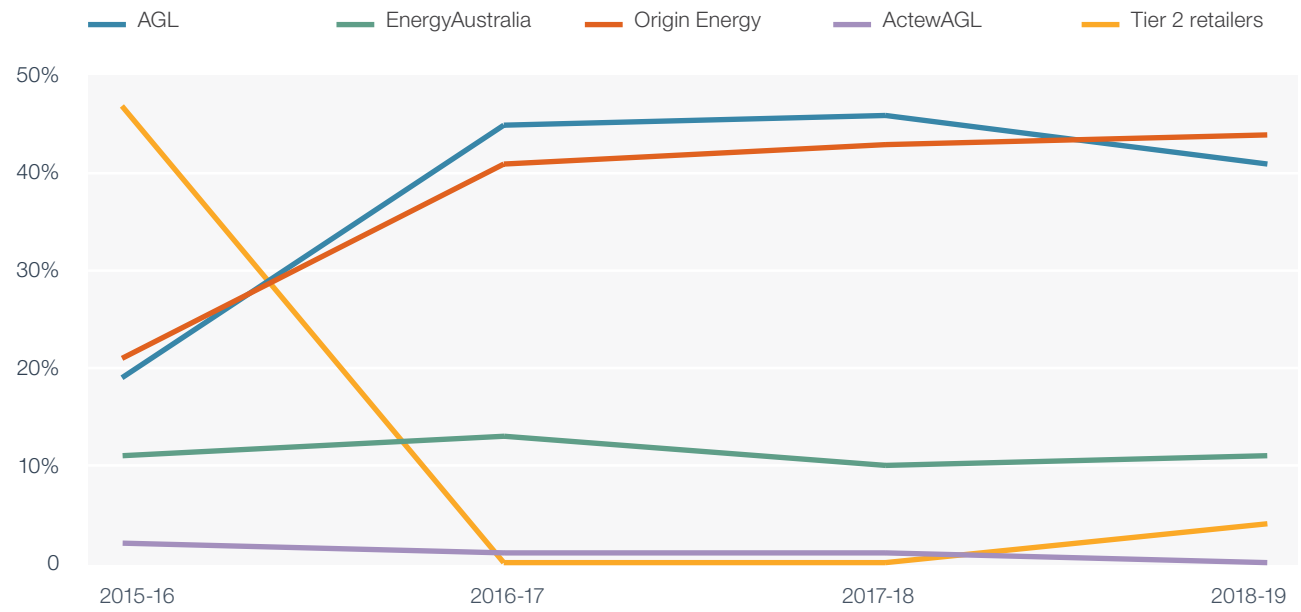
Note: In 2018-19, SIMEC ZEN have reassessed how they report their customer numbers to the AER.

Large gas customers

Large gas customers are classified based on their higher annual consumption levels. In 2018-19, nine retailers supplied gas to 4 847 large customers. In the large gas market there are fewer Tier 2 retailers. Consequently, Tier 1 retailers hold 96% of the market share, although this is a decrease from 99% in 2017-18.

Figure 1.6 highlights historical fluctuations in market share including a dramatic drop in Tier 2 market share from 2015-16 to 2016-17. This drop represents the exit of Lumo Energy from the large gas market.

Figure 1.6: Large gas market share by retailer - all jurisdictions, 2015-16 to 2018-19



Source: AER

Table 1.6 shows that AGL's loss of market share in 2018-19 was picked up by several retailers, including EnergyAustralia and new entrants to the large gas customer market segment. Tier 2 market share increased to 4% in 2018-19 from less than 1% in 2017-18. This increase was driven by the entry of Weston Energy, Alinta Energy and to a lesser extent the re-entry of Lumo Energy.

Table 1.6: Large gas market share by retailer, 2017-18 to 2018-19

Retailer	2017-18 customer numbers	2018-19 customer numbers	Change in customer numbers	Proportion of market share 2017-18	Proportion of market share 2018-19	Variation in market share (percentage point change)
Origin Energy	1710	2113	24%	43.3%	43.6%	0.3
AGL	1833	1999	9%	46.4%	41.2%	-5.2
EnergyAustralia	380	533	40%	9.6%	11.0%	1.4
Weston Energy	0	83	-	-	1.7%	1.7
Alinta Energy	0	68	-	-	1.4%	1.4
ActewAGL	21	19	-10%	0.5%	0.4%	-0.1
Lumo Energy	0	17	-	-	0.4%	0.4
Simply Energy	5	13	160%	0.1%	0.3%	0.1
Red Energy	0	2	-	-	0.0%	0.0
Winenergy	1	0	-100%	0.0%	-	0.0
Total	**3950**	**4847**	**23%**	**100%**	**100%**	

Source: AER

Standing and market retail contracts

KEY FINDINGS

- The proportion of residential customers on market contracts continued to increase in 2018-19, up to 75% of electricity and 85% of gas customers.
- The proportion of customers on market contracts varies between the jurisdictions – South Australia had the highest proportion while Tasmania had the lowest.
- Tasmania was the only jurisdiction to see a decrease in the proportion of customers on market contracts.

In 2018-19, customers continued to switch from standing contracts to market contracts in the residential electricity and gas, and in small business electricity segments. However, there was a decline in the proportion of small business gas customers on market contracts.

Market contracts, which typically feature discounts, incentives and various billing and payment options, usually provide more competitive pricing options for customers. Customers without a market offer are placed on standing (or standard) contracts with the retailer that most recently supplied electricity at their premises (or, for new connections, with a retailer designated for that geographic region). These contracts must adopt the model terms and conditions set out in accordance with the relevant framework in legislation.[10]

In 2018-19, retailers were free to determine the prices of their standing offers (with the exception of regulated retailers ActewAGL, Aurora Energy and Ergon Energy). On 1 July 2019, the Default Market Offer (DMO) was introduced in NSW, South Australia and south-east Queensland, and now elements of standing offers are regulated in these jurisdictions.[11]

In 2018-19, there was an increase in the proportion of residential customers on market contracts across all of the jurisdictions we regulate (except Tasmania). The proportion of residential electricity customers grew from 73% to 75%, while residential gas customers on market contracts rose from 83% to 85%. The lower proportion for electricity customers is driven by the high levels of customers on standing contracts in the price-regulated regions, namely the ACT, Tasmania and regional Queensland.

Further information about the number of customers on market and standing contracts, by retailer and jurisdiction, can be found in the data accompanying this report.

NEW DATA

Customers with an expired or changed fixed benefit

We now collect data on the number of customers with an expired or changed fixed benefit. A market contract can provide a benefit to the customer (such as a price discount) for a minimum period (or fixed benefit period), that does not continue for the life of the contract. This data captures those contracts in which that benefit has changed or ceased. Retailers are required to send a notice to customers on such contracts 20-40 business days before their benefit changes.

In Q4 2018-19, the number of customers with an expired or changed fixed benefit were:

- 129 740 residential electricity, and 52 425 residential gas customers
- 9 641 small business electricity, and 1 719 small business gas customers

Residential market contracts

Figure 1.7 and figure 1.8 show the total proportion of residential customers on market contracts by retailer, as well as the market share by retailer, for electricity and gas respectively. In general, customers not on market contracts are on standing contracts.

10 See National Energy Retail Law, s 22 (1), s. 25 (1), s. 25(3) and National Energy Retail Rules r. 16 for more information.

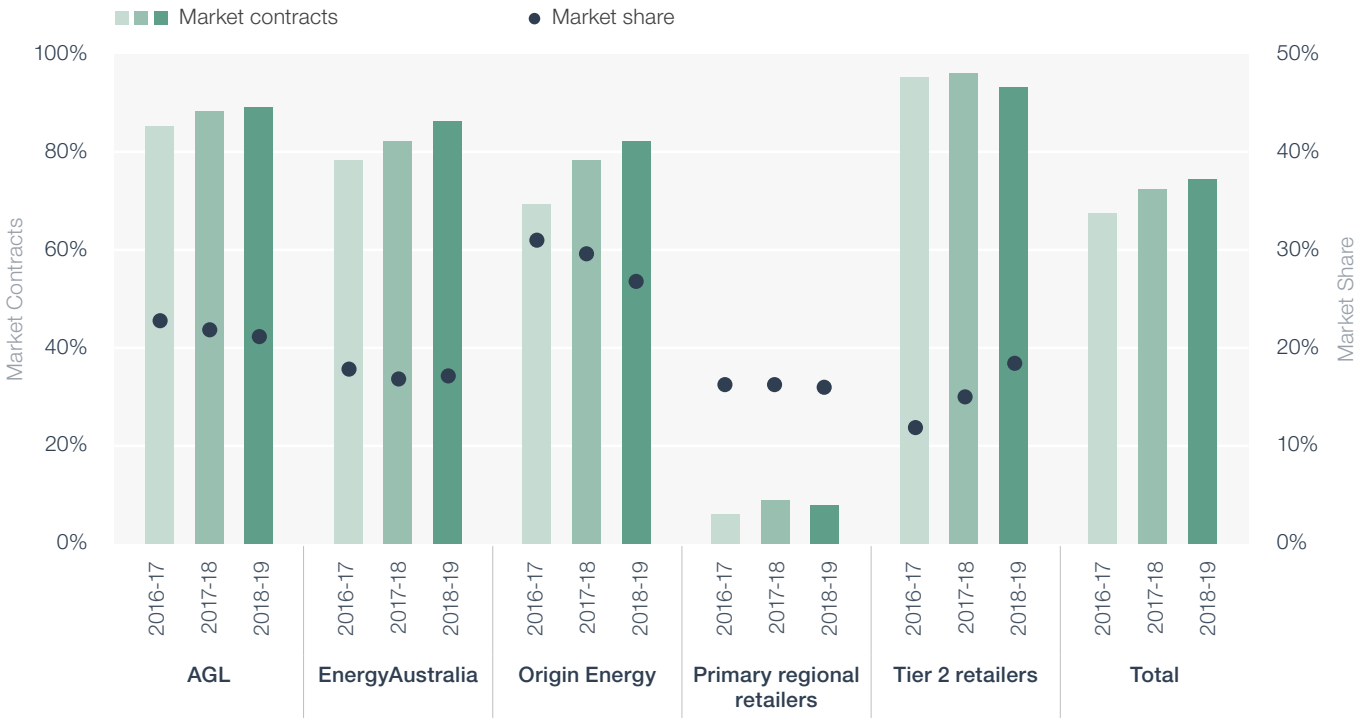
11 For more information on the Default Market Offer, see *New Market Developments* or chapter 5.

Electricity

75% of residential electricity customers are on a market contract.

Figure 1.7 shows the vast majority of Tier 1 customers are on market contracts, and this has continued to grow steadily since 2016-17. In contrast, the proportion of Tier 2 and primary regional retailer customers on market contracts fell in 2018-19 to 94% and 8% respectively.

Figure 1.7: Residential electricity customers on market contracts by retailer - all jurisdictions, 2016-17 to 2018-19



Source: AER

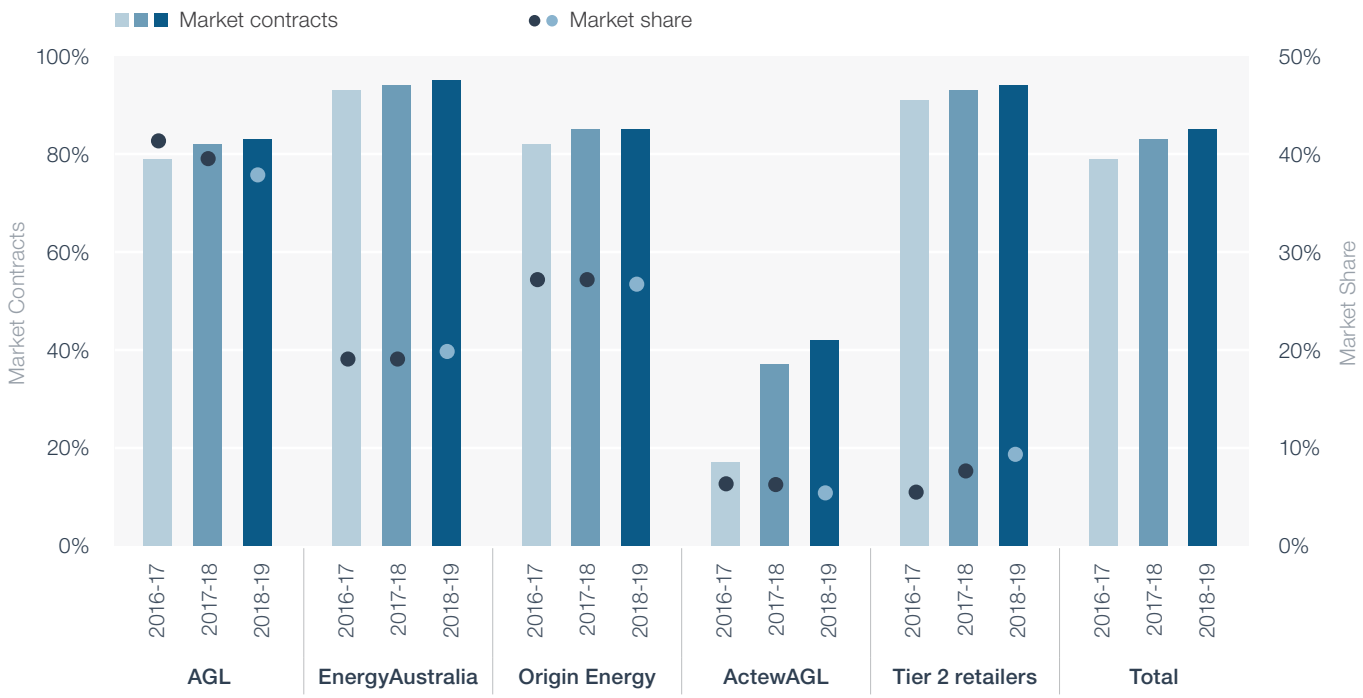
Although the proportion of Tier 2 customers on market contracts fell slightly from 2017-18 to 2018-19, Tier 2 retailers continued to have the highest proportion of customers on market contracts. More Tier 2 customers tend to be on market contracts as they typically have to proactively transfer to a Tier 2 retailer, and in doing so sign up to a new market contract. Once a market contract expires, a customer may be placed automatically onto a standing contract. Tier 1 customers may not have actively decided to be billed by that retailer and are thus more likely to be on standing contracts.

Only 8% of the customers of primary regional retailers are on market contracts. These primary regional retailers have substantial market share in the price regulated regions, including the ACT, regional Queensland and Tasmania. Many small customers remain on standing retail contracts in these regions because there is a smaller price differential between the available standing and market contracts.

Gas

Figure 1.8 shows that the proportion of residential gas customers on market contracts continues to increase across all retailer types, to 85% of all customers in 2018-19. EnergyAustralia has the highest proportion of residential gas customers on market contracts (95%), while also having the lowest market share of the three Tier 1 retailers.

Figure 1.8: Residential gas customers on market contracts by retailer - all jurisdictions, 2016-17 to 2018-19



Source: AER

The total proportion of residential gas customers on market contracts is higher than the proportion of electricity customers (85% compared to 75%). This is largely influenced by the regulated price arrangements for electricity in Tasmania and Queensland. We note that very few customers in Tasmania have gas (and we do not regulate or report on this small segment of the market). In Queensland, the primary regional retailer, Ergon Energy, does not supply gas to regional customers.

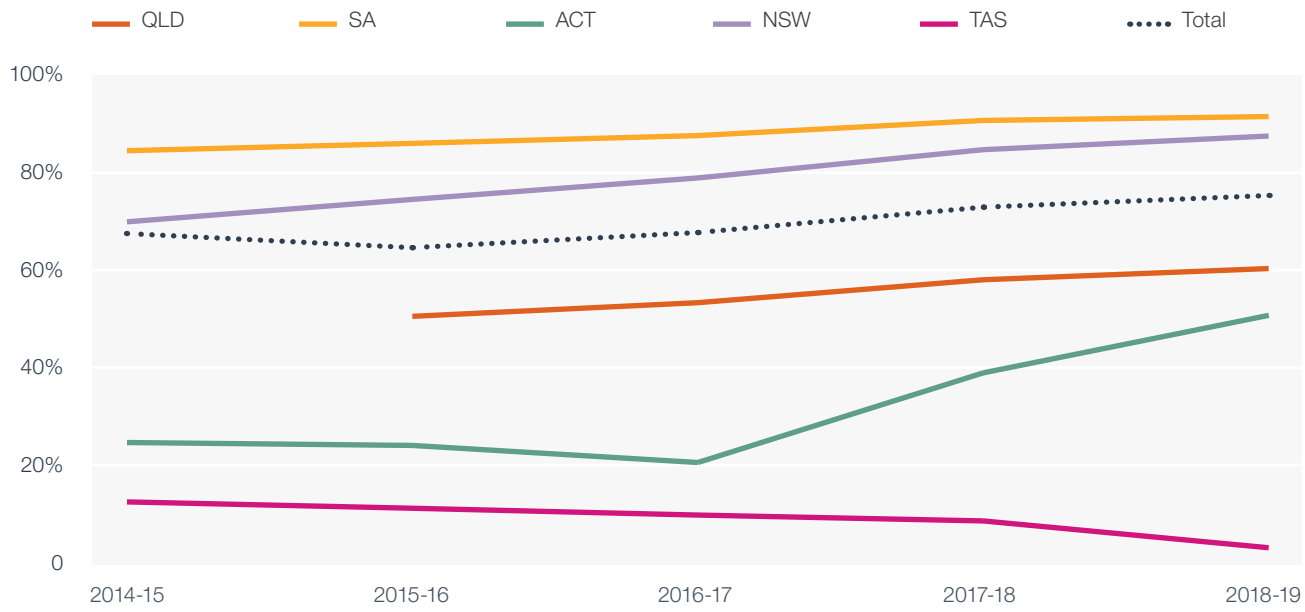
Contracts by jurisdiction

We have considered jurisdictional trends that describe the proportion of customers on market contracts in order to examine market behaviour. We will examine the trends that exist in each jurisdiction by retailer.

Residential electricity contracts by jurisdiction

Figure 1.9 shows that in 2018-19 the proportion of customers on market contracts increased in every jurisdiction except Tasmania. South Australia continues to have the highest proportion of customers on market contracts, while Tasmania continues to have the lowest. In the ACT there has been strong growth in the proportion of customers on market contracts since 2016-17.

Figure 1.9: Residential electricity customers on market contracts by jurisdiction - 2014-15 to 2018-19



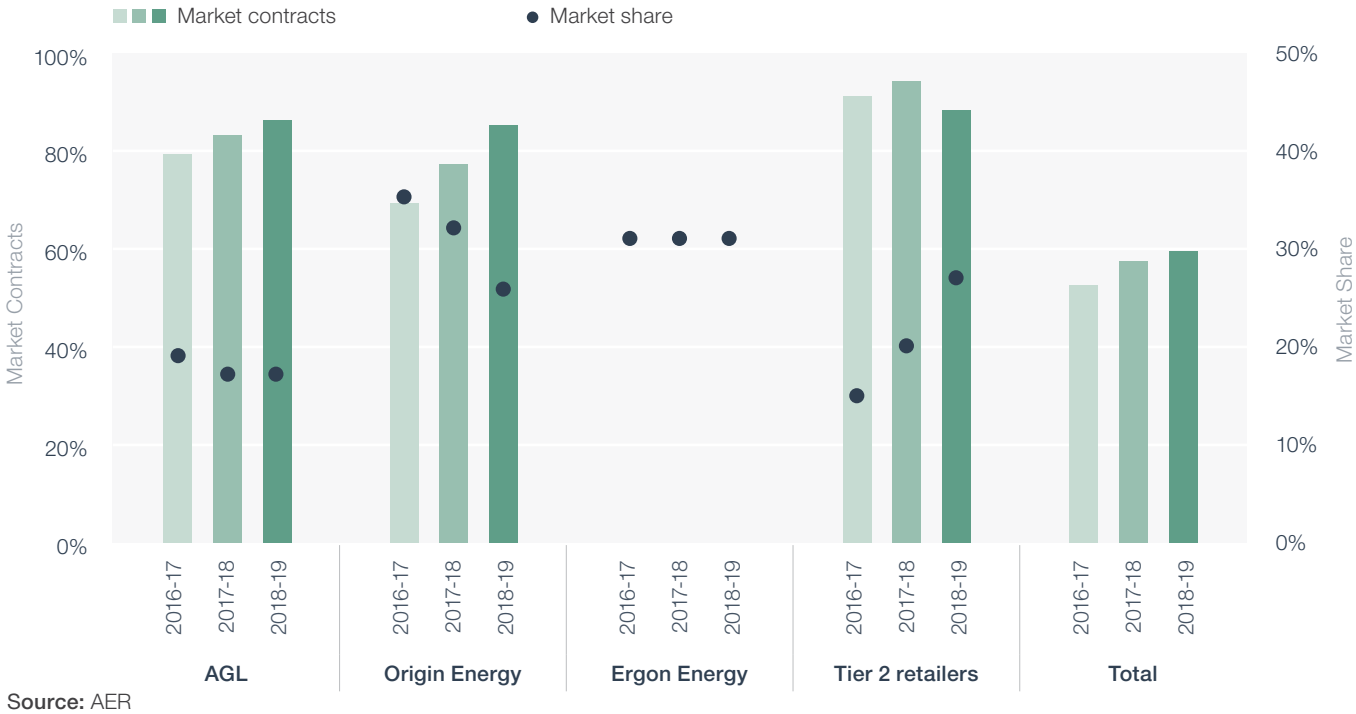
Source: AER

Queensland

Figure 1.10 shows the breakdown of customers on market contracts by retailer in Queensland. Over 85% of customers with Origin Energy, AGL and Tier 2 retailers are on market contracts. Ergon Energy, the primary regional retailer in Queensland, has significant market share and all customers are on Ergon Energy's standing retail contracts.

Across all of Queensland, about 60% of customers are on market contracts.

Figure 1.10: Residential electricity customers on market contracts by retailer - Queensland 2016-17 to 2018-19



Source: AER

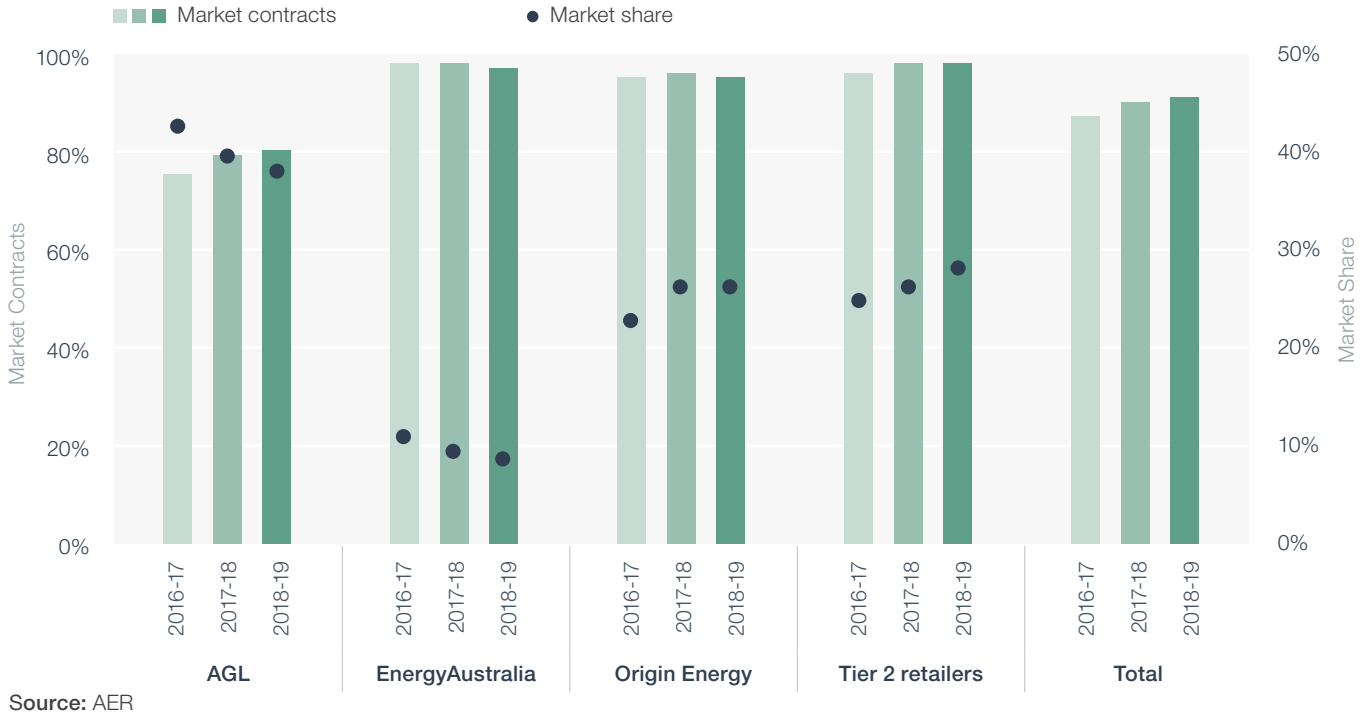
South Australia

Figure 1.11 shows that over 90% of customers in South Australia are on market contracts, the highest proportion of any of the jurisdictions we regulate.

Of the Tier 1 retailers, AGL has the highest market share but the lowest proportion of residential electricity customers on market contracts (although this has been increasing). This is likely because it was the incumbent retailer when full retail contestability in electricity was introduced in South Australia in 2003. As such, AGL may still have a relatively high proportion of customers indifferent to moving to a market contract.

All other retailers have high rates (over 95%) of customers on market contracts.

Figure 1.11: Residential electricity customers on market contracts by retailer - South Australia 2016-17 to 2018-19



Source: AER

ACT

About half of all customers in the ACT are on market contracts.

Figure 1.12 shows that ActewAGL, the incumbent retailer in a jurisdiction with regulated electricity prices, has 82% of the market share and about 40% of customers on market contracts.

In contrast, about 90% of all other customers in the ACT are on market contracts, but they account for a relatively small amount of market share. Therefore compared to other jurisdictions, the ACT has a relatively low proportion of customers on market contracts.

Figure 1.12: Residential electricity customers on market contracts by retailer - ACT 2016-17 to 2018-19

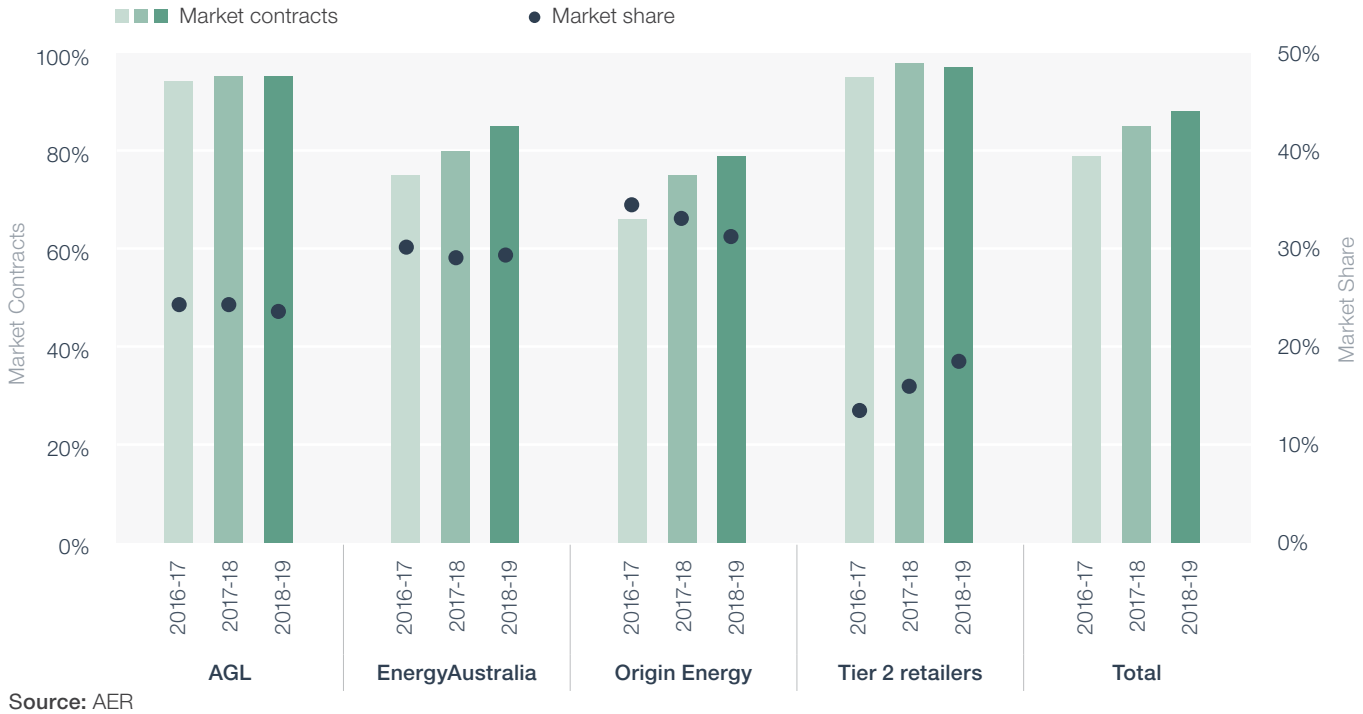
Source: AER

NSW

Across NSW the proportion on customers on market contracts continues to increase.

AGL and Tier 2 retailers have the highest proportion of customers on market contracts (over 90%), but this has remained relatively stable over the past three years. Origin Energy and EnergyAustralia have slightly lower proportions of customers on market contracts, but the proportions continue to grow.

Figure 1.13: Residential electricity customers on market contracts by retailer - NSW 2016-17 to 2018-19



Source: AER

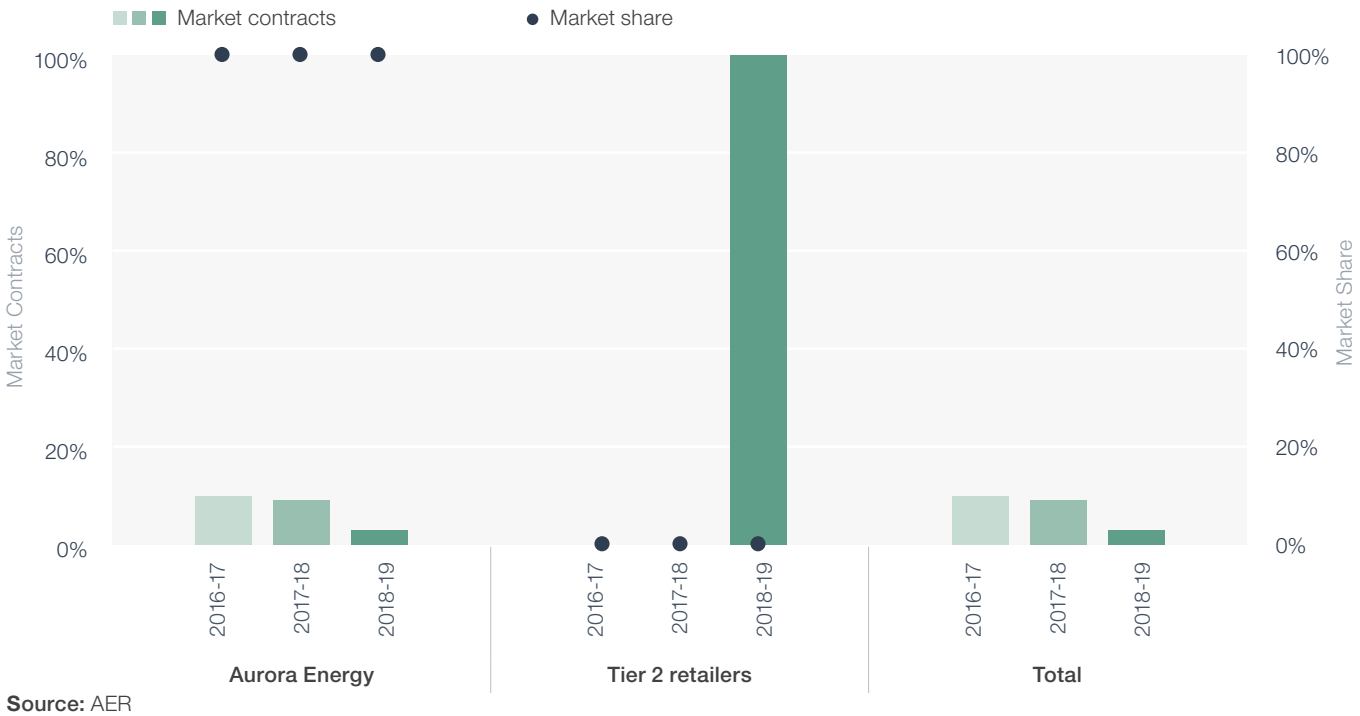
Tasmania

Aurora Energy is owned by the state government of Tasmania and was the only retailer for residential customers in Tasmania, until 1st Energy joined the market in 2018-19.

Aurora Energy still holds 99% of market share and so far most Aurora Energy customers have opted to remain on standing contracts (with maximum retail prices set by the Office of the Tasmanian Economic Regulator). Interestingly, figure 1.14 shows that the proportion of Aurora Energy customers on market contracts fell from 9% in 2017-18 to 3%. This may reflect that the regulated standing offer in 2017-18 was equal to Aurora's best market offer, and customers may have opted to switch to this standing offer from legacy market offers.

All of 1st Energy's customers are on market contracts.

Figure 1.14: Residential electricity customers on market contracts by retailer - Tasmania 2016-17 to 2018-19



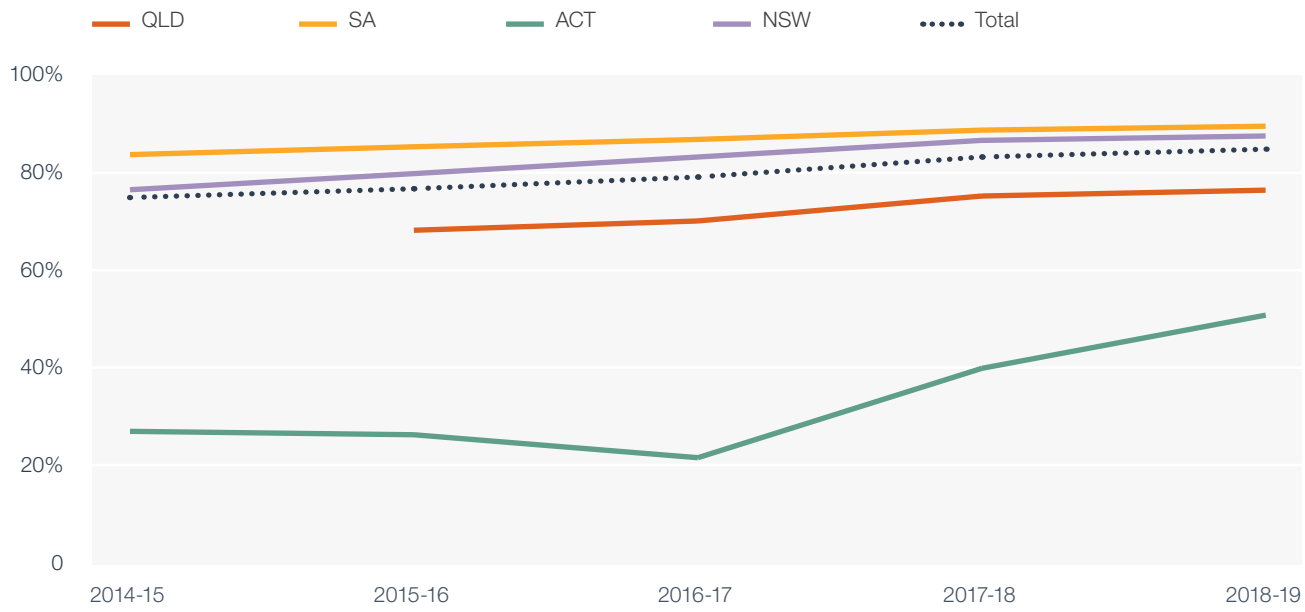
Source: AER

Residential gas contracts by jurisdiction

We reviewed the trends in the proportion of residential gas customers on market contacts across the jurisdictions.

As shown in figure 1.15, we see that the proportion of residential gas customers on market contracts increased in every jurisdiction we regulate. South Australia has the highest proportion of customers on market contracts (90%). On the other hand, the ACT has the lowest proportion of customers on market contracts, at around 50%.

Figure 1.15 - Residential gas customers on market contracts by jurisdiction - 2014-15 to 2018-19



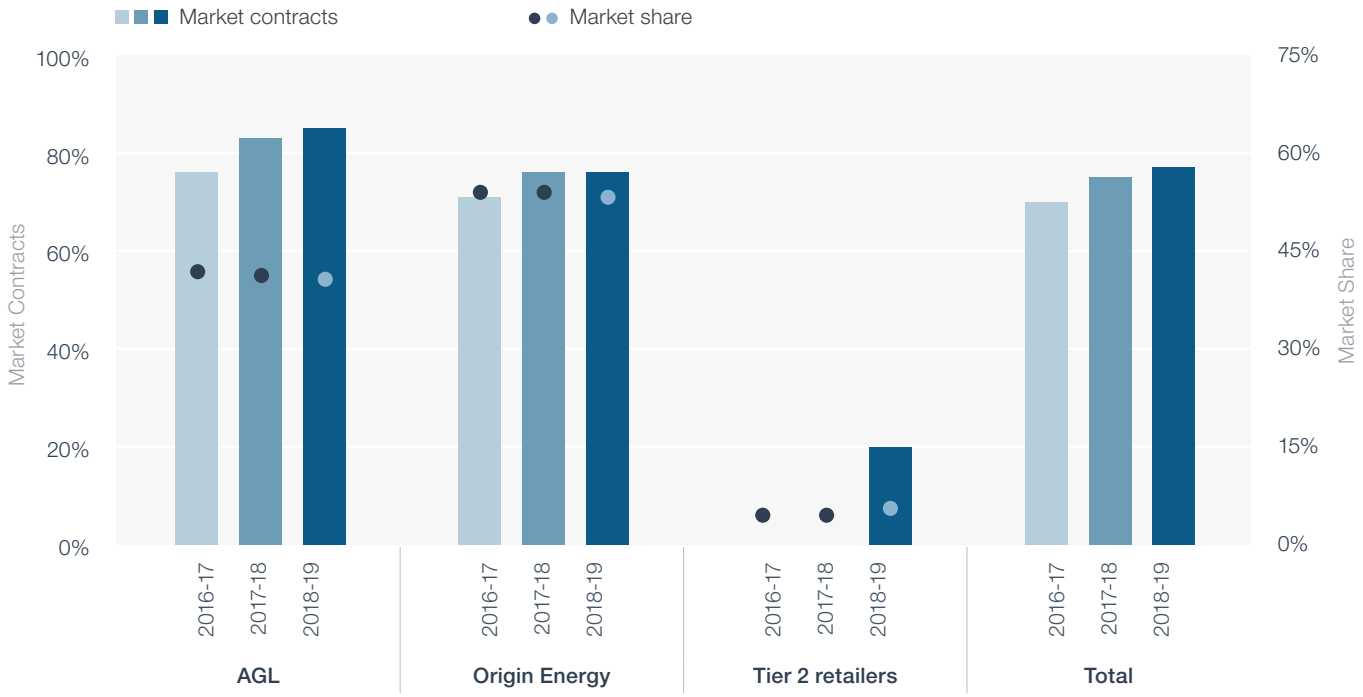
Source: AER

Queensland

Figure 1.16 shows that in Queensland, the retailers with the greatest market share, Origin Energy and AGL, have a significant proportion of customers on market contracts.

Until 2018-19, the only Tier 2 retailer selling gas in Queensland was Metered Energy and all of their customers were on standing contracts. This year Red Energy and Savant Energy entered the Queensland gas market. Most of their customers are on market contracts, and so they lifted the total proportion of Tier 2 customers on market contracts to about 20%.

Figure 1.16: Residential gas customers on market contracts by retailer - Queensland 2016-17 to 2018-19

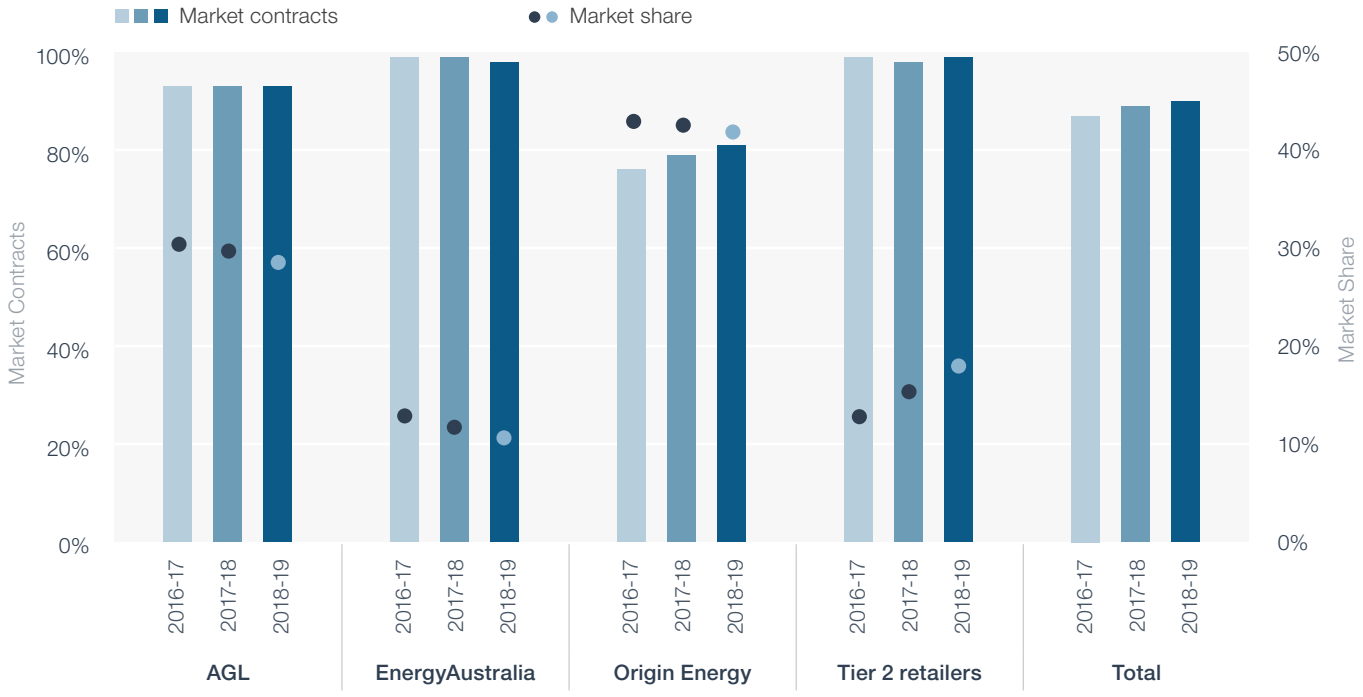


Source: AER

South Australia

As shown in figure 1.17, in South Australia almost 90% of customers are on market contracts. Over 90% of customers of AGL, Energy Australia and Tier 2 retailers are on market contracts. Origin Energy, once the incumbent retailer in the state and the retailer with the highest market share, had about 80% of customers on market contracts. This was up from the previous two years.

Figure 1.17: Residential gas customers on market contracts by retailer - South Australia 2016-17 to 2018-19



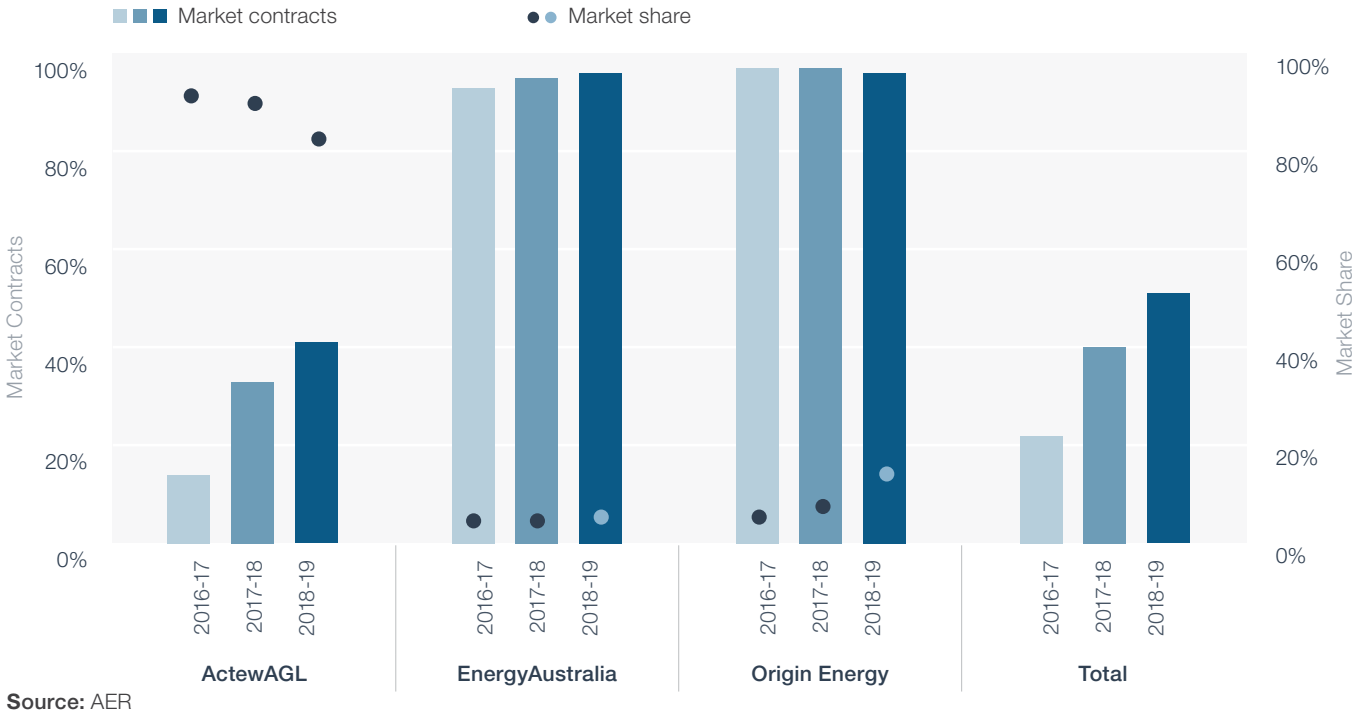
Source: AER

ACT

The proportion of ACT residential gas customers on market contracts has increased to 51%.

Figure 1.18 shows that over 90% of Origin Energy and EnergyAustralia's customers are on market contracts. ActewAGL have a market share of 82%, and the proportion of customers on market contracts has continued to increase, reaching 41% in 2018-19.

Figure 1.18: Residential gas customers on market contracts by retailer - ACT 2016-17 to 2018-19

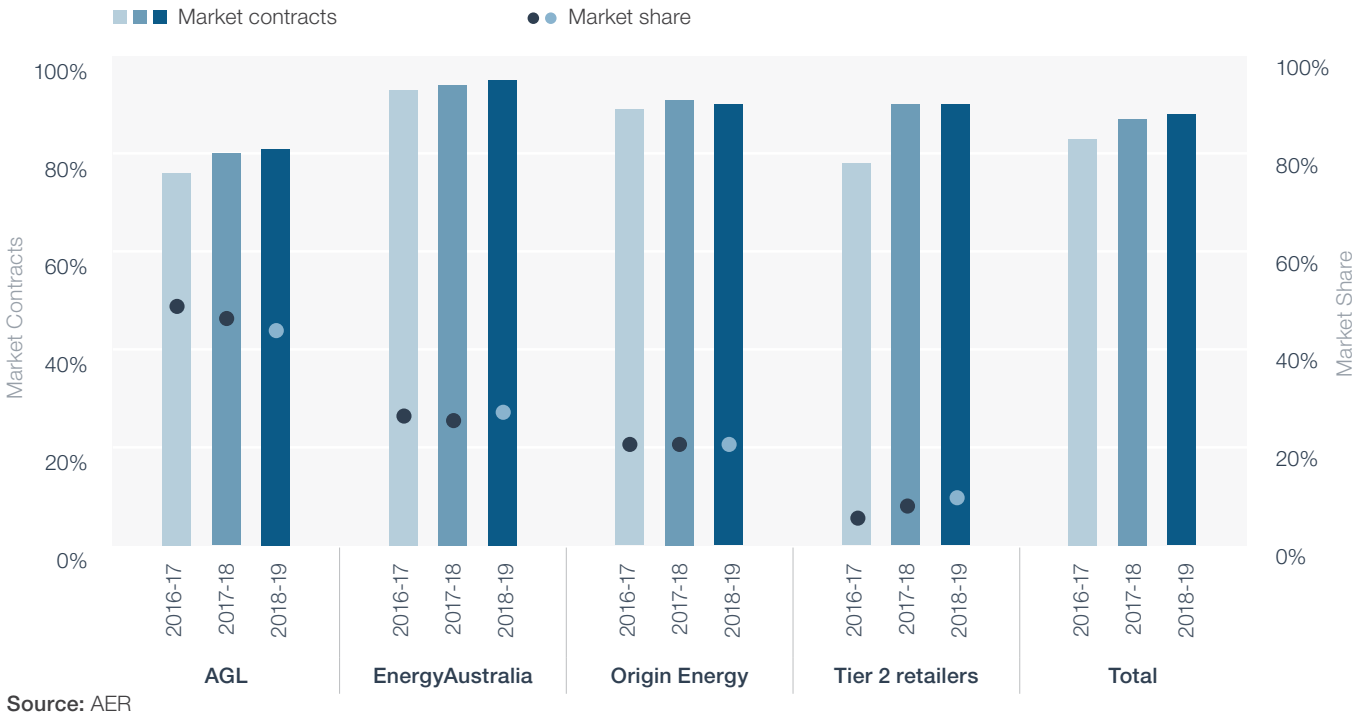


Source: AER

NSW

Figure 1.19 shows that 88% of customers in NSW were on market contracts in 2018-19, up from 87% in 2017-18. All three Tier 1 retailers have at least 80% of their customers on market contracts, as do Tier 2 retailers as a group. There were no significant shifts from the previous year in NSW.

Figure 1.19: Residential gas customers on market contracts by retailer - NSW 2016-17 to 2018-19



Source: AER

Small business market contracts

In 2018-19, only 64% of small business electricity customers and 74% of gas customers were on market contracts—around 10% of customers lower in each case than for residential customers.

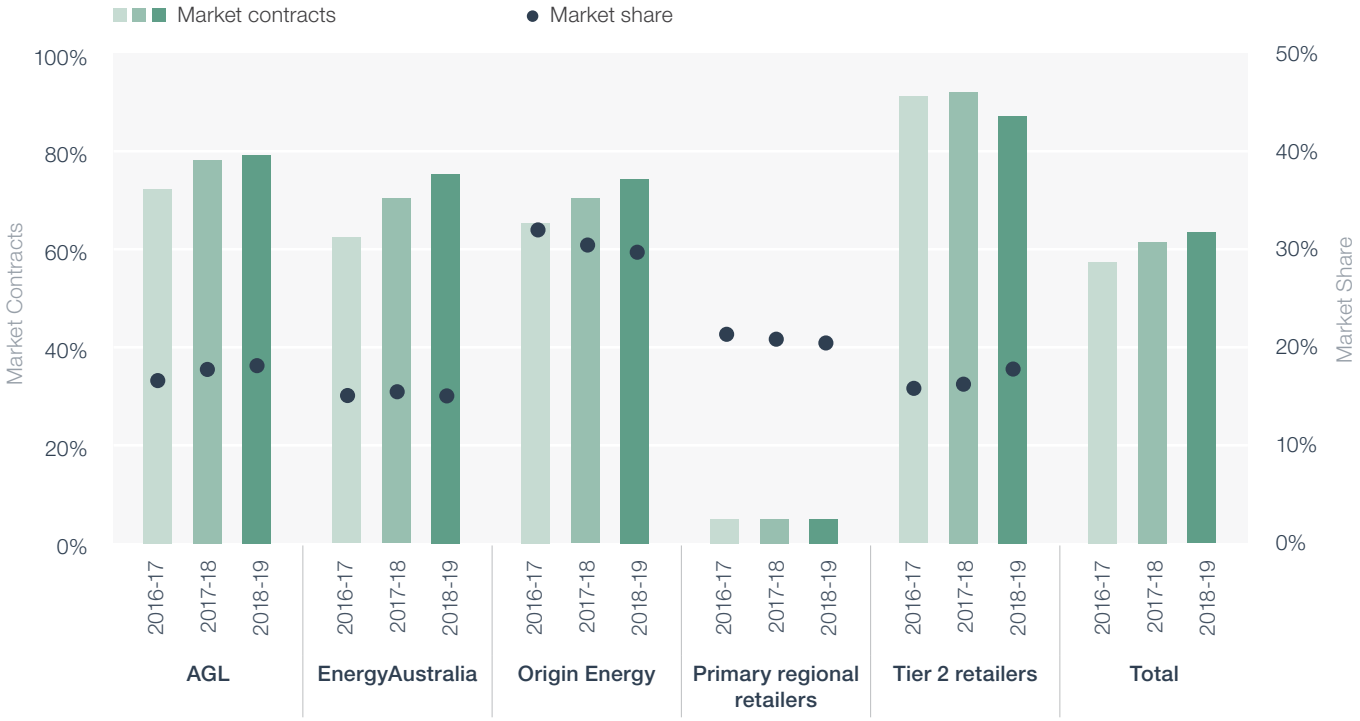
We recommend that small business customers be proactive in finding the best market contract for their circumstances. Our independent price comparator site, Energy Made Easy, can help small business customers find lower prices.

Small business electricity contracts

Although only 64% of small business customers were on market contracts in 2018-19, this number increased from 58% in 2016-17.

The proportion of customers of Tier 1 retailers on market contracts increased for each of the three years, while there was a decrease in the number of small business customers on market contracts with Tier 2 and primary regional retailers. As with residential contracts, the primary regional retailers have a significant market share but very few customers on market contracts.

Figure 1.20: Small business electricity customers on market contracts by retailer - all jurisdictions, 2016-17 to 2018-19



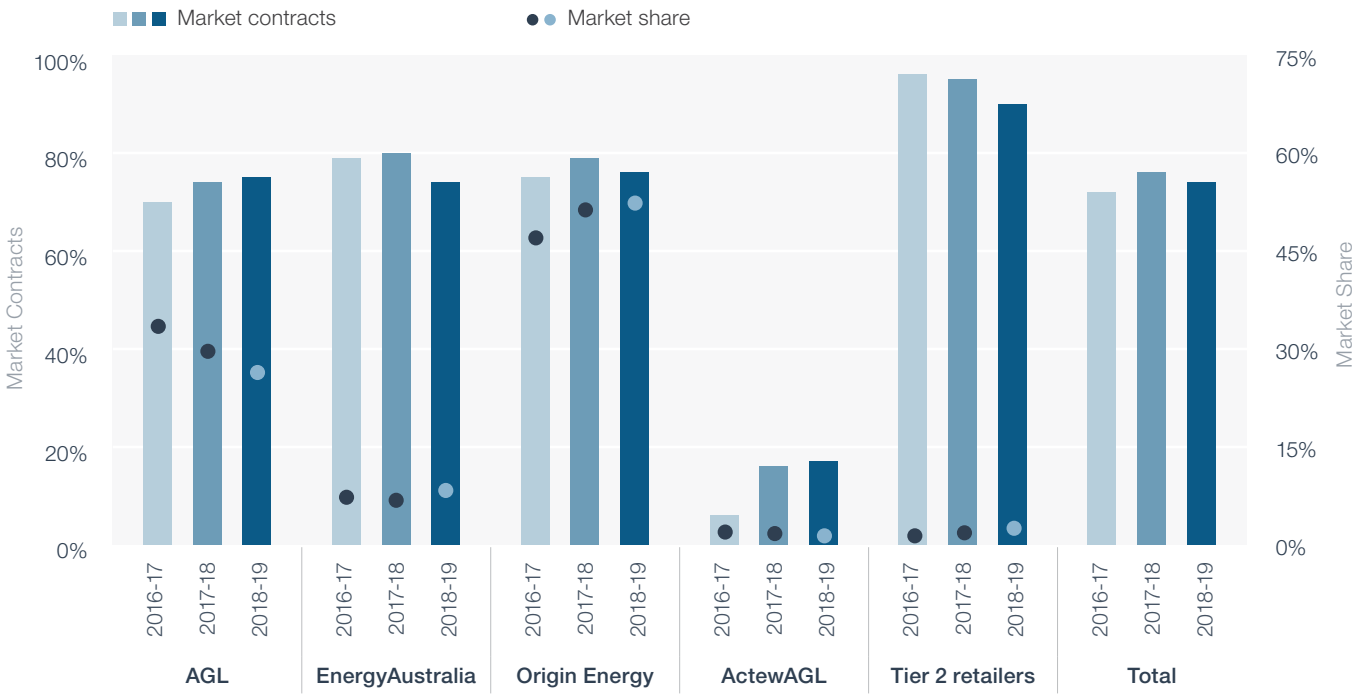
Source: AER

Small business gas contracts

Small business gas is the only market where the proportion of customers on market contracts has fallen. This year 74% of customers across the jurisdictions are on market contracts, down from 76% in 2017-18 (figure 1.21).

In 2018-19 the proportion of customers on market contracts was lower for Origin Energy, EnergyAustralia and Tier 2 retailers.

Figure 1.21: Small business gas customers on market contracts by retailer - all jurisdictions, 2016-17 to 2018-19



Source: AER

1.2. Market activity

Quarterly customer switching rates

KEY FINDINGS

- Rates of customers switching between retailers varied between jurisdictions.
- During 2018 most jurisdictions had peaks in the rates of switching between retailers, and have since seen a downward trend in switching across electricity and gas.
- Victorian customers continued to have the highest rates of switching between retailers.
- ACT customers were the least likely to switch between retailers for electricity but the most likely to switch from standing to market contracts.

The rate at which customers switch between energy retailers provides some indication of how actively customers engage with the retail market. However, the switching rates between retailers do not provide a complete picture of engagement within the energy market. Customers might engage with the market and decide to stay with their current plan, or might change energy plans within the same retailer. To capture movement between retailers, we use switching data from the Australian Energy Market Operator (AEMO), which combines switching rates for residential and small business customers. AEMO regularly publishes switching data for all NEM jurisdictions except Tasmania.[12] As such, unlike the majority of this report, our switching analysis does not include Tasmania but does include Victoria.

With the introduction of our updated *Performance Reporting Procedures and Guidelines* effective 1 January 2019, as well as collecting data on switching rates between retailers, we now collect data that captures some of the movement within retailers. Specifically, we began collecting data on customers switching from market to standing contracts, and vice versa, with their current retailer.

12 An explanation of how AEMO's switching data is calculated is available on their website. The AEMC also conducts detailed analysis of switching rates, most recently in its *2019 Retail Competition Review*. Note that AEMC covers annual switching rates, while our analysis captures quarterly trends.

For electricity, in most jurisdictions switching between retailers peaked in Q4 2017-18 and Q1 2018-19, and has trended downward since then. Since 2015-16, gas switching has generally mirrored the trends seen in electricity.[13]

Peaks in 2018 coincided with the implementation of consumer engagement programs in some states, which aimed to help consumers navigate the energy market and get a better deal. This was the case in NSW and Victoria with their respective programs Energy Switch and the Victorian Government's $50 Power Saving Bonus.

There was considerable media coverage of high energy prices in mid-2018. Increased awareness of high prices may have led to more customers seeking out better energy plans.

The ACT continued to have the lowest rate of switching between retailers in electricity, and the second lowest for gas. However, the ACT also has the highest rate of switching within retailers from standing to market contracts.

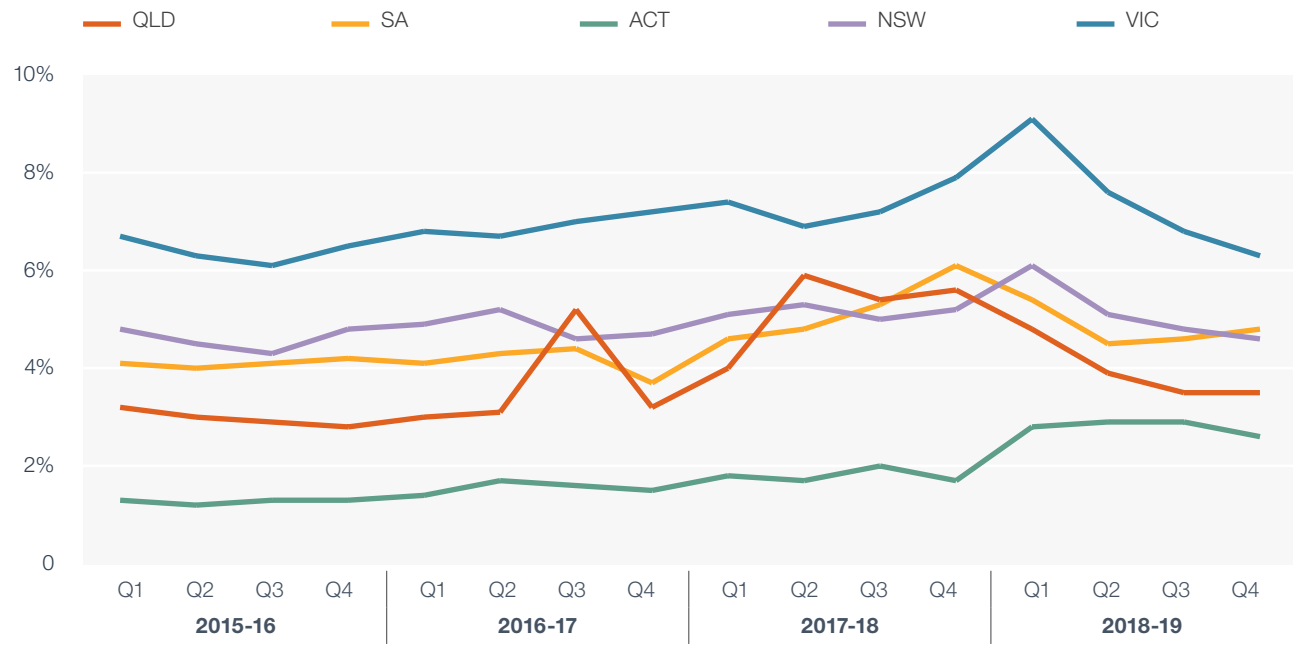
A recent policy focus has been on higher prices faced by consumers who can't or don't shop around and remain on standing contracts. As a result the Australian and Victorian Governments decided to cap the price that electricity retailers can charge most standing offer customers in NSW, South Australia, south-east Queensland and Victoria from 1 July 2019.[14]

Despite these changes, most customers on standing offers can still access cheaper energy prices through market offers. We encourage both residential and small business consumers to use Energy Made Easy to shop around for the best energy deal.

Quarterly electricity small customer switching rates

Figure 1.22 shows quarterly switching rates for residential and small business electricity customers.

Figure 1.22: Electricity switching rate between retailers, Q4 2015-16 to Q4 2018-19



Source: AER analysis of NEM data.

13 Guide to quarters:

- Q1 covers July, August and September
- Q2 covers October, November and December
- Q3 covers January, February and March
- Q4 covers April, May and June

14 For more information on the DMO and Victorian Default Offer, see *New Market Developments* or chapter 5.

Victoria continues to have the highest quarterly rate of switching between retailers. In Q1 2018-19, switching peaked at around 9%, coinciding with the start of the Victorian Government's $50 Power Saving Bonus payment on 1 July 2018. Effective until 30 June 2020, Victorian customers receive $50 if they use the Victorian Energy Compare price comparison website, and to date there have been over 400 000 claims for the bonus. However after the peak last year, there has been a steady fall to around 6% by Q4 2018-19.

NSW also saw a peak of around 6% in Q1 2018-19, coinciding with the start of the state government's ongoing Energy Switch policy which is designed to help customers navigate the retail electricity and gas markets. This policy was implemented in July 2018, and incorporated bill reading technology, a call centre and customer service centres. In Q4 2018-19, around 3.3% of NSW residential standing customers switched from standing contracts to market contracts.

In South Australia switching between retailers peaked at 6.1% in Q4 2017-18, but fell to 4.8% by Q4 2018-19. Within retailers, switching from standing to market contracts is moderate at 2.3% in South Australia.

Over the past two years Queensland has seen some volatility in quarterly rates of switching. Alinta Energy entered the Queensland energy market in 2017 and embarked on a significant marketing campaign. This led to high rates of switching. These rates have since decreased from 5.6% in Q4 2017-18 to 3.5% in Q4 2018-19. Residential customers in Queensland had the lowest rate of switching within retailers, with 0.5% of customers switching from a standing to market contract.

The ACT continues to have the lowest rate of switching between retailers, reaching only 2.6% in Q4 2018-19, but the highest rate of switching within retailers. However, the switching rate across 2018-19 was significantly higher than in previous years. A 14% increase in ActewAGL's standing offer prices in 2018-19 may have contributed to this change, by prompting customers to switch to other retailers for a better offer.

Quarterly gas small customer switching rates

Figure 1.23 shows quarterly switching rates for residential and small business gas customers.

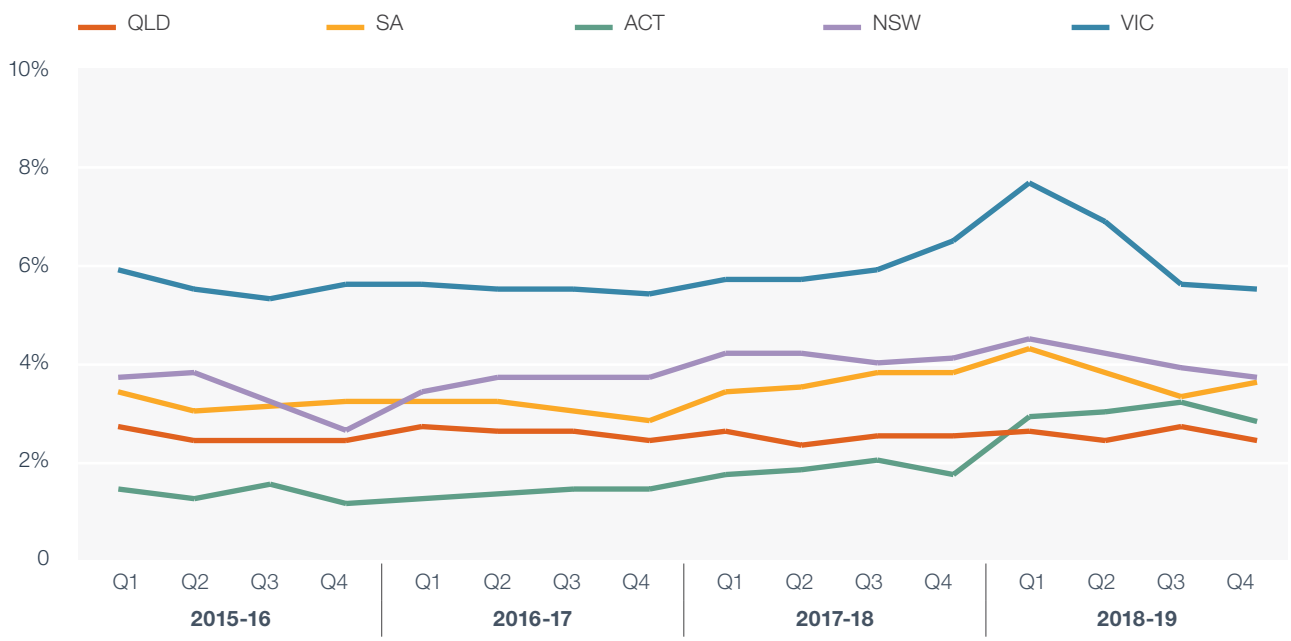
The rate of switching decreased in all jurisdictions except the ACT from Q4 2017-18 to Q4 2018-19. In this period, the switching rate fell from 6.5% to 5.5% in Victoria (the jurisdiction with the highest switching rate) and from 2.5% to 2.4% in Queensland (the jurisdiction with the lowest switching rate).

Gas customers, like electricity customers, in Victoria continued to have the highest rate of switching for gas.

Gas switching in the ACT mirrored the electricity switching trends. The rates of switching increased from 1.7% in Q4 2017-18 to 2.9% in Q1 2018-19, and stayed at around 3% throughout the year surpassing the rates recorded in Queensland. Similar to electricity, the ACT has the highest rate of customers switching within retailers, with 3.6% of customers moving from a standing to market contract.

Unlike electricity, since Q1 2018-19 Queensland has had the lowest switching rate of the jurisdictions. In general, Queensland has had stable rates of switching since 2015-16. Queensland also had the lowest switching rate within retailers, with 1.6% of residential customers switching from standing to market contracts.

Figure 1.23: Gas switching rate between retailers, Q4 2015-16 to Q4 2018-19



Source: AER analysis of NEM data.

New Market Developments

This year has seen a continuation of efforts from government, market bodies and industry to improve customers' experience of, and engagement with, the energy market. Changes have been implemented or are underway to remove barriers to customers' informed participation in the market and increase consumer protection.

Retail price controls

Declining energy affordability has been a key focus in recent years. To explore this issue, the Australian Government tasked the Australian Competition and Consumer Commission (ACCC) to assess prices and competition in the electricity sector through the Retail Electricity Price Inquiry (REPI). The ACCC found that, among other issues, standing offer contracts were no longer working as a safety net, as originally intended. Prices under these offers were unjustifiably expensive, with retailers using inflated standing offer prices as a basis to advertise artificially high discounts.

To address these concerns the ACCC recommended the introduction of a default market offer that would cap what retailers could charge residential and small business standing offer customers. The Australian Government accepted the recommendation, and the DMO came into effect on 1 July 2019 in south-east Queensland, NSW and South Australia. The DMO price also acts as a reference price that retailers must compare all their plans against when they provide pricing details in advertising, on their websites, or other places. It is designed to make it easier for customers to compare energy plans across different providers.

The Victorian Government also introduced new controls on standing offer prices from 1 July 2019 in the form of the Victorian Default Offer (VDO), following a recommendation from the Thwaites Review.[15]

15 For analysis on the DMO and VDO, see chapter 5.

Rule changes

Rule changes were implemented or commenced in 2018-19 that sought to improve customers' ability to engage in the market, improve outcomes for customers in financial hardship and provide for improved customer interactions with energy businesses.

Customer engagement

Two rule changes were introduced in 2018-19 that provide customers with better information to engage in the energy market:

- From 1 February 2019, retailers were required to provide five business days advance notice of price increases on retail energy contracts with small consumers. The rule change is designed to allow consumers time to manage changes to their energy bill before they occur.
- From 1 July 2018, retailers were prohibited from advertising discounts off inflated base prices (prices above the retailer's relevant standing offer price). This practice had the potential to confuse customers and leave them worse off if they took up the 'discounted' offer.

The AER's revised *Retail Pricing Information Guidelines* (RPIG) provide guidance on how retailers should present pricing information, which could include percentage discounting. The AER and Australian Energy Market Commission (AEMC) have recommended the Council of Australian Governments (COAG) Energy Council make retailers' non-compliance with the RPIG's provisions on presentation of market and standing offer prices subject to a civil penalty under the NERL. Civil penalties for these RPIG provisions would allow the AER to issue infringement notices with penalties of up to $20 000 (for a body corporate) per breach.

The Australian Government also submitted a rule change request to the AEMC in February 2019 to restrict the level of conditional discounts for gas and electricity retail offers to the 'reasonable cost savings' that a retailer expects to make if a customer satisfies the conditions of the discount. Under conditional discounts, customers receive lower prices when certain payment condition(s) are fulfilled. The most common types of conditional discounts have been pay-on-time and direct debit discounts. The rule change request seeks to remove excessive penalties for customers (particularly vulnerable customers) who do not meet discount conditions, and to improve the comparability of market offers by reducing the magnitude of conditional discounts.

The introduction of the DMO on 1 July 2019 restricts how retailers can advertise energy offers with conditional discounts. This is likely to have a significant impact on the prominence and level of conditional discounting in the retail market and may influence the materiality of the issues identified in the rule change request. However, the Code does not apply to electricity in Tasmania or the ACT, or to gas offers generally.

Strengthening protections for customers in hardship

In 2017 we undertook a review of retailer hardship policies in response to issues we identified through our monitoring and enforcement work. We found discrepancies between hardship policies and what occurs in practice, and many policies contained general statements that offered customers a lower level of protection.

To address this important area of customer protection, in March 2018 we submitted a rule change proposal to the AEMC that would allow us to develop binding hardship guidelines. Following a consultation process, on 15 November 2018 the AEMC made a rule to help improve retailers' hardship policies so customers can better understand their rights and get the help they need to pay their power bills.

The new rule commenced on 15 November 2018, requiring us to create hardship guidelines that include standardised statements that retailers must include in their hardship policies. The rule also requires that retailers include in their policies clear and specific statements of the action they will take to identify customers who are experiencing financial hardship and assist those customers in managing their energy bills on an ongoing basis.

We published our new guideline effective from 1 April 2019. Retailers were required to submit their revised compliant customer hardship policies by 1 June 2019. We approved all policies by 1 August 2019, and existing retailers published their updated hardship policies on their websites on or by 1 October 2019.

The AER and AEMC have recommended the COAG Energy Council introduce new civil penalties, such as fines, to protect customers if retailers fail to comply with the new obligations. The AEMC also recommended that the COAG Energy Council make a law to prevent new retailers from starting their business until they have approved hardship policies in place.

Customer interactions with energy businesses

Rule changes have been introduced or are underway to improve customer outcomes in respect of the time it takes to install advanced meters and transfer between retailers:

- Smart meters enable customers to better understand and control their electricity use and costs, and access new services. They are also a pre-requisite for implementation of cost-reflective tariffs, which can deliver savings for consumers. Due to the demand for smart meters, some customers have experienced meter installation delays. On 6 December 2018 the AEMC made a rule requiring retailers to provide small customers with new or replacement electricity meters within set timeframes, or face penalties. The final rule commenced operation on 1 February 2019.
- The ACCC's REPI final report recommended improvements to the customer transfer process in the NEM, noting that under current arrangements customers could remain on potentially uncompetitive offers for up to several months after agreeing to a new contract. To facilitate a faster transfer process, on 3 December 2018, AEMO submitted a rule change request seeking new market processes that will allow customers to transfer electricity retailers within two days irrespective of their metering type. The AEMC released a draft determination and a draft rule for consultation on 26 September 2019. The final rule is expected to be made by 19 December 2019.

Energy Charter

Energy businesses have also undertaken work programs to address low levels of customer trust in the energy sector. An industry led Energy Charter was introduced on 1 January 2019 that provides a principles-based disclosure regime applicable to all businesses across the gas and electricity supply chains. The Energy Charter's principles include putting customers at the centre of businesses and the energy system and improving the customer experience, providing safe, sustainable and reliable energy, improving energy affordability, and supporting vulnerable customers.

Businesses who commit to the Energy Charter agree to publicly disclose how they are delivering against the Energy Charter principles.

Ongoing work

The AEMC, in its 2019 Retail Energy Competition Review, made a series of recommendations for further reforms to improve retail market outcomes for customers. If supported, these recommendations could form the basis of further work in updating the regulatory framework. The AEMC's recommendations covered three key areas.

Supporting the continued evolution of the market

The AEMC sought a recommitment from states and territories to harmonising energy regulation wherever possible. Progress in this area would reduce the costs borne by customers where retailers are required to comply with multiple regulatory frameworks.

To improve market transparency and allow for more effective reporting and analysis of market outcomes, the AEMC recommended that additional data be collected from retailers. This included network level data on customer numbers, and information on the number of customers on individual retail tariffs.

Assisting consumers to make more informed decisions

Enhancements to our Energy Made Easy website will go live in 2020. To ensure consumers benefit from these enhancements, the AEMC recommended that the Australian Government take steps to improve awareness of the website.

The AEMC also recommended that the Australian Government should develop a mandatory code of conduct for third party energy price comparison websites. The proposed code of conduct should include requirements to provide consumers with information about the commercial relationship between retailers and the site.

Improving consumer protections for customers in embedded networks

The AEMC identified shortcomings in the regulatory framework for customers in embedded networks through its *Updating the regulatory frameworks for embedded networks* review. These customers currently receive a lower level of protection and access to the competitive markets than other customers. It recommended the COAG Energy Council implement the findings of the review to strengthen protections and improve access to competitive retail offers for customers in embedded networks.

The AEMC also recommended that the Australian Government review the DMO Code (that came into effect on 1 July 2019) with a view to including embedded network customers in the definition of a small customer.

AER outreach to customers

Our outreach program focusses on encouraging consumers to actively participate in the energy market. We promote tools that help consumers understand the choices available when it comes to choosing an energy provider and plan. The main tool promoted is the AER's Energy Made Easy website.

Our outreach also focused on improving energy literacy, helping customers to make informed choices and helping them to reduce costs of their energy bill.

We attended nine events over the year, including Bring Your Bill days, home shows and expos. These events gave us the opportunity to speak with energy customers and help them find the right energy plan by demonstrating the Energy Made Easy website. These events included:

- Bring Your Bills Days in Campsie, Queanbeyan, Gunnedah, Bega and Ballina NSW (organised by the Energy and Water Ombudsman NSW)
- The Adelaide Home Show (Adelaide, South Australia)
- Deal with Debt Day (Logan, Queensland)
- Financial Counsellors Australian Conference (Melbourne, Victoria).

We also attended the Energy, Water and Telco Conference 2019, hosted by the South Australian Council of Social Services, to hear directly about the issues facing energy customers.

An important focus is our engagement with intermediaries and stakeholders that support disadvantaged energy consumers. Together we help to improve outcomes for consumers in hardship and to protect vulnerable consumers.

Our outreach focused on communicating strengthened energy retail law protections for consumers that rely on life support systems. We shared brochures with councils, RSLs and other groups that may have contact with relevant consumers. The brochures encourage consumers relying on life support equipment to register with their energy provider, including supplying medical confirmation, in order to be eligible for protections such as advice of planned or unplanned interruption to their supply. The brochures also provide consumers with information on how to be prepared in the event that there is a power outage, and encourage consumers to have a back-up plan in the event of an unscheduled power outage.

The AER also worked with our Customer Consultative Group (CCG) to help inform future outreach work. The CCG advises us on issues that affect residential and small business consumers, with a particular focus on vulnerable consumers.

In late 2018-19, CCG members provided feedback on an outreach strategy aimed at communicating new hardship protections to consumers. The hardship outreach strategy aims to encourage consumers who are struggling to pay their energy bills due to hardship to call their retailer and ask about their hardship program. The strategy, to be implemented in 2019-20, relies on working with relevant existing and new stakeholders who are trusted by consumers in hardship, to promote the new protections available to consumers. The strategy will see the AER work with consumer groups, community organisations, ombudsman schemes, financial counsellors, and state and territory government departments to share materials with consumers that may be in hardship.

Retailer customer service

2

KEY FINDINGS

- In 2018-19, while some retailers performed well against call responsiveness indicators, others still have room for improvement (particularly the 'major retailers').
- 207 408 customers (2.9% of customers) raised complaints, down from last year.
- Billing issues remained the top cause of complaints.
- 35 378 customers contacted an ombudsman when they were unable to resolve their complaint with their retailer.

Customers may contact their retailer for a variety of reasons, including in relation to billing inquiries, to seek payment assistance, to ask for a better deal, or to make a complaint. Good retailer customer service can help give customers confidence in the market.

2.1. Call centre responsiveness

Average call wait time across the retailers[16]

52

seconds

Retailers' responsiveness to enquiries and complaints is an important measure of customer service. In Table 2.1 we use a traffic light system to allow an 'at a glance' overview of retailers' performance in relation to the following call responsiveness indicators:

Indicator	Green	Amber	Red
Calls taken within 30 seconds	80% or more	51% to 79%	50% or less
Average wait time	30 seconds or less	31 seconds to 59 seconds	60 seconds or longer
Calls abandoned before being answered	5% or less	6% to 9%	10% or more

To allow a quick comparison of similar retailer types, we group Tier 1 retailers (AGL, Origin Energy and EnergyAustralia) with primary regional retailers (ActewAGL, Aurora Energy and Ergon Energy) – called 'major retailers' in Table 2.1. All other retailers are Tier 2 retailers.

16 This is an unweighted average of the reported average call wait time from each retailer.

Table 2.1: Retailer Call Responsiveness, 2017-18 to 2018-19

	Calls taken within 30 seconds (%)			Average wait time (sec)			Calls abandoned before answered (%)		
Major Retailers	**2017-18**	**2018-19**	**Percentage points change**	**2017-18**	**2018-19**	**Variance**	**2017-18**	**2018-19**	**Percentage points change**
ActewAGL	42%	53%	11	215	176	-18%	18%	15%	-2
AGL	78%	87%	9	37	17	-55%	3%	2%	-1
Aurora Energy	75%	71%	-4	20	24	24%	3%	4%	1
EnergyAustralia	69%	74%	5	104	65	-38%	14%	4%	-10
Ergon Energy	38%	30%	-8	130	190	46%	5%	8%	2
Origin Energy	59%	63%	3	108	76	-30%	11%	11%	0
Tier 2 Retailers									
1st Energy	52%	67%	15	52	63	22%	6%	7%	1
Alinta Energy	69%	100%	31	42	24	-43%	5%	0%	-4
amaysim Energy	49%	73%	24	194	33	-83%	14%	3%	-11
BlueNRG	89%	97%	9	12	8	-35%	5%	3%	-2
CovaU	88%	93%	5	17	10	-42%	2%	1%	-1
Diamond Energy	100%	100%	0	0	0	-	0%	0%	0
Dodo	87%	85%	-1	29	403	1278%	2%	2%	0
Energy Locals	90%	80%	-10	1	34	3250%	8%	2%	-6
Enova Energy	44%	75%	31	52	34	-35%	10%	7%	-3
Enwave Mascot	-	91%	-	-	18	-	-	0%	-
ERM Power	73%	72%	0	17	15	-8%	1%	1%	0
Evergy	-	52%	-	-	52	-	-	12%	-
Flow Systems	1%	0%	-1	54	49	-9%	27%	1%	-26
Future X Power	-	70%	-	-	16	-	-	30%	-
Locality Planning Energy	100%	95%	-5	3	25	717%	1%	2%	1
Lumo Energy	78%	72%	-6	29	45	59%	3%	4%	1
Metered Energy	100%	79%	-21	10	15	57%	0%	2%	2
Mojo Power	87%	67%	-21	10	49	370%	7%	4%	-3
Momentum Energy	89%	74%	-15	10	23	122%	1%	2%	1
Next Business Energy	94%	95%	1	15	13	-15%	1%	0%	-1
OC Energy	99%	-	-	0	-	-	1%	-	-
People Energy	93%	96%	2	77	15	-81%	2%	3%	1
Pooled Energy	86%	82%	-4	16	13	-19%	11%	17%	6
Power Club	-	94%	-	-	199	-	-	8%	-
Powerdirect	89%	80%	-9	19	33	73%	2%	3%	1
PowerHub	-	100%	-	-	10	-	-	0%	-
Powershop	80%	64%	-16	25	52	111%	4%	6%	3
Qenergy	95%	96%	1	4	3	-18%	5%	4%	-1
Real Utilities	84%	85%	1	19	27	41%	2%	3%	1
ReAmped Energy	-	87%	-	-	0	-	-	13%	-
Red Energy	51%	66%	15	102	33	-68%	8%	2%	-5
Sanctuary Energy	100%	87%	-13	0	11	-	0%	7%	7
Savant Energy	88%	90%	3	10	10	8%	4%	2%	-3
Simply Energy	82%	85%	3	34	43	27%	2%	2%	0
Sumo Power	-	42%	-	-	230	-	-	7%	-
Tango Energy	98%	97%	-1	0	13	-	0%	3%	3
The Embedded Networks Company	-	91%	-	-	27	-	-	27%	-
Winenergy	47%	22%	-25	109	35	-68%	13%	5%	-8

Source: AER

Note: Nil reported data is denoted by a dash for the following:

- Enwave Mascot, Evergy, Future X Power, Power Club, PowerHub, ReAmped Energy, Sumo Power and The Embedded Networks Company commenced reporting to the AER in 2018-19.
- OC Energy reported that their telecommunications provider was unable to provide them with 2018-19 data.

In 2018-19 only one of the six 'major retailers' met the 'green' standard for the proportion of calls taken within 30 seconds. This was an improvement on the previous year when none of the 'major retailers' met the 'green' standard. Around two thirds of Tier 2 retailers met the 'green' standard, and in some cases recorded improvements.

Table 2.1 shows that most retailers met the 'green' standard for at least one of the indicators. Of the new retailers, Enwave Mascot and PowerHub met the 'green' standard across all indicators.

Just over a quarter of retailers improved across all categories, with three of these being major retailers. The biggest improvers were Alinta Energy and amaysim Energy, both Tier 2 retailers.

Several retailers performed poorly across both years for some indicators. Ergon Energy's service deteriorated across all indicators and reported an average wait time of 190 seconds. Most 'major retailers' recorded poor average wait times two years running. However, four 'major retailers' showed improvements from the previous year.

Dodo reported the highest average wait time of 403 seconds in 2018-19, significantly up from the previous year. ReAmped Energy reported that to avoid placing customers on hold, they instituted a mandatory call-back service for customers who request to speak to an operator, leading to an average call wait time of 0 seconds.

The Embedded Networks Company, Future X Power and Pooled Energy recorded the highest proportion of calls abandoned before being answered. ActewAGL and Origin Energy also performed poorly against this measure in 2018-19. Newly reporting retailers performed poorly on this indicator, with four of the eight falling into the 'red' category.

While table 2.1 shows no retailers received 'red ratings' for all indicators this year, there are clearly improvements to be made to the customer service experience.

2.2. Complaints

Energy retailers must report the number of complaints they receive for the following categories:

- Billing – includes complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- Energy marketing – includes complaints about sales practices, advertising, contract terms and misleading conduct
- Customer transfer – includes complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- Smart meter – includes complaints about installation, installation delay, cost, data, privacy and de-energisation
- Other – includes complaints about customer service, privacy issues, failure to respond to complaints, health and safety issues and other matters

Complaints relating to smart meters is a new category of complaints. As we only have data for Q3 and Q4 2019, for consistency we have included smart meter complaints under 'other' complaints in figure 2.1. We explore this new category of complaints in more detail in figure 2.2.

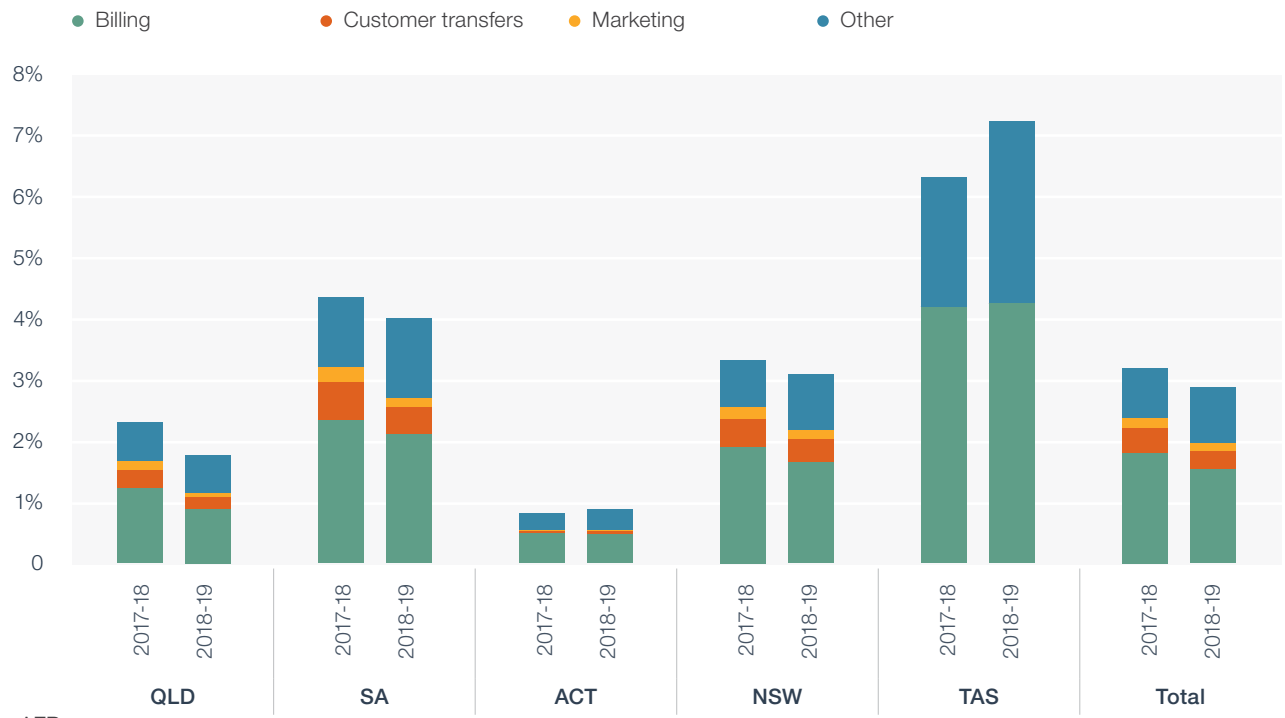
In 2018-19, 207 408 customers made complaints to their retailer, down from 222 269 in 2017-18. Figure 2.1 shows the proportion of customer complaint categories by jurisdiction. We reference total electricity customer numbers at a jurisdiction and total level to calculate the proportion of customers that have raised complaints. Given that nearly all gas customers also have electricity, we have excluded these additional customer numbers from our analysis.

The percentage of customers complaining to retailers fell in 2018-19 in Queensland, South Australia and NSW, and increased in the ACT and Tasmania.

The overall decrease reflected falls in billing, customer transfers and marketing complaints, and an increase in 'other' complaint types.

Although billing continues to be the main cause of complaints, in 2018-19 there was an improvement in this category.

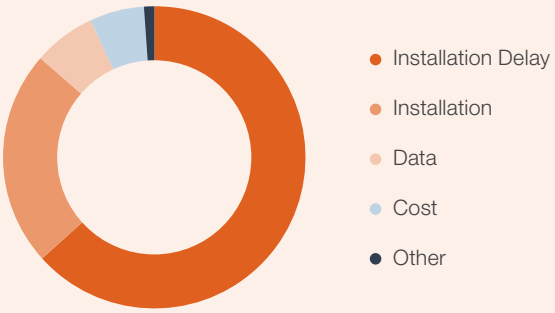
Figure 2.1: Small customer complaint categories by jurisdiction, 2017-18 and 2018-19



Source: AER

NEW DATA

Figure 2.2: Smart meter complaints, Q4 2019



Source: AER

There were 1754 smart meter complaints in Q4, down from 2356 in Q3.

In Q4 complaints relating to installation delays and installation were by far the largest sources of smart meter complaints.

We will continue to monitor these complaints as more data becomes available in coming quarters.

Ombudsman complaints

Retailers with effective customer service policies and mechanisms should be able to promptly resolve customer complaints when they receive them. In situations where the retailer does not resolve or satisfactorily deal with a customer's complaint, the customer can contact the energy ombudsman in their jurisdiction for further assistance.

We note that ombudsmen staff may raise multiple complaints in their complaint-handling database to effectively manage each issue or element of a customer's complaint, and these numbers may not align with total complaint numbers reported by retailers.

Table 2.2 shows complaints to retailers and complaints to ombudsmen. We represent complaints to ombudsmen as a percentage of complaints to the retailer. A high proportion of escalations to an ombudsman suggests a retailer may not be resolving complaints effectively; conversely, a low proportion of complaints escalated to an ombudsman suggests a retailer may have successful internal dispute resolution processes.

Tasmania continues to have the highest proportion of complaints to a retailer at an average of 7%. However, Tasmania also has the lowest proportion of retailer complaints escalated to an ombudsman across the jurisdictions with less than 1% of complaints escalated.

In contrast, at about 1%, the ACT has the lowest proportion of complaints to a retailer, but at 37%, the highest proportion of complaints escalated to an ombudsman.

Table 2.2: Complaints to retailers and ombudsmen, 2017-18 and 2018-19

	Complaints to retailer				Complaints to ombudsman	
	2017-18	as a proportion of customers	2018-19	as a proportion of customers	2018-19	as a proportion of complaints to retailers
Queensland						
1st Energy	61	1.9%	197	4.3%	102	51.8%
AGL	16 657	4.7%	13 264	3.7%	1 164	8.8%
Alinta Energy	2 543	1.9%	2 957	1.6%	650	22.0%
amaysim Energy	1 048	2.2%	663	1.7%	289	43.6%
Diamond Energy	12	0.2%	7	0.1%	7	100.0%
Dodo	226	1.8%	160	1.5%	33	20.6%
Energy Locals	54	3.5%	29	1.6%	3	10.3%
EnergyAustralia	1 996	1.8%	1 686	1.4%	419	24.9%
Ergon Energy	3 950	0.6%	3 848	0.5%	939	24.4%
ERM Power	1	0.4%	0	0.0%	2	
Flow Systems	1	0.4%	28	1.1%	0	0.0%
Locality Planning Energy	120	0.8%	218	1.0%	25	11.5%
Lumo Energy	156	6.5%	88	0.0%	31	35.2%
Metered Energy	1 269	10.7%	371	2.8%	0	0.0%
Mojo Power	55	6.7%	24	4.8%	14	58.3%
Momentum Energy	2	7.4%	2	10.5%	4	200.0%
Next Business Energy	1	0.9%	4	0.5%	0	0.0%
OC Energy	2	0.3%	1	0.1%	0	0.0%
Origin Energy	1 6851	2.5%	11 865	2.1%	2 001	16.9%
People Energy	13	10.7%	4	3.7%	4	100.0%
Power Club	0	0.0%	2	2.7%	0	0.0%
Powerdirect	535	3.6%	490	3.5%	159	32.4%
PowerHub	0	0.0%	3	7.1%	0	0.0%
Powershop	30	0.6%	33	0.4%	17	51.5%

Qenergy	184	3.7%	169	2.8%	30	17.8%
ReAmped Energy	0	0.0%	12	2.3%	0	0.0%
Red Energy	2 660	5.5%	2 086	4.3%	150	7.2%
Sanctuary Energy	15	1.2%	8	0.9%	5	62.5%
Savant Energy	0	0.0%	4	0.4%	0	0.0%
Simply Energy	1 739	10.6%	1 051	7.1%	70	6.7%
QLD total	**50 181**	**2.3%**	**39 274**	**1.8%**	**6 118**	**15.6%**
SA						
AGL	15 441	4.5%	13 809	4.1%	2 698	19.5%
Alinta Energy	2 302	4.0%	2 184	3.8%	911	41.7%
amaysim Energy	153	2.6%	263	4.0%	314	119.4%
BlueNRG	0	0.0%	3	4.4%	0	0.0%
Diamond Energy	16	0.8%	9	0.4%	17	188.9%
Dodo	242	4.1%	164	3.1%	76	46.3%
Energy Locals	0	0.0%	85	4.7%	15	17.6%
EnergyAustralia	2 484	3.4%	1 986	2.9%	796	40.1%
ERM Power	2	0.7%	0	0.0%	0	
Lumo Energy	1 226	3.4%	1 382	3.5%	561	40.6%
Momentum Energy	135	1.9%	156	2.4%	79	50.6%
Next Business Energy	0	0.0%	1	0.4%	0	0.0%
Origin Energy	8 702	3.9%	7 506	3.3%	2 205	29.4%
People Energy	5	31.3%	0	0.0%	0	
Power Club	0	0.0%	4	7.4%	1	25.0%
Powerdirect	875	3.9%	886	3.6%	351	39.6%
Powershop	0	0.0%	1	0.4%	1	100.0%
Qenergy	12	4.1%	16	6.0%	11	68.8%
Red Energy	228	5.1%	372	7.1%	60	16.1%
Sanctuary Energy	6	1.7%	4	1.8%	3	75.0%
Savant Energy	24	1.5%	14	0.8%	13	92.9%
Simply Energy	5 793	7.1%	6 192	7.1%	979	15.8%
Tango Energy	0	0.0%	2	1.4%	1	50.0%
SA total	**37 646**	**4.4%**	**35 039**	**4.0%**	**9 092**	**25.9%**
ACT						
ActewAGL	823	0.5%	870	0.6%	468	53.8%
Energy Locals	0	0.0%	1	0.3%	0	0.0%
EnergyAustralia	131	1.9%	151	1.8%	51	33.8%
Origin Energy	531	3.5%	658	2.6%	94	14.3%
Powerdirect	3	3.0%	0	0.0%	0	
Red Energy	0	0.0%	1	2.5%	0	0.0%
Simply Energy	11	21.2%	0	0.0%	0	
ACT total	**1 502**	**0.8%**	**1 681**	**0.9%**	**613**	**36.5%**
NSW						
1st Energy	426	3.7%	504	5.1%	304	60.3%
ActewAGL	306	1.0%	237	0.8%	191	80.6%
AGL	45 050	5.6%	42 135	5.2%	3 936	9.3%
Alinta Energy	2 254	3.0%	2 971	3.1%	925	31.1%
amaysim Energy	1 180	2.5%	1 509	2.8%	840	55.7%
BlueNRG	6	0.1%	75	1.5%	28	37.3%
CovaU	132	1.7%	129	1.5%	76	58.9%
Diamond Energy	10	0.3%	15	0.4%	20	133.3%

Dodo	649	1.9%	710	2.2%	235	33.1%
Energy Locals	58	1.5%	119	1.0%	41	34.5%
EnergyAustralia	18 772	1.9%	18 177	1.8%	4 900	27.0%
Enova Energy	190	4.3%	82	1.4%	24	29.3%
ERM Power	18	0.6%	5	0.3%	7	140.0%
Evergy	0	0.0%	7	1.2%	13	185.7%
Flow Systems	0		0	0.0%	6	
Locality Planning Energy	1	0.2%	10	1.9%	2	20.0%
Lumo Energy	148	9.8%	64	0.0%	30	46.9%
Mojo Power	159	5.4%	102	4.9%	57	55.9%
Momentum Energy	187	1.6%	346	1.6%	126	36.4%
Next Business Energy	57	1.5%	32	0.5%	27	84.4%
OC Energy	24	0.7%	37	0.6%	37	100.0%
Origin Energy	31 799	2.8%	26 342	2.3%	5 437	20.6%
People Energy	25	5.4%	6	1.5%	8	133.3%
Pooled Energy	4	0.8%	184	15.3%	9	4.9%
Powerdirect	498	2.9%	976	4.4%	222	22.7%
Powershop	105	0.3%	135	0.4%	140	103.7%
Qenergy	285	4.7%	457	7.2%	96	21.0%
Real Utilities	0	0.0%	3	0.5%	4	133.3%
ReAmped Energy	0	0.0%	4	1.0%	0	0.0%
Red Energy	10 539	5.2%	12 945	5.5%	1 257	9.7%
Sanctuary Energy	36	2.0%	22	2.0%	14	63.6%
Savant Energy	0	0.0%	3	2.1%	3	100.0%
Simply Energy	2 427	7.2%	2 384	7.0%	256	10.7%
Sumo Power	0	0.0%	260	5.2%	117	45.0%
Winenergy	14	1.7%	14	0.7%	51	364.3%
NSW total	**115 359**	**3.3%**	**111 001**	**3.1%**	**19 439**	**17.5%**
Tasmania						
1st Energy	0	0.0%	4	0.4%	9	225.0%
Aurora Energy	17 583	6.4%	20 409	7.3%	107	0.5%
ERM Power	1	0.6%	0	0.0%	0	
TAS total	**17 584**	**6.4%**	**20 413**	**7.3%**	**116**	**0.6%**

Source: AER

Payment difficulties and hardship

3

KEY FINDINGS

Concessions

- The proportion of customers receiving concessions decreased slightly for both electricity and gas customers.

Energy debt – non-hardship

- The proportion of residential and small business customers in debt decreased compared to last year.
- The level of residential debt has decreased across most jurisdictions, except for Tasmania, and small business debt remains steady.

Credit collection

- This new indicator revealed that customers are being referred for collection activity for debt that is often less than $500.
- About half of the customers referred for collection activity received a negative credit rating as a result of their unpaid energy debt.

Payment plans

- The proportion of customers on payment plans increased for residential electricity customers and decreased for residential gas customers.[17]
- The proportion of both electricity and gas payment plans cancelled due to customers' non-compliance remained high in 2018-19, although it decreased from last year.

Hardship programs

- The proportion of residential electricity customers on hardship programs increased in all jurisdictions except Queensland. For gas, the proportion remained steady, except that it decreased in South Australia and increased in the ACT.
- The average debt of electricity hardship customers was significantly higher this year. The average debt of gas hardship customers was steady across jurisdictions, except for in the ACT where it increased substantially.
- Well over a third of customers on hardship payment plans are not meeting their ongoing energy usage costs.

Disconnections

- The proportion of residential electricity customers disconnected per year reduced marginally over the past year, after stabilising at a high level in recent years. In addition, there was an increase in the proportion of small business electricity disconnections over the past year.
- Overall, the average proportion of residential and small business gas customer disconnections decreased this year.
- Queensland and South Australia reported the highest proportion of electricity and gas customers disconnected.

17 Please refer to section 3.5 for commentary on these findings as well as the data accompanying this report for further information.

3.1. Introduction

In this chapter we examine the data reported by retailers to consider how they manage customers with payment difficulties and hardship issues. We explore:

- concessions
- debt levels
- credit collection
- payment plans
- hardship
- disconnections

Payment difficulties and hardship are difficult and complex issues. There is no single way that consumers are affected and there is no single simple solution to resolve energy affordability issues. Concessions, policies and regulations are one way governments support consumers and hardship programs are another way retailers can offer support to vulnerable customers.

The Retail Law and Retail Rules lay down a framework of the types of assistance energy retailers provide to customers facing payment difficulties. Our Hardship Review and Guidelines detail the expectations around retailer policies and practices.

The implementation of a Default Market Offer is also intended to benefit customers that are less engaged in the market, by driving more reasonable standard offer prices.[18] The Default Market Offer aims to improve affordability and alleviate some difficulty customers have in meeting their energy costs.

Next year our analysis of retailer data regarding payment difficulties will provide an indication as to how these arrangements are working in concert and how they affect those customers that are experiencing difficulty paying their electricity bills.

Our updated *Performance Reporting Procedures and Guidelines* expanded the type and detail of information that retailers must report. This new information provides a clearer insight into the behaviour and treatment of customers who experience payment difficulties and hardship.

We acknowledge that with the expansion of our reportable indicators, many retailers have reviewed their existing reporting practices to ensure that they will remain compliant with their reporting obligations. Through this process some retailers have updated or amended their reporting processes.[19] We note that any change in retailer practices does not mean that previous reporting practices were not compliant.

18 For more information on the impact of the Default Market Offer, see chapter 5 of this report.

19 For example, EnergyAustralia has advised of a change in the way it reports customers on payment plans. Further to a change in the *Performance Reporting Procedures and Guidelines*, it only includes customers that have outstanding debt in its reporting.

KEY TERMINOLOGY

Payment difficulties and hardship

Some of the terminology about payment difficulties and hardship can be confusing. We explain the key terminology here to help navigation of this chapter.

Government concessions

State and territory governments provide a range of concessions that eligible consumers can use towards their energy bills. The concessions target various disadvantaged groups such as those in financial difficulty or with specific medical requirements. The concessions are implemented by the consumer's retailer.

Non-hardship debt

This term refers to those customers in debt but not on hardship programs. These consumers may be experiencing payment difficulty – which triggers the requirement that retailers offer them payment plans – or they may simply have not kept up with their energy bills.

Payment plans

Payment plans provide a framework for customers to repay their energy debt in affordable, regular instalments. Retailers are required to offer payment plans to residential customers if the customer informs the retailer that they are experiencing payment difficulties, or the retailer considers the customer is experiencing payment difficulties. This obligation on retailers to offer payment plans to those in payment difficulty applies to all residential consumers, not only those customers on formal hardship programs. In addition, payment plans are among the minimum forms of assistance that retailers must offer customers on hardship programs.

Payment plans 'cancelled'

This refers to the situation where a customer is on a payment plan as described above, but the arrangement is terminated by the retailer due to non-compliance on the customer's part. The overwhelmingly most likely reason for cancellation is non-payment by the customer.

Hardship programs

Hardship programs provide targeted assistance to eligible residential customers who are experiencing ongoing financial difficulty. Often this customer segment will have trouble meeting a standard payment plan arrangement. All retailers are required to publish a hardship policy approved by us according to our *Customer Hardship Policy Guideline*. The Retail Law and Retail Rules set down minimum assistance that retailers must provide to customers on hardship programs.

Disconnection

Disconnection means that the retailer ceases to supply the customer's premises with energy. Given the serious consequences this can have, the Retail Law and Retail Rules set down strict processes that retailers must follow before disconnection. A retailer must view disconnection for non-payment as a last resort.

3.2. Overview

The hardship and payment difficulties indicators we examine in this chapter are closely linked to energy affordability. The gap between income and energy prices widened significantly between 2008 – 2014 and since then energy prices have stabilised at a high level (albeit with a slight improvement over the past year). These affordability trends were examined in detail in our report *Affordability in retail energy markets September 2019* (Affordability report).[20]

We would expect to see the effects of persistently high energy costs reflected in the indicators we collect on payment difficulties and hardship. Overall, this year's data aligns with the narrative that energy affordability is a persistent issue, with many low income households continuing to struggle to pay their energy bills. We summarise this chapter's key findings below.

Section 3.3 covers energy concessions. State and territory governments provide various energy concessions which can help low income households cope with affordability issues. The relevant indicators suggest that concession levels are generally steady.

In *section 3.4*, we examine customers' debt levels. We found that the overall proportion of customers in debt decreased over the past year. This trend is positive although nuanced. The overall decrease was driven by a large decrease in the proportion of customers in debt but not in hardship which, on balance, outweighed an increase in the proportion of customers in hardship.

We now collect data about the number of customers that have unpaid energy debt referred to an external debt collector. Retailers reported a significant number of these customers. Roughly half of these consumers had a credit default (negative credit rating) applied against their name. Importantly many of these customers will be adversely affected by a poor credit rating for years.

In *section 3.5*, we look at payment plans for customers not on hardship programs. One indicator of note here was that a high proportion of payment plans are cancelled, at around 60% for electricity and 65% for gas customers. In a positive development, the proportion of cancellations did decrease from last year although it is still at a high level. The high level of cancellations may signal that some customers are entering into payment plan agreements that may simply be unaffordable.

Section 3.6 is about customers on hardship programs. Two points of particular note emerged that suggest hardship customers are struggling. Firstly, the average debt of electricity customers on hardship programs increased by about $200 over the past year. Secondly, a new indicator showed that many customers on hardship programs are not meeting their ongoing usage costs. Unless there is a change to their arrangements, these customers will continue to build up energy debt over time.

Section 3.7 is about disconnections. Residential electricity disconnections reduced marginally this year, after stabilising at a high level in previous years. At the same time, there was an increase in the proportion of small business electricity disconnections over the past year. Overall, the average proportion of residential and small business gas customer disconnections decreased this year.

20 AER, *Affordability in retail energy markets*, September 2019.

3.3. Concessions

KEY FINDING

› The proportion of customers receiving concessions decreased slightly for both electricity and gas customers.

Concessions for consumers facing financial difficulties

State and territory governments provide concessions to provide financial assistance to individuals on low incomes. The eligibility criteria for specific energy concessions and the amount offered for each energy concession differs across jurisdictions and fuel types. There are other credits that government agencies offer that can be applied towards energy accounts that are not included in this analysis. For example, grants or rebates that a customer must apply for, are not included here. Our analysis focuses on concessions that are applicable to most low income customers and are applied automatically to an electricity or gas account once the retailer registers the customer as being a concession holder.

Table 3.1 shows that, generally, the proportions of gas and electricity customers receiving concessions over the previous three years has dropped slightly. At 15.3% for 2018-19, the ACT continues to be the jurisdiction with the lowest proportion of electricity customers receiving concessions. Tasmania continues to have the highest proportion of customers receiving electricity concessions at 38.1% in 2018-19, however we note that most customers here have no access to gas and typically have higher annual electricity costs. Queensland has the highest proportion of gas customers receiving a concession, at 18.6% in 2018-19.

Table 3.1: Proportion of customers receiving an energy concession 2016-17 to 2018-19

	Electricity			Gas		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
QLD	29.0%	30.6%	29.3%	20.4%	19.8%	18.6%
SA	26.3%	25.0%	25.2%	4.7%	4.7%	4.7%
ACT	17.1%	16.8%	15.3%	0.0%	0.0%	0.0%
NSW	28.3%	26.1%	24.7%	18.6%	17.1%	16.5%
TAS	38.0%	38.5%	38.1%	-	-	-
Overall average	**28.3%**	**27.6%**	**26.4%**	**14.8%**	**13.8%**	**13.3%**

Source: AER

Note: The values for the ACT and South Australia are low for gas because both of these jurisdictions provide energy concessions that cover both fuel types together. Most retailers record the concession against a customer's electricity account.

The value of electricity and gas concessions increased in 2018-19 in all jurisdictions, except for NSW where their value decreased slightly for both electricity and gas (table 3.2). The fluctuations may be attributable to the concession being calculated as a percentage of the customer bill and some jurisdictions have seen a base increase.

The region with the highest available electricity concession is Tasmania[21] ($559.63), and the lowest is South Australia ($274.86). Compared with 2017-18, the level of electricity concessions in South Australia increased by more than $50. In all other jurisdictions, increases to electricity concessions were less than $50 for the 2018-19 year.

21 Very few Tasmanian customers have gas and there are no gas concessions available.

Table 3.2: Energy concessions avaliable in 2017-18 to 2018-19

	Electricity		Gas	
	2017-18	2018-19	2017-18	2018-19
QLD	$340.85	$350.40	$71.30	$72.51
SA	$210.30	$274.86	$210.30	$274.86
ACT	$302.00	$327.00	$302.00	$327.00
NSW	$323.50	$313.50	$131.00	$121.00
TAS	$549.85	$559.63	-	-

AER analysis based on data collated by the relevant jurisdictions. Details of concessions by state: Queensland Government cost of living support; NSW Government energy rebates; South Australian Government energy bill concessions and cost of living concessions; Tasmanian Government electricity and heating concessions; ACT Government utilities concession; Victorian Government annual electricity concession and winter gas concession.

Source: AER analysis on state governments concessions data.

We provide further information about hardship customers receiving concessions assistance in section 3.6. Additional information about concession customers being disconnected is in section 3.7.

Medical concessions

State and territory government concessions are also available to help customers whose medical conditions necessitate the consumption of larger than average volumes of electricity to help with their condition and improve their quality of life. Although we have not included these medical concessions (or other types of special concessions, credits, or rebates) in our analysis, it is important to note that some customers may be able to access additional credits depending on their personal circumstances.

3.4. Debt levels

Residential

150 127

(or 1.73%) residential energy customers are in energy debt (non-hardship)

$792

Average residential energy debt (non-hardship)

Small business

15 193

(or 2.0%) small business customers are in energy debt

$1842

average small business customer energy debt

KEY FINDINGS

- The proportion of residential and small business customers in debt decreased compared to last year.
- The level of residential debt has decreased across most jurisdictions, except for Tasmania, and small business debt remains steady.

Our *Performance Reporting Procedures and Guidelines* define energy debt as energy charges that are outstanding for more than 90 days.[22] We collect the number of customers repaying debt, so as to exclude debts that retailers may still have on record but are not active. Throughout this chapter when we refer to "customers in debt", we are referring to customers who are actively repaying their debt, when their debt is over 90 days old.

The proportion of customers in energy debt and the average level of debt provide an insight into the extent to which customers are experiencing difficulty paying their energy bills and how effectively retailers are assisting their customers to meet their energy debt repayments.

In this section we conclude that the overall proportion of residential customers in debt is down but the proportion of customers on hardship programs has increased. The levels of non-hardship debt and average debt on entry to a hardship program vary across jurisdictions.

New data shows that for some non-hardship customers facing ongoing payment difficulties, debt tends to accumulate and become more entrenched over time.

Our findings regarding small business debt indicators are varied due to the relatively small number of small business customers in debt.

Residential energy debt

Change of methodology

In our *Performance Reporting Procedures and Guidelines*, April 2018, we defined energy debt to be combined gas and electricity energy charges. In previous guidelines we collected energy debt data separately for each fuel type. In order to provide a comparable trend for analysis, we have combined previous electricity and gas debt figures using a weighted average.

Proportion of residential customers with energy debt

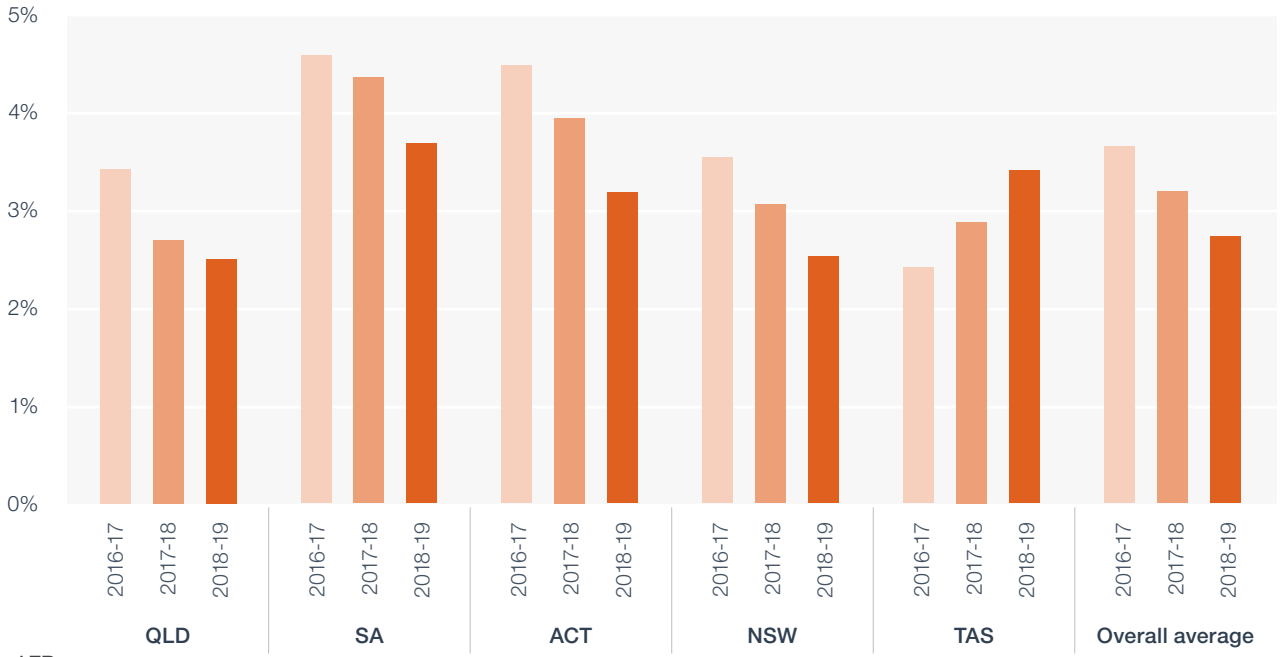
Below we analyse the:

- overall proportion of customers with energy debt, including customers not on hardship programs "non-hardship customers" and customers on hardship programs – which together gives us a combined overall proportion of customers in debt (see figure 3.1); and
- the proportion of non-hardship customers in debt compared to the proportion of customers on hardship programs (see figure 3.2).

Figure 3.1 shows the overall proportion of customers in debt fell over the past three years in all jurisdictions except Tasmania. Queensland had the lowest proportion of customers with debt this year.

22 AER, (Retail Law) *Performance Reporting Procedures and Guidelines*, April 2018, p. 18.

Figure 3.1: Total proportion of residential customers in energy debt 2016-17 to 2018-19



Source: AER

Figure 3.2 shows that the decrease in the overall average proportion of customers in debt was driven by a decrease in the proportion of customers with non-hardship debt. Meanwhile, the proportion of customers on hardship programs is increasing or steady across jurisdictions. Overall, the decrease in the proportion of non-hardship customers in debt outweighs the increase in the proportion of customers in hardship.

Although decreasing year on year, the ACT continues to have the highest proportion of non-hardship customers with energy debt. South Australia had the highest proportion of customers in hardship for all three years, although Tasmania is increasing and now near South Australian levels. Hardship trends are examined in more detail in section 3.6.

Figure 3.2: Proportion of residential customers with non-hardship and hardship energy debt 2016-17 to 2018-19

Source: AER

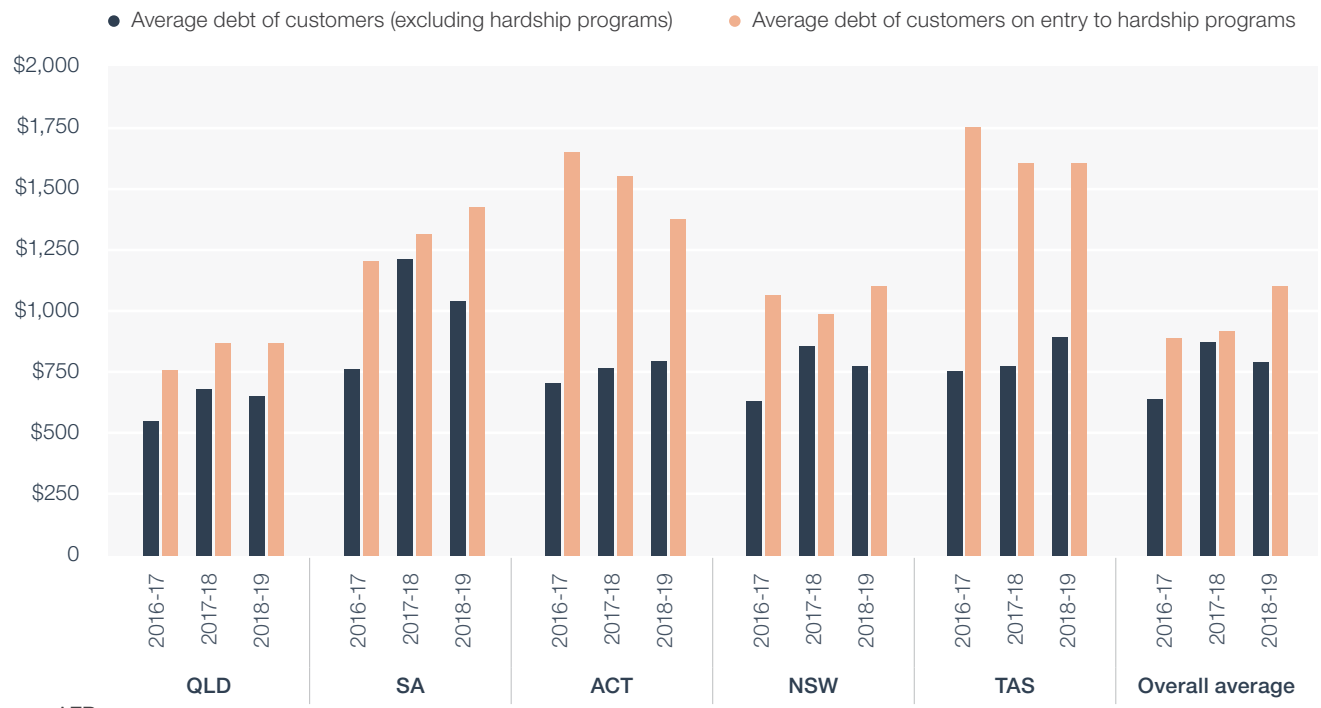
These trends suggest that customers may be managing their energy bills more effectively without assistance, or that more customers with energy debt are being identified as requiring formal assistance through a hardship program.

Energy debt levels of residential customers

In this section we analyse the debt levels of customers not on hardship programs ("non-hardship customers") and their debt levels at the time of entry to hardship programs. This provides an indication of how quickly retailers identify customers in payment difficulties and place them onto a hardship program.

As shown in figure 3.3, the levels of average debt on entry to a hardship program and non-hardship debt vary across jurisdictions across the three years. The chart clearly shows that there is a higher level of debt at entry to hardship relative to average non-hardship debt. This may suggest retailers are slow to identify when customers need more formal assistance.

Figure 3.3: Average debt of residential customers and at entry to hardship 2016-17 to 2018-19



Source: AER

Customers in South Australia had the highest average non-hardship debt and the second highest average debt on entry to hardship programs. Non-hardship average debt in South Australia was lower than the previous year, while average debt on entry to a hardship program was higher than 2017-18.

The jurisdiction with the second highest average non-hardship debt in 2018-19 was Tasmania. Also customers in Tasmania entered hardship programs with more debt than customers in other jurisdictions.

Although the average debt of non-hardship customers in the ACT is slightly increasing, the average debt upon entry to a hardship program is decreasing. This may suggest that these customers are being accepted into a hardship program sooner.

Residential customers in Queensland had the smallest average non-hardship debt and the lowest average debt at the time of entry to hardship programs. Levels of both indicators in Queensland for 2018-19 were close to the previous year.

Customers often enter into payment plans before accessing hardship programs. Our *Sustainable Payment Plans Framework*[23] also encourages retailers to accept customers onto flexible payment arrangements in order to manage their debt. It is important that customers obtain the level of support that is appropriate to their circumstances.

23 AER, Sustainable payment plans framework, July 2016.

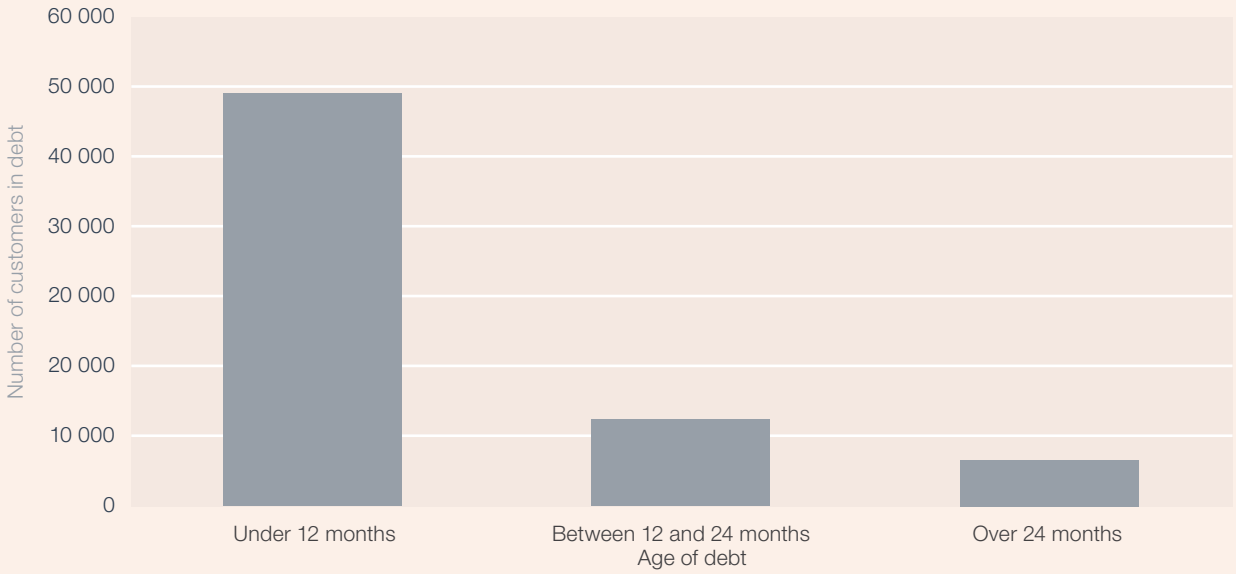
NEW DATA

Age and amount of residential non-hardship customer energy debt

We are collecting new data that suggests that most customers with energy debt are able to clear their arrears in under 12 months. However, the longer a customer is in debt the higher their debt is likely to be.

Figure 3.4 shows that in three quarters of cases, non-hardship customers with energy debt were able to clear that debt in under 12 months. However, 10% of non-hardship customers with energy debt were still in debt after 24 months.

Figure 3.4: Number of customers in non-hardship debt and the age of their debt



Source: AER

Figure 3.5 shows the proportion of non-hardship customers in debt by age and amount of debt.

The figure demonstrates that the vast majority of non-hardship debt under 12 months old is between $500 and $1500.[24]

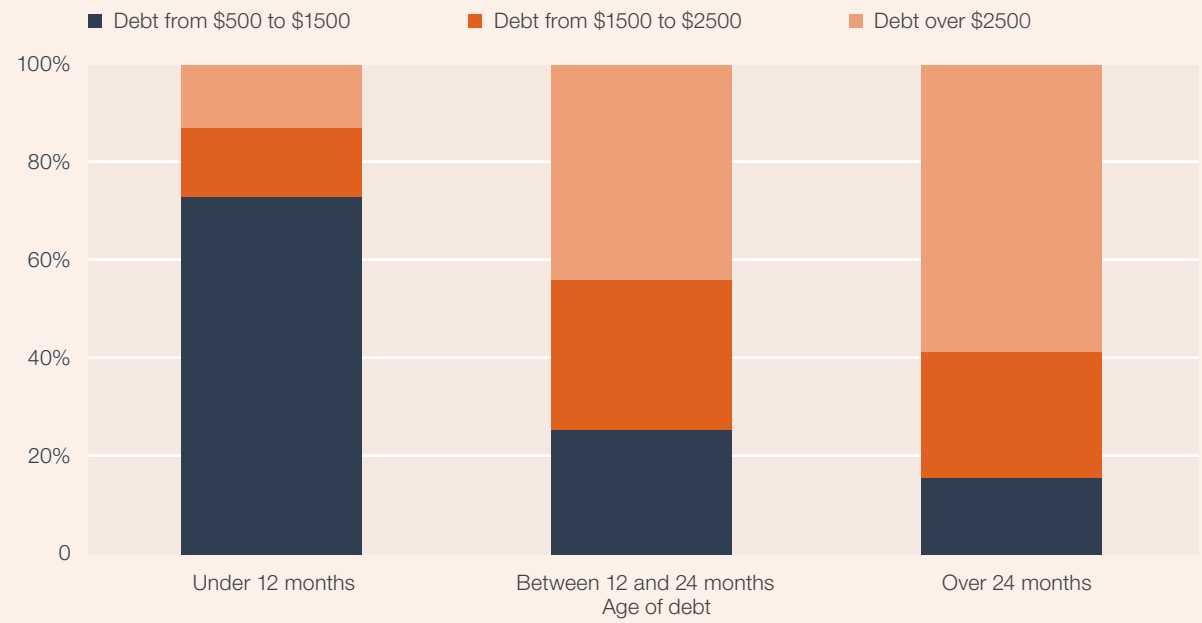
You can see that as we move from left to right (as the age of the debt increases), the size of the portion in pale orange (which represents debt over $2500) increases. This suggests that for some non-hardship customers facing ongoing payment difficulties, debt tends to accumulate and become more entrenched over time.

The data could indicate that payment plans are working less effectively than we would hope. It could also suggest that some customers with large and entrenched debt are not accessing hardship programs, or they are failing and being excluded from hardship programs and returning to normal debt collection and disconnection cycles. These figures could imply that some customers are not in a position to reduce their energy debts, even over a long period of time, suggesting significant ongoing affordability issues.

24 We do not collect data on debt below $500 as amounts below $500 can represent a single unpaid bill.

NEW DATA

Figure 3.5: Proportion of non-hardship customers in debt by amount and age of debt



Source: AER

Small business energy debt

Proportion of small business customers in debt

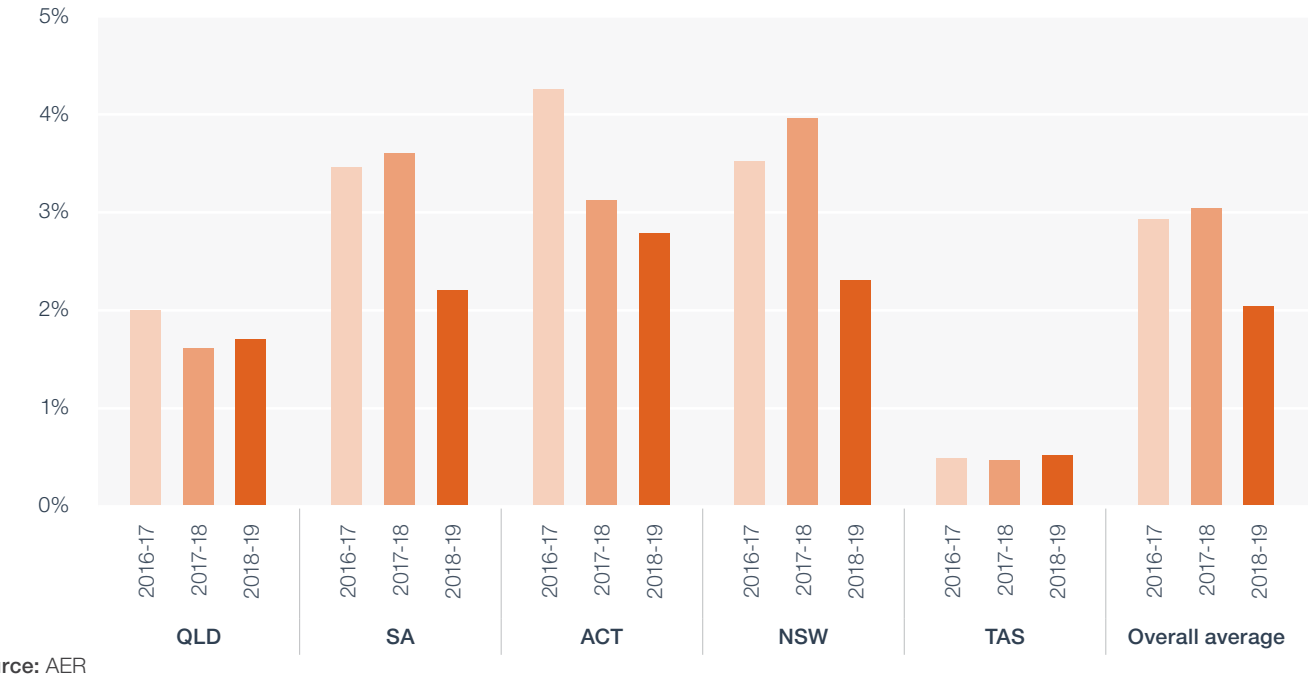
Small businesses also accrue energy debt. Our analysis considers trends across the jurisdictions for these customers. Due to the lower number of business customers (particularly in the ACT and Tasmania), small fluctuations in the underlying data can have a large effect on the reported numbers and trends.

We note that while hardship provisions apply to residential customers only, our *Sustainable Payment Plans Framework* applies to small business customers. On this basis we encourage retailers to work with businesses that have accrued energy debt to establish suitable and flexible payment plans.

Figure 3.6 shows there was a large fall from 2017-18 to 2018-19 in the proportion of small business customers in debt. This was primarily driven by a large reduction in the proportion of small business customers in debt in NSW (a decrease from 4% in 2017-18 to 2.3% in 2018-19) and in South Australia (a decrease from 3.6% in 2017-18 to 2.2% in 2018-9).

EnergyAustralia accounted for around a third of this drop in NSW, recording 2045 fewer small business customers repaying debt this year compared to the previous year. This was because EnergyAustralia updated its internal reporting processes relating to this metric to align with our *Performance Reporting Procedures and Guidelines*, April 2018 (effective 1 January 2019).

Figure 3.6: Proportion of small business customers in debt 2016-17 to 2018-19

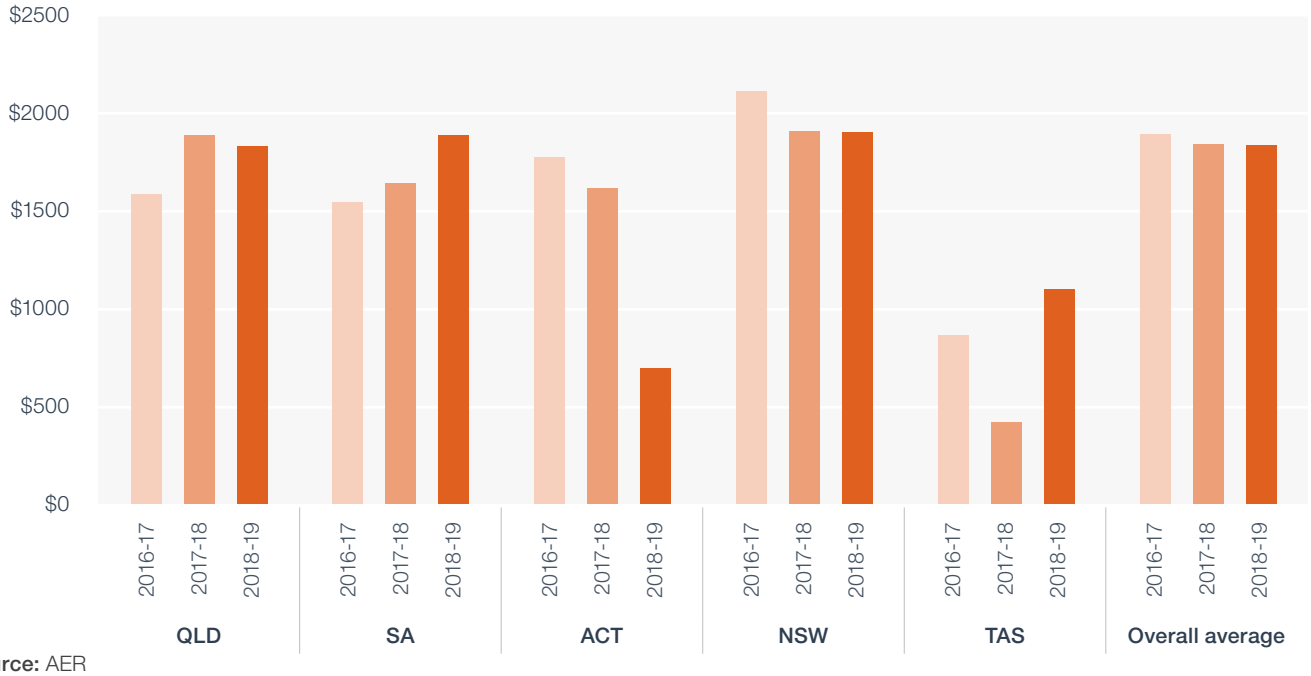


Source: AER

Level of energy debt for small business customers

Figure 3.7 shows average energy debt levels for small business customers across all jurisdictions have remained fairly stable over the three years, at just under $2000.

Figure 3.7: Average debt of small business customers 2016-17 to 2018-19



Source: AER

Small business energy debt for 2018-19 compared to 2017-18 varied across the jurisdictions. Average small business energy debt in South Australia and Tasmania increased, and remained steady in Queensland and NSW.

The largest shifts in small business average energy debt were in Tasmania and the ACT. The average debt increased markedly in Tasmania from $416 to $1098 from 2017-18 to 2018-19. The ACT's average debt of small business customers decreased by almost $1000 to $694 in 2018-19. These large swings are likely due to the small number of small business customers with debt in Tasmania and the ACT and changes in debt levels at an individual customer level.

NEW DATA

We now collect data on the number of residential customers who have been referred to an external credit collection agency for debt recovery. Credit collection and default activity must occur in line with the *Privacy (Credit Reporting) Code*.*

This new data also includes the amount of debt the customer had at the time of referral and whether the customer has been credit defaulted as a result of the unpaid debt. The customer may hold a current and active account, or a closed account with the retailer. Commonly, customers are no longer being billed by the retailer.

Credit collection

The number of residential customers referred to external credit collection agencies for debt recovery in Q4 2019 was 66 043 for electricity and 15 601 for gas.

The most common amount of debt at the time of referral to an external credit collection agency for debt recovery in Q4 2018-19 was for debts up to $500 (32 635 for electricity and 10 550 for gas), followed by debt over $500 but less than $1500 (20 886 for electricity and 4027 for gas).

Credit defaults

The number of residential customers that were credit defaulted in Q4 2018-19 was 35 221 for electricity and 6960 for gas. That suggests that broadly half of all customers referred to external credit collection have been credit defaulted.

A credit default has a significant negative impact on a customer. For instance, they may have limited ability to obtain a credit card, mortgage, car finance, and store credit for a lengthy period of time (often six years).

In addition, a credit default may mean that the customer cannot access low-cost market contracts. This may result in the customer being placed on a standing energy contract thereby paying more than if they were able to enter into a market contract. The net effect is that, although a credit defaulted customer may be facing serious financial difficulties, they may be required to enter into a more costly standing contract, compounding their hardship and payment difficulties.

The number of customers that had their default listing reversed in Q4 2018-19 was 520 for electricity and 57 for gas. Once listed, defaults are only ever removed if they were applied in error. Once a credit default is listed against an individual it may be updated to ‘paid’.

We encourage all customers that have concerns about their credit rating due to energy related debt to request a free copy of their credit history. If further questions remain about the validity of a credit default, to follow up with their retailer or the debt collection agency to investigate further.

*https://www.oaic.gov.au/privacy/privacy-registers/privacy-codes-register/cr-code/

3.5. Payment plans for residential non-hardship customers

Residential

1.6%
of non-hardship electricity customers on payment plans

59.6%
of non-hardship electricity payment plans cancelled

0.6%
of non-hardship gas customers on payment plans

64.7%
of non-hardship gas payment plans cancelled

KEY FINDINGS

- The proportion of electricity customers on payment plans increased for residential electricity customers and decreased for residential gas customers.[25]
- The proportion of both electricity and gas payment plans cancelled remained high in 2018-19, although it decreased from last year.

In this section we discuss 'non-hardship' payment plans. We discuss payment plans for customers on formal hardship programs in section 3.6.

Retailers are required to offer payment plans to residential customers if the customer informs the retailer that they are experiencing payment difficulties, or the retailer considers the customer is experiencing payment difficulties. Payment plans are intended to allow customers to repay their energy debt in affordable, regular instalments.

Many retailers have signed up to the voluntary *Sustainable Payment Plans Framework* (the Framework), which aims to achieve better outcomes by helping customers and retailers agree to affordable and sustainable payment plans. Our website contains a list of the retailers who have adopted the Framework.[26] The Framework sets down good practice principles of flexibility, consistency, empathy and respect to guide retailers' dealings with residential customers when setting up payment plans.

Payment plan indicators show mixed trends. The proportion of electricity customers on payment plans has increased and the proportion of gas customers on payment plans has decreased. Cancellation rates of payment plans remain high for both fuel types, but have improved from last year.

25 More detail on payment plans is available in the data accompanying this report.

26 AER, *Having trouble paying your energy bills?*, November 2019.

EnergyAustralia updates its reporting of payment plan customers

Since the introduction of the new reporting Guidelines, effective 1 January 2019, EnergyAustralia updated the way it reports payment plan customers.

Previously EnergyAustralia reported to the AER the total number of customers who had established a payment plan as a way to manage their energy bill costs, irrespective of any energy debt. From 1 January 2019 EnergyAustralia includes only those customers that have both energy debt and a payment plan.

In 2017-18 the proportion of EnergyAustralia's customers on a payment plan was the highest out of any retailer at 6.7% for electricity and 4.9% for gas. In 2018-19, by contrast, the proportion of EnergyAustralia customers on payment plans fell significantly to 0.4% for electricity and 0.3% for gas. In NSW the number of EnergyAustralia electricity customers on payments plans fell markedly from 53 763 in 2017-18 to 2879 in 2018-19.

With a large share of the residential electricity (17%) and gas (20%) markets, EnergyAustralia's change in methodology affects the overall data set. To enable consistent jurisdictional analysis over time, and for the purposes of this report we removed EnergyAustralia data from our tables. For completeness, the data accompanying this report includes EnergyAustralia.

Tables 3.3 and 3.4 show the proportion of residential electricity and gas customers on payment plans. For reasons we highlight in the breakout box we have excluded EnergyAustralia from the data in the tables.

Table 3.3: Residential electricity customers on payment plans 2017-18 to 2018-19 (excluding EnergyAustralia)

	2017-18			2018-19			Change in payment plans from 2017-18 to 2018-19
Electricity	Number of payment plans at June 2018	% of customers on payment plans	% of payment plans cancelled	Number of payment plans at June 2019	% of customers on payment plans	% of payment plans cancelled	
QLD	29 024	1.5%	63.6%	35 605	1.9%	55.8%	22.7%
SA	13 656	1.9%	59.0%	12 911	1.8%	59.7%	-5.5%
ACT	699	0.4%	89.7%	730	0.4%	67.3%	4.4%
NSW	28 525	1.3%	63.6%	31 545	1.4%	63.8%	10.6%
TAS	2 797	1.2%	73.8%	2 728	1.1%	72.6%	-2.5%
Total	**74 701**	**1.4%**	**63.4%**	**83 519**	**1.6%**	**59.6%**	**11.8%**

Source: AER

Table 3.4: Residential gas customers on payment plans 2017-18 to 2018-19 (excluding Energy Australia)

	2017-18			2018-19			Change in payment plans from 2017-18 to 2018-19
Gas	Number of payment plans at June 2018	% of customers on payment plans	% of payment plans cancelled	Number of payment plans at June 2019	% of customers on payment plans	% of payment plans cancelled	
QLD	3 728	2.0%	68.6%	1 786	0.9%	66.3%	-52.1%
SA	2 973	0.8%	64.1%	3 435	0.9%	62.4%	15.5%
ACT	345	0.3%	90.1%	324	0.3%	64.9%	-6.1%
NSW	4 844	0.5%	72.6%	5 454	0.5%	65.5%	12.6%
Total	**11 890**	**0.7%**	**70.8%**	**10 999**	**0.6%**	**64.7%**	**-7.5%**

Source: AER

Proportion of customers on payment plans

Table 3.3 shows the proportion of residential electricity customers on payment plans increased from 1.4% in 2017-18 to 1.6% 2018-19. Table 3.4 shows the proportion of residential gas customers on payment plans decreased from 0.7% to 0.6%.

There are different ways to interpret changes in the proportion of customers on payment plans. For example, an increase in the proportion of customers on payment plans could suggest that retailers are more actively setting up payment plans for customers experiencing payment difficulty. Alternatively, it could suggest that more customers are struggling with their energy bills. The data here should be considered alongside other indicators of payment difficulty before drawing conclusions.

If we compare the proportion of customers on a payment plan with the number of customers that have energy debt we see that there are many customers with energy debt that do not have payment plans established. For some customers, they may have entered into an agreement to have an extended time to pay their arrears. For others, this debt may be not be being paid and could lead to debt collection activity.

Proportion of customers with cancelled payment plans

Payment plans can be cancelled by the retailer in circumstances where the customer fails to comply with the terms of their payment agreement. If a customer successfully makes all instalments and payments in line with their agreement they are considered to have successfully completed their payment plan.

As shown in table 3.3, the proportion of electricity payment plans cancelled decreased from 63.4% in 2017-18, but remained high at 59.6%. Similarly, the proportion of gas payment plans cancelled remained high but decreased from 70.8% in 2017-18 to 64.7% in 2018-19 (table 3.4). Some customers cycle on and off payment plans more than once in a given year. This tends to increase the proportion of payment plans cancelled relative to payment plans successfully completed.

We do not collect data from retailers detailing reasons for non-hardship payment plan cancellations. There may be many reasons why a customer may not make a payment. However, it is important that agreed payment plans are designed to be sustainable and affordable otherwise a customer is unlikely to be able to continue to make the requested payments.

When a payment plan is cancelled the customer returns to a normal billing and debt collection cycle. Customers may subsequently be provided with a further opportunity to re-establish a payment plan, or potentially engage with a hardship program. Eventually, some customers may be disconnected from supply by their retailer, or have a credit default recorded against their name if they are unable to make the required payments.

Given the decrease in cancelled payment plans it is likely that retailers are more effectively working with customers to establish suitable payment plans.

3.6. Hardship

Hardship

73 379
electricity customers on a hardship program

1.13%
of electricity customers on a hardship program

13 973
gas customers on a hardship program

0.65%
gas customers on a hardship program

$1250
Average electricity debt on entry to hardship program

$1305
Average electricity debt for a hardship customer

$666
Average gas debt on entry to hardship program

$674
Average gas debt for a hardship customer

KEY FINDINGS

- The proportion of residential electricity customers on hardship programs increased in all jurisdictions except Queensland. For gas, the proportion generally remained steady, except that it decreased in South Australia and increased in the ACT.
- The average debt of electricity hardship customers was significantly higher this year. The average debt of gas hardship customers was steady across jurisdictions, except for in the ACT where it increased substantially.
- Well over a third of customers on hardship payment plans are not meeting their ongoing energy usage costs.

Hardship programs provide the most appropriate form of assistance to eligible residential customers that are experiencing ongoing financial difficulty. Often this customer segment will have trouble meeting a standard payment plan arrangement. These customers may not have the capacity to manage their ongoing usage charges in addition to existing energy debt. These circumstances may be short or long term. Customers participating in a hardship program cannot be disconnected for non-payment of their account.

Hardship programs offered by retailers include a range of assistance options in line with the Retail Rules and many offer a range of other forms of assistance. Some retailers are working on improving early identification of hardship

customers. This can result in retailers offering hardship assistance to customers when energy debt is lower and younger. This gives the customer the best opportunity to manage their energy debt and avoid higher energy debt levels that could accumulate over longer periods of time.

The hardship indicators show the ongoing issues customers are facing with affordability. There has been an increase in the proportion of electricity customers on hardship programs in the past three years, and average electricity hardship debt has increased by over $200 from last year. Electricity customers are still overwhelmingly likely to be excluded from hardship programs rather than exit after finishing the program successfully.

The proportion of gas customers in hardship programs remains steady. There was an increase in average debt by almost $50 from last year.

The hardship indicators discussed in this section provide an update on market trends that affect hardship customers. They do not imply non-compliance on the part of any retailer.

AER works to strengthen protections for customers in hardship

A key compliance and enforcement priority for the AER in 2019-20 is to ensure that customers in financial difficulty receive the required assistance.

We undertook a targeted review of retailer hardship policies in 2017 to further understand how retailers were identifying, engaging with and assisting customers experiencing payment difficulties.

Our review found that the general and principles-based nature of many hardship policies was contributing to poor customer outcomes. The disconnection between hardship policies and their practical application was having a significant impact on the ability of customers to access and successfully complete hardship programs.

We published a *Customer Hardship Policy Guideline* in March 2019 (Hardship Guideline).[27] We had 49 new and improved customer hardship policies from existing retailers submitted to us for approval in June 2019. However, the new policies took effect in 2019-20 and we do not expect our current data to reflect any changes in retailers' practices yet.

Newly authorised retailers are also required to submit their hardship policy to the AER within three months of authorisation.

The Hardship Guideline requires retailers' hardship policies to:

- outline the steps retailers will take to identify hardship customers early and to support customers to successfully complete the program;
- provide customers clear information about retailer responsibilities and customer rights; and
- include standardised statements consistent with obligations in the Retail Rules about how the retailer will comply with the minimum requirements for hardship policies.

Customers entering hardship

This section looks at the number of customers entering hardship programs, how they enter hardship programs and their debt levels upon entry to hardship programs.

Identifying customers in hardship

Our Hardship Guideline requires retailers to take steps early to identify customers experiencing hardship.[28] Early identification maximises opportunities for effective intervention to help customers overcome and manage their financial difficulties. Retailers may be contacted by a financial counsellor or a representative acting on behalf of the customer, or by the customer themselves.

27 AER, *Customer Hardship Policy Guideline*, March 2019.

28 AER, *Customer Hardship Policy Guideline*, March 2019, para 31(a).

The following are some circumstances that typically help retailers identify customers who might benefit from a hardship program:

- a prolonged change in personal circumstances, like a loss or decrease in employment
- difficulty meeting payments, irregular or sporadic payments, or partial payments
- a history of broken payment arrangements
- a relationship breakdown or change of home circumstances
- a death in the family
- an unexpected one-off expense
- repeated reminder or multiple disconnection warning notices
- receipt of a higher than expected bill

Number of customers entering hardship

NEW DATA

Number of customers entering hardship programs

At Q4 2018-19, the proportion of total residential customers entering hardship programs was:

- For electricity, 0.44% (a total of 28 587 customers)
- For gas, 0.25% (a total of 5366 customers)

Our new data specifies how customers enter the hardship programs. Table 3.5 shows about 63% of electricity and 69% of gas customers instigated their entry into a hardship program themselves. About a third of customers (35% for electricity and 27% for gas) are brought into a hardship program by their retailer. A small proportion are referred by financial advisers or other agents.

Table 3.5: Reasons for entry into hardship programs in Q4 2018-19

	Electricity		Gas	
	Q4 2018-19	Proportion of customers	Q4 2018-19	Proportion of customers
Customer instigates entry to hardship program	17 915	63%	3 698	69%
Retailer instigates entry to hardship program	9 964	35%	1 453	27%
Referral from financial adviser or agent	708	2%	215	4%
Total	**28 587**		**5 366**	

Source: AER

Levels of debt on entry to hardship

Table 3.6 shows the amount of energy debt customers carry upon entering hardship is most commonly less than $500 for both electricity and gas.

Table 3.6: Levels of debt for customers entering hardship programs 2016-17 to 2018-19

	Electricity			Gas		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
Debt below $500	58%	56%	50%	63%	64%	66%
Debt between $500 and $1,500	23%	24%	28%	26%	26%	25%
Debt between $1,500 and $2,500	9%	10%	11%	6%	6%	5%
Debt over $2,500	9%	10%	11%	4%	4%	3%

Source: AER

The proportion of electricity customers entering hardship with less than $500 in debt decreased from 56% in 2017-18 to 50% in 2018-19. Most of the corresponding increase in the proportion of customers entering hardship with higher debt amounts fell into the between $500 and $1500 bracket, which increased by 4%.

The proportion of gas customers with less than $500 debt on entry to hardship is greater than for electricity at 66%. This has increased slightly from 64% in 2017-18.

It appears that electricity debts are growing before customers are accessing formal hardship assistance. Although it is positive that gas customers may be included in hardship programs earlier. This data may indicate that as retailers are reviewing a customer's electricity account they are now also taking into consideration the corresponding gas account for that customer. It is anticipated that with the introduction of the Hardship Guideline more customers will enter hardship programs with lower levels of energy debt.

NEW DATA

Age of debt for hardship customers

The most common age of energy debt for hardship customers is less than 6 months old.

- 62% of electricity debt for hardship customers is less than 6 months old.
- 46% of gas debt for hardship customers is less than 6 months old.

Customers on hardship programs

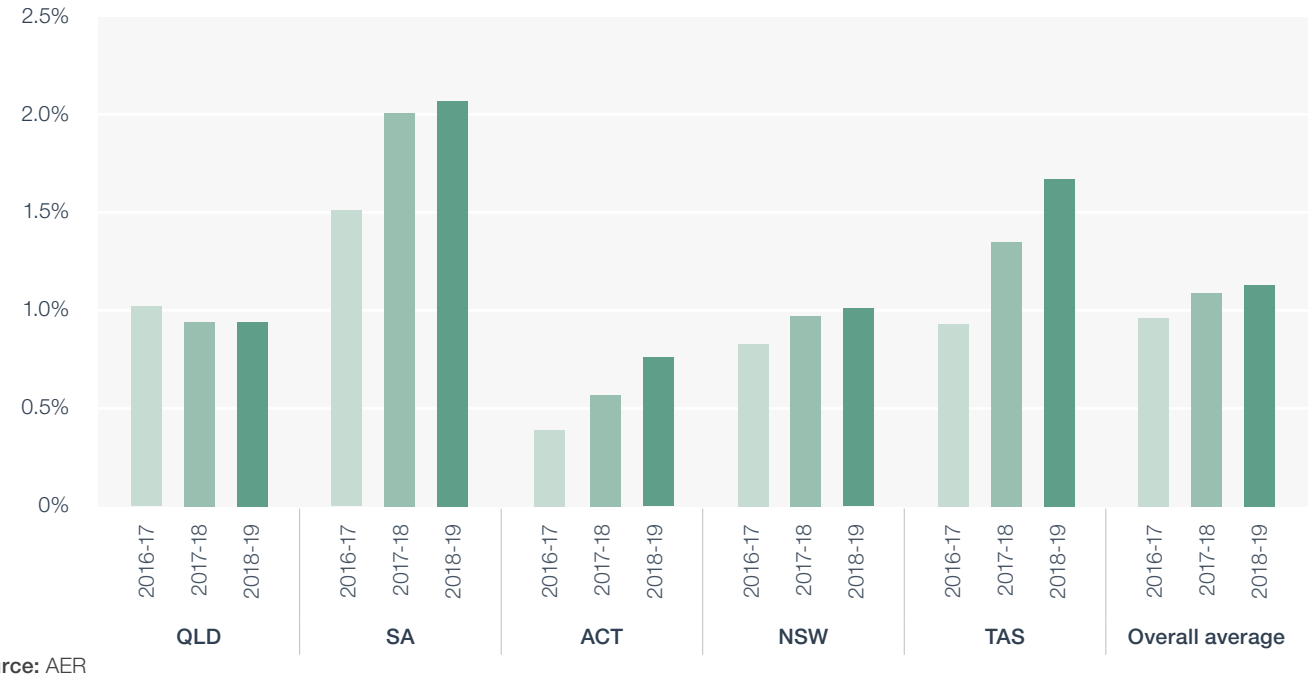
This section describes the key characteristics of customers in hardship. We review the proportion of customers in hardship, the level of hardship energy debt and also examine the types of assistance provided by retailers to customers in a hardship program.

Proportion of customers in hardship

Figures 3.8 and 3.9 show the proportion of electricity and gas customers respectively on hardship programs for the past three years.

The proportion of residential electricity customers on hardship programs increased in all jurisdictions except Queensland over the past three years.

Figure 3.8: Proportion of electricity customers on a hardship program 2016-17 to 2018-19



Source: AER

The increase in the proportion of customers on hardship programs is not necessarily a sign that more consumers are experiencing extreme payment difficulty. This data may suggest that retailers are offering more customers the required assistance to address their payment difficulties.

The proportion of residential electricity customers on hardship programs is much higher in South Australia and Tasmania compared with other jurisdictions. In South Australia it was 2.1% and in Tasmania 1.7%, compared with the average of 1.1% across all jurisdictions.

For low income households in South Australia on a standing offer, electricity costs account for 9.9% of their income and gas costs 3.2% of their income. The implication here is that, for households that have both gas and electricity, they may be paying a significant portion of their disposable income towards energy costs.

This is consistent with the findings of our Affordability report, which found that electricity was least affordable for low income households in South Australia, both for those on market and standing contracts.

Figure 3.9: Proportion of gas customers on a hardship program 2016-17 to 2018-19

Source: AER

The proportion of gas customers on hardship programs increased marginally in the ACT from 0.5% in 2017-18 to 0.6% in 2018-19. The proportion of gas customers on hardship programs decreased in South Australia to 1.2% from 1.3% in 2017-18 and remained steady in Queensland and NSW.

The proportion of gas customers on hardship programs increased from the previous year in the ACT. Gas costs for low income households in the ACT can account for as much as 4.9% of income, which is much higher than all other jurisdictions except Victoria (which is not part of our analysis in this section of the report).[29] ACT gas customers that are on hardship programs also have the highest energy debt across all jurisdictions. We also refer back to tables 3.3 and 3.4 that report that the lowest proportion of customers on payment plans across the jurisdictions are in the ACT. This might suggest that there are more ACT households not receiving support to manage any payment difficulties.

Level of hardship debt

Figures 3.10 and 3.11 show the average electricity and gas debt of customers at the point of entry into hardship programs and the average debt of customers on hardship programs.

Figure 3.10: Average electricity debt at time of entry to hardship programs and average hardship debt 2017-18 to 2018-19

Source: AER

The average hardship debt of electricity customers has increased in 2018-19 to $1305, compared with $1111 in 2017-18.

In all jurisdictions except Tasmania, electricity debt on entry to hardship programs is lower than the average debt. This indicates that once on hardship programs, customers are accumulating more energy debt which may become entrenched. This finding is a reversal from 2017-18, when the average debt on entry to hardship was higher than average hardship debt.

Retailers must balance the need to install a payment plan that is sustainable for a customer with respect to their capacity to pay, with the need to help the customer return to a normal collection cycle (and successfully exit the hardship program) without an energy debt burden. Retailers can provide assistance in the form of incentive programs, debt reductions, lower energy price contracts, and other methods. Our Hardship Guideline reiterates that retailers have a responsibility to support customers to successfully complete the program. This increase in average debt for hardship customers may suggest there is more that can be done to help customers manage their arrears.

29 For customers on median standing offers.

NEW DATA

Usage costs

Customers on hardship programs must meet agreed payment arrangements. These payment arrangements are often calculated by spreading the payment of arrears over one to 24 months and then adding in ongoing usage costs. However, this can be difficult for a customer to maintain if the arrears or usage is particularly high and disposable income is low.

In some circumstances, retailers may allow a customer to make payments that are less than their ongoing costs (or do not take into account arrears).

We now collect data on the number of hardship customers that meet or do not meet their usage costs.

- Out of those electricity customers on hardship payment plans, as at Q4 2018-19 about 45% are paying less than the amount needed to cover their electricity usage costs.
- Out of those gas customers on hardship payment plans, as at Q4 2018-19 about 40% are not meeting their usage costs.

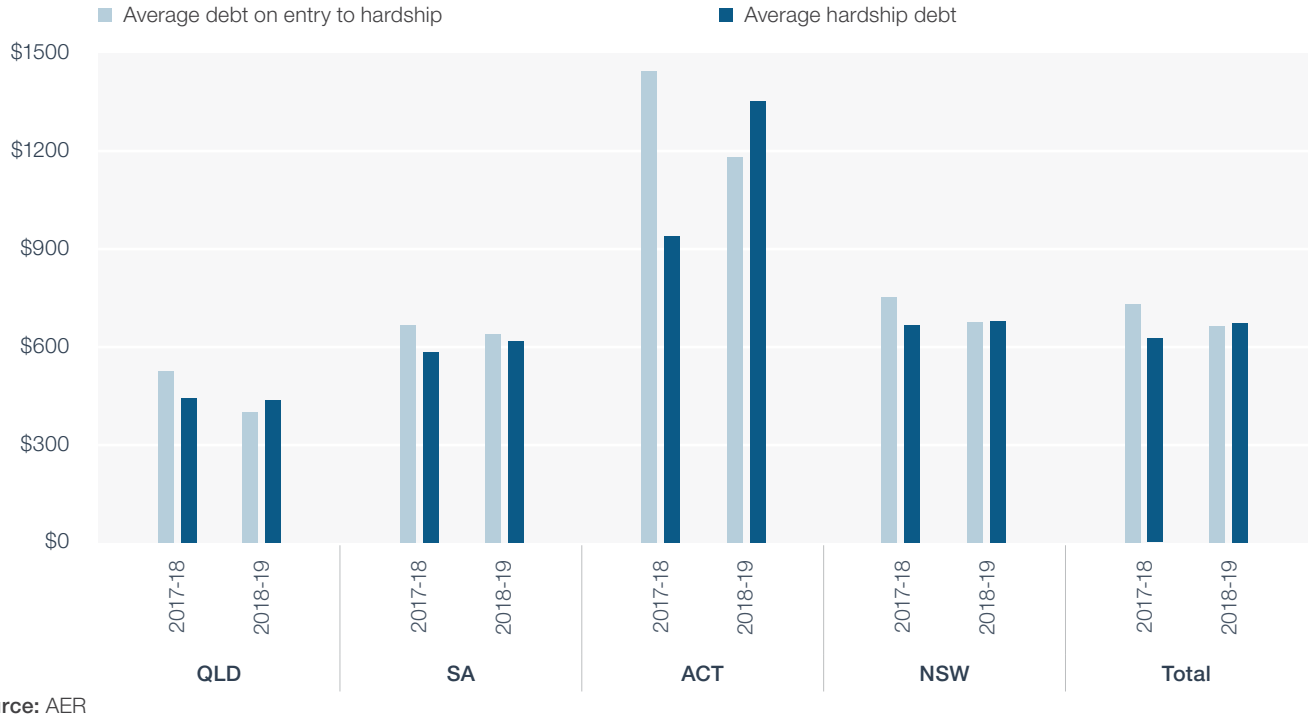
Unless there is a change to their arrangements, these customers will continue to build up energy debt over time which we now are seeing reflected in the higher average debt in hardship program relative to debt upon entry. A high proportion of hardship customers not meeting usage costs potentially suggests that retailers are installing payment plans without respect to a customer's capacity to pay.

We also note that retailers should be providing energy efficiency advice to customers. Retailers may also attend the customer's premises to conduct an onsite energy audit. The purpose of providing energy efficiency advice and energy audits is to assist customers to reduce their ongoing usage to be more affordable.

The average hardship debt is much higher for electricity than for gas. The average debt of electricity customers was $1305 in 2018-19, while for gas average hardship debt was $674.

Figure 3.11 shows that the exception here is the ACT, where gas hardship debt is around the levels of electricity hardship debt at $1356. This average hardship debt of $1356 in the ACT also reflects a large increase from 2017-18, from $943 to $1356.

Figure 3.11: Average gas debt at time of entry to hardship programs and average hardship debt 2017-18 to 2018-19



Source: AER

The ACT's higher average hardship debt for gas is most likely because average household gas usage is very high in the ACT, at just over 40 000 MJ per year. Gas costs for low income households in the ACT represent a much higher proportion of income than all other jurisdictions except Victoria. If a customer is among the relatively small proportion of gas customers on hardship programs in the ACT, their debt is likely to be relatively high.

Length of hardship program

We now collect data on the length of time customers spend on hardship programs. The majority of hardship customers are on programs that last less than 1 year.

- About 77% of electricity customers are on hardship programs less than 1 year
- About 76% of gas customers are on hardship programs less than 1 year

We do not collect data to confirm if these customers are excluded from hardship programs due to non-payment, of if they successfully complete their hardship program within 1 year. Some of these customers may return to their retailer's hardship program.

Assistance offered to hardship customers

The Retail Law sets the minimum assistance that retailers must set out in their hardship policies, principally:[30]

- processes to identify residential customers experiencing payment difficulties due to hardship
- processes for the early response by the retailer to assist the hardship customer
- flexible payment options, including for example Centrepay[31]
- processes to identify government concession programs and financial counselling services, and to notify hardship customers of these
- an outline of a range of programs that the retailer may use to assist hardship customers
- processes to review the appropriateness of a hardship customer's market retail contract
- processes to assist customers with strategies to improve their energy efficiency.

Retailers may also provide assistance beyond the minimum legal requirements.

30 National Energy Retail Law, s. 44.

31 Centrepay is a service offered by Centrelink that allows customers to pay their energy bills by having an amount deducted from their Centrelink payments and paid directly to the retailer. Further information about payment methods and pre-payment meters is included in the data accompanying this report.

NEW DATA

Types of assistance provided to hardship customers

This year we collect new data on the types of assistance provided by retailers to customers that are on hardship programs. Table 3.7 shows the most common types of assistance provided to hardship customers.

Table 3.7: Proportion of hardship customers providing different types of assistance Q4 2018-19

	Electricity (%)	Gas (%)
Incentive payments or discounts	46.2%	43.8%
Transferred to a different retail market contract	21.5%	13.7%
Debt reductions	14.7%	15.9%
A rebate that they were not otherwise receiving	7.8%	11.2%
Transferral from a standard retail contract to a market retail contract	1.8%	2.6%
Concession that they were not otherwise receiving	1.7%	1.1%
Reimbursment/credt of lost pay on time discounts	1.2%	0.3%
Onsite energy audits completed by the retailer	0.3%	0.1%
Reimbursment/credit of late payment fees	0.1%	0.2%
New appliances through appliance replacement programs	0.1%	0.2%

Source: AER

Despite these different types of assistance being offered to customers, the average energy debt for hardship customers is increasing after a customer enters a hardship program.

Hardship customers receiving concessions

We also collect data on the proportion of hardship customers receiving energy concessions.

Table 3.8 shows that for 2018-19 the proportion of electricity hardship customers on energy concessions was highest in Tasmania at 72%, and lowest in South Australia at 34%.

Table 3.8: Proportion of hardship customers receiving energy concessions 2016-17 to 2018-19

	Electricity			Gas		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
QLD	59%	66%	60%	56%	48%	42%
SA	39%	35%	34%	13%	9%	4%
ACT	74%	67%	58%	43%	3%	0%
NSW	72%	69%	61%	64%	61%	55%
TAS	78%	77%	72%	-	-	-
Overall average	**61%**	**61%**	**55%**	**45%**	**36%**	**31%**

Source: AER

Note: The values for the ACT and South Australia are low for gas because both of these jurisdictions provide energy concessions that cover both fuel types together. Most retailers record the concession against a customer's electricity account.

The proportion of gas customers on concessions was much higher in NSW at 55% and in Queensland at 42%. Both South Australia and the ACT have a negligible proportion of gas hardship customers receiving energy concessions but this is likely because of how these jurisdictions administer concessions that cover both fuel types together, as noted under the above table.

Despite the large number of customers in hardship programs accessing concessions, many are still unable to make payment of their ongoing energy usage.

The growing proportion of customers in hardship that do not have a concession demonstrates that customers that would not typically be considered 'low income' are seeking formal payment assistance via their retailer.

Customers exiting hardship programs

A "successful" exit of a hardship program is defined as where a customer has completed the hardship program and, with the agreement of the retailer, returned to normal billing and collection cycles. This includes where the customer agrees to a new payment plan or flexible payment arrangement.

Table 3.9 sets out the reasons electricity customers exited hardship programs. The most common reason was "excluded". Compared to 2017-18, this was a fall of 8 percentage points. There was an increase in the number of successful exits from 2017-18 at 20% to 29% in 2018-19.

It is positive to see that the proportion of customers successfully exiting a hardship program has improved. However, with 61% of customers exiting hardship programs due to exclusion there remains a clear indication there is a significant gap in customer behaviour and the requirements of hardship programs. If customers are not able to manage their debt they will most likely be referred for collection activity that could result in a credit default being applied against their name.

Table 3.9: Reasons electricity customers exited hardship programs 2017-18 to 2018-19

	2017-18		2018-19	
	Number of customers	Proportion of customers	Number of customers	Proportion of customers
Successful	6 310	20%	10 009	29%
Transferred	3 691	12%	3 519	10%
Excluded	21 841	69%	20 944	61%
Total customers exiting	**31 842**		**34 472**	

Source: AER

Table 3.10 below sets out the reasons gas customers exited hardship programs. Similarly to electricity, the most common reason why gas customers exited hardship programs was because they were excluded, at 59%. In a positive development, there was an increase in the proportion of customers successfully completing gas hardship programs this year, up from 13% in 2017-18 to 32% in 2018-19.

Table 3.10: Reasons gas customers exited hardship programs 2017-18 to 2018-19

	2017-18		2018-19	
	Number of customers	Proportion of customers	Number of customers	Proportion of customers
Successful	933	13%	2304	32%
Transferred	529	8%	628	9%
Excluded	5532	79%	4288	59%
Total customers exiting	**6994**		**7220**	

Source: AER

NEW DATA

Reasons why customers are excluded from hardship programs

For both electricity and gas customers, the overwhelming reason they were excluded from hardship programs was because they did not make the requested payments.

- Out of the electricity customers excluded from hardship programs, 66% were excluded because customers did not make the requested payments. About 19% were excluded because the retailer was unable to contact the customer.
- Out of the gas customers excluded from hardship programs, 79% were excluded because customers did not make the requested payments. About 9% were excluded because the retailer was unable to contact the customer.

While retailers have a responsibility to manage customers experiencing hardship, it is important for customers to work with their retailers. Failure to remain in contact can result in a customer being removed from a hardship program, where disconnection or credit collection activity may be likely to occur.

3.7. Disconnections

Residential disconnections

70 795
residential electricity disconnections

1.09%
of residential electricity customers disconnected

26 937
Queensland had the highest number of residential electricity disconnections

1.33%
Queensland had the highest proportion of residential electricity disconnections

10 373
residential gas disconnections

0.48%
of residential gas customers disconnected

2077
Queensland had the highest number of residential gas disconnections

1.07%
Queensland had the highest proportion of residential gas disconnections

KEY FINDINGS

- The proportion of residential electricity customers disconnected stabilised at a high level in recent years, although reduced marginally over the past year. At the same time, there was an increase in the proportion of small business electricity disconnections over the past year.
- Overall, the average proportion of residential and small business gas customer disconnections decreased this year.
- Queensland and South Australia reported the highest proportion of electricity and gas customers disconnected.

Disconnection for non-payment of bills should be viewed as a last resort after payment plans and hardship programs have been attempted and only after the strict processes set out in the Retail Rules have been followed.

The rate of disconnections is an important indicator of how retailers meet their obligations to customers managing debt while ensuring that customers continue to receive energy supply. The rate of disconnections can also be an indicator of how affordable energy is to customers, given that non-payment, and subsequent disconnection for non-payment, is a likely the outcome of a customer being unable to meet their energy costs.

Residential electricity disconnections have stabilised at a high level in recent years, although reduced marginally from last year. At the same time, there was an increase in the proportion of small business electricity disconnections over the past year.

Overall, the average proportion of residential and small business gas customer disconnections decreased this year.

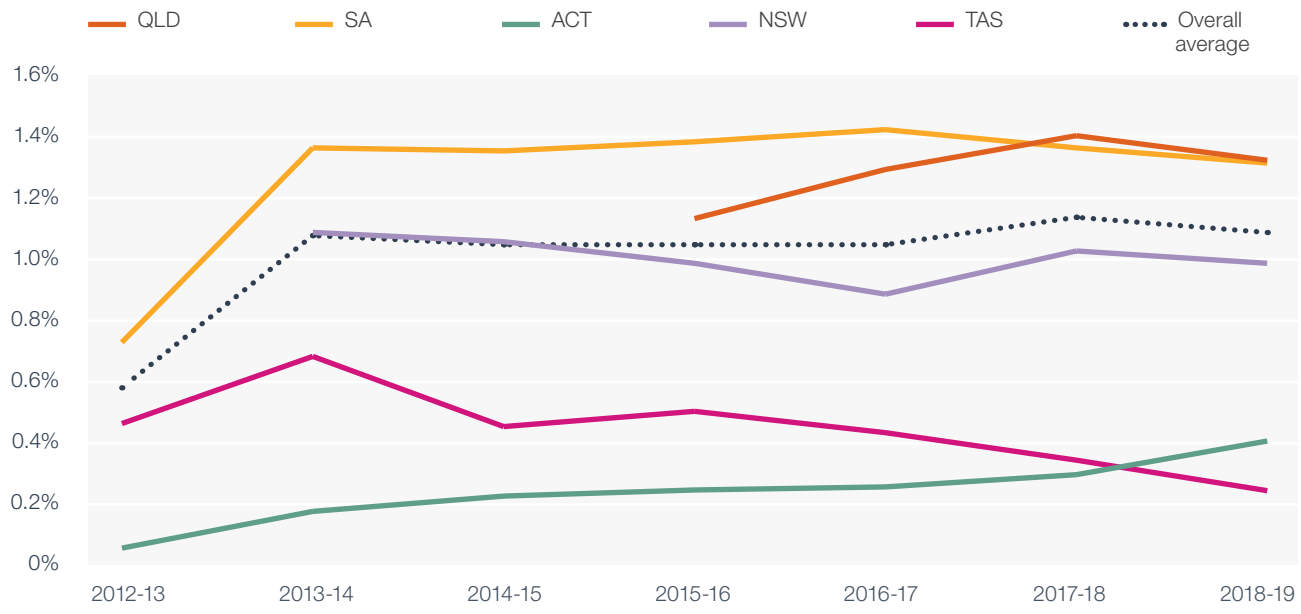
Electricity disconnections – residential

Figure 3.12 shows the proportion of electricity customers disconnected by jurisdiction.

The orange line representing Queensland starts at 2015-16, which is when Queensland joined the *National Energy Customer Framework*.

The figure shows the proportion of electricity disconnections for 2018-19 decreased slightly in all regions except for the ACT. However overall the disconnection rate remains stable at a high level.

Figure 3.12: Residential electricity disconnections as a percentage of customers 2012-13 to 2018-19



Source: AER

Table 3.11 contains the data behind figure 3.12 to enable a more detailed view of the number and proportion of residential electricity customers disconnected.

Table 3.11: The number and proportion of residential electricity customers disconnected 2012-13 to 2018-19

	Number of customers disconnected						Proportion of customers disconnected					
Year	QLD	SA	ACT	NSW	TAS	Total	QLD	SA	ACT	NSW	TAS	Overall average
2012-13	-	5 333	73	-	1 057	64 63	-	0.73%	0.05%	-	0.46%	0.58%
2013-14	-	10 148	269	32 940	1 555	44 912	-	1.37%	0.17%	1.09%	0.68%	1.08%
2014-15	-	10 179	346	31 979	1 046	43 554	-	1.36%	0.22%	1.06%	0.45%	1.05%
2015-16	21 672	10 546	388	30 065	1 172	63 843	1.14%	1.39%	0.24%	0.99%	0.50%	1.05%
2016-17	25 201	10 902	427	27 382	1 016	64 928	1.30%	1.43%	0.25%	0.89%	0.43%	1.05%
2017-18	27 910	10 556	501	32 315	818	72 100	1.41%	1.37%	0.29%	1.03%	0.34%	1.14%
2018-19	26 937	10 317	706	32 237	598	70 795	1.33%	1.32%	0.40%	0.99%	0.24%	1.09%

Source: AER

As shown in table 3.11, a total of 70 795 electricity customers (or 1.09%) were disconnected from their electricity supply in 2018-19, down from the previous year.

The data accompanying this report provides the number of disconnections by retailer by region. It shows that the decrease in the disconnection rate over the past year was in particular driven by Origin Energy and EnergyAustralia[32], alongside a number of other retailers. Note, however, that AGL, Alinta Energy and Ergon Energy disconnected more residential electricity customers than last year.

Comparing across jurisdictions, retailers in Queensland again reported the highest rate of electricity disconnections this year. In Queensland 1.33% of all customers were disconnected. This was lower than the previous year's disconnection rate of 1.44%. Ergon Energy has a 31% market share of all residential electricity customers in Queensland yet accounted for about half of all disconnections in Queensland this year.

This year, for the first time, the ACT was not the jurisdiction with the lowest disconnection rate for electricity customers; Tasmania recorded the lowest rate of disconnections. Although the ACT had the lowest rate of disconnections up until this year, its rate of disconnections has been steadily climbing and has now surpassed Tasmania. The jump in disconnection rates in the ACT this year was driven by an increase in ActewAGL disconnections (up from 0.18% to 0.37%).

The jurisdiction with the second highest rate of disconnection was South Australia with 1.32% of all customers disconnected. Since reaching the highest rate of disconnections of 1.43% across all jurisdictions in 2016-17, South Australia has recorded falls in disconnection rates over the past two years. Despite this, alongside Queensland, South Australia continues to have one of the highest rates of disconnections.

NEW DATA

Debt at the time of disconnection

This new data looks at the amounts of debt customers had at the time of disconnection in $500 increments.

The most common amount of debt at the time of disconnection in Q4 2018-19 was between $500 and $1500 (50% of all electricity disconnections and 56% of all gas disconnections), followed by debt less than $500 (23% of all electricity disconnections and 28% of all gas disconnections).

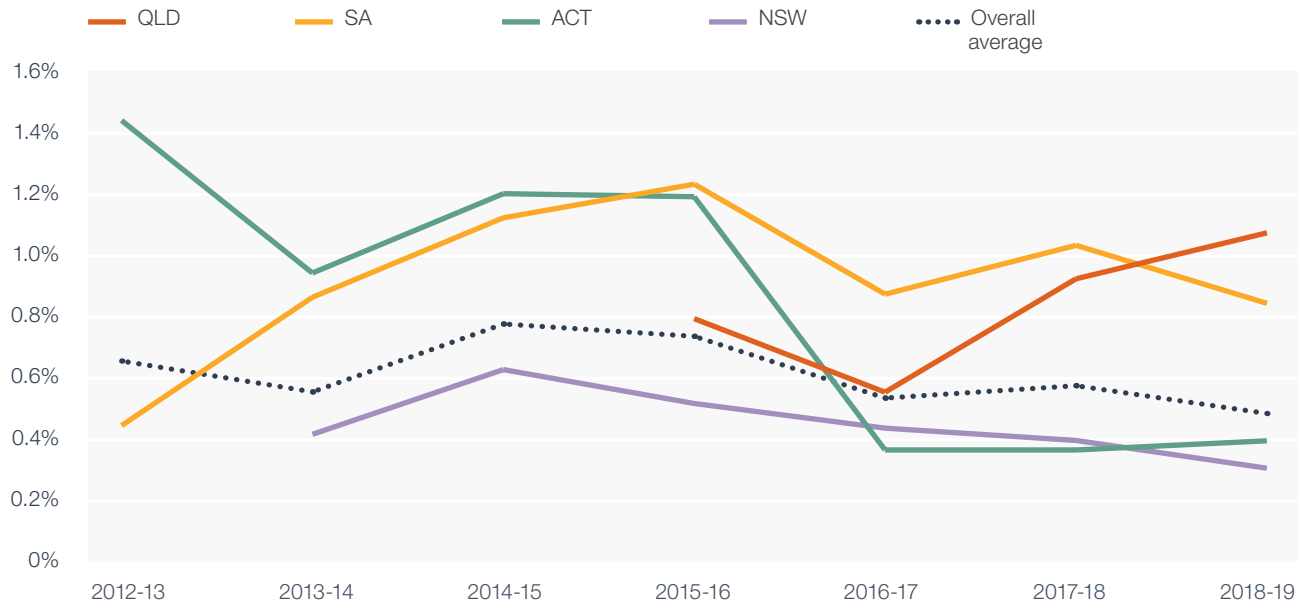
32 EnergyAustralia reported significantly fewer disconnections as a result of a decision to temporarily cease disconnections of all its residential customers across all jurisdictions.

Gas disconnections - residential

Figure 3.13 shows the proportion of gas customers disconnected by jurisdiction. At a high level, the figure shows a downward trend in the total proportion of gas customers disconnected since 2014-15, with this year being the lowest.

The fall this year was driven largely by a reduction in disconnections by AGL, Origin Energy and EnergyAustralia. Although the total proportion of gas customers disconnected fell this year, Queensland and the ACT recorded increases.

Figure 3.13: Residential gas disconnections as a percentage of customers 2012-13 to 2018-19



Source: AER

Table 3.12 contains the data behind figure 3.13 to enable a more detailed view of the number and proportion of residential gas customers disconnected.

Table 3.12: The number and proportion of residential gas customers disconnected 2012-13 to 2018-19

	Number of customers disconnected					Proportion of customers disconnected				
Year	QLD	SA	ACT	NSW	TOTAL	QLD	SA	ACT	NSW	Overall average
2012-13	-	1 764	1 572	-	3 336	-	0.44%	1.44%	-	0.65%
2013-14	-	3 418	1 066	4 921	9 405	-	0.86%	0.94%	0.41%	0.55%
2014-15	-	4 575	1 404	7 555	13 534	-	1.12%	1.20%	0.62%	0.77%
2015-16	1 410	5 081	1 403	6 389	14 283	0.79%	1.23%	1.19%	0.51%	0.73%
2016-17	1 029	3 626	423	5 536	10 614	0.55%	0.87%	0.36%	0.43%	0.53%
2017-18	1 749	4 362	433	5 250	11 794	0.92%	1.03%	0.36%	0.39%	0.57%
2018-19	2 077	3 625	481	4 190	10 373	1.07%	0.84%	0.39%	0.30%	0.48%

Source: AER

South Australia's disconnection rate fell; it no longer has the highest gas disconnection rate. This year the rate in South Australia fell significantly to 0.84%.

NSW continued a downward trend of residential gas customer disconnections since 2014-15, recording its lowest rate of disconnections this year. As shown in table 3.12, the disconnection rate of 0.30% is the lowest recorded disconnection rate for any of the jurisdictions.

The residential gas disconnection rate was slightly up on the previous year in the ACT to 0.39%.

Residential disconnections - customer context

We collect data to help us understand the context around customer disconnections. Figures 3.14 and 3.15 show several characteristics of gas and electricity customers disconnected by their retailers.

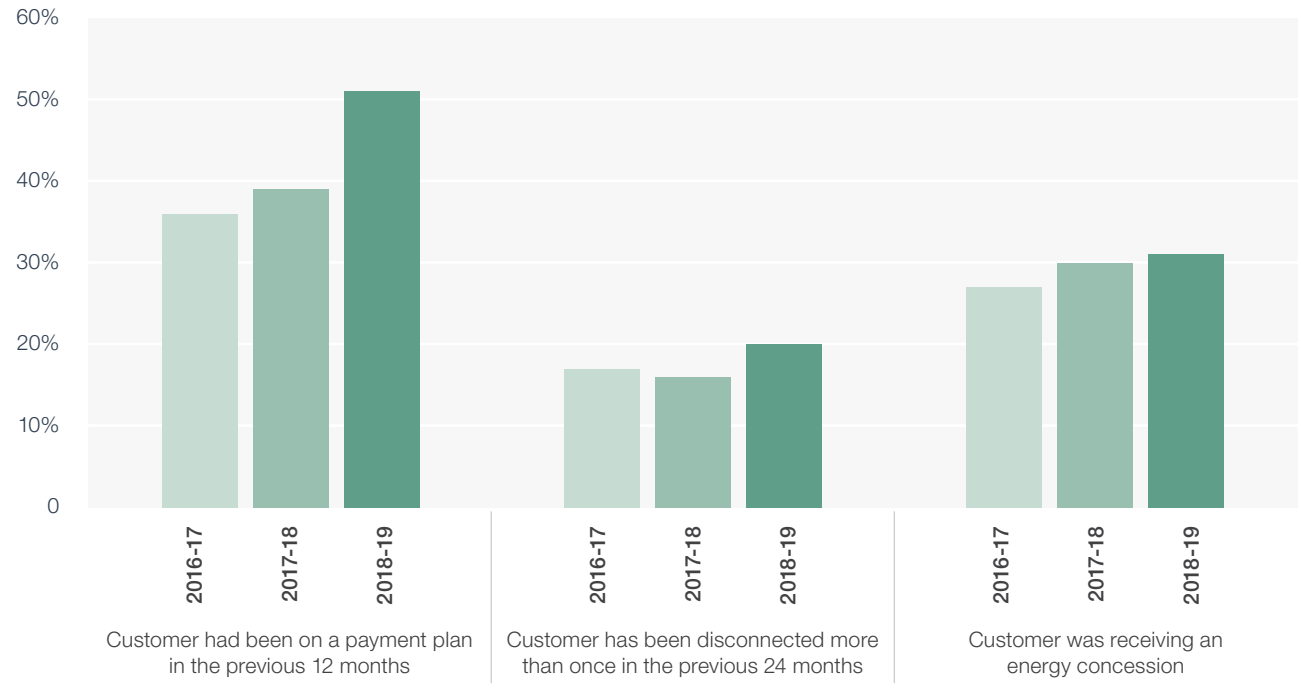
Figures 3.14 and 3.15 show the proportion of electricity and gas customers disconnected who had been on a payment plan in the previous 12 months increased significantly in 2018-19. These increases were largely from AGL customers, and to a lesser extent Origin Energy.

The data demonstrates that around 60% of all electricity payment plans and 65% of all gas payment plans are eventually cancelled. Out of those customers disconnected, 51% of electricity and 43% of gas customers were on a payment plan in the last 24 months.

Without assistance from a retailer (for example, under a retailer's hardship policy), customers with energy debt can face extreme consequences, such as multiple disconnections. We have seen an increase in these cases over the past year, with 20% of disconnected electricity customers and 15% of disconnected gas customers having been disconnected on more than one other occasion in the previous 24 months.

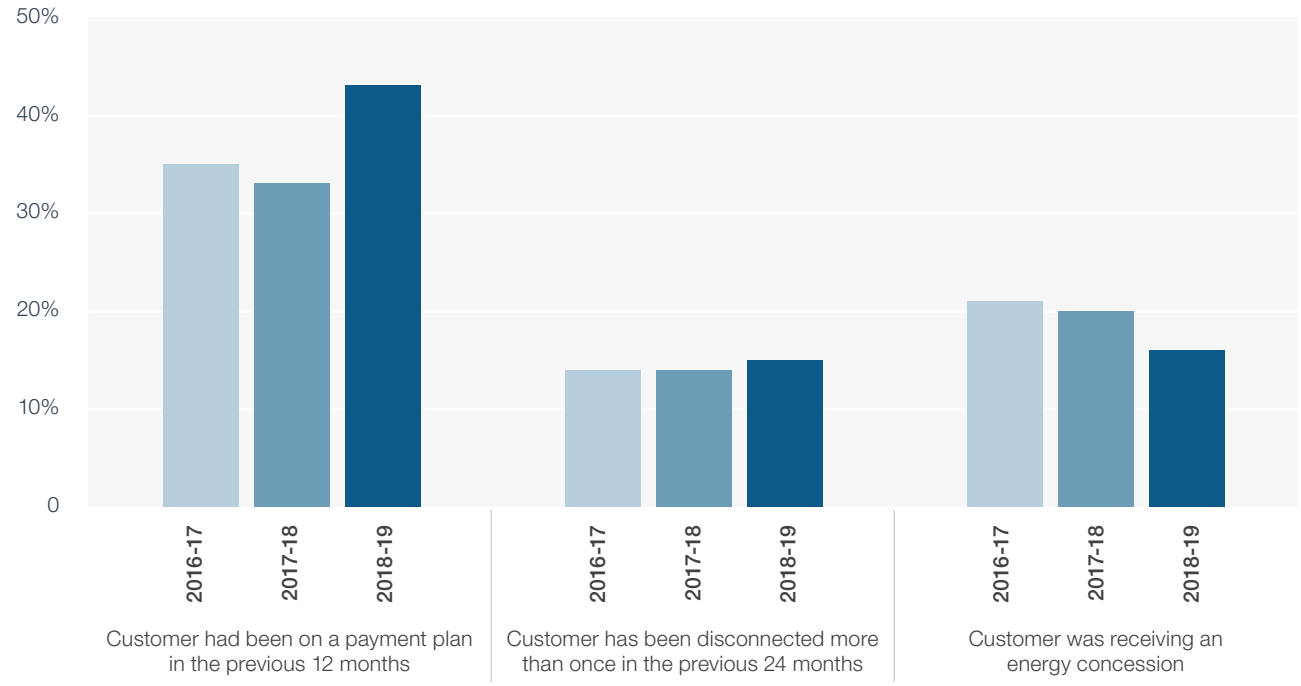
About a third of customers disconnected were receiving an electricity concession and 16% were receiving a gas concession. This suggests that, for some customers facing financial difficulty, a concession is not enough to prevent disconnection.

Figure 3.14: Residential electricity disconnection customer profile 2016-17 to 2018-19



Source: AER

Figure 3.15: Residential gas disconnections customer profile 2016-17 to 2018-19



Source: AER

Small business disconnections

5743
small business electricity disconnections

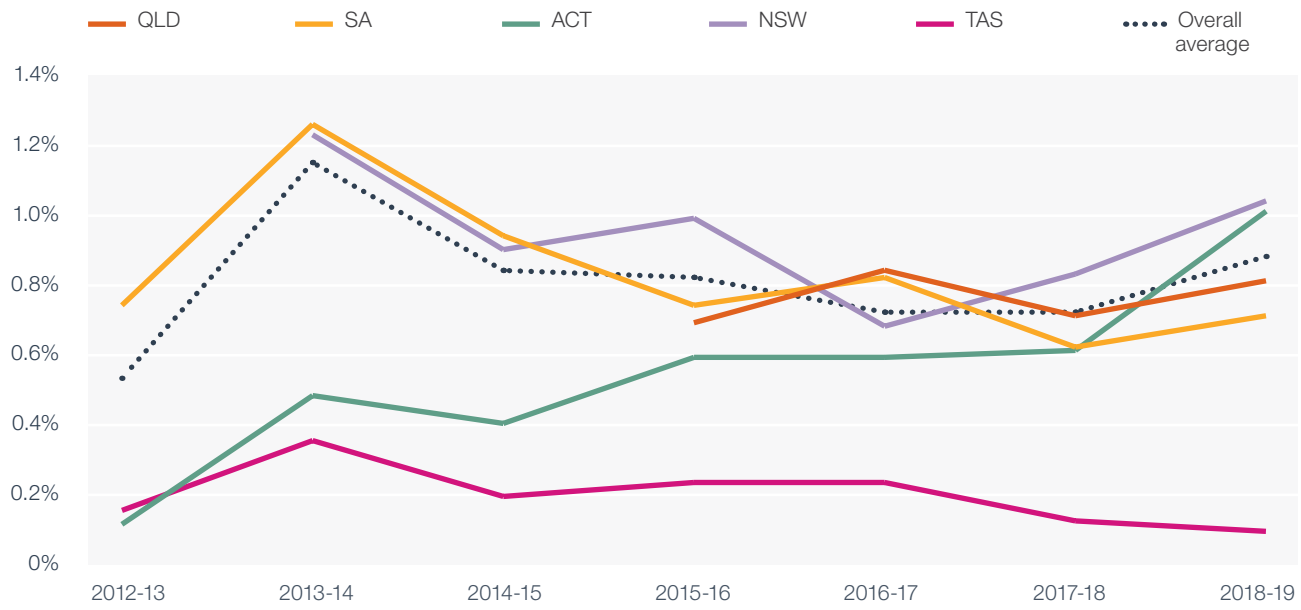
478
small business gas disconnections

0.88%
of small business electricity customers disconnected

0.62%
of small business gas customers disconnected

Figure 3.16 shows the percentage of small business electricity customers disconnected by jurisdiction. At a high level, the figure shows the proportion of disconnections was up in all jurisdictions this year (driven by an increase in the percentage of disconnections by AGL, EnergyAustralia and Origin Energy) with the exception of Tasmania, where the percentage of disconnections fell.

Figure 3.16: Small business electricity disconnections as a percentage of customers 2012-13 to 2017-18



Source: AER

Table 3.13 contains the data behind Figure 3.16 to enable a more detailed view of the number and proportion of small business electricity customers disconnected.

Table 3.13: The number and proportion of small business electricity customers disconnected 2012-2013 to 2018-19

	Number of customers disconnected						Proportion of customers disconnected					
Year	QLD	SA	ACT	NSW	TAS	TOTAL	QLD	SA	ACT	NSW	TAS	Overall average
2012-13	-	671	14	-	53	738	-	0.74%	0.11%	-	0.15%	0.53%
2013-14	-	1124	60	3861	125	5170	-	1.26%	0.48%	1.23%	0.35%	1.15%
2014-15	20	860	50	2806	68	3804	-	0.94%	0.40%	0.90%	0.19%	0.84%
2015-16	1404	678	75	3107	84	5348	0.69%	0.74%	0.59%	0.99%	0.23%	0.82%
2016-17	1641	727	74	2131	83	4656	0.84%	0.82%	0.59%	0.68%	0.23%	0.72%
2017-18	1379	566	81	2654	42	4722	0.71%	0.62%	0.61%	0.83%	0.12%	0.72%
2018-19	1564	623	131	3392	33	5743	0.81%	0.71%	1.01%	1.04%	0.09%	0.88%

Source: AER

The proportion of small businesses disconnected in the ACT continued to rise, similar to the residential electricity market. The proportion of small business electricity disconnections in the ACT is now nearly as high as in NSW.

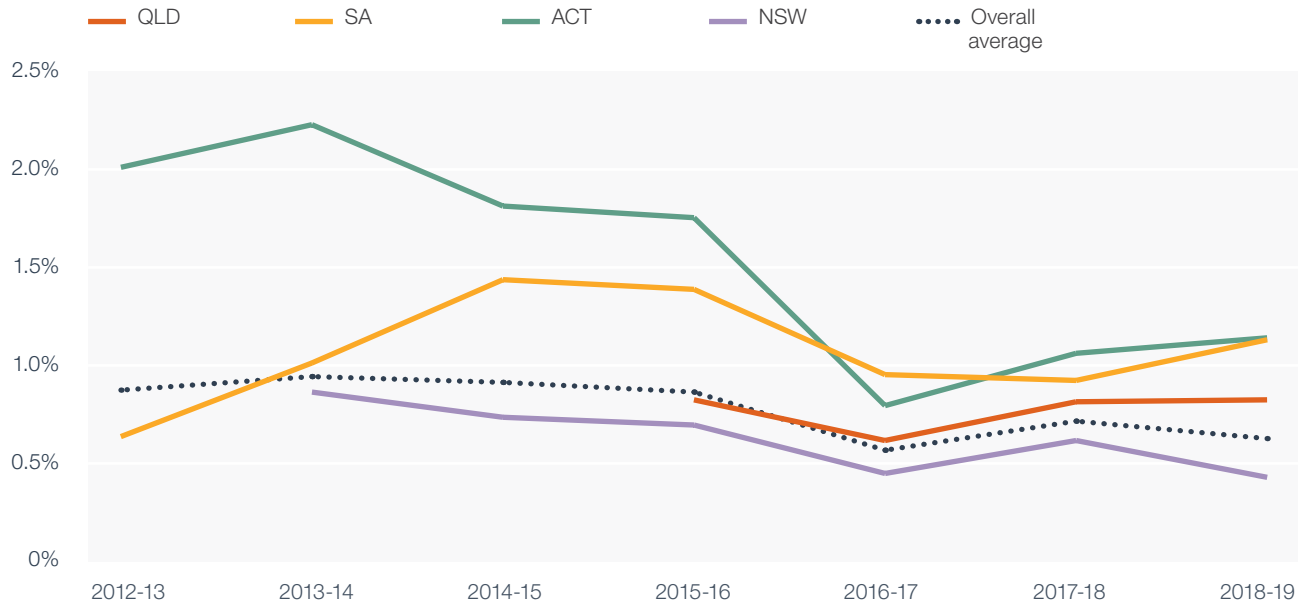
Tasmania continues to have the lowest rate of small business electricity disconnections, and was slightly down on the previous year with 0.09% of small business customers disconnected.

We encourage retailers to work with their small business customers to avoid disconnection, including through the use of the *Sustainable Payment Plan Framework*[33] which includes guidance to retailers on how to engage with small businesses when tailoring payment plans.

33 Information on the Sustainable Payment Plan Framework can be found on our website.

Figure 3.17 shows the percentage of small business gas customers disconnected by jurisdiction. At a high level, the figure shows the proportion of disconnections was up slightly in the ACT, South Australia and (to an even smaller extent) in Queensland, but down in NSW, which caused the total percentage to fall. NSW continues to have the lowest small business gas disconnection rate.

Figure 3.17: Small business gas disconnections as a percentage of customers 2012-13 to 2017-18



Source: AER

Table 3.14 contains the data behind Figure 3.17 to enable a more detailed view of the number and proportion of small business gas customers disconnected.

Table 3.14: The number and proportion of small business gas customers disconnected 2012-13 to 2018-19

	Number of customers disconnected					Proportion of customers disconnected				
	QLD	SA	ACT	NSW	Total	QLD	SA	ACT	NSW	Overall average
2012-13	-	56	37	-	93	-	0.63%	2.02%	-	0.87%
2013-14	-	90	46	328	464	-	1.01%	2.24%	0.86%	0.94%
2014-15	-	129	45	288	462	-	1.44%	1.82%	0.73%	0.91%
2015-16	101	133	45	273	552	0.82%	1.39%	1.76%	0.69%	0.86%
2016-17	85	91	21	183	380	0.61%	0.95%	0.79%	0.44%	0.56%
2017-18	128	90	27	277	522	0.81%	0.92%	1.06%	0.61%	0.71%
2018-19	137	108	31	202	478	0.82%	1.13%	1.14%	0.42%	0.62%

Source: AER

NEW DATA

Amount of debt at the time of disconnection of small business customers

The most common amount of debt at the time of disconnection of small business customers in Q4 2018-19 was for debts over $500 but less than $1500.

Compliance and enforcement

4

Our approach to compliance and enforcement

Our approach to compliance and enforcement is underpinned by the objectives of the national energy laws, that is: *to promote efficient investment in and efficient operation and use of energy services for the long term interests of consumers with respect to price, quality, safety, reliability and security of supply of energy.*[34]

Households and businesses need to be confident that the energy markets are working effectively and in their long term interests, so that they can participate in market opportunities to the utmost. They should be able to trust that we are monitoring and enforcing energy businesses' compliance with the national energy laws and rules. This confidence and trust is particularly important as the market evolves.

With the creation of our Compliance and Enforcement branch in September 2018, we commenced a review of our Compliance and Enforcement Statement of Approach, which sets out how we monitor compliance, how we respond to potential breaches, and factors we may consider when deciding whether to take enforcement action.

As a result of that review, in July 2019 we published a new AER Compliance & Enforcement Policy and compliance and enforcement priorities for 2019–20. The new policy, which is to be read in conjunction with the priorities, explains our approach to promoting compliance with obligations under the National Electricity Law (Electricity Law), National Gas Law (Gas Law), National Energy Retail Law (Retail Law) and the respective Rules and Regulations. It also provides guidance on how we respond to potential breaches and the factors we may have regard to when deciding whether to take enforcement action.

The new policy outlines how we ensure clarity, consistency and transparency in our approach to compliance and enforcement. It highlights the processes we use to maximise the impact of our work and it guides the prioritisation of our compliance and enforcement activities.

4.1. Highlights of 2018–19

In 2018–19 we focused our compliance and enforcement work under the Retail Law and Rules on five key areas:

- retailers' compliance with the requirements for assisting customers in financial difficulties, including providing appropriate access to hardship programs
- retailers' and distributors' compliance with new life support obligations and that they understand our compliance approach to enforcement of the relevant rules
- retailers' and distributors' compliance with new metering contestability obligations set out in the Retail Rules and National Electricity Rules, and that they understand our compliance approach to enforcement of the relevant rules
- retailers' submission of timely and accurate market performance data under the *AER Performance Reporting Procedures and Guidelines*
- retailers' compliance with their obligations to obtain the explicit informed consent of a customer prior to entering them into a market retail contract.

Our enforcement action in 2018–19 resulted in retailers and distributors paying $320 000 in penalties, in response to 16 infringement notices, for allegedly failing to meet their obligations under the Retail Law and Rules.

34 National Electricity Law, section 7; National Gas Law, section 23; National Energy Retail Law, section 13.

Infringement notices

16
Infringement notices

$320 000
Penalties paid by businesses for alleged breaches of the retail law or retail rules

Of those, 11 alleged breaches related to supply disruptions to customers on life support equipment, three to failure to provide accurate and timely performance data under the *AER Performance Reporting Procedures and Guidelines*, and two to failures to obtain a customer's explicit informed consent to a market retail contract.

In November 2019 we instituted proceedings in the Federal Court against four subsidiaries of AGL Energy for alleged failures to submit information and data about their performance and activities as required by the *AER Performance Reporting Procedures and Guidelines*.

Fostering a culture of compliance is critical to achieving the objectives of the Retail Law and Rules. Ultimately, prevention of a breach through our compliance activities is preferable to taking action after the breach has occurred. We are committed to driving a high level of compliance within the energy industry and will use the most appropriate compliance tools available to achieve our compliance objectives.

To this end our compliance activities, which include compliance monitoring, reviews and audits, and in some cases regulatory approval processes, are aimed at testing the extent to which businesses are complying with their obligations, promoting market transparency and identifying areas for future compliance and enforcement work. We also assist businesses to understand the obligations created by the national energy laws by publishing compliance bulletins and guidance notes, as well as engaging directly through forums and meetings to identify and address issues of concern.

In 2018–19:

- We oversaw the implementation of the new life support rules on 1 February 2019. The new rules strengthened the protections for energy consumers who rely on life support equipment. We focussed on business readiness in the lead up to the implementation of the new rules and released industry guidance. In instances where businesses did not comply with the life support rules, we conducted detailed investigations and took enforcement action.
- We published guidance materials reminding regulated businesses about their obligations in relation to new metering rules that commenced in February 2019, and requirements under the *Retail Pricing Information Guidelines.* We commenced a compliance project in relation to new meter installation timeframes.
- We published our first *Customer Hardship Policy Guideline* in March 2019. This Guideline ensures that customers are aware of their rights and entitlements, and helps address issues we identified with the application of the hardship protections by retailers. In accordance with the new Guideline, we had 49 new and improved customer hardship policies submitted to us for approval in June.
- We completed five compliance audits under the Retail Law and Rules, and initiated a further three. Audit targets included retailers' customer hardship policies, the requirement to obtain and record customers' explicit informed consent to market retail contracts and transfers between retailers, and distributor obligations to register and protect life support customers.
- On 18 September 2018, we released Version 6 of the *AER Compliance Procedures and Guidelines*. We updated the guidelines, which establish a self-reporting framework for businesses to report potential non-compliance, to incorporate new rules introduced by the Australian Energy Market Commission (AEMC), refine the reporting

framework, and—as the number of retailers competing to win new customers grows—to increase the reporting frequency for potential breaches of explicit informed consent provisions from bi-annually to quarterly.

- Version 6 of the Guidelines also includes changes to the way we conduct, or require businesses to conduct, compliance audits under the Retail Law. The audit of an energy business is a significant and important event. The results of the audit can assist businesses in understanding deficiencies in its internal systems and processes which are required to comply with the Retail Law and Rules. They should be circulated and given proper consideration at the highest level of a business. The Guidelines now require final audit reports to be signed by the company CEO or Managing Director.

4.2. Enforcement outcomes

Our approach to compliance and enforcement focusses on preventing and addressing consumer harm, and ensuring the effective operation of the energy market and efficient operations of networks. It enables us to hold businesses that fail to comply with their obligations under the national energy laws to account. It allows us to leverage enforcement outcomes across the sector and achieve the strategic benefits of general deterrence.

When taking enforcement action, we seek to:

- stop the unlawful conduct of the business in question
- deter offending conduct both in the specific business and in the industry more generally
- ensure future compliance with the law
- encourage the effective use of compliance programs
- penalise offenders, where warranted.

We have a range of enforcement options that are available for us to respond and resolve breaches of the national energy laws. These include the power to issue infringement notices if we consider that a breach has been committed. The penalty payable under an infringement notice is currently $4 000 for a natural person or $20 000 for a body corporate. We also have the power to initiate civil proceedings, and seek penalties of up to $100 000.

The need for consumer trust and confidence in its regulator have never been more important than it is now. Consumers need to feel confident that everyone is playing by the rules. We have been active in promoting the need for more effective penalties to enforce energy market rules, and better market monitoring and information gathering powers. A consultation package on draft legislative amendments to our enforcement powers and the penalty regime under the national energy laws was released in November 2019, following agreement by the COAG Energy Council's Senior Committee of Officials.[35]

We have discretion in deciding whether to take enforcement action and the nature of that action, to ensure the best possible outcome for consumers and the industry in a timely manner that manages risk proportionately. Factors that may inform our decision on the most appropriate enforcement tool include:

- What was the harm caused or the benefit derived?
- What was the nature and extent of the conduct?
- Was the conduct deliberate or avoidable?
- Has the business displayed a culture of compliance?
- What has been the response of the business?
- Are any other agencies taking action?

Our enforcement action in 2018–19 resulted in retailers and distributors paying $320 000 in penalties, in response to 16 infringement notices, for allegedly failing to meet their obligations under the Retail Law and Rules. Table 1.1 summarises the infringement notices paid in 2018–19.

35 *AER National Energy Laws Enforcement and Penalties Framework Consultation Package.*

Table 4.1: Infringement notices paid in 2018–19

Description	No.	Business
Failure by a distributor to provide a registered life support customer with four business days' notice of a planned interruption	11	TasNetworks ($80 000) Energex ($100 000) Evoenergy ($40 000)
Failure to obtain the explicit informed consent of a small customer for the entry into a market retail contract with the retailer.	2	Alinta ($40 000)
Failure by regulated entities to provide information and data about performance	3	Alinta ($40 000) EnergyAustralia ($20 000)

More detail on the reported breaches and subsequent infringement notices is set out in the discussion of each of these areas of work below.

In November 2019, we commenced proceedings in the Federal Court against four subsidiaries of AGL Energy. We allege that during 2017–18 these retailers failed to submit to information and data about their performance and activities to us in the manner and form, including by the due dates, required by the *AER Performance Reporting Procedures and Guidelines.* We are seeking declarations, pecuniary penalties and costs.

4.3. Strengthening protections for hardship customers

Over recent years, we have observed concerning performance reporting trends by retailers such as:

- increasing levels of customer debt upon entry to and average debt on hardship programs
- high levels of debt for customers who are not receiving hardship assistance
- low levels of customers successfully completing hardship programs.

We undertook a targeted review of retailer hardship policies in 2017 to further understand how retailers were identifying, engaging with and assisting customers experiencing payment difficulties. Our review found that the general and principles-based nature of many hardship policies was contributing to poor customer outcomes. The disconnection between hardship policies and their practical application was having a significant impact on the ability of customers to access and successfully complete hardship programs.

Our first audits of retailers' compliance with hardship obligations under the Retail Rules were completed in 2018–19. Four energy retailers— ActewAGL, Aurora Energy, M2 and Origin Energy—were selected to participate in the audit. The audit findings indicated that while retailers generally had processes, systems and procedures in place to manage compliance with hardship and reporting obligations, each had room to improve and enhance its practices. Implementation plans were provided by retailers in response to recommendations made.

Given the issues we observed, action was required to strengthen the existing protections for customers experiencing payment difficulties. We submitted a rule change proposal to the AEMC recommending the development of a customer hardship policy guideline to create binding and enforceable obligations on retailers. The AEMC released the final determination and new rule in November 2018. The determination empowered us to develop binding customer hardship policy guidelines to ensure consistency and transparency across retailers.

We released our first *Customer Hardship Policy Guideline* in March 2019. The Guideline clarifies retailer responsibilities to ensure customers are aware of their rights and entitlements, and helps address the issues identified in our review. The inclusion of clear and specific information in hardship policies will also improve our ability to monitor and enforce retailer compliance with the hardship obligations.

The Guideline contains the following key requirements on retailers:

- **Identification, training and information** – hardship policies must contain specific steps and requirements retailers must follow to ensure customers experiencing payment difficulties due to hardship are identified early, customers are supported to manage their energy bills on an ongoing basis, and assistance is provided to customers consistently and effectively.
- **Customer rights** – retailers must provide clear, transparent and accessible information to customers about retailer responsibilities and customer rights.
- **Standardised statements** – retailers must include new 'standardised statements' in their hardship policies. These statements will ensure that customers are provided with clear and consistent information about their rights and entitlements, and how their retailer will comply with the minimum requirements for hardship policies under the Retail Law.
- **Processes and timeframes** – new hardship policies or proposed variations must satisfy the requirements of the Retail Law and the Guideline before being approved by the AER.

New retailers were required to comply with the new hardship requirements from 2 April 2019 and submit compliant hardship policies within three months of receiving their authorisations. We have three months to approve new retailers' hardship policies and retailers must implement and publish their policies on their websites within three months of our approval.

Retailers already operating at the time the new Guideline took effect were required to submit their revised hardship policies to us by 2 June 2019. Over two months, we assessed 49 revised hardship policies and worked with retailers to ensure their policies were compliant. While the quality of revised hardship policies submitted varied, we noticed a significant improvement in the quality of retailers' policies compared to their old policies.

Common issues worked through with retailers included ensuring their policies included:

- all the standardised statements required by the Guideline, and that any changes did not affect the meaning of the standardised statements
- reasonable conditions for customers' entry into hardship programs
- fair and transparent customer obligations and responsibilities
- steps to support a customer to successfully complete the program
- actions to effectively communicate their policy with diverse customers, including those from culturally and linguistically diverse backgrounds.

Our ability to influence retailer hardship policies was significantly strengthened by the new Guideline, and retailers worked well with us to ensure their policies met the new standards. The revised hardship policies now provide clearer guidance to customers on their hardship rights and entitlements, and ensure retailers provide a consistent minimum level of assistance to customers who are having trouble paying their bills due to hardship.

Retailers with approved, revised customer hardship policies have two months to implement and publish their policies on their websites. All 49 approved customer hardship policies have been published and can also be found on our website.[36]

Following the approval of revised policies under the *Customer Hardship Policy Guideline* in 2019, a further series of compliance audits is now planned for 2020.

36 The approved hardship policies can be found on our website.

4.4. Strengthening protections for life support customers

An unexpected loss of power supply for customers who rely on life support equipment can be dangerous or even fatal. All retailers and distributors that operate under the Retail Law and Rules are required to comply with obligations to protect customers that are reliant on energy-powered life support equipment.

In 2018–19, penalties totalling $220 000 for contraventions of the life support rules were issued to three distributors by way of eleven infringement notices. This compares with $180 000 in penalties via infringement notices for these provisions in the previous financial year.

2018–19 also marked the start of a new set of rules, made in response to our proposal to strengthen the legal obligations on energy companies and give people reliant on life support equipment easier access to these protections, and greater peace of mind.

The new rules commenced on 1 February 2019 and entitle customers to life support protections from the time they first inform either their retailer or distributor that they need life support equipment. The new rules established minimum requirements for retailers and distributors to register and deregister customers for life support protections, and clarified the role of retailers and distributors with regards to the registration, medical confirmation, and deregistration processes.

We worked closely with the AEMC, the Australian Energy Market Operator (AEMO), retailers and distributors on the preparations for and implementation of the new rules. Our work included developing guidance for industry to assist retailers and distributors to understand their responsibilities to customers who rely on life support equipment under these new rules and to help with the implementation of and transition to the new rules.

We also amended the binding reporting framework we administer under the *AER Compliance Procedures and Guidelines* to capture the new rules. Any potential breaches of the new obligations are to be reported to us immediately.

In October 2018, we concluded a targeted audit of Energex's systems and processes to ensure customers reliant on electricity powered life support equipment received advanced notification of planned interruptions to their power supply. The audit found that Energex had adequate and effective processes in place to support compliance with its life support obligations, and had good systems and processes in place to manage its related compliance reporting obligations under the Guidelines. In response to recommendations and opportunities for improvement noted by the auditor, Energex has commenced a program to enhance training and quality assurance programs.

Our 2019–20 audit program, which is now underway, includes further compliance audits for both retailers and distributors in this important area.

4.5. Metering Contestability

Post Power of Choice, all new and replacement meters for small customers have to be Type 4 smart meters. While network businesses have responsibilities for legacy small customer Type 5 and 6 meters, retailers are responsible for arranging the installation of new smart meters. In 2018, a number of small customers experienced extensive delays in receiving new meters, in some cases being off supply.

We worked with the AEMC and industry on a rule change to introduce timeframes for installing meters for new connections or connection alterations (such as when installing solar panels). These rules came into effect 1 February 2019. They introduced new obligations on retailers, distributors and metering coordinators which apply when small customers request new connections or meter upgrades, or replacements of faulty meters are required. Businesses must ensure that they have systems and processes in place to manage these obligations to provide timely rectification of metering installation malfunctions and installation of new meters for customers.

Supporting the transition to metering contestability remains a priority area for us. We work closely with AEMO, AEMC, energy ombudsman schemes and government in relation to metering issues.

We have continued to work extensively with industry to facilitate and encourage compliance with the new rules. In December 2018 we organised a presentation from the AEMC as part of our AER Industry Forum. We have released education material for industry and conducted a compliance review testing industry implementation.

We are closely monitoring compliance, including through retailer market performance data and ombudsman reports. Where we have observed issues with the new rules, including delays for metering installations requested by small customers, we have worked directly with energy ombudsman schemes to facilitate satisfactory outcomes for small customers with delays in metering installations. We have continued to engage with retailers and metering coordinators to deal with issues observed.

4.6. Retailer performance reporting

Authorised retailers are required to submit information and data relating to their performance to us under the *AER Performance Reporting Procedures and Guidelines*. This data plays an important role in informing stakeholders and promoting confidence in the retail energy market. It is relied upon by a wide range of stakeholders, including policymakers, other industry bodies, market participants, energy ombudsman schemes, financial counsellor groups, not for profits, news organisations and other various external entities.

In recent years, we experienced an escalation in retailers submitting inaccurate data. When retailers provide inaccurate data, it has a material impact on all stakeholders who use the data in evidence-based policymaking. We continued our work to further educate and inform retailers of their performance reporting obligations, including through the release of a Guidance Note.

In 2018–19 Alinta and EnergyAustralia paid penalties totalling $40 000 and $20 000 respectively for allegedly failing to submit timely and accurate market performance data.

In November 2019, we commenced proceedings in the Federal Court against four subsidiaries of AGL Energy (AGL Sales, AGL South Australia, AGL Retail Energy and Powerdirect). We allege that during 2017–18 these retailers failed to submit information and data about their performance and activities to us in the manner and form, including by the due dates, required by the *AER Performance Reporting Procedures and Guidelines*. We allege that by submitting information and data that was inaccurate and late, and prepared without due care and skill, the AGL retailers contravened section 282(1) of the Retail Law. We are seeking declarations, pecuniary penalties and costs.

We intend to commence a number of compliance audits targeting retailers' performance reporting obligations in 2019–20.

4.7. Explicit informed consent

The requirement to obtain explicit informed consent is a key consumer protection in a competitive energy retail market. Customers must be provided clear, complete and accurate information in order to choose the best energy plan, and retailer, for their needs.

In 2018–19, Alinta paid penalties totalling $40 000 after we found that two South Australian customers were contacted by Alinta sales agents and transferred without their consent. It was evident during these calls that the customers either did not wish to transfer to Alinta, or did not fully understand the nature and the purpose of the call to agree to any transfer.

In March 2019 we initiated a series of compliance audits focusing on retailers' obligations to obtain customers' explicit informed consent to certain transactions under the Retail Law and Rules. Alinta, Amaysim Energy and Simply Energy were each required to carry out an independent audit of the adequacy and effectiveness of their compliance policies, systems and procedures in relation to explicit informed consent.

The audits identified a number of areas in which Alinta, Amaysim and Simply Energy can strengthen and improve their management of important explicit informed consent obligations. These included the storage and retrieval of records, ensuring explicit informed consent obtained is full and complete, and processes to re-capture explicit informed consent if existing records are found to be defective. All three retailers have now provided plans and timelines for the implementation of auditor recommendations and system and process improvements. We continue to monitor their implementation of these plans, and their effectiveness in reducing reported instances of non-compliance. Since April 2019, the *AER Compliance Procedures and Guidelines* have required all retailers to report potential breaches of explicit informed consent provisions to us on a quarterly basis.

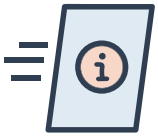
4.8. Focus for 2019–20

In 2019–20 we will continue to promote conditions which support consumer trust and confidence in energy markets. We remain committed to driving a high level of compliance within the energy industry and will use a full suite of compliance and enforcement powers to protect the interests of household and small business consumers.

In 2019–20 our work program will be guided by our compliance and enforcement priorities, which reflect the current issues and themes. The annual priorities for 2019–20 are:

1. Ensuring that customers in financial difficulty receive the required assistance, with a focus on the new hardship guidelines.

2. Ensuring that customers using life support equipment are protected, with a focus on the new life support rules.



3. The provision of accurate and timely information:
   a. to AEMO which is critical to ensuring power system security and/or the efficient outcomes in or effective operation of wholesale energy markets; and **b.** to the AER which is critical to the performance of the AER's economic or marketing monitoring functions.

4. Support the transition to metering contestability to ensure consumer and market benefits are delivered.

5. Implementation of capacity trading markets under the East Coast Gas Reforms and improving gas market transparency through strengthening the Gas Bulletin Board.

Price update

5

KEY FINDINGS

- Our report *Affordability in retail energy markets* found that between June 2018 and June 2019, prices remained largely stable across the jurisdictions, with some areas of modest improvement.
- From 1 July 2019 the Default Market Offer and Victorian Default Offer resulted in a significant reduction in median electricity standing offer prices in the jurisdictions they apply.
- Generally, median electricity market offer prices remained steady from June 2019 to September 2019, and the price range of offers either remained steady or continued to contract.
- The gap between electricity standing offer and market offer prices narrowed, though standing offers remained higher than market offers in most areas.
- Tier 2 retailers generally had the cheapest electricity offers in September 2019.
- In gas, market and standing offers remained relatively steady between June 2019 and September 2019.
- There are fewer Tier 2 retailers offering gas, and the cheapest offers in September 2019 were often from Tier 1 retailers.
- Offers between and within retailers vary significantly in most jurisdictions, so we encourage customers to use Energy Made Easy and Victorian Energy Compare to check if they are on the best contract available, taking into account their individual needs.

This chapter gives an indication of where energy affordability might be heading in 2019–20. It does this through recapping our analysis from *Affordability in retail energy markets* (Affordability report), and looking at the subsequent movement in electricity and gas prices (as represented by estimated yearly bill costs) to September 2019.[37] We also break down offers from September 2019 by retailer for each jurisdiction, to improve market transparency in relation to current energy prices and build upon the price analysis in our Affordability report. Information on our methodology can be found in appendix 2.

High energy prices have received significant attention in recent years. In July 2018, the Australian Competition and Consumer Commission (ACCC) released its final report at the conclusion of the Retail Electricity Price Inquiry (REPI). The ACCC examined prices and assessed competition in the electricity sector, and looked at how to improve electricity affordability. While all jurisdictions have full retail contestability, the ACCC found 'outcomes for consumers and businesses are being driven by pricing practices that are not consistent with vigorous competition'[38], and that 'high prices and bills have placed enormous strain on household budgets and business viability'.[39]

To address these concerns the ACCC recommended the introduction of a default market offer that would cap what retailers could charge residential and small business standing offer customers.[40]

The Australian Government accepted the recommendation, and the Default Market Offer (DMO) came into effect on 1 July 2019 in south-east Queensland, NSW and South Australia. The AER's role is to determine the maximum price that a retailer can charge a standing offer customer.[41] The Victorian Government also introduced new controls on standing offer prices from 1July 2019, following a recommendation from the Thwaites Review.[42] The Essential Services Commission Victoria sets the Victorian Default Offer (VDO) price.

Electricity pricing was deregulated in these jurisdictions prior to 1 July 2019. In contrast, jurisdictionally determined electricity standing offers have applied in Tasmania, the ACT and regional Queensland for the full period covered by our analysis. Gas pricing is deregulated in all jurisdictions.

37 AER, *Affordability in retail energy markets*, September 2019.

38 ACCC, *Retail Electricity Pricing Inquiry Preliminary Report*, October 2017, p. 7.

39 ACCC, *Retail Electricity Pricing Inquiry Final Report*, June 2018, p. iv.

40 ACCC, *Retail Electricity Pricing Inquiry Final Report*, June 2018, Chapter 12.

41 AER, *Determination of default market offer prices*, October 2018.

42 In 2016 the Victorian Government instigated the Thwaites Review into Victoria's electricity and gas markets, which found that customers on standing offers were at risk of paying too much for electricity. In response, the Victorian Government introduced the VDO, which aims to provide customers with access to a 'fair' priced electricity offer based on the efficient costs of running a retail electricity business. More information is available from the Essential Services Commission's website.

5.1. Residential electricity prices

The charts below present the range of electricity bill costs in each jurisdiction, and highlights the median standing and market offer prices.

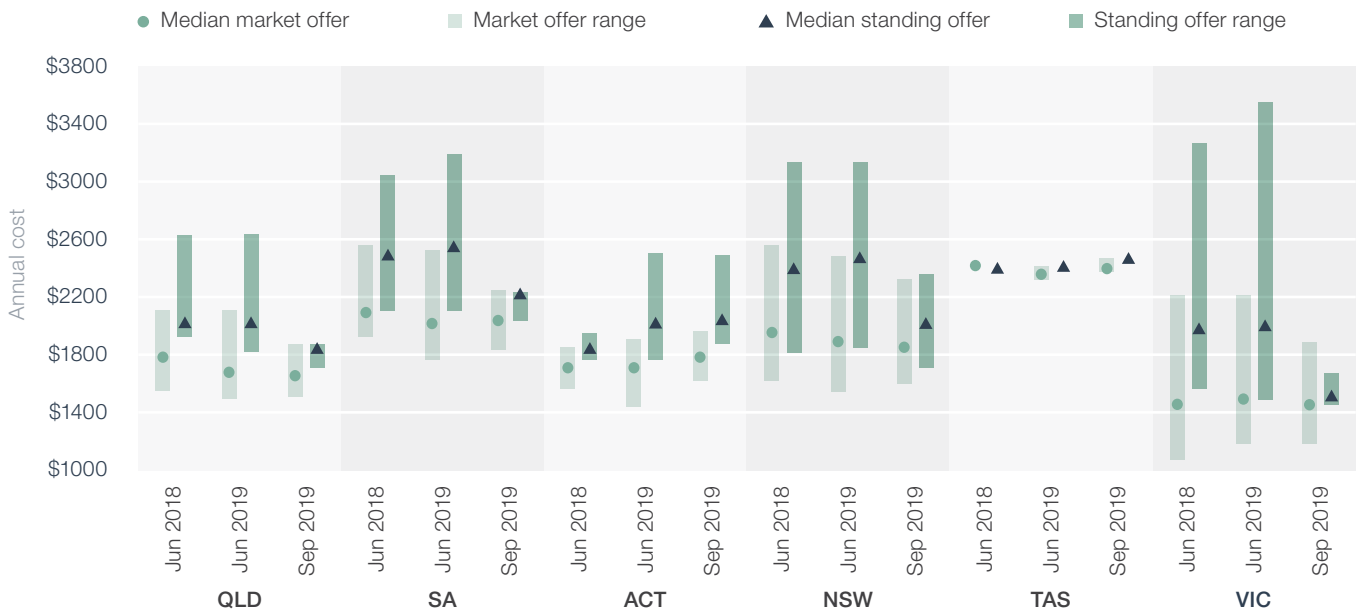
This data provides an indication of the spread of standing and market offers available in the market, and the cost per household, based on average usage for residential customers on single rate tariffs. We base bill costs on available offers displayed on government price comparison websites Energy Made Easy and Victorian Energy Compare at June 2018, June 2019 and September 2019.[43]

Offer price outcomes across states are not directly comparable as they are based on average consumption in each jurisdiction.[44] These results are representative of the average customer – bill costs for individuals will depend on factors including location, tariff type and usage. Customers can use Energy Made Easy or Victorian Energy Compare to work out the cheapest offers for them based on their usage profile.

Electricity price trends

Figure 5.1 illustrates the median and range of residential market and standing offers across each jurisdiction in June 2018 and June 2019, as well as an update for September 2019.[45]

Figure 5.1: Residential electricity market and standing prices June 2018, June 2019, and September 2019



Source: AER analysis using data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP).

43 Victorian Energy Compare is maintained by the Department of Environment, Land, Water and Planning (DELWP).

44 We estimated average annual residential electricity usage in each region based the data provided in the 2017-18 Regulatory Information Notices. This is consistent with the AER's affordability analysis published in the *Affordability in retail energy markets September 2019* report. Note that this is not the same usage basis as the pricing analysis in the DMO appendix of the Affordability report, but the trends in pricing are consistent between the analyses. For more information on our methodology, see appendix 2.

45 It is important to note that in electricity Tasmania has the highest offers, while Victoria has the lowest, primarily due to the availability of gas an alternative fuel source. Accordingly, in gas Victoria has the highest offers as this jurisdiction has the highest gas usage, and Queensland the lowest offers due to low usage of gas (we do not regulate gas in Tasmania). For more analysis on usage patterns of both gas and electricity, see section 4.2 of the Affordability report.

June 2018 to June 2019

In our Affordability report we analysed the trends in electricity prices from June 2017 to June 2019. Prices over this period were at historically high levels, following considerable price increases in both market and standing offers over the previous decade. Despite remaining high, electricity prices did not change significantly from June 2018 to June 2019. The median market offer for electricity decreased or was steady across all jurisdictions, except Victoria where the median increased 3%. Conversely, standing offers generally rose or were steady across all jurisdictions.

June 2019 to September 2019

The most significant shifts in market outcomes since June 2019 occurred in those regions with newly imposed price controls—south-east Queensland, NSW, South Australia and Victoria. While there were clear immediate impacts on prices in these regions, we consider that it is still too early to draw any strong conclusions about systemic changes in retailers' and consumers' behaviour. In a dynamic market, we expect electricity retailers will respond to competitors by adapting their offerings and pricing over time.

Our Affordability report looked at changes to highest, lowest, and median market offer prices, and conditional discounting, before and after the introduction of the DMO for residential and small business customers. In addition, the ACCC provided initial analysis of the impact of the DMO and VDO on the median and range of market and standing offers, as well as analysis on Tier 1 retailers and conditional discounting in its *Inquiry into the National Electricity Market* August 2019 report.[46]

For standing offers, these reports found that prices for residential customers fell significantly in July 2019. The median standing offer decreased 9–24% across NSW, South Australia, south east Queensland, and Victoria. While primarily reflecting the reduction of high priced offers to the level of (or below) the new caps, other factors (including changes in network costs from 1 July 2019 in regions other than Victoria) may also have contributed to retailers' decisions on new pricing levels.

Between July 2019 and September 2019, median standing offers in these jurisdictions were almost unchanged.

Of the jurisdictions where the DMO and VDO do not apply, the median standing offer in regional Queensland also fell 5% between June 2019 and September 2019, but ACT and Tasmanian offers rose 1% and 2% respectively.

For residential market offers, initial changes following the introduction of the DMO and VDO were not as pronounced as for standing offers. The median price of single rate residential offers was generally flat from June 2019 to July 2019. However, the range of offers typically reduced slightly, with the most notable reduction seen in South Australia. Where there was a reduction in the spread of market offers, it was generally driven by both increases in the cheapest market offers and decreases in the most expensive offers.

By September 2019 the median market price had further reduced in NSW and Victoria, but remained almost unchanged in Queensland and South Australia. The range of offers continued to contract in all regions, as (in general) the prices of the most expensive offers fell.

The median market offer rose in the ACT (4%) and Tasmania (2%) between June 2019 and September 2019. There was also a significant reduction of the range of market offers in the ACT as the cheapest offers in the market were removed.

Electricity price update by retailer — September 2019

The charts in this section present residential electricity prices for each retailer in each region at September 2019. We detail:

- the range of market offer prices, represented by the green shaded box. The top of the shaded box indicates the retailer's most expensive market offer price and the bottom represents the retailer's cheapest market offer price. If there is no shading for a retailer, it indicates the retailer has only one market offer or all of its offers are clustered at one price point
- the median market offer price, represented by the pale circle
- the median standing offer price, represented by the dark triangle
- the median market (pale horizontal line) and standing offer (dark horizontal line) across all retailers.

46 ACCC, *Inquiry into the National Electricity Market - August 2019*, September 2019, Section 3.

Pricing data is aggregated across multiple distribution zones in NSW and Victoria. Price range and median price outcomes in these jurisdictions will to some extent reflect differences in pricing across these zones, rather than competition within each zone. We present analysis for Queensland by the Energex and Ergon Energy distribution zones separately, as regional Queensland still has jurisdictional price regulation for standing offers.[47] South Australia, the ACT and Tasmania have a single distribution zone.

Where retailers have multiple market offers within a distribution zone, these are typically all priced off the same base supply and usage rates. End prices differ based on the size of discounts from the base rates under each offer, with higher discounts linked to customers agreeing to terms such as direct debit payment or paperless billing. Higher end prices may also be associated with locked-in rates or non-price bonuses (cash rebates or product/service offers). The previously common retailer practice of linking larger discounts to on-time payment has largely ceased.

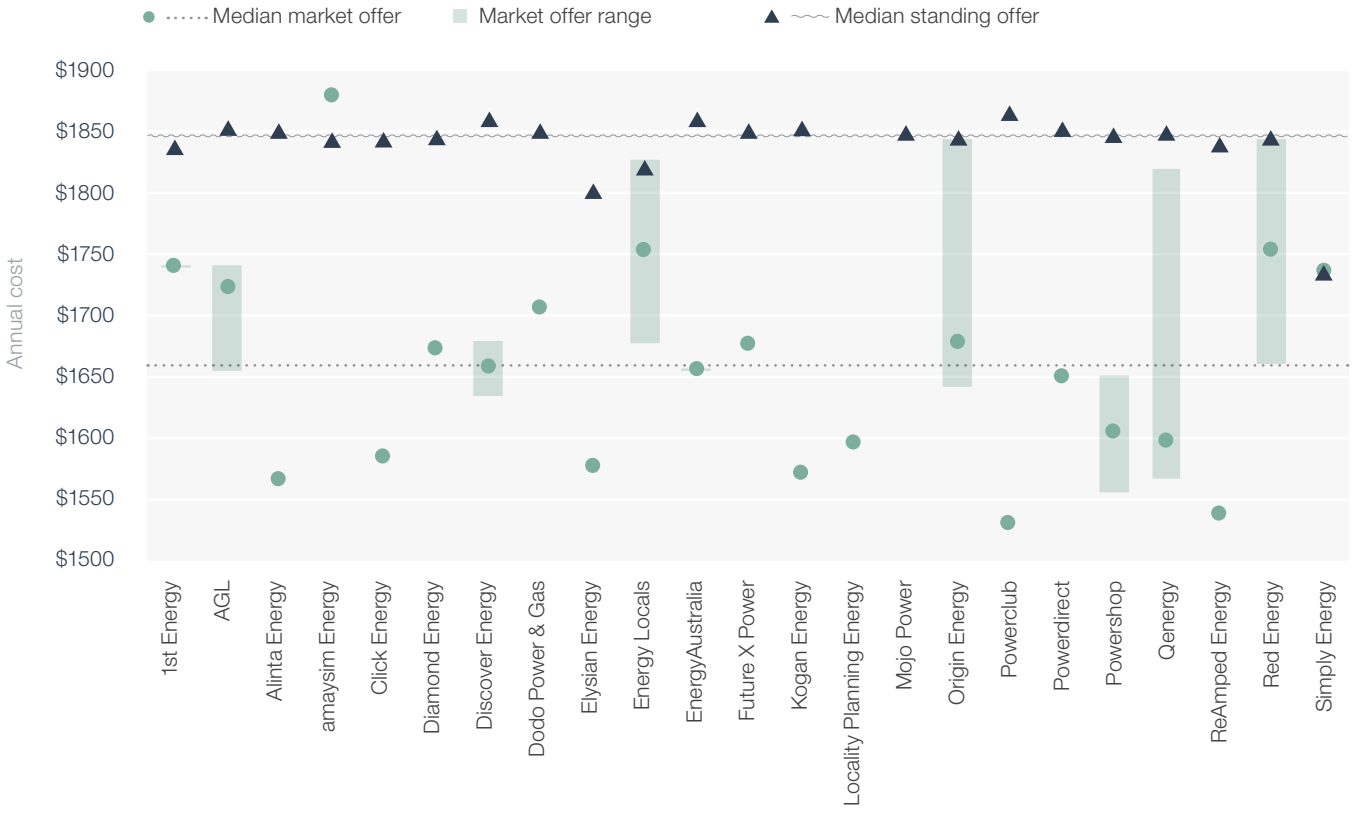
Electricity – Queensland

There were 23 electricity retailers in the Energex zone (figure 5.2), which covers south-east Queensland.

The cheapest market offers were around 17% below the median standing offer. Tier 2 retailers offered the lowest prices, with Powerclub at $1530, followed by ReAmped Energy, Powershop and Alinta Energy. There were 11 offers from Tier 2 retailers before the cheapest offer from a Tier 1 retailer, at $1641 from Origin Energy.

The majority of standing offers in the Energex zone converged between $1840 and $1860, as most retailers have adjusted their standing offer prices to a level at or near the DMO price cap.[48]

Figure 5.2: Residential electricity prices by retailer in south-east Queensland (Energex Energy), September 2019



Source: AER analysis using data from Energy Made Easy (AER).

Note: Mojo Power had not published a market offer, and Locality Planning Energy had not published a standing offer on Energy Made Easy for the Energex zone as of 13 September 2019.

47 The Queensland Competition Authority determines the regulated retail electricity prices (notified prices) that are paid by customers who have not entered into a negotiated or market contract with their retailer in the Ergon Energy distribution area – *Final determination: Regulated retail electricity prices for 2017–18*, June 2017, p. iii.

48 Note that DMO prices are determined for a particular usage level (which varies by distribution zone). In our analysis we calculate annual bills using different usage level to DMO, therefore the price of standing offers will not reflect the DMO price even though they may be compliant.

Ergon Energy is the incumbent retailer and distributor in regional Queensland, with only two other electricity retailers—QEnergy and Mojo—operating in the zone at September 2019 (figure 5.3). Ergon Energy's prices are subsidised in regional Queensland through the Uniform Tariff Policy, and other retailers do not have access to this subsidy.[49] Previously, Ergon Energy customers who switched to another retailer were unable to return to Ergon Energy, but these restrictions were removed in September 2018.

In regional Queensland, only Ergon Energy and QEnergy had market offers, with the cheapest at $1820 (from QEnergy). Of the standing offers, the most expensive was Ergon Energy's at $1893, with the other two retailers offering at $1846. The range between the cheapest market offer and most expensive standing offer is small relative to other jurisdictions, at only $73.

Figure 5.3: Residential electricity prices by retailer in regional Queensland (Ergon Energy), September 2019

Source: AER analysis using data from Energy Made Easy (AER).

Note: Mojo Power had not published a market offer on Energy Made Easy for the Ergon Energy zone as of 13 September 2019.

49 AEMC, *Retail energy competition review*, June 2019, p. 47.

Electricity – South Australia

There were 21 electricity retailers in the SA Power Networks distribution zone in September 2019, which covers the entire state of South Australia.

Figure 5.4 shows that the cheapest market offers were around 17% below the median standing offer. The cheapest offers were from Tier 2 retailers, with the lowest from Kogan Energy at $1848, followed by Powerclub. There were four Tier 2 retailers with offers below the cheapest market offer from a Tier 1 retailer ($1924 from Origin Energy). The majority of standing offers converged between $2200 and $2250, as most retailers have adjusted their standing offer prices to a level that is at or near the DMO price cap.[50]

Figure 5.4: Residential electricity prices by retailer in South Australia, September 2019

Source: AER analysis using data from Energy Made Easy (AER).

Note: Diamond Energy, Mojo Power and QEnergy had not published a market offer, and Powerdirect had not published a standing offer on Energy Made Easy for South Australia as of 13 September 2019.

50 Note that DMO prices are determined for a particular usage level (which varies by distribution zone). In our analysis we calculate annual bills using different usage level to DMO, therefore the price of standing offers will not reflect the DMO price even though they may be compliant.

Electricity – ACT

Electricity prices remain partially regulated in the ACT.[51] There were seven electricity retailers operating in the ACT's Evoenergy distribution zone (figure 5.5), with Powerclub, Red Energy and Simply Energy entering the market during 2018–19.

The cheapest market offer was available from ActewAGL at $1634—around 20% below the median standing offer, followed by Origin Energy. The cheapest Tier 2 offer was $1732 from Energy Locals. The majority of standing offers converged between $1900 and $2150, with the only exception Powerclub offering $2510.

Figure 5.5: Residential electricity prices by retailer in ACT, September 2019

Source: AER analysis using data from Energy Made Easy (AER).

Note: Simply Energy had not published a market offer and Energy Locals had not published a standing offer on Energy Made Easy for the ACT as of 13 September 2019.

51 The Independent Competition and Regulatory Commission determines maximum average percentage change ActewAGL Retail can charge for electricity prices. Independent Competition and Regulatory Commission, *Final Report: Standing offer prices for the supply of electricity to small customers from 1 July 2017*, June 2017, p. iii.

Electricity – NSW

There were 30 electricity retailers in September 2019 across NSW, the largest number of retailers of all the jurisdictions. Most retailers offered services in each of the NSW distribution zones: Ausgrid, Endeavour Energy, and Essential Energy. Prices are typically lowest in the Ausgrid and Endeavour Energy zones in and around Sydney, and highest in the Essential Energy zone covering regional NSW.

As seen in figure 5.6, the cheapest (electricity only) market offer was $1615 from new entrant ReAmped Energy in the Ausgrid distribution zone, covering the north-east surrounds of Sydney. This was followed by Elysian Energy at $1638 in the Endeavour Energy zone, covering the south-west surrounds of Sydney. The cheapest offer in regional NSW (Essential Energy) was well above these at $1903, also from ReAmped Energy. Of the Tier 1 offers, the cheapest were from Origin Energy at $1740 (Endeavour Energy) and $2043 (Essential Energy), as well as EnergyAustralia at $1773 (Ausgrid). There were at least 14 offers (from 11 to 13 retailers) between the cheapest Tier 1 offer and the cheapest Tier 2 offers across each of the distribution zones. The cheapest market offers were 18–20% below the median standing offer in each distribution zone.

The majority of median standing offers converged between $2000 and $2100, as most retailers adjusted their standing offer prices to a level that is at or near the DMO price cap for each distribution zone.[52] The median standing offers for Enova Energy and ActewAGL were well above the median for NSW because they only offer plans in one or two of the distribution zones, including Essential Energy which also has the highest prices.

Figure 5.6: Residential electricity prices by retailer in NSW, September 2019

Source: AER analysis using data from Energy Made Easy (AER).

Note: Mojo Power had not published a market offer, and Powerdirect had not published a standing offer on Energy Made Easy for NSW as of 13 September 2019.

52 Note that DMO prices are determined for a particular usage level (which varies by distribution zone). In our analysis we calculate annual bills using different usage level to DMO, therefore the price of standing offers cannot be directly compared to the DMO price cap.

Electricity – Tasmania

Until recently Aurora Energy has been the only supplier of residential customers in Tasmania, and its standing offers are regulated by the Tasmanian Economic Regulator. However, Tasmania has full retail contestability, and in 2018-19 1st Energy entered the market.

Figure 5.7 shows that the two market offers from 1st Energy range from $2394 to $2402, below Aurora Energy's market offer ($2483, set at the same level as its regulated standing offer). Similar to the Ergon Energy distribution zone in Queensland, the range between the cheapest market offer and most expensive standing offer is small relative to other jurisdictions, at only $88.

Figure 5.7: Residential electricity prices by retailer in Tasmania, September 2019

Source: AER analysis using data from Energy Made Easy (AER).

Note: 1st Energy had not published a standing offer on Energy Made Easy for Tasmania as of 13 September 2019.

Electricity – Victoria

There were 28 retailers supplying electricity across the five Victorian distribution zones in September 2019 (figure 5.8). Generally, the AusNet Services zone in eastern Victoria has the most expensive offers, while Citipower in central Melbourne has the cheapest.

The cheapest market offers in each distribution zone in Victoria were all from Tier 2 retailers:

- Citipower – Elysian Energy at $1203
- United Energy – Globird Energy at $1222
- Jemena – Elysian Energy at $1274
- Powercor – Globird Energy at $1300
- AusNet Services – 1st Energy at $1363

These offers were 16–20% below the median standing offer in each zone.

The cheapest market offers from a Tier 1 retailer were from Origin Energy across all five distribution zones, the lowest being $1265 in the Citipower zone. There were between three and seven Tier 2 retailers with offers between Origin's cheapest market offer and the lowest in each distribution zone.

Standing offers across Victoria converged on $1535, as retailers from 1 July 2019 were required to adjust their standing offer prices to reflect the VDO tariff.

Figure 5.8: Residential electricity prices by retailer in Victoria, September 2019

Source: AER analysis using data from Victorian Energy Compare (DELWP).

Note: BlueNRG, Momentum Energy, People Energy, QEnergy and Red Energy had not published a market offer on Victorian Energy Compare as of 13 September 2019.

5.2. Residential gas prices

The charts below present the range of gas bill costs in each jurisdiction, and highlights the median standing and market offer prices.

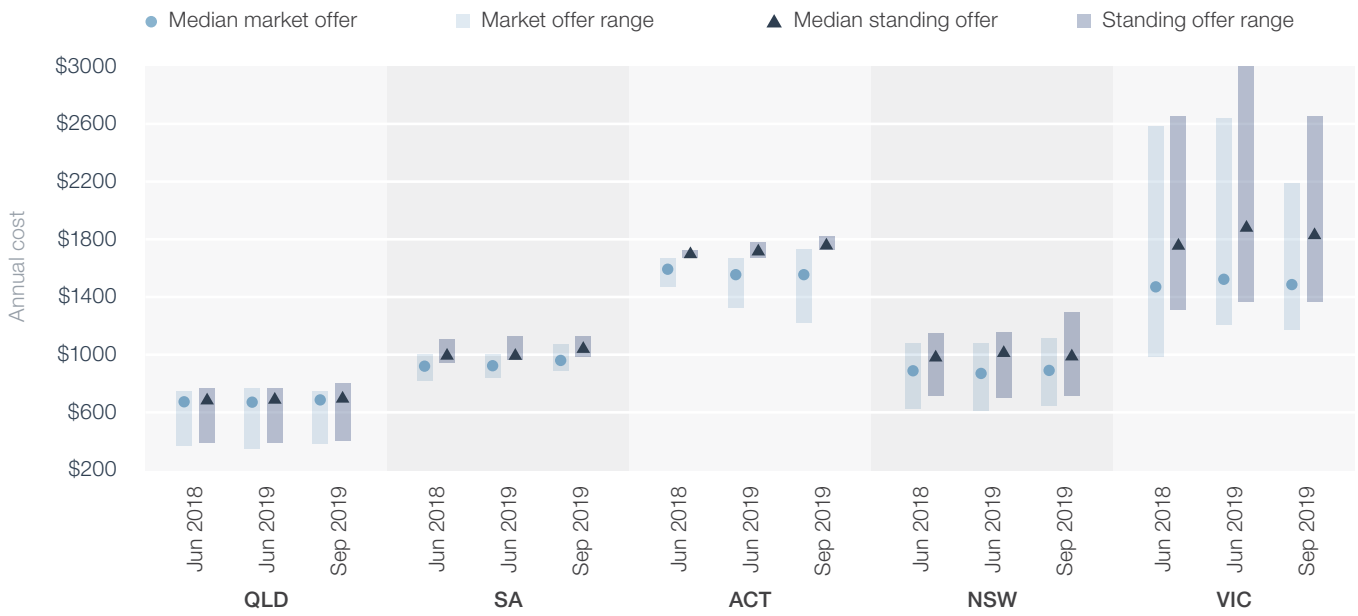
This data provides an indication of the spread of standing and market offers available in the market, and the cost per household, based on average usage for residential customers on single rate tariffs. We base bill costs on available offers displayed on government price comparison websites Energy Made Easy and Victorian Energy Compare at June 2018, June 2019 and September 2019.

Offer price outcomes across states are not directly comparable as they are based on average consumption in each jurisdiction.[53] These results are representative of the average customer – bill costs for individuals will depend on factors including location, tariff type and usage. Customers can use Energy Made Easy or Victorian Energy Compare to work out the cheapest offers for them based on their usage profile.

Gas price trends

Figure 5.9 illustrates the median and ranges of residential market and standing offers across each jurisdiction in June 2018 and June 2019, as well as an update for September 2019.

Figure 5.9: Residential gas market and standing prices June 2018, June 2019, and September 2019



Source: AER analysis using data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP).

53 We estimated average annual residential gas usage in each region based on consumption benchmark surveys commissioned by the AER. For more information on our methodology, see appendix 2.

June 2018 to June 2019

Residential gas price trends have been much less variable than in electricity. We found in the Affordability report that gas market offers eased marginally or were steady from June 2018 to June 2019 in most jurisdictions, while standing offers generally rose or were steady. Across this period Victorian prices increased the most, with the median market offer rising 4% and standing offer rising 7%.

June 2019 to September 2019

From June 2019 to September 2019, median market and standing offers remained relatively flat across most jurisdictions. However in South Australia the median market offer rose 4% and standing offer rose 6%, while in Victoria the median market and standing offers fell 3%. The range of offers available were also relatively steady, with the most notable compression in Victoria as the most expensive offers were removed from the market. Standing offers remained well above market offers.

Gas price update by retailer — September 2019

The charts in this section present residential gas prices for each retailer in each region at September 2019. As in section 5.1, we detail:

- the range of market offer prices, represented by the blue shaded box. The top of the shaded box indicates the retailer's most expensive market offer price and the bottom represents the retailer's cheapest market offer price. If there is no shading for a retailer, it indicates the retailer has only one market offer or all of its offers are clustered at one price point
- the median market offer price, represented by the pale circle
- the median standing offer price, represented by the dark triangle
- the median market (pale horizontal line) and standing offer (dark horizontal line) across all retailers.

Pricing data is aggregated across multiple distribution zones in NSW, Queensland and Victoria. Price range and median price outcomes in these jurisdictions will to some extent reflect differences in pricing across these zones, rather than competition within each zone.

Compared with electricity, across all jurisdictions there are fewer retailers selling gas to residential customers, and the spread of prices is less significant. Gas is also not available to the majority of residential customers in Tasmania and regional Queensland, and so these jurisdictions are not included in the analysis below.

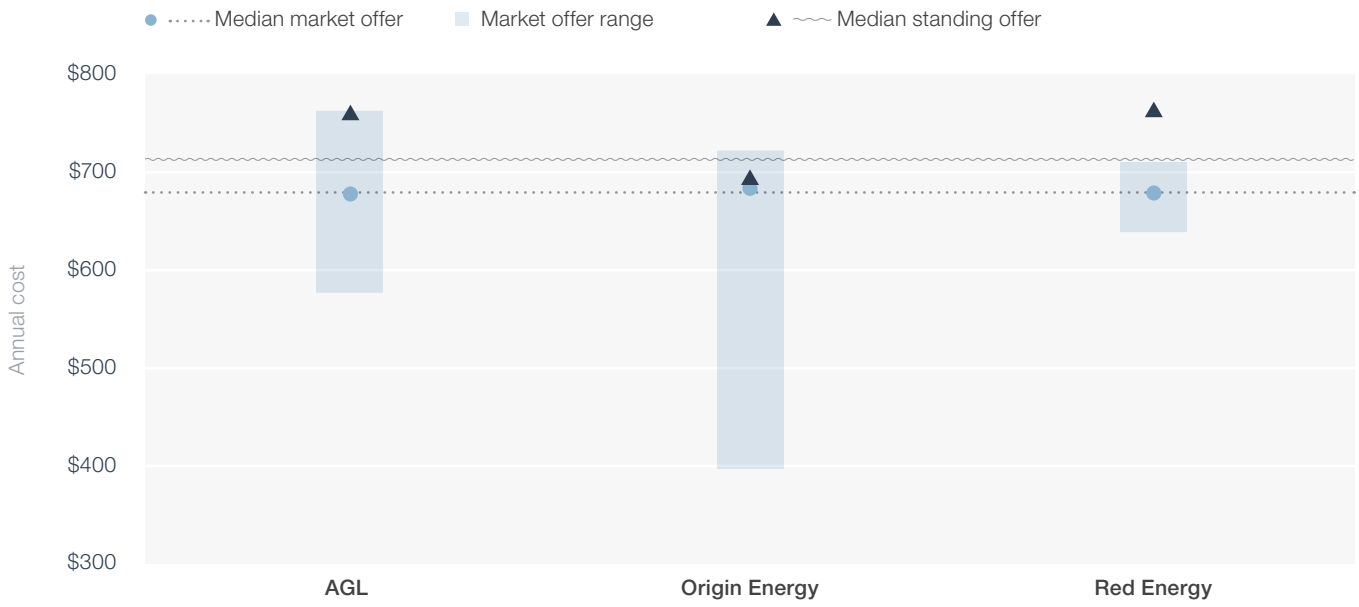
Gas – Queensland

There are three gas retailers across the two gas distribution zones in Queensland (figure 5.10). AGL and Origin Energy offered across both distribution zones, while Red Energy only had offers in the Australian Gas Networks zone.

Prices in the Australian Gas Networks zone were typically cheaper than in the Allgas Energy zone. Tier 1 retailer Origin Energy had the lowest market offer at $397 in the Australian Gas Networks zone, and there were four market offers from this retailer before the lowest Tier 2 offer in this zone (Red Energy at $641). The cheapest offer in the Allgas Energy zone was from AGL at $673.

The cheapest market offer was 11% below the median standing offer in the Allgas Energy distribution zone, and 44% below in the Australian Gas Networks zone.

Figure 5.10: Residential gas prices by retailer in Queensland, September 2019



Source: AER analysis using data from Energy Made Easy (AER).

Gas – South Australia

There are seven gas retailers in South Australia across the Australian Gas Networks distribution zone. Figure 5.11 shows that the cheapest market offers in September 2019 were around 16% below the median standing offer. The lowest market offers were from Tier 2 retailers – Lumo Energy was the lowest at $895, followed by Red Energy ($904) and Alinta Energy ($913). The next lowest offer was from a Tier 1 retailer, at $931 from EnergyAustralia. However, these retailers also had some of the highest standing offers, with the most expensive from EnergyAustralia at $1128.

Figure 5.11: Residential gas prices by retailer in South Australia, September 2019

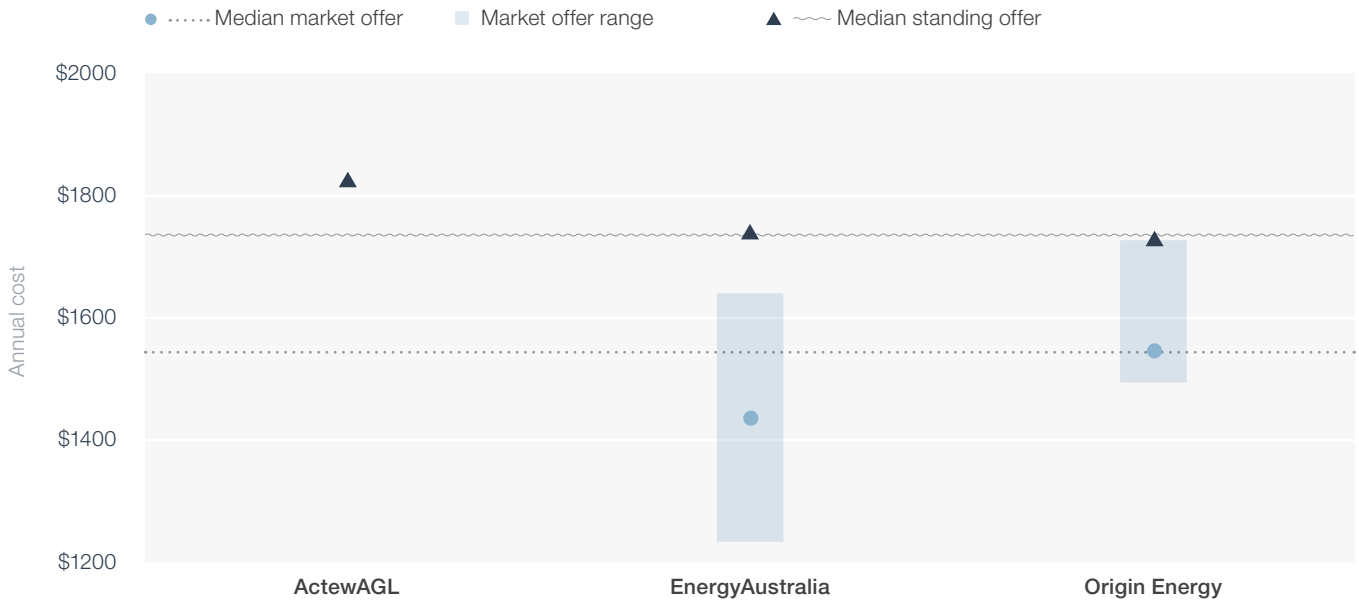
Source: AER analysis using data from Energy Made Easy (AER).

Gas – ACT

There are three gas retailers in the Evoenergy Gas zone—ActewAGL, Origin Energy and EnergyAustralia. As figure 5.12 shows, the cheapest market offer available was from EnergyAustralia at $1232, followed by Origin Energy at $1495.

ActewAGL only had a standing offer in the ACT, which was also the most expensive of all the available offers at $1823. Other standing offers converged just above $1700. The cheapest market offers were 29% below the median standing offer in the ACT.

Figure 5.12: Residential gas prices by retailer in ACT, September 2019



Source: AER analysis using data from Energy Made Easy (AER).
Note: ActewAGL had not published a market offer on Energy Made Easy for the ACT as of 13 September 2019.

Gas – NSW

There are 12 gas retailers in NSW across four distribution zones. Prices were typically lowest in the Australian Gas Networks zone, in regional NSW.

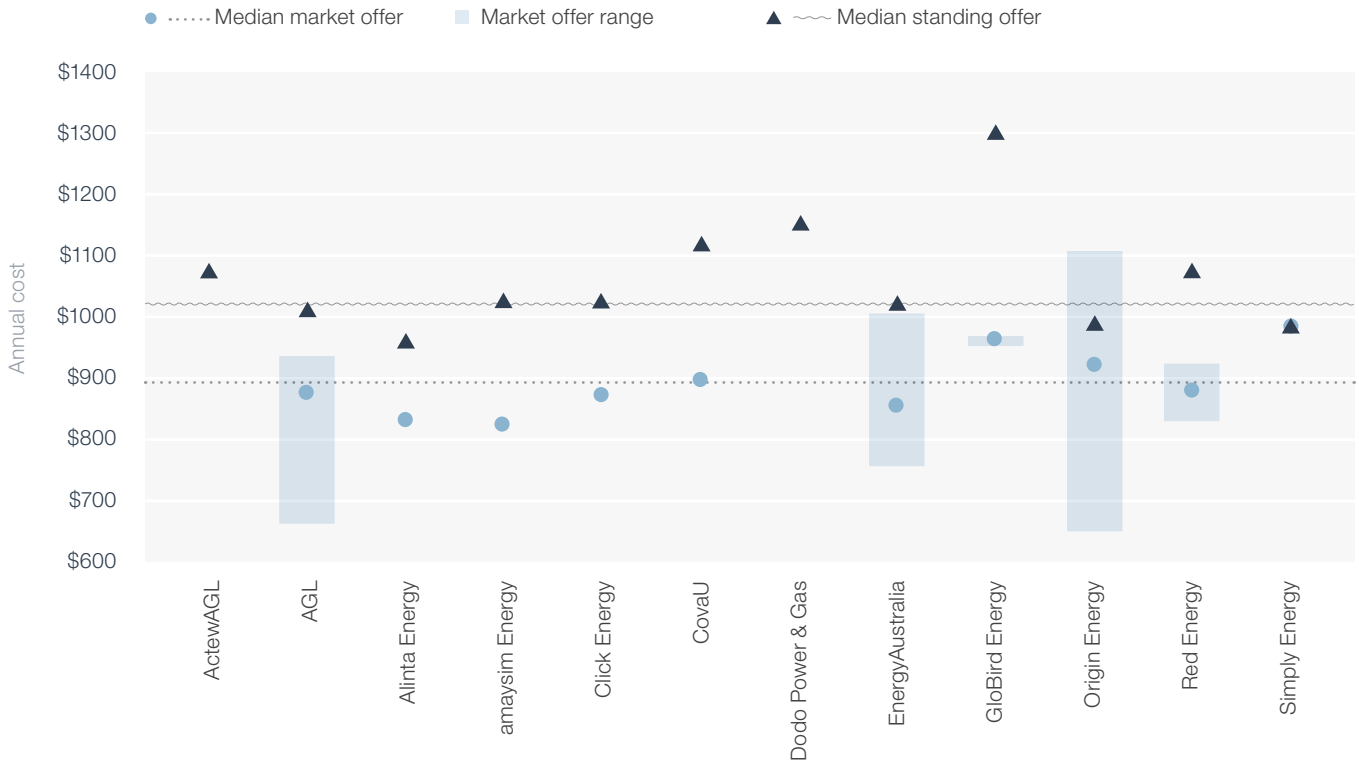
The lowest 20% of market offers in NSW were offered in the Australian Gas Networks distribution zone, and all from Tier 1 retailers Origin Energy, AGL and EnergyAustralia (figure 5.13). In this zone Origin Energy had the cheapest market offer at $652. Of the other regional distribution zones on the Evoenergy network, EnergyAustralia offered the cheapest prices ($783 and $855).

The Jemena Gas zone, which includes Sydney, is the only distribution zone with offers from Tier 2 retailers. The lowest offers in this zone were from amaysim Energy ($822), Alinta Energy and Red Energy (both $831), followed by Tier 1 retailer EnergyAustralia at $844.

The cheapest market offers ranged from 20% below the median standing offer in the Jemena Gas and ActewAGL distribution zones, to 30% below in the Australian Gas Networks zone.

The majority of median standing offers converged between $950 and $1100. The median standing offers for Globird Energy, Dodo Power & Gas and CovaU were well above the median for NSW because they only offered plans in the Jemena Gas distribution zone.

Figure 5.13: Residential gas prices by retailer in NSW, September 2019



Source: AER analysis using data from Energy Made Easy (AER).

Note: ActewAGL and Dodo Power & Gas had not published standing offers on Energy Made Easy for NSW as of 13 September 2019.

Gas – Victoria

There are 17 gas retailers across three distribution zones in Victoria.

The cheapest market offers were found in the AusNet Services distribution zone, with the lowest from Origin Energy at $1173 followed closely by Globird Energy at $1179 (figure 5.14). These retailers also had the lowest offers in the Multinet distribution zone (Globird at $1276 and Origin Energy at $1290). In the Australian Gas Networks zone, the cheapest offers were from Momentum Energy ($1295), Dodo Power & Gas ($1307) and Origin Energy ($1308).

The majority of median standing offers converged between $1600 and $2000. amaysim Energy and Click Energy had the highest standing offers across all three distribution zones. The cheapest market offers were 34–37% below the median standing offer across distribution zones in Victoria.

Figure 5.14: Residential gas prices by retailer in Victoria, September 2019

Source: AER analysis using data from Victorian Energy Compare (DELWP).

Note: CovaU and Globird Energy had not published standing offers on Victorian Energy Compare as of 13 September 2019.

Retailer report cards

6

ActewAGL

NSW AND ACT

National customer numbers

RESIDENTIAL

2.6%
market share

5.6%
market share

SMALL BUSINESS

1.8%
market share

2.9%
market share

Customer service

AVERAGE CALL WAIT TIME

176
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

0.6%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

5.2%
of customers in debt
NATIONAL AVERAGE 2.3%

$782
average energy debt
NATIONAL AVERAGE $792

ActewAGL

NSW AND ACT

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

0.9% Electricity

National average 1.1%

0.7% Gas

National average 0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

$1646 Electricity

National average $1250

$1121 Gas

National average $666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

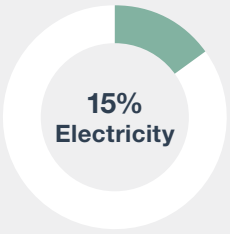
$1768 Electricity

National average $1305

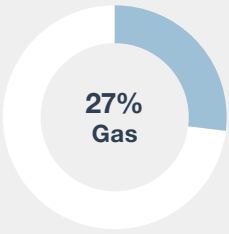
$1464 Gas

National average $674

RATE OF SUCCESS



National average 29%



National average 32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

78% Electricity
National average 47%

52% Gas
National average 48%

Disconnections

RESIDENTIAL

0.45% Electricity

National average 1.09%

0.46% Gas

National average 0.48%

SMALL BUSINESS

0.83% Electricity

National average 0.88%

0.93% Gas

National average 0.62%

AGL

QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL

21%
market share

38%
market share

SMALL BUSINESS

Electricity
119 559

18%
market share

Gas
22 782

28%
market share

Customer service

AVERAGE CALL WAIT TIME

17
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

4.6%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

3.6%
of customers in debt
NATIONAL AVERAGE 2.3%

$910
average energy debt
NATIONAL AVERAGE $792

AGL

QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

National average
1.1%

National average
0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

National average
$1250

National average
$666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

National average
$1305

National average
$674

RATE OF SUCCESS

National average
29%

National average
32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

74% Electricity
National average 47%

64% Gas
National average 48%

Disconnections

RESIDENTIAL

National average
1.09%

National average
0.48%

SMALL BUSINESS

National average
0.88%

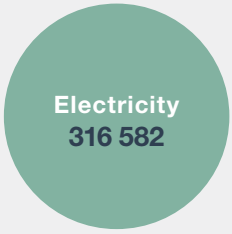
National average
0.62%

Alinta Energy

QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL



4.9%
market share

2.2%
market share

SMALL BUSINESS

4.2%
market share

0.1%
market share

Customer service

AVERAGE CALL WAIT TIME

24
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

2.4%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

1.5%
of customers in debt
NATIONAL AVERAGE 2.3%

$1035
average energy debt
NATIONAL AVERAGE $792

Alinta Energy

QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

1.0% Electricity

National average 1.1%

0.5% Gas

National average 0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

$1790 Electricity

National average $1250

$769 Gas

National average $666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

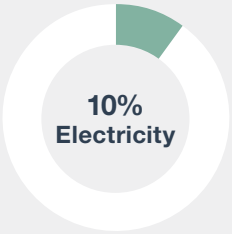
$2151 Electricity

National average $1305

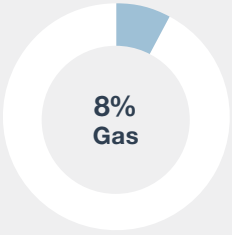
$865 Gas

National average $674

RATE OF SUCCESS



National average 29%



National average 32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

76% Electricity
National average 47%

54% Gas
National average 48%

Disconnections

RESIDENTIAL

1.14% Electricity

National average 1.09%

2.15% Gas

National average 0.48%

SMALL BUSINESS

1.55% Electricity

National average 0.88%

2.75% Gas

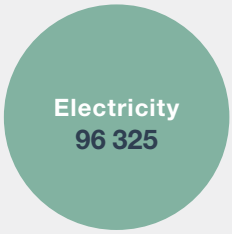
National average 0.62%

amaysim Energy

QLD, NSW & SA

National customer numbers

RESIDENTIAL



1.5%
market share

1.0%
market share

SMALL BUSINESS

Electricity
3414

0.5%
market share

Gas
363

0.4%
market share

Customer service

AVERAGE CALL WAIT TIME

33
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

2.4%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

2.8%
of customers in debt
NATIONAL AVERAGE 2.3%

$951
average energy debt
NATIONAL AVERAGE $792

amaysim Energy

QLD, NSW & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

National average 1.1%

National average 0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

National average $1250

National average $666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

National average $1305

National average $674

RATE OF SUCCESS

National average 29%

National average 32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

56% Electricity
National average 47%

44% Gas
National average 48%

Disconnections

RESIDENTIAL

National average 1.09%

National average 0.48%

SMALL BUSINESS

National average 0.88%

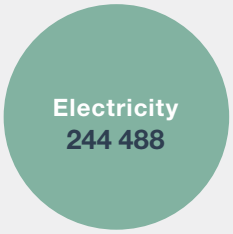
National average 0.62%

Aurora Energy

TAS

National customer numbers

RESIDENTIAL



3.8%
market share

SMALL BUSINESS

Electricity
35 634

5.4%
market share

Customer service

AVERAGE CALL WAIT TIME

24
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

7.3%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

1.8%
of customers in debt
NATIONAL AVERAGE 2.3%

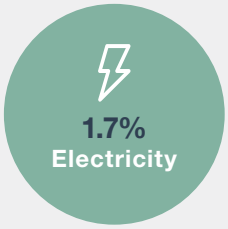
$892
average energy debt
NATIONAL AVERAGE $792

Aurora Energy

TAS

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

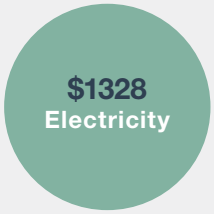


National average
1.1%

AVERAGE CUSTOMER DEBT ON ENTRY

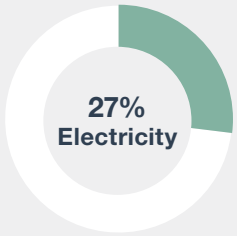
National average
$1250

AVERAGE DEBT OF HARDSHIP PARTICIPANTS



National average
$1305

RATE OF SUCCESS



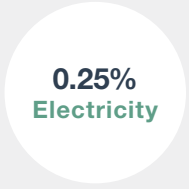
National average
29%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

2% Electricity
National average 47%

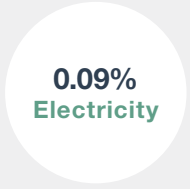
Disconnections

RESIDENTIAL



National average
1.09%

SMALL BUSINESS



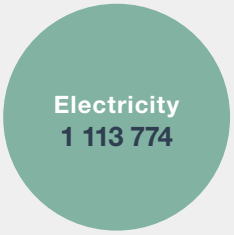
National average
0.88%

EnergyAustralia

QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL



17%
market share

20%
market share

SMALL BUSINESS

15%
market share

10%
market share

Customer service

AVERAGE CALL WAIT TIME

65
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

1.8%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

1.2%
of customers in debt
NATIONAL AVERAGE 2.3%

$1010
average energy debt
NATIONAL AVERAGE $792

EnergyAustralia

QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

0.9% Electricity

National average 1.1%

0.3% Gas

National average 0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

$2336 Electricity

National average $1250

$1407 Gas

National average $666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

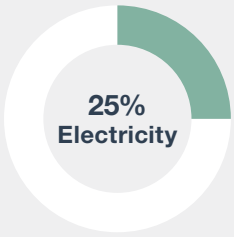
$2193 Electricity

National average $1305

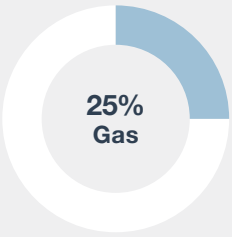
$1288 Gas

National average $674

RATE OF SUCCESS



National average 29%



National average 32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

41% Electricity
National average 47%

34% Gas
National average 48%

Disconnections

RESIDENTIAL

0.15% Electricity

National average 1.09%

0.06% Gas

National average 0.48%

SMALL BUSINESS

0.72% Electricity

National average 0.88%

0.31% Gas

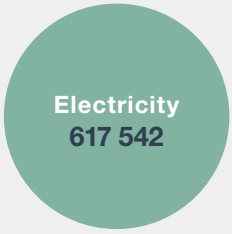
National average 0.62%

Ergon Energy

QLD

National customer numbers

RESIDENTIAL



9.5%
market share

SMALL BUSINESS

Electricity
87 657

13%
market share

Customer service

AVERAGE CALL WAIT TIME

190
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

0.5%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

1.5%
of customers in debt
NATIONAL AVERAGE 2.3%

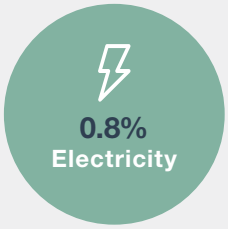
$608
average energy debt
NATIONAL AVERAGE $792

Ergon Energy

QLD

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

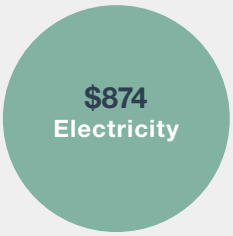


National average
1.1%

AVERAGE CUSTOMER DEBT ON ENTRY

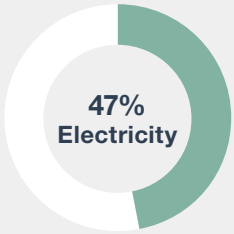
National average
$1250

AVERAGE DEBT OF HARDSHIP PARTICIPANTS



National average
$1305

RATE OF SUCCESS



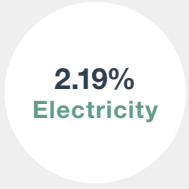
National average
29%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

6% **Electricity**
National average 47%

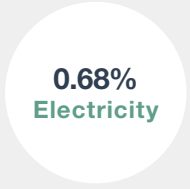
Disconnections

RESIDENTIAL



National average
1.09%

SMALL BUSINESS



National average
0.88%

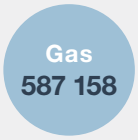
Origin Energy

QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL

27%
market share



27%
market share

SMALL BUSINESS

Electricity
195 169

29%
market share

Gas
43 900

54%
market share

Customer service

AVERAGE CALL WAIT TIME

76

Seconds

NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

2.4%

of customers complained

NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

2.3%

of customers in debt

NATIONAL AVERAGE 2.3%

$589

average energy debt

NATIONAL AVERAGE $792

Origin Energy

QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP

1.5% Electricity

National average 1.1%

0.8% Gas

National average 0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

$549 Electricity

National average $1250

$424 Gas

National average $666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

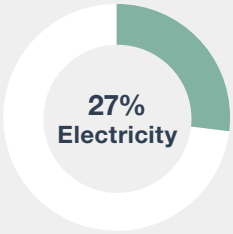
$502 Electricity

National average $1305

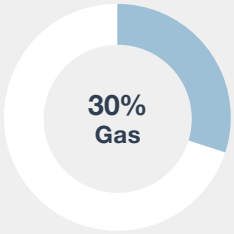
$313 Gas

National average $674

RATE OF SUCCESS



National average 29%



National average 32%

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

35% Electricity
National average 47%

28% Gas
National average 48%

Disconnections

RESIDENTIAL

1.12% Electricity

National average 1.09%

0.73% Gas

National average 0.48%

SMALL BUSINESS

0.74% Electricity

National average 0.88%

0.58% Gas

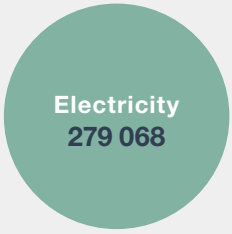
National average 0.62%

Red Energy

QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL



4.3%
market share

2.6%
market share

SMALL BUSINESS

Electricity
8589

1.3%
market share

Gas
56

0.1%
market share

Customer service

AVERAGE CALL WAIT TIME

33
Seconds
NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

5.4%
of customers complained
NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

1.6%
of customers in debt
NATIONAL AVERAGE 2.3%

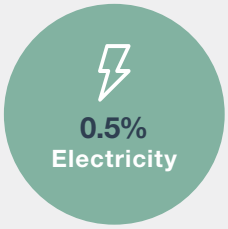
$424
average energy debt
NATIONAL AVERAGE $792

Red Energy

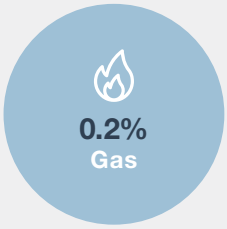
QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP



National average
1.1%



National average
0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

National average
$1250

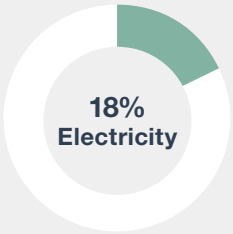
National average
$666

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

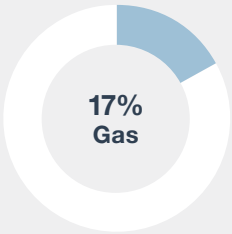
National average
$1305

National average
$674

RATE OF SUCCESS



National average
29%



National average
32%

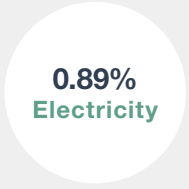
HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

42% Electricity
National average 47%

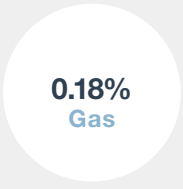
35% Gas
National average 48%

Disconnections

RESIDENTIAL

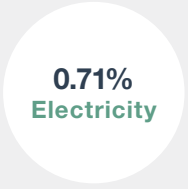


National average
1.09%

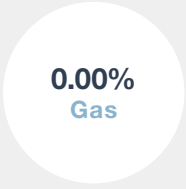


National average
0.48%

SMALL BUSINESS



National average
0.88%



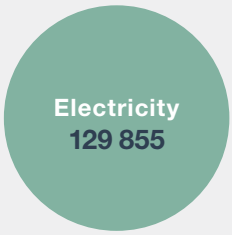
National average
0.62%

Simply Energy

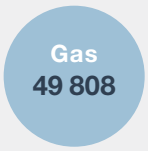
QLD, NSW, ACT & SA

National customer numbers

RESIDENTIAL



2.0%
market share



2.3%
market share

SMALL BUSINESS

Electricity
6 385

1.0%
market share

Gas
288

0.4%
market share

Customer service

AVERAGE CALL WAIT TIME

43

Seconds

NATIONAL AVERAGE
52 SECONDS

COMPLAINTS

7.1%

of customers complained

NATIONAL AVERAGE
2.9% OF CUSTOMERS

Residential customer debt (non-hardship)

3.5%

of customers in debt

NATIONAL AVERAGE 2.3%

$711

average energy debt

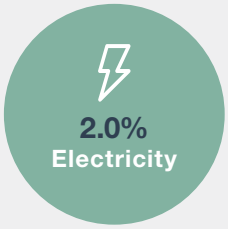
NATIONAL AVERAGE $792

Simply Energy

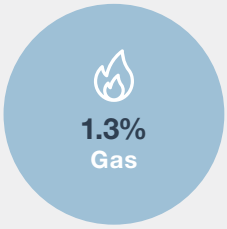
QLD, NSW, ACT & SA

Hardship

RESIDENTIAL CUSTOMERS ON HARDSHIP



National average
1.1%



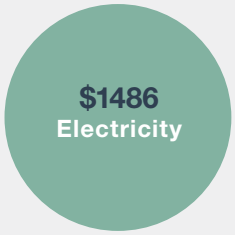
National average
0.6%

AVERAGE CUSTOMER DEBT ON ENTRY

National average
$1250

National average
$666

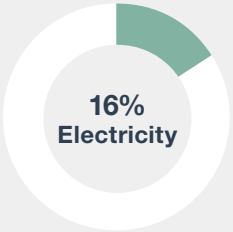
AVERAGE DEBT OF HARDSHIP PARTICIPANTS



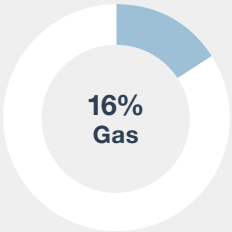
National average
$1305

National average
$674

RATE OF SUCCESS



National average
29%



National average
32%

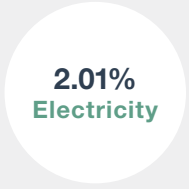
HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS

90% Electricity
National average 47%

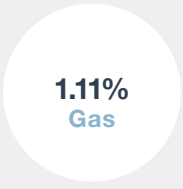
58% Gas
National average 48%

Disconnections

RESIDENTIAL

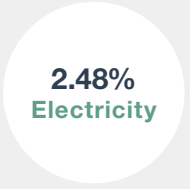


National average
1.09%

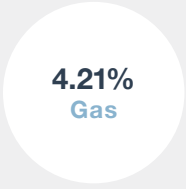


National average
0.48%

SMALL BUSINESS



National average
0.88%



National average
0.62%

Appendices

Appendix 1: Prepayment meters

A small number of residential customers in Tasmania have electricity prepayment meters (PAYG) installed. Table 7.1 shows the number of customers using PAYG (as at the end of June each year), as well as the number and length of self- disconnections[54] that occurred over the past few years.

In 2018-19 the number of customers with prepayment meters has decreased by about 50%. The time customers are disconnected has remained somewhat consistent over recent years.

Table 7.1: Disconnection of customers using prepayment PAYG meters in Tasmania 2012-13 to 2018-19

	PAYG customers	PAYG systems capable of detecting and reporting self-disconnections	Self-disconnection events	Average duration of self-disconnection events (min)
2012-13	33 158	4 662	1 068	237
2013-14	30 640	7 194	2 069	290
2014-15	29 612	8 902	2 632	327
2015-16	26 670	10 854	3 098	246
2016-17	23 641	10 911	3 232	262
2017-18	21 076	10 841	2 915	252
2018-19	10 599	4 589	2 493	221

Source: AER

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

Appendix 2: Pricing methodology

To analyse the range and median of offers, we estimate annual bill costs for market and standing offers within each jurisdiction. These are comprised of:

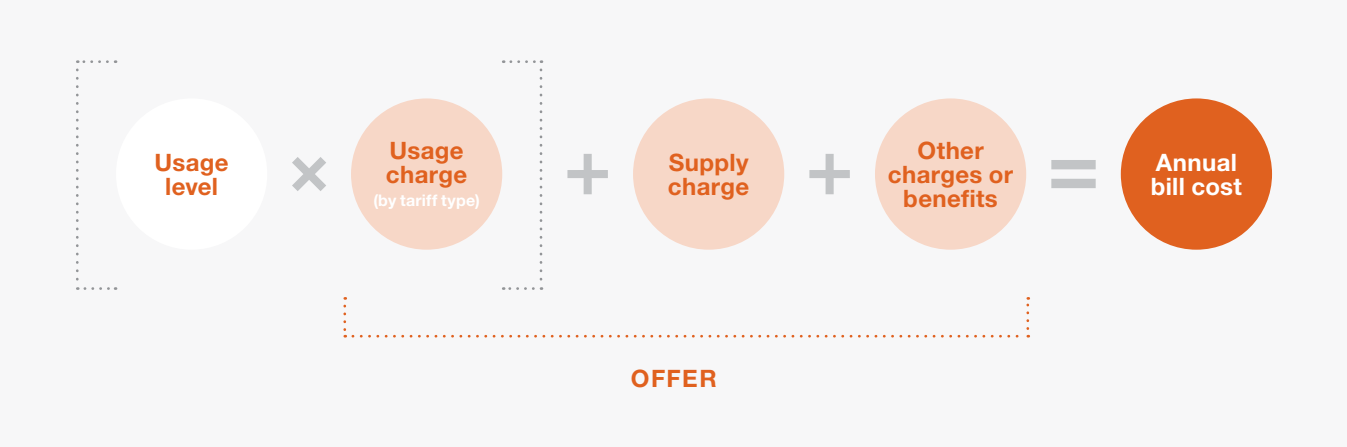
- Average annual household electricity and gas usage in each jurisdiction
- Retail electricity and gas offers in each distribution or pricing zone

These inputs are outlined in more detail below.

Annual Bill Cost

The calculation of an annual bill cost is comprised of several components including usage levels, usage charges, supply charges, and other fees such as membership or metering fees. Figure 7.1 disaggregates these, and highlights the components that feed into a retailer's offer.

Figure 7.1: Components of retail annual bill costs



Usage levels

Our sources for usage vary across electricity and gas, due to the differing availability of public information. The levels of electricity and gas usage applied in our analysis can be found in table 7.2.

Electricity

We based our analysis on average actual household electricity usage for each jurisdiction in 2017-18 (the most recent data available to the AER at the time of this report). This is sourced from information provided by distribution network businesses each year in response to Regulatory Information Notices (RIN) issued by the AER. This data includes the total usage for all residential users (including usage through controlled loads), as well as total residential customer numbers, in each distribution zone. This data is collected on a financial year basis for all regions except Victoria, which is collected on a calendar year basis.

Gas

We source average gas usage estimates for each region from a bill benchmarking survey conducted by ACIL Allen on behalf of the AER. These surveys are completed every three years, with the most recent survey released in 2017.[55]

Table 7.2: Annual electricity and gas usage levels

Region	Annual electricity usage per customer (kWh)	Annual gas usage per customer (MJ)
Queensland	5 699	7 873
South Australia	4 752	17 501
ACT	6 545	42 078
NSW	5 881	22 855
Tasmania	7 976	NA
Victoria	4 589	57 064

Source: AER

Offers

We collect offer details for both electricity and gas from our energy price comparison website, *EnergyMadeEasy* (www.energymadeeasy.gov.au). For Victoria (the only region in our analysis in which the National Energy Retail Law had not commenced at 30 June 2019), we collect tariff details from the Department of Environment, Land, Water and Planning, based on information submitted by retailers to the Victorian Energy Compare website (https://compare.switchon.vic.gov.au).

Our analysis is based on all unique generally available offers in each distribution or pricing zone at a point in time in June 2018, June 2019 and September 2019. We only consider single rate offers, which represent the most common offer type that energy customers are on. We filter these to remove offers with additional elements above an accessible, energy-only basic offer. For example, we remove offers with a solar/green component and offers that have specific eligibility criteria.

Annual Bill Calculation

We use the energy usage levels in table 7.2 to calculate an annual bill cost for each single rate offer. The range of offers illustrates the price spread between the highest and lowest offer in each jurisdiction. We use the median (rather than a simple average) to ensure the analysis is not skewed by a small number of very cheap or very expensive offers.

The annual bill estimates include key conditional discounts offered by energy retailers (such as discounts for paying on time, or paying by direct debit) but exclude discounts for bundling or dual fuel offers. One-off credits and non-cash incentives are also excluded. Ongoing fees that are attached to an offer (such as membership or metering fees) are included in the annual bill calculation.

We take seasonal pricing into account when calculating the annual bills, but we assume a consistent level of usage throughout the year.

55 ACIL Allen Report to the AER, Energy Consumption Benchmarks, October 2017.

Appendix 3:
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% of written enquiries within five business days and to answer 85% 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.

Table 7.3: South Australian service standards

Retailer	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
	Percentage of written enquiries responded to within five business days			Percentage of telephone enquiries answered within 30 seconds		
AGL	99	99	98	85	79	88
Alinta	99	95	100	65	65	89
amaysim Energy	75	56	100	79	55	73
Blue NRG	N/A	100	100	N/A	100	97
Diamond Energy	95	95	95	95	95	95
Energy Locals	N/A	N/A	98	N/A	N/A	78
EnergyAustralia	99	99	60	80	67	74
Enwave Mascot	N/A	N/A	100	N/A	N/A	91
ERM Power	50	100	100	91	72	79
Lumo Energy	100	99	65	95	83	74
Dodo	90	98	96	89	87	85
Momentum Energy	100	96	90	86	92	75
Next Business Energy	N/A	N/A	100	N/A	N/A	92
Origin Energy	99	99	100	90	95	89
People Energy	-	100	100	-	95	93
Power Club	N/A	N/A	100	N/A	N/A	91
Powershop	N/A	N/A	100	N/A	N/A	64
Powerdirect	99	99	98	78	92	88
Qenergy	100	100	100	100	95	92
Red Energy	100	98	98	95	77	83
Sanctuary Energy	100	100	100	100	100	90
Savant Energy	100	100	100	92	88	90
Simply Energy	92	97	99	87	89	90
Tango Energy	100	100	100	100	100	97
Winenergy	N/A	N/A	95	N/A	N/A	87

Source: AER

EnergyAustralia and Lumo Energy failed to respond to 95% of written enquiries within five business days, while amaysim Energy, Energy Locals, EnergyAustralia, ERM Power, Lumo Energy, Momentum Energy, Powershop and Red Energy all failed to answer 85% of telephone enquiries within 30 seconds.

Reasons provided for failure to meet the targets included lack of staff training, higher numbers of calls received than projected and system issues.

A number of retailers also reported an inability to separate calls by jurisdiction. As such, the data reported by these retailers relates to their performance across all jurisdictions in which they operate.

Appendix 4: 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 (among other things) a report on the performance of distributor service standards and associated Guaranteed Service Level (GSL) schemes. The Retail Law defines distributor service standards as service standards imposed on distributors by or under energy laws, including, for example, service standards relating to the following:

- 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.

Summary of distributor performance

Queensland

- Energex and Ergon Energy reported decreases in wrongful disconnections and decreases in the number of occasions when they failed to give notice of a planned interruption to residential customers
- Energex reported a decrease in the number of occasions that reconnection was not provided within the required time, while Ergon Energy reported an increase
- Energex and Ergon Energy reported significant decreases in Total System Average Interruption Duration Index (SAIDI) and Total System Average Interruption Frequency Index (SAIFI)
- Energex and Ergon Energy reported significantly lower levels of compensation paid to customers: Energex reported $3.4 million, down from $4.9 million, while Ergon Energy reported $1.2 million, down from $2.7 million

South Australia

- SA Power Networks reported an increase in the number of occasions when faulty street lights were not completed by the agreed date, but a decrease in the compensation paid to customers
- SA Power Networks did not report significant changes in total SAIDI and SAIFI; however it reported a significant decrease in both SAIDI and SAIFI for CBD Feeders
- SA Power Networks reported a large increase in the number of customers who experienced supply interruptions greater than 12 hours, with compensation paid increasing from $1 million to $4 million

ACT

- EvoEnergy reported a decrease in the number of customer complaints it received, and all complaints were responded to within 20 business days
- EvoEnergy reported a decrease in both planned and unplanned interruptions, but an increase in both planned and unplanned interruptions where supply was not restored within 12 hours
- EvoEnergy reported a 7% decrease in overall SAIDI and a 24% decrease in Customer Average Interruption Duration Index (CAIDI), but a 20% increase in SAIFI

NSW

- Endeavour Energy reported a 42% decrease in the number of complaints it received, while Ausgrid and Essential Energy recorded increases of 27% and 30% respectively
- Ausgrid reported a 51% decrease in its total calls received, while its telephone service performance remained largely unchanged. Endeavour Energy and Essential Energy reported increases in total calls received, with Essential's telephone service performance deteriorating while Endeavour's performance improved on 'Calls abandoned' but deteriorated on 'Calls answered within 30 seconds'
- Ausgrid reported a large increase in the number of planned interruptions, while Endeavour Energy reported a major increase in occasions when there was insufficient notice of an interruption. Essential Energy reported a significant increase in occasions where a planned interruption lasted for longer than was indicated on the notice

Tasmania

- Tasnetworks reported a 45% decrease in the total number of complaints it received
- Tasnetworks reported decreases in the number of planned interruptions, the number of customers not notified of a planned interruption, and the amount of compensation paid for failure to give notice
- Tasnetworks reported a doubling in the compensation paid to customers for late connections
- Tasnetworks reported decreases in both SAIDI and SAIFI

Table 7.4: Queensland electricity distributor performance 2018-19

	Energex	Ergon Energy
GSL		
Wrongful disconnections	32	53
Value of payments	$4 544	$7 526
Connections not provided by the agreed date	625	4
Value of payments	$170 191	$513
Reconnections not provided within the required time	24	32
Value of payments	$2 394	$5 857
Failure to attend to customer's premises within the time required concerning loss of hot water supply	0	0
Value of payments	$0	$0
Failure to attend appointments on time	125	149
Value of payments	$7 125	$8 664
Notice of planned interruption to supply not given - small residential customers	1 024	967
Value of payments	$28 671	$27 076
Notice of planned interruption to supply not given - small business customers	127	187
Value of payments	$9 017	$13 277
Interruption duration GSL (network reliability)	28 192	9 601
Value of payments	$3 213 888	$1 094 512
Interruption frequency GSL	1	7
Value of payments	$114	$798
Total GSL payments given	30 150	11 000
Total compensation paid ($)	**$3 435 944**	**$1 158 223**
Total System Average Interruption Duration Index (SAIDI) (minutes)		
Central Business District	3	
Urban	28	45
Short rural	68	123
Long rural		298
Total System Average Interruption Frequency Index (SAIFI)		
Central Business District	0.01	-
Urban	0.11	0.22
Short rural	0.25	0.58
Long rural	-	1.42

Source: AER

Table 7.5: SA electricity distributor performance 2018-19 (SA Power Networks)

	SAPN
Customers	
Total number of customers	881 835
Residential customers	783 399
Small non-residential customers	98 436
Customer service	
Total calls received	394 810
Calls answered within 30 seconds (%)	90%
Calls abandoned (%)	4%
Promptness of connection	
New supply addresses connected	10 020
Connections not provided on or before agreed time	229
Compensation paid for failing to provide connections on time	64 610
Faulty street lights - Adelaide Business Area Adelaide Metropolitan Area and Major Regional Areas	
Number of reported street light faults	26 044
Occasions where repairs not completed on or before agree date (within five days)	1403
Compensation paid to customers	$149 435
Faulty street lights - Country Areas	
Number of reported street light faults	4 147
Occasions where repairs not completed on or before agree date (within ten days)	52
Compensation paid to customers	$2 950
Timeliness of appointments	
Total number of appointments	18 912
Total number of appointments with customers where a representative of SAPN is more than 15 minutes late	1
Compensation paid to customers	$25

Source: AER

Table 7.6: SA Frequency of supply interruptions 2018-19 (SA Power Networks)

	SAPN
System Average Interruption Frequency Index (SAIFI) (number)	
CBD Feeder	0.103
Urban Feeder	0.949
Short Rural Feeder	1.46
Long Rural Feeder	1.682
SAIFI Total	**1.131**
Number of customers with greater than 9 but less than or equal to 12 interruptions	290
Compensation paid to customers with greater than 9 but less than or equal to 12 interruptions	$29 000
Number of customers with greater than 12 but less than or equal to 15 interruptions	37
Compensation paid to customers with greater than 12 but less than or equal to 15 interruptions	$5 500
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	**$34 500**

Source: AER

Table 7.7: SA Duration of supply interruptions 2018-19 (SA Power Networks)

	SAPN
System Average Interruption Duration Index (SAIDI) (minutes)	
CBD Feeder	13.3
Urban Feeder	99.1
Short Rural Feeder	181.1
Long Rural Feeder	333
SAIDI Total	**146.4**
Percentage contribution of planned interruptions to state-wide SAIDI	38%
Number of customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	10 905
Compensation paid to customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	$1 090 500
Number of customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	8 888
Compensation paid to customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	$1 333 190
Number of customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	5 197
Compensation paid to customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	$1 039 385
Number of customers who experienced a supply interruption greater than 24 hours but less than 48 hours	1 427
Compensation paid to customers who experienced a supply interruption greater than 24 hours but less than 48 hours	$ 577 795
Number of customers who experienced a supply interruption greater than 48 hours	45
Compensation paid to customers who experienced a supply interruption greater than 48 hours	$ 27 225
Total amounts paid to customers for duration of supply interruptions exceeding the threshold amount	**$4 068 095**

Source: AER

Table 7.8: ACT electricity distributor performance 2018-19 (EvoEnergy)

	EvoEnergy
Complaints	
Total complaints received	618
Complaints responded to within 20 business days	618
Planned interruptions	
Number of planned interruptions	1 186
Instances where notice of at least four business days was not provided to customers	22
Instances where supply was not restored within 12 hours of the initial interruption	14
Unplanned interruptions	
Number of unplanned interruptions	1 668
Instances where supply was not restored within 12 hours of the initial interruption	50
Compensation	
Number of customers that received compensation	28
Compensation paid	$1 650
System Average Interruption Duration Index (SAIDI) (minutes)	
Overall	92.53
Distribution network - planned	41.54
Distribution network - unplanned	45.93
Normalised distribution network - unplanned	34.94
System Average Interruption Frequency Index (SAIFI) (number)	
Overall	0.95
Distribution network - planned	0.19
Distribution network - unplanned	0.74
Normalised distribution network - unplanned	0.63
Customer Average Interruption Duration Index (CAIDI) (minutes)	
Overall	96.92
Distribution network - planned	215.58
Distribution network - unplanned	62.02
Normalised distribution network - unplanned	55.09

Source: AER

Table 7.9: NSW electricity distributor performance 2018-19

	Ausgrid	Endeavour Energy	Essential Energy
Customers			
Total number of customers	1 746 274	1 016 625	858 068
Residential customers	1 564 021	931 593	760 001
Small non-residential customers	144 402	79 352	92 814
Complaints			
Total complaints received	5 798	1 512	3 079
Residential (%)	-	96.20%	90%
Small non-residential (%)	-	3.80%	10%
Telephone Services			
Total calls received	148 370	289 000	277 640
Calls answered within 30 seconds (%)	83%	54%	63%
Calls abandoned (%)	3.5%	3.2%	10%
Promptness of Connection			
Connections provided for new and existing premises	130	0	170 142
Connections not provided on or before agreed time	-	0	0
Compensation paid for failing to provide connections on time	-	$0	$0
Faulty Streetlights			
Number of reported streetlight faults	19 789	16 092	9 999
Occasions where repairs not completed on or before agreed date	3 861	1 356	92
Compensation paid to customers	$2 955	$6 885	$1 380
Planned Interruptions			
Number of planned interruptions	9 798	7 588	13 786
Occasions where there was insufficient notice of the interruption	40	128	84
Occasions where the planned interruption was for longer than the time indicated on the notice	-	294	2 296

Source: AER

Table 7.10: Tasmania electricity distributor performance 2018-19 (TasNetworks)

	TasNetworks
Complaints	
Total complaints received	321
Planned interruptions	
Number of planned interruptions	2 301
Number of customers not notified of planned interruptions	46
Compensation paid to customer not notified of planned interruptions	$2 000
Faulty street lights	
Number of reported street light faults	1 828
Occasions where repairs not completed within seven days	1 152
Compensation paid to customers for repairs not completed within seven days	$0
New connections and reconnections	
New connections	2 703
New connections completed by scheduled date	2 144
Compensation paid to customers for late connections	$33 930
Reconnections	21 981
Reconnections completed by scheduled date	21 804
Compensation paid to customers for late reconnections	$0
System Average Interruption Duration Index (SAIDI) (minutes)	
Average duration of interruptions	223.83
Normalised average duration of interruptions	200.45
Number of timely restoration payments made	10 847
Value of restoration payments made	$914 000
System Average Interruption Frequency Index (SAIFI) (number)	
Average frequency of interruptions	1.78
Normalised average frequency of interruptions	1.68
Number of reliable supply payments made	2 780
Value of reliable supply payments made	$222 400

Source: AER

Appendix 5:
Map of electricity distribution zones

Appendix 6:
Map of gas distribution zones