Quarterly retail performance report

January – March 2023

Q3 2022–23

June 2023

AUSTRALIAN ENERGY REGULATOR

Australian Government

Purpose of the AER's retail performance reporting

Why we report

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

How we report

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

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

Regions our reports cover

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

Reporting period

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

- The corresponding quarterly schedules are available in Excel on our website.

Retail market at a glance

January to March 2023 (as at 31 March 2023)

Customer numbers

RESIDENTIAL

6,790,767
Electricity

2,285,308
Gas

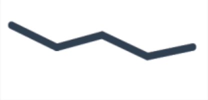
Customer debt (excludes hardship customers)

RESIDENTIAL

2.8%
of customers in debt

Up 12 bps on Jan–Mar 2022

$999
average energy debt



Down $59 on Jan–Mar 2022

Residential payment plans

Electricity

112,128
1.7% of customers

Up 8,050 on Jan–Mar 2022

Gas

22,583
1% of customers

Up 2,297 on Jan–Mar 2022

Residential disconnections

Electricity

6,343
0.09% of customers

Gas

1,598
0.07% of customers

Residential credit collection

Electricity

40,991
0.60% of customers

Down 1 bps on Jan–Mar 2022

Gas

9,979
0.44% of customers

Down 6 bps on Jan–Mar 2022

Residential hardship

Electricity

1.3%
of customers on hardship programs

Up 20 bps on Jan–Mar 2022

$1,871
average hardship debt

Up $137 on Jan–Mar 2022

Gas

0.9%
of customers on hardship programs

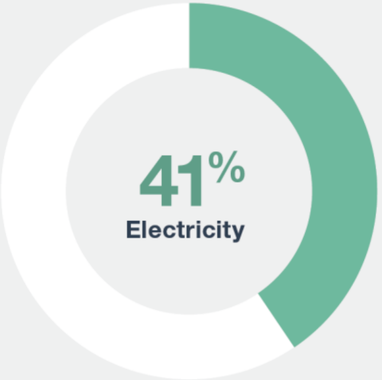
Up 15 bps on Jan–Mar 2022

$920
average hardship debt

Up $75 on Jan–Mar 2022

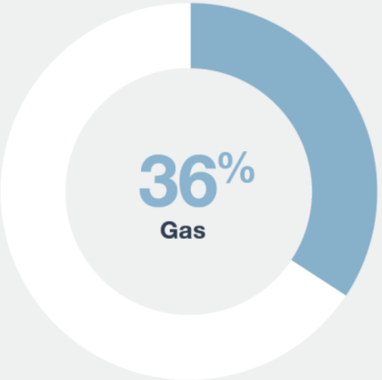
Hardship customers not meeting usage costs

Electricity



Down 300 bps on Jan–Mar 2022

Gas



Down 570 bps on Jan–Mar 2022

Key trends

- Retail market offer prices decreased by 1% to 5% across most electricity distribution zones and 1% to 7% across most gas distribution zones between January and March 2023.
- Government supports[1] and bill relief in place over the second half of 2022 likely softened some of the negative consumer hardship measures we may have otherwise seen. Some key encouraging signs since this quarter last year include:
  - a 12% decrease in gas customers referred to external credit collection agencies (although there was little change for electricity customers)
  - a lower proportion of disconnections.
- Earlier retailer engagement with customers experiencing payment difficulties may be reflected in the following changes since this quarter last year:
  - a 19% increase in residential electricity customers participating in hardship programs – this is now 1.3% of customers, which is above pre-pandemic levels. Higher program participation may also reflect more customers experiencing hardship
  - an 8% increase in customers participating in payment plans – this may also reflect more customers experiencing hardship
  - a 28% decrease in average debt on entry to a hardship program.

[1] The Queensland Government's $175 rebate from 1 August 2022 and the Tasmanian Government's $180 Winter Bill Buster Package from 1 August 2022.

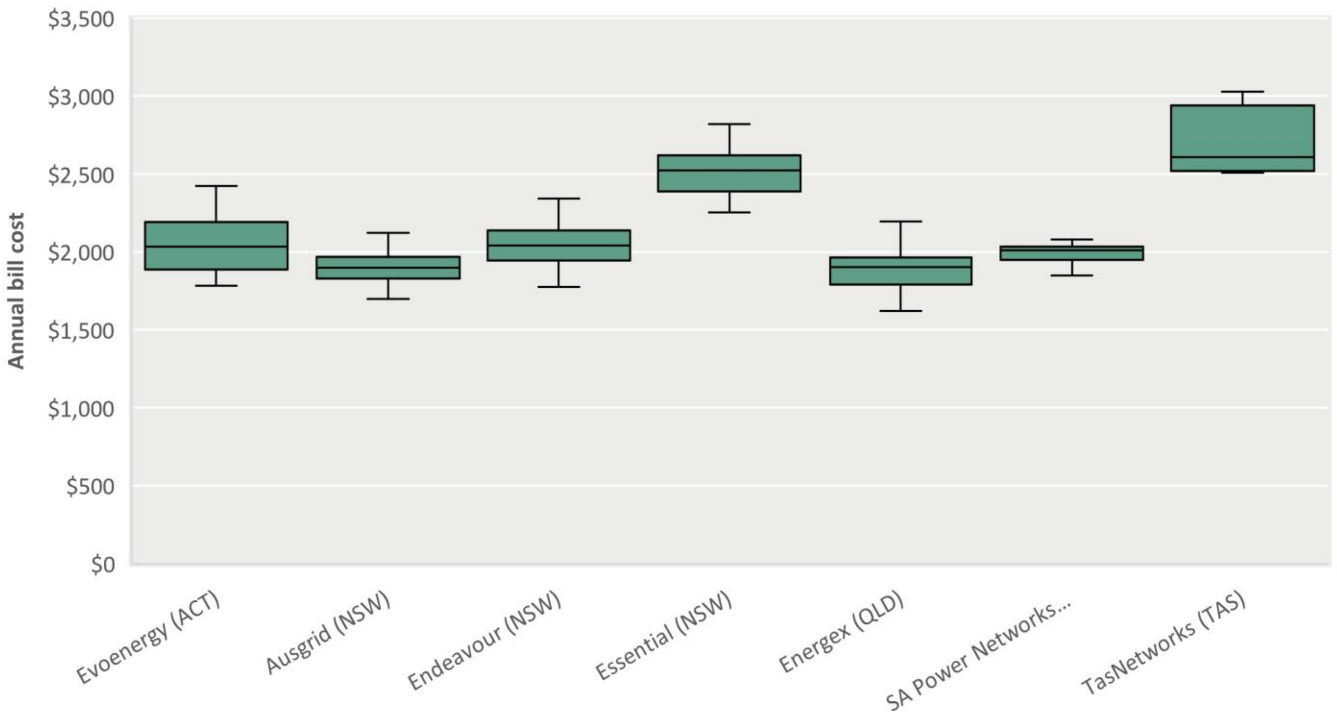
Key trends

- Several indicators show that hardship programs are not yet fully effective. Since this quarter last year, we observe the following concerning movements:
  - 8% increase in average hardship customer debt levels (up by $137)
  - 9% increase in electricity hardship customers who were excluded from the program for non-compliance
  - 29% decrease in electricity hardship customers who successfully completed the program.
- However, some changes since this quarter last year in the hardship program that may be considered positive:
  - the only debt level category to increase was customers with debt levels less than $500 on program entry (up 9%)
  - the proportion of customers with debt greater than 12 months on entry decreased to 24% (down 6%), whereas the proportion of customers holding debt of less than 6 months on program entry increased to 48% (up 8%)
  - the proportion of electricity hardship customers not meeting their usage costs decreased to 41% (down 3%).

Electricity median market offer prices have dropped since last quarter

- The median market offer has dropped by between 1% and 5% across most electricity distribution zones since 31 December 2022. This is a directional change from our previous quarterly report, where offers increased by between 8% and 18% over June to December 2022.
- As at 31 March 2023, a large proportion of electricity market offers were priced near the median offer in each distribution zone, which was similar to last quarter. The boxes in Figure 1 show the interquartile range where 50% of offers are available.
- The cheapest offers available are shown by the horizontal line below each of the boxes, which remained relatively unchanged from last quarter.

Figure 1: Retail market offers update – annual bill impact for electricity

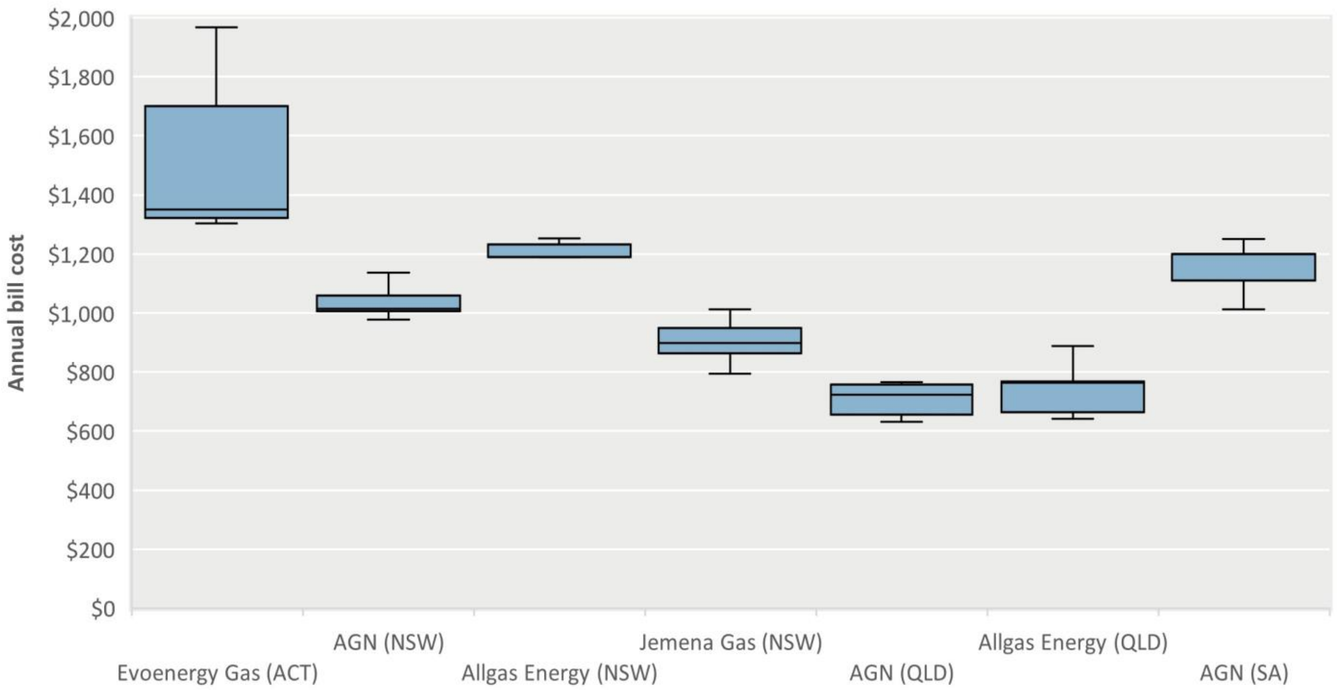


Note: Pricing data is based on prices as at 31 March 2023. There are a few offers that are significantly higher than the median price. However, these represent a very small number of offers in the market, therefore we have removed these dots from the chart. This analysis does not include Victorian offers.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

Gas median market offer prices have dropped since last quarter

- The median market offer has dropped by between 1% and 7% across most gas distribution zones since 31 December 2022. This is a directional change since our previous quarterly report, where offers increased by between 4% and 18% over June to December 2022.
- As at 31 March 2023, a large proportion of gas market offers were priced near the median offer in each distribution zone, which was similar to last quarter. The boxes in Figure 2 show the interquartile range where 50% of offers are available.
- The cheapest offers available are shown by the horizontal line below each of the boxes, which remained relatively unchanged from last quarter.

Figure 2: Retail market offers update – annual bill impact for gas

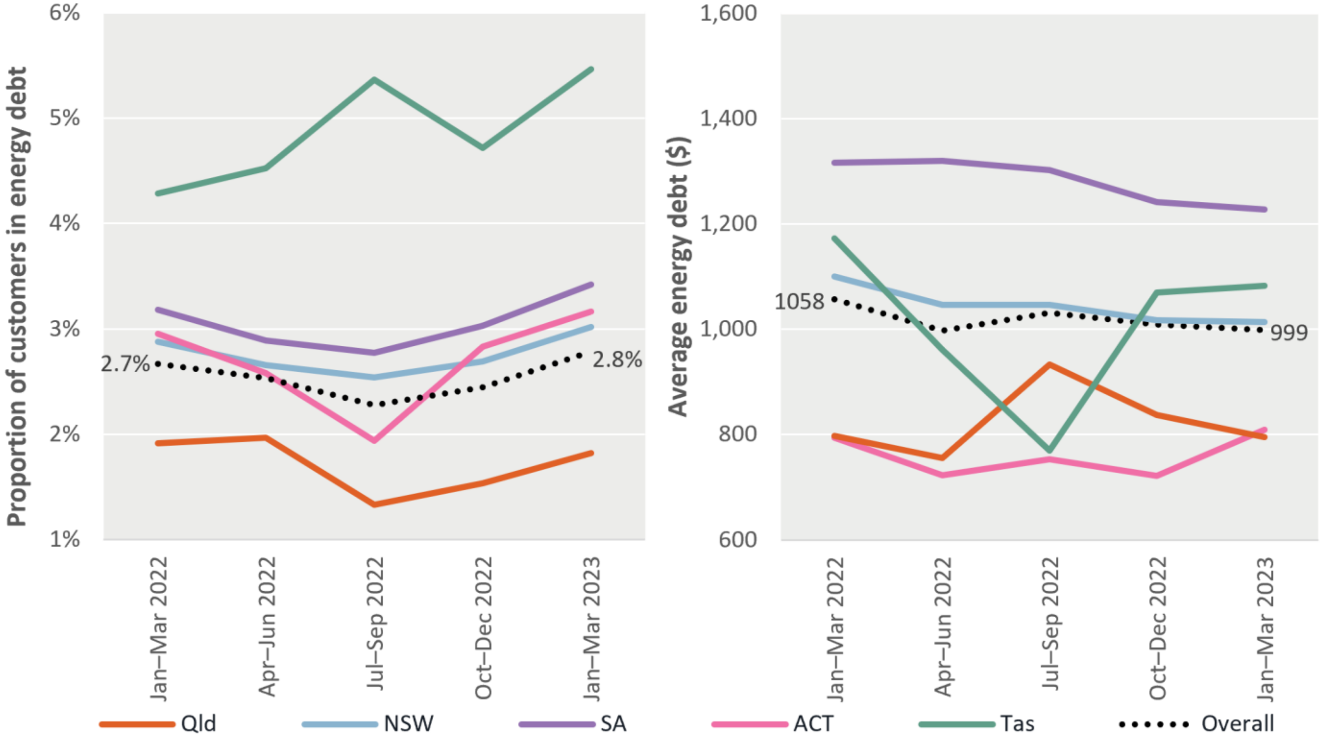


Note: Pricing data is based on prices as at 31 March 2023. There are a few offers that are significantly higher than the median price. However, these represent a very small number of offers in the market, therefore we have removed these dots from the chart. This analysis does not include Victorian offers.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

Residential energy debt has decreased, but number of customers repaying energy debt increased

- The proportion of customers repaying energy debt has increased from 2.7% to 2.8% since this quarter last year (Figure 3). This totals to 188,969 customers.
- Customers with energy debt has increased by 13.7% since last quarter. This may start to reflect longer-term entrenched debt for the subset of customers experiencing vulnerability.
- Average residential energy debt has decreased from $1,058 to $999 (down 5.6%) since this quarter last year, with all regions (except for the ACT) now having a lower average energy debt.
- The large increase in customers repaying energy debt in Queensland and Tasmania may be due to several factors, including earlier retailer engagement and the expiration of government rebates/subsidies. In Tasmania, the continued relaxation of debt collection practices since June 2022 would also be a factor.

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



Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: 'Repaying & Avg Debt Resi', Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Elec Cust#s & Mkt Contr'.

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

- The total number of residential customers holding more than $500 energy debt across all categories has increased from 74,741 to 77,014 (up 3%) since this quarter last year.
- The average increase in residential customers holding energy debt was particularly high compared last quarter, driven mainly by a 13.7% increase in customers holding debts less than 12 months old (Figure 4).
- The accumulation of debt is a concern because it may lead to the increased likelihood of customers entering payment plans, hardship programs and/or disconnections in the future.

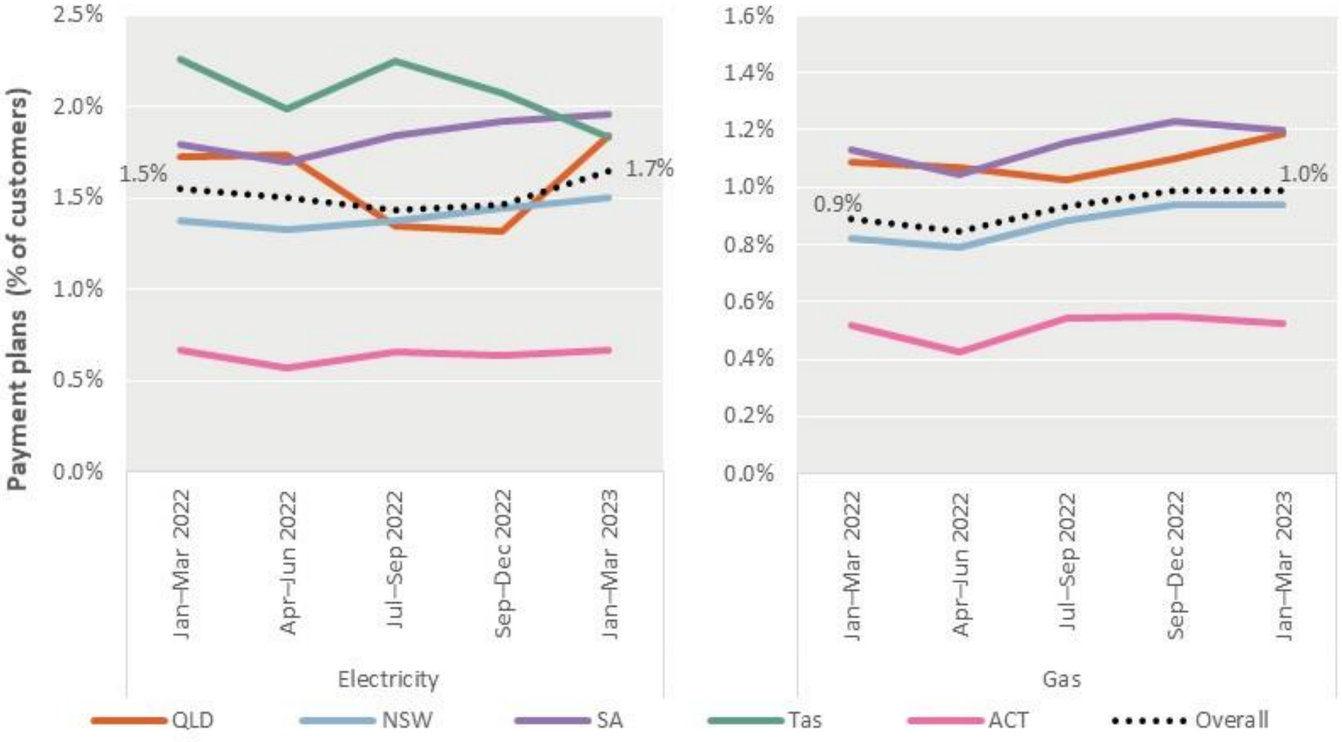
Figure 4: Quarterly change in number of residential customers with ageing energy debt

Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: 'Repaying & Avg Debt Resi'; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Elec Cust#s & Mkt Contr

Continued increase in payment plans due to retailer engagement

- Since this quarter last year, the proportion of residential customers with an electricity payment plan has increased from 1.5% to 1.7% (Figure 5), while the number of customers on a payment plan has increased by 7.7% to 112,128.
- Similarly, since this quarter last year, the proportion of customers on a gas payment plan has increased from 0.9% to 1.0%, while the number of customers on a payment plan has increased by 11.3% to 22,583.
- Retailers continue to advise that the increases are related to increased customer and retailer engagement due to cost of living, interest rate pressures and other debt held by customers.

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

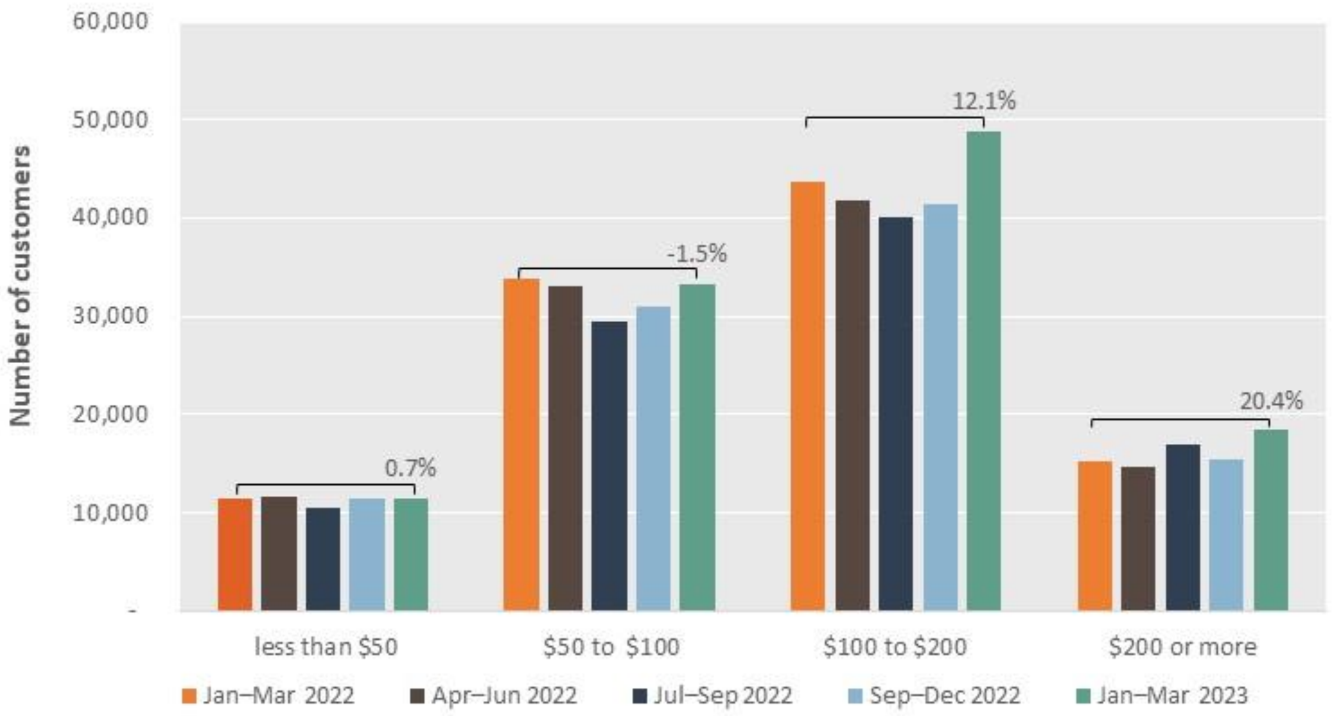


Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: 'Payment Plans'; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Increase in fortnightly payments and entering multiple payment plans for electricity customers

- Since this quarter last year, the number of residential electricity customers:
    - making fortnightly payments of $100 to $200 increased by 12.1% (Figure 6)
    - making fortnightly payments of over $200 increased by 20.4%
    - entering multiple payment plans increased by 5.4%
    - completing a payment plan increased by 7.7%.
- Since last quarter, the number of residential electricity customers:
    - making fortnightly payments of $100 to $200 increased by 18.1% (up 7,484)
    - making fortnightly payments of over $200 increased by 19.2% (up 2,956)
    - entering multiple payment plans increased by 14.2%, with little movement in completing a payment plan.

Figure 6: Customer payments per fortnight

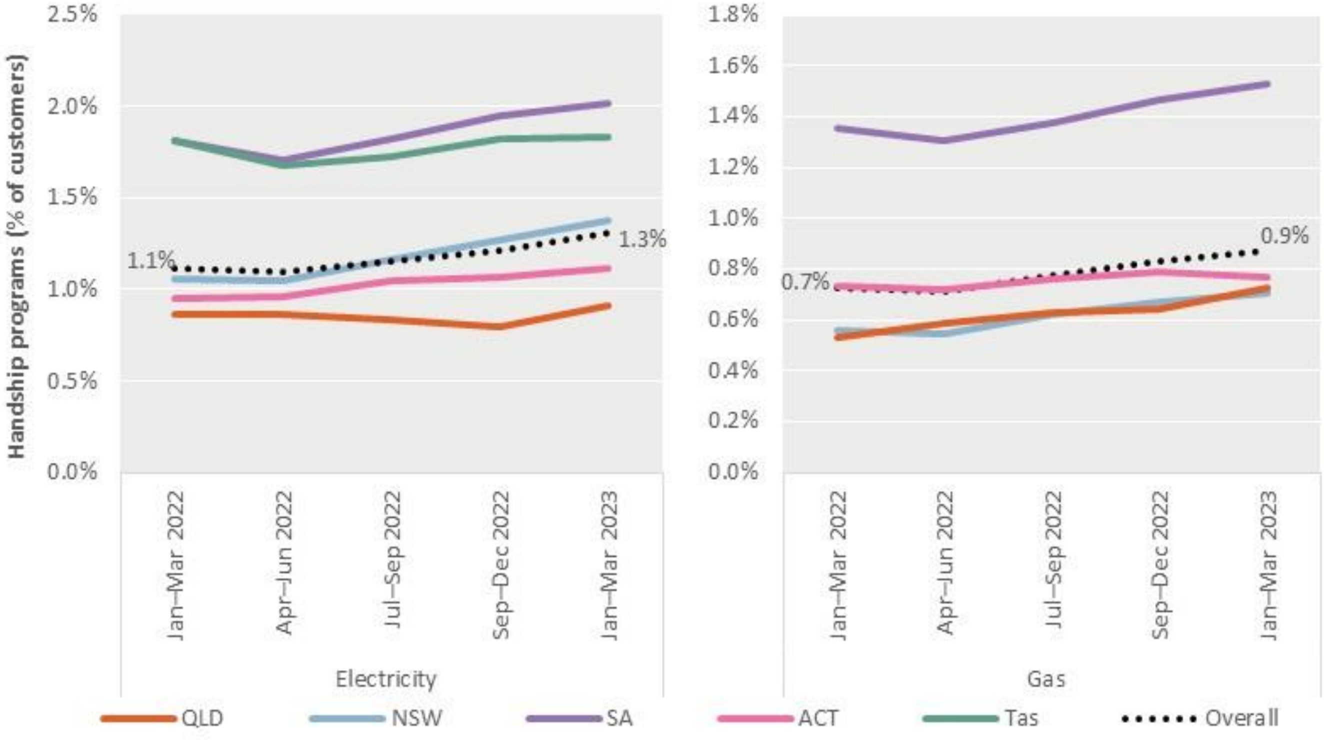


Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: 'Payment Plan by Type – Elec'. '.

Hardship program customers continue to increase

- The proportion of residential electricity hardship customers has increased from 1.1% to 1.3% (Figure 7) since this quarter last year. This is reflected in the number of electricity customers on hardship plans increasing by 19.3% to 89,201 over that period.
- Gas customer hardship numbers have also increased by 21.3% since this quarter last year, from 16,488 to 20,003.
- Residential electricity hardship customer numbers increased this quarter in all jurisdictions, with Queensland having the largest increase of 15.2%.

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



Source: AER, Schedule 4 – Retail Performance Data Q3 2022–23, Sheet: ‘Hardship Numbers’ Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: ‘Res Elec Cust#s & Mkt Contr’.

Average electricity debt on entry to hardship programs decreased, but debts while in hardship increased

- Since this quarter last year, average debt on entry to hardship programs has decreased 27.9% from $1,741 to $1,256 (Figure 8). All jurisdictions now have a lower average debt on entry to hardship programs than they did in this quarter last year.
- Average debt of customers while in a hardship program has increased 7.9% from $1,734 to $1,871 since this quarter last year. All jurisdictions, except Tasmania, experienced an increase in average debt levels over that period.
- Tasmania's decrease in average hardship debt and fluctuations in average debt on entry may be due to several factors, including government rebates, seasonal usage, reasonably static hardship numbers and retailer hardship policy.

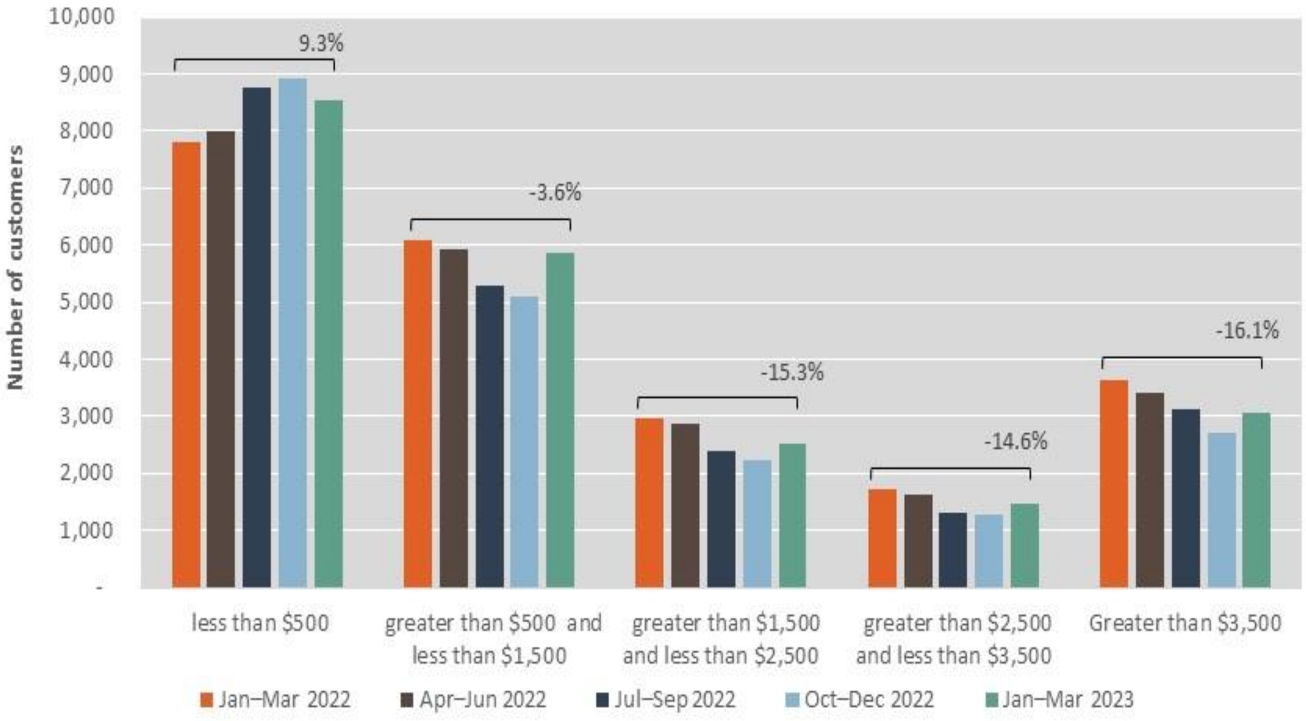
Figure 8: Average electricity hardship debt and average electricity debt at time of entry to hardship programs

Source: AER, Schedule 4 – Retail Performance Data Q3 2022–23, Sheet: 'Hardship Avg & Entry Debt'.

Retailers more effectively identifying customers in hardship

- Retailers have previously told us that they have implemented programs to have greater engagement with customers and they are seeing more customers seeking support. This may be reflected in the following changes since this time last year:
  - Retailer referrals to hardship programs increased by 26.4%.
  - Electricity customers with debt levels less than $500 on entry to a hardship program increased by 9.3%, with all other debt categories reducing (Figure 9). However, the reverse was true when measured over the last quarter, indicating that this positive change may not continue.
  - The proportion of customers holding debt of less than 6 months on entry to a hardship program increased from 39.6% to 48.2%, while the proportion of customers with debt of greater than 12 months on entry decreased from 29.7% to 23.9%.

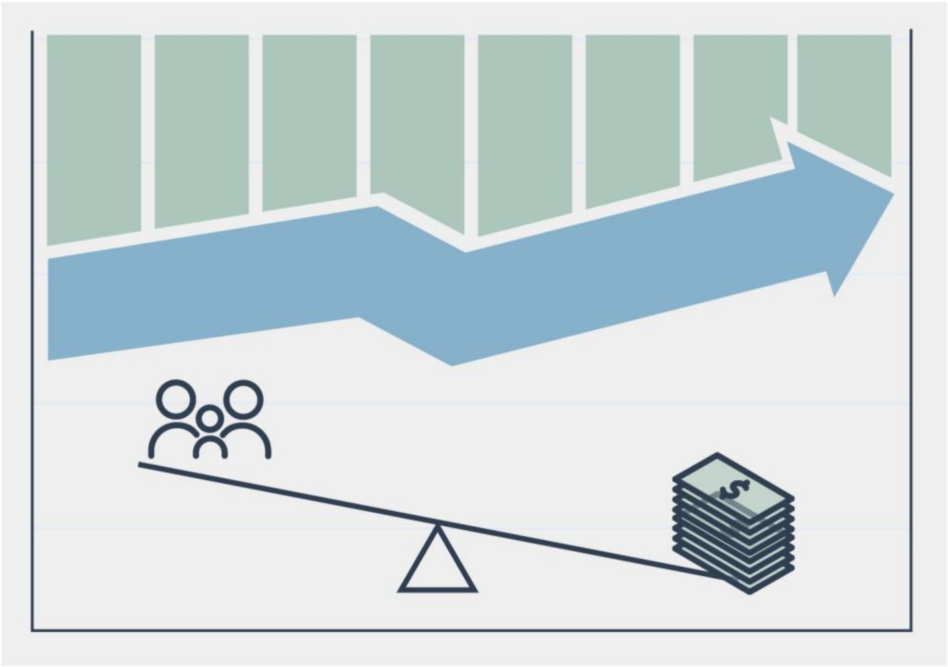
Figure 9: Number of electricity hardship debt customers and debt on entry to hardship programs by debt level



Source: AER, Schedule 4 – Retail Performance Data Q3 2022–23, Sheet: 'Hardship debt on entering'.

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

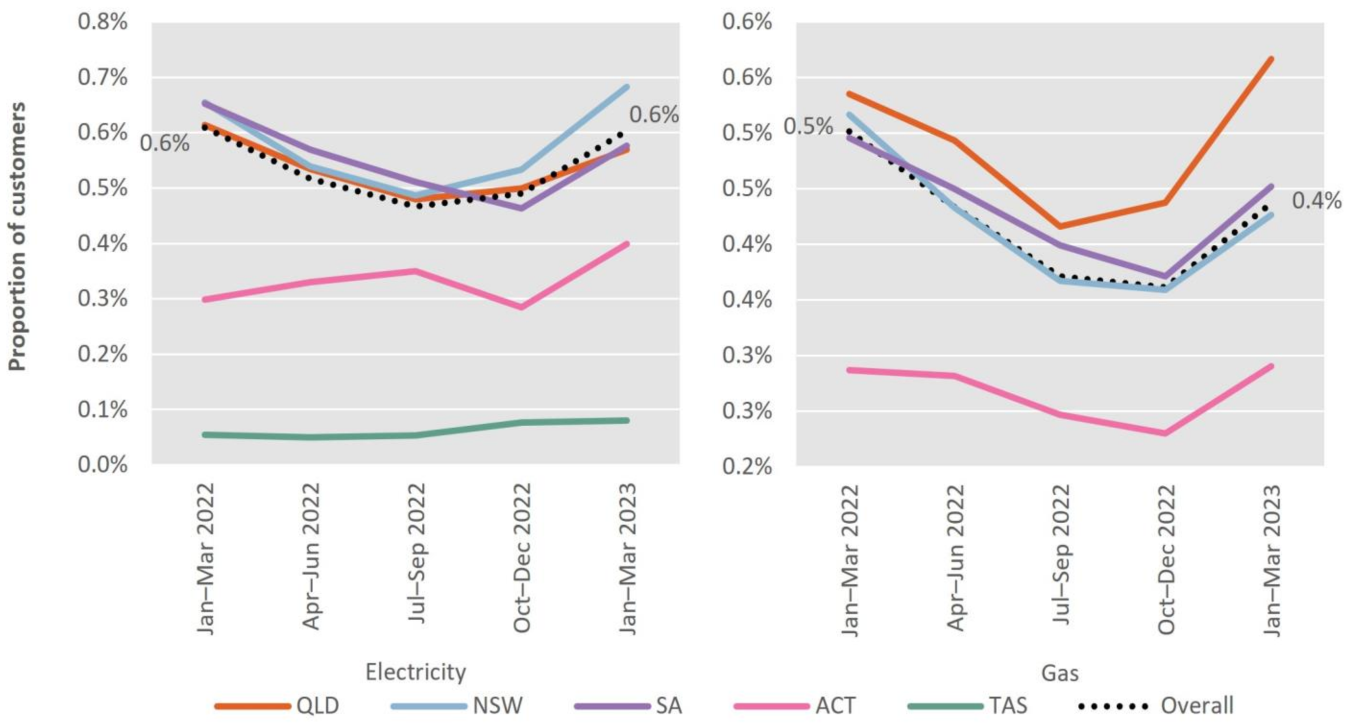
- The following changes since this quarter last year indicate that customers experiencing hardship are finding it harder to meet their energy costs and debt commitments:
  - 4% more electricity customers on hardship programs had been in their program for greater than 12 months (27.3% of customers on hardship programs)
  - 9.3% more residential electricity customers were excluded from hardship programs for non-compliance
  - 69.1% of those customers were excluded for not making their requested payments
  - 29.4% less residential electricity hardship customers successfully completed the program (6.1% of customers on hardship programs).
- 40.9% of electricity customers with a hardship repayment plan did not meet their usage costs for this quarter, although this value has decreased by 3.0% since this quarter last year.



Credit collections continue to increase across all regions

- 0.60% of residential electricity customers were referred to external credit collection agencies this quarter. Despite increasing over the last quarter, this is a similar rate to this quarter last year (Figure 10).
- 0.44% of residential gas customers were referred to external credit collection agencies this quarter. Despite increasing over the last quarter, this rate is 12% lower than what it was this quarter last year (Figure 10).
- In 2022, retailers referred fewer customers to credit collection due to natural disasters, particularly in the June and September quarters. Since then, credit collection activities have recommenced, likely driving the increase in referrals since last quarter.

Figure 10: Proportion of residential electricity and gas customers on credit collection

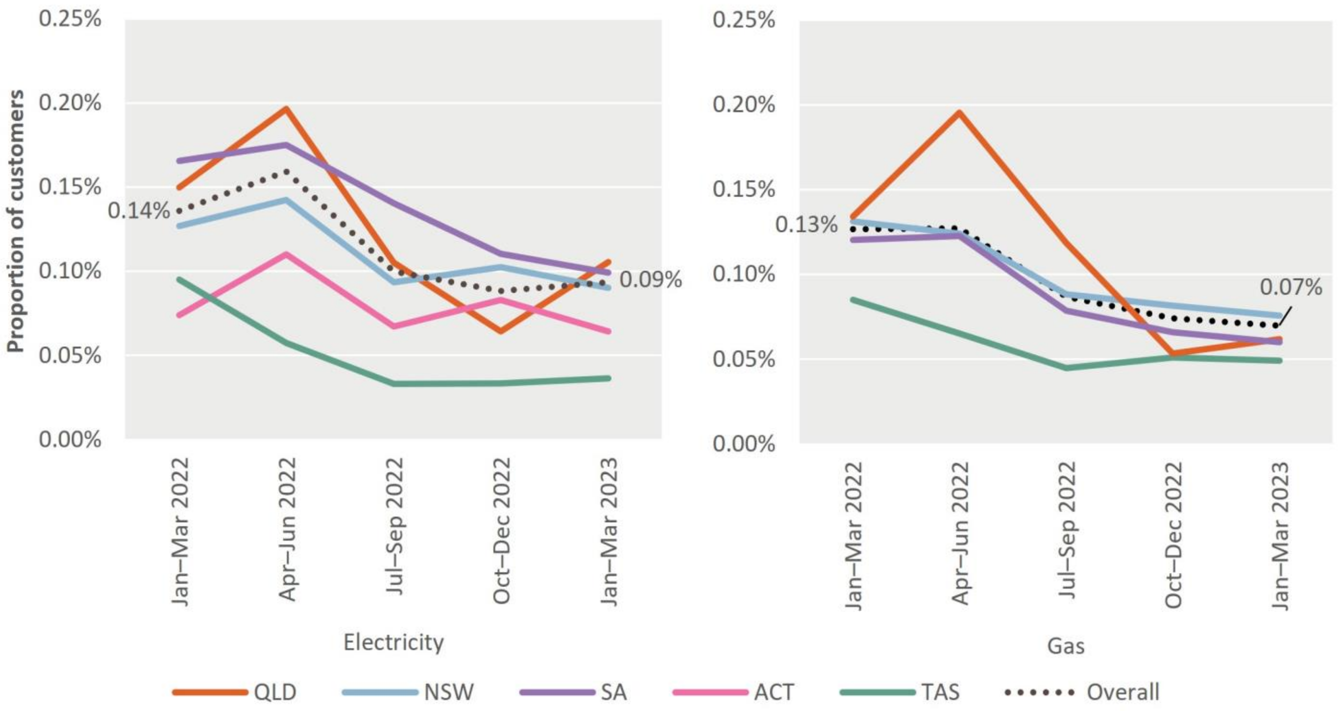


Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: ‘Credit Collection’; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: ‘Res Elec Cust#s & Mkt Contr’; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: ‘Res Gas Cust#s & Mkt Contr’.

Disconnection rates continue to trend downwards

- Electricity and gas disconnections remain lower than this quarter last year across all jurisdictions.
- Since last quarter, Queensland was the only state to have a material increase in electricity and gas disconnections (Figure 11). This may be linked to the expiration of the government rebate.

Figure 11: Proportion of residential electricity and gas customers disconnected

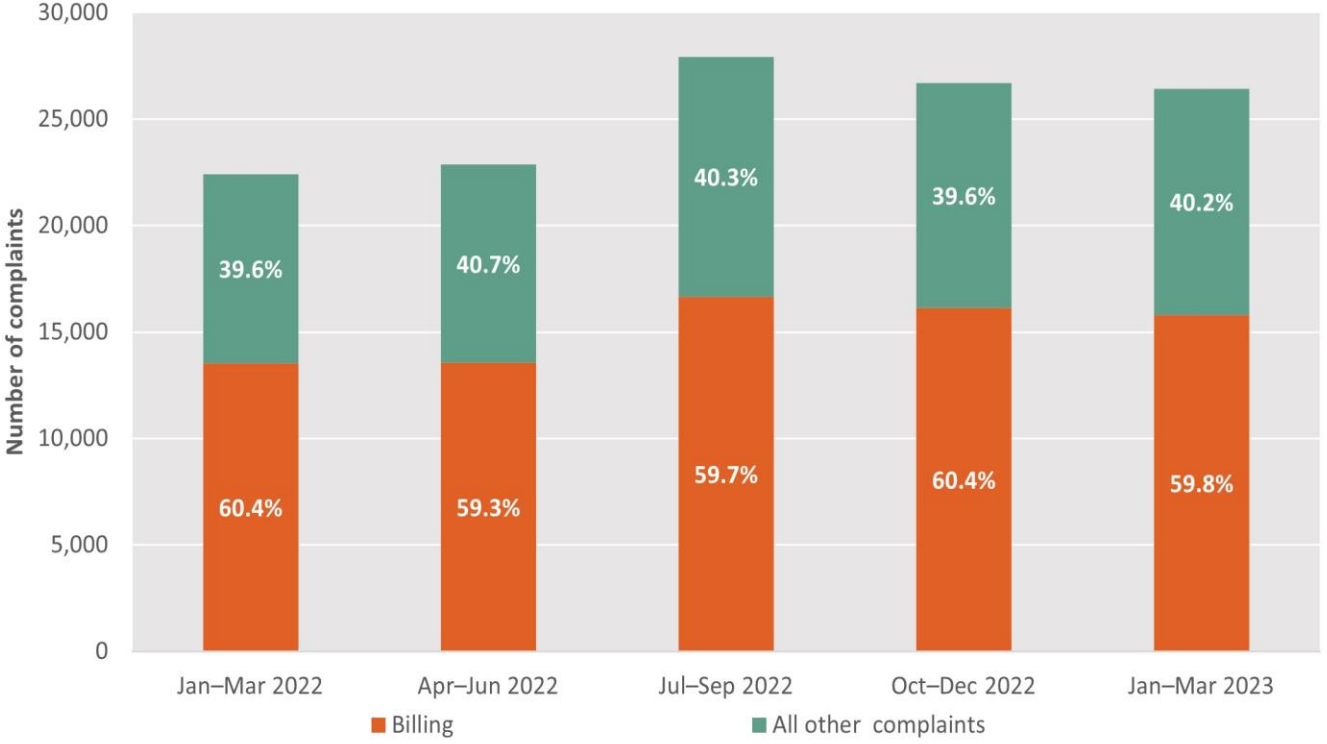


Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: 'Disconnections Resi'; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Complaints remain higher than this quarter last year

- Total number of complaints have increased from 22,410 to 26,421 (up 17.9%) since this quarter last year (Figure 12).
- Complaints relating to billing continue to comprise around 60% of all complaints. Billing complaints include grievances with price, billing errors, payment arrangements and debt recovery practices.

Figure 12: Electricity customer complaint types, by number and percentage

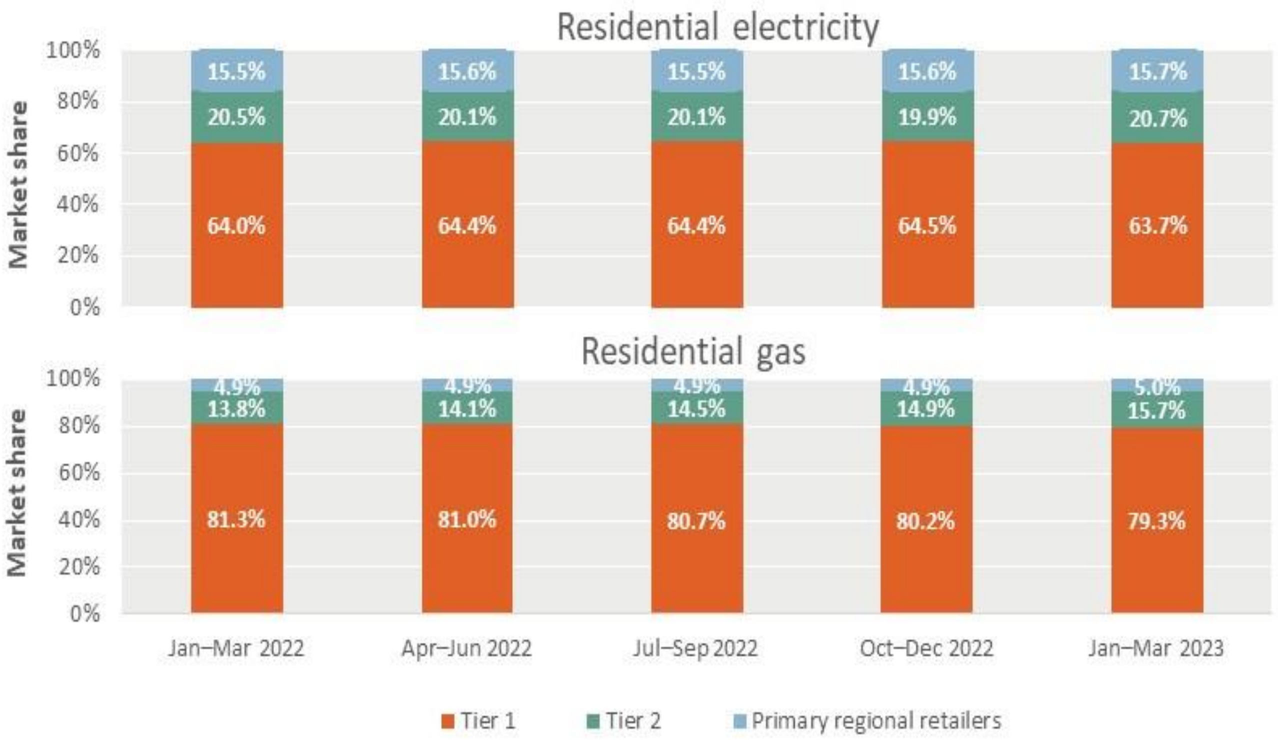


Source: AER, Schedule 3 – Retail Performance Data Q3 2022–23, Sheet: ‘Complaints by type – Resi’; Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: ‘Res Elec Cust#s & Mkt Contr’.

Customer numbers for Tier 1 retailers decreased while market share of smaller retailers increased

- The residential gas market continued its slow trend away from Tier 1 retailers towards Tier 2 retailers, with Tier 2 retailers increasing market share by 1.9% since this quarter last year (now 15.7%, as per Figure 13).
- No trends were identified in the residential electricity market. Market share among Tier 1 retailers was 0.3% lower than this quarter last year.
- Note: Tier 1 retailers comprise Origin Energy, AGL and EnergyAustralia. Primary regional retailers comprise Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania. Tier 2 retailers are all other retailers.

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



Source: AER, Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Elec Cust#s & Mkt Contr', Schedule 2 – Retail Performance Data Q3 2022–23, Sheet: 'Res Gas Cust#s & Mkt Contr'.