

ANNUAL REPORT ON COMPLIANCE & PERFORMANCE OF THE RETAIL ENERGY MARKET 2016–17



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AER staff, Home Living Expo, April 2017

CHAIR FOREWORD

I am pleased to present the Australian Energy Regulator's annual report on retail market performance and compliance for 2016-17. This is our fifth year of reporting on annual compliance outcomes and the performance of the retail market, and for the first time we are presenting a combined report addressing performance, affordability, and compliance outcomes.

The Australian energy market is in transition and the AER is working to place the needs of customers at the heart of this significant technological, policy and behavioural change.

Energy affordability emerges from the report as requiring close attention. The impact of rising energy costs on households, particularly low income households, is illustrated in detail. The reports yields concerning figures: rises in energy debt levels, a fall in the number of customers successfully exiting hardship programs and higher overall electricity disconnections. The impact of the significant price changes that took effect across the National Electricity Market on 1 July 2017 (outside this reporting period) will undoubtedly place even greater pressure on Australian household expenditure in the coming year.

Over the last year, we have worked to provide Australian energy customers with tools to negotiate their rising energy bills. We have engaged with customers across Australia through our community outreach activities. We have visited regional and metropolitan areas to speak with customers, customer representatives and financial counsellors about reducing energy costs, and how to use our Energy Made Easy website to find cheaper energy deals. We will continue to engage with customers to ensure they have the information they need to find the best possible offers in the market for their needs.

This year we will complete our review of retailer hardship policies to ensure all retailers are identifying, engaging with, and providing appropriate assistance to their customers. We will also continue to consult on, and promote the benefits of, the Sustainable Payment Plans Framework and monitor its effectiveness in improving outcomes for customers experiencing financial difficulties.

Retail pricing information is another area of focus in the coming year. Customers have told us they want clear and transparent information and we are working closely with retailers and other stakeholders to improve the information currently provided.

Following the Prime Minister's roundtables with retailers in August, retailers have been reporting to us the number of customers on market offers with expired benefit periods and who are worse off as a result. We will use this data to identify whether additional assistance may be needed to encourage customers to take up better offers. We are also

developing guidelines for retailers on the rule change requiring notification to customers ahead of the end of a contract fixed benefit period and will monitor compliance with the new requirements.

After extensive consultation and briefings with industry and customer groups, we will focus on the customer impacts of the changes in market structure arising from the new metering contestability rules. We will work closely with the relevant Ombudsman schemes to identify any issues arising from the implementation of this new framework.

We await the release of the ACCC's Retail Electricity Pricing Inquiry final report and the impact of the conclusions and findings on retail businesses and customers.

In the coming year, we will work in collaboration with all stakeholders to adapt to the rapidly changing retail energy market and work to deliver positive outcomes for Australian energy customers, now and in the future.

Paula Conboy Chair November 2017

KEY FINDINGS 2016–17

While electricity prices have increased across all jurisdictions, this has had the greatest impact on affordability for low income households.

The proportion of residential and small business customers who were repaying an electricity debt increased in most jurisdictions. While retailers are offering more payment plans to customers, more customers are being excluded from hardship programs. There are also fewer customers successfully completing hardship programs.

While fewer gas customers were disconnected, more electricity customers were disconnected. Overall, fewer customers complained to retailers and Ombudsman schemes.

The three major retailers, AGL, EnergyAustralia and Origin Energy still dominate the market but have reported decreases in customer numbers suggesting that more customers are seeking out more competitive energy offers with other retailers.

Market overview

All jurisdictions, except for the Australian Capital Territory (ACT), reported an increase in the number of customers on gas and electricity market retail contracts. Across all jurisdictions we regulate, based on the total number of residential customers on market and standing retail contracts:

- 68 per 100 electricity customers are on market retail contracts
- 79 per 100 gas customers are on market retail contracts.

Consumers continue to be provided with choice when it comes to energy offers in their state or territory. During the year, across all jurisdictions, our Energy Made Easy website featured a total of 2161 residential market offers and 1621 small business market offers.¹

An increasing proportion of customers have moved off standing (or regulated) offers to market retail contracts, which are typically lower priced. However, the shift has remained relatively small and may reflect retailers focusing on customer retention.

Affordability

When comparing the median market offer:

- South Australia has the least affordable electricity. After concession charges, prices are 5.5 per cent of a low income household's disposable income.
- The least expensive electricity is in ACT. After concession charges, prices are 3.1 per cent of a low income household's disposable income.
- New South Wales had the largest electricity price increases at 10.6 per cent to \$1419, or up 13.5 per cent for concession customers to \$1144.
- Queensland experienced the smallest electricity price increase at 2.9 per cent to \$1441, or up 2.7 per cent for concession customers to \$1100.
- In Tasmania the regulated offer increased 3.9 per cent from the previous year to \$1538 for concession customers, and 3.5 per cent for customers without a concession to \$2032.

¹ On 30 June 2017

Market performance

Disconnections

Overall, 1083 more electricity customers were disconnected than in 2015–16 (up 1.7 per cent). This was due to an increase in electricity disconnections in Queensland (up 16 per cent), ACT (up 10 per cent) and South Australia (up 3 per cent).

Overall, 3669 less gas customers were disconnected than in 2015–16 (down 25.7 per cent).

Debt

Across all jurisdictions: for those customers who are not on hardship programs:

- 2.9 per 100 electricity customers are repaying a debt that is on average \$690
- 3.7 per 100 gas customers are repaying a debt that is on average \$489.

Hardship

Customers on formal hardship programs in the jurisdictions represented less than 1 per cent of all residential customers. However, of those in hardship programs:

- only 27 per 100 electricity customers exiting hardship programs did so successfully
- only 20 per 100 gas customers exiting hardship programs did so successfully.

Over this period the rate of customers exiting hardship programs due to exclusion increased from 46 per cent to 57 per cent.

Customer Service

Most energy retailers answered at least 80 per cent of calls within 30 seconds, and had average waiting times of less than one minute:

- ActewAGL had the longest waiting time at nearly four minutes
- Red Energy had the longest call waiting times, doubling to 73 seconds since 2015–16
- Origin Energy improved the most, with average call time decreasing by 73 seconds.

Compliance

This year our compliance and enforcement work involved enforcement outcomes, compliance and monitoring, and stakeholder education and engagement.

We issued 21 infringement notices with \$420 000 in penalties paid and obtained two court enforceable undertakings. We also reviewed the practices of 425 exempt sellers and the pricing information of 26 retailers. Three compliance checks were issued, and we provided 2300 life support packs to GP practices and 1100 brochures to regional councils regarding life support obligations.

PERFORMANCE OF THE RETAIL ENERGY MARKET MARKET OVERVIEW 2016-17



PERFORMANCE OF THE RETAIL ENERGY MARKET QUEENSLAND 2016-17



PERFORMANCE OF THE RETAIL ENERGY MARKET NEW SOUTH WALES 2016-17



PERFORMANCE OF THE RETAIL ENERGY MARKET SOUTH AUSTRALIA 2016-17







PERFORMANCE OF THE RETAIL ENERGY MARKET TASMANIA 2016-17



PERFORMANCE OF THE RETAIL ENERGY MARKET AUSTRALIAN CAPITAL **TERRITORY 2016-17**



Concession

(up 6.0%)

Concession

Concession

(up 13.4%)

Concession

86

ENFORCEMENT AND COMPLIANCE OUTCOMES 2016-17

Enforcement		
Court enforceable undertakings 2	Infringement notices 21	Total penalties \$420,000
Failure to provide a registered life support customer with 4 business days notice of a planned interruption s125(2)(d) Retail Rules	Infringements	Ausgrid\$160,000Ergon Energy\$20,000PenaltiesEnergex Limited\$40,000Endeavour Energy\$20,000
Failure to obtain explicit informed consent s38 Retail Law	Infringements	Penalties Simply \$60,000
Sale of electricity without valid authorisation or exemption s88 Retail Law	Infringements	Stockland Trust Management Limited
Submitting inaccurate information and data s282 (1) Retail Rules	Infringements	Origin Energy Penalties
Compliance and Monitoring		Engagement
425 exempt sellers had their practices reviewed	26 retailers had their pricing information reviewed	2,300 life support packs distributed to GP clinics to raise awareness of life support protections
compliance checks relating to retailer billing practices	2 industry surveys into retailer practices regarding life support customers and disconnections	1,100 life support brochures to regional councils
aer.gov.au		

Notes on retailer data

Note on EnergyAustralia customer numbers

After submitting Q4 data, EnergyAustralia advised that it had identified errors in its customer numbers for all quarters of data for 2016–27.

Specifically it advised that it has provided incorrect data for the number of NSW gas small business customers over the previous four quarters. While it has resubmitted correct data for the year, which has been used in the annual analysis in this report, it should be noted that this will affect the comparability of this report with our quarterly reports.

Note on Alinta Energy customer numbers

After submitting Q4 data, Alinta Energy identified it had reported incorrect average small business electricity debt and incorrect numbers of residential and small business customers repaying electricity and gas debts across all four quarters of the 2016–17 year. It resubmitted corrected data for the year, which has been used in the annual analysis of this report. The error will affect the comparability of this report with our quarterly reports.



1. Retail market overview

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

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

This report references the 32 electricity retailers and 14 gas retailers that reported to the AER in the 2016–17 period.

This chapter considers both residential and small business customers. However, the preceding infographics refer only to residential customer data.

1.1 Retail competition

In July 2017 the Australian Energy Market Commission (AEMC) released its 2017 Retail Competition Review². It found that:

- There were improvements across a range of measures of the effectiveness of competition in both the electricity and gas retail markets, including market concentration, consumer activity and product innovation.
- Market concentration is declining across all states where consumers have active choice of retailer.
- Between 2010 and 2016 the market share of second tier³ retailers increased by 5.7 per cent in South East Queensland and 14.6 per cent in Victoria.
- The emergence of the new retail energy businesses and new energy service providers offering innovative product and services to electricity consumers have been a particular improvement in the retail energy market.
- Retail price regulation and small market size continue to be barriers to retailers entering the Tasmanian and ACT markets.

² Australian Energy Market Commission 2017 Retail Competition Review, <u>www.aemc.gov.au/Markets-Reviews-Advice/2017-Retail-Energy-Competition-Review/</u> <u>Final/AEMC-Documents/Final-Report.aspx</u>

³ The AEMC 2017, Retail Energy Competition Review refers to Tier 2 retailers as retailers other than the 'big three' retailers (AGL, EnergyAustralia and Origin Energy).

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



Figure 1.1: Stages of energy retail market reform

1.1.1 Electricity

Figure 1.2 shows the market share held by electricity retailers in South East Queensland, South Australia, ACT, Tasmania and New South Wales for residential and small business customers as at 30 June 2017.



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

While a total of 21 retailers supply electricity to small customers in South Australia, the 'big three' retailers supplied around 76 per cent of that market (AGL (43 per cent), Origin Energy (23 per cent) and EnergyAustralia (10 per cent)).

Thirty retailers supply electricity to small customers in New South Wales. Around 86 per cent of these customers are supplied by AGL (23 per cent), Origin Energy (34 per cent) and EnergyAustralia (29 per cent).

In total, 25 retailers supply electricity to small customers in the Queensland electricity market, which is split between the contestable market in South East Queensland, and the rest of Queensland (where the supplier is Ergon Energy). Origin (35 per cent) and AGL (18 per cent) supply over half of Queensland customers. Ergon supplies 32 per cent of customers in Queensland.

ActewAGL remains the dominant retailer for small customers in the ACT, supplying 91 per cent of small customers. Despite signs of decreasing market concentration in previous years following Origin Energy entering the market in September 2014, ActewAGL's market share fell by just 1 per cent in 2016–17.

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

Electricity prices remain regulated in the ACT and Tasmania.

In 2016–17, there were six new retail electricity market entrants in South East Queensland and four new entrants in New South Wales. No new businesses entered the South Australian market.

1.1.2 Gas

The availability and uptake of gas varies across jurisdictions. In the ACT, 70 per cent of households are supplied with gas. Around 55 per cent of households in South Australia and 42 per cent in New South Wales are supplied with gas.

Figure 1.3 shows the market share held by gas retailers in South Australia, the ACT and New South Wales as at 30 June 2017.

Seven retailers supply gas to small customers in South Australia. Around 88 per cent of customers are supplied by the 'big three' retailers, with the remaining 13 per cent supplied by Alinta Energy, Simply Energy and Savant Energy Power Networks.

Eleven retailers supply gas to small customers in New South Wales. Despite the number of retailers, the 'big three' retailers collectively supply 94 per cent of all small customers, a 2 per cent decrease from 2015–16.

Four retailers supply gas to small customers in Queensland. Of these, two big retailers supply almost all customers. These are AGL (41 per cent) and Origin (56 per cent), whose respective market share did not change from the previous year

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



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

1.2 Standard and market retail contracts

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

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

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

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

At the end of June 2017, 52 per 100 Queensland electricity small customers were on market contracts (an increase of 3 per 100 from the previous year), with around 1 023 000 remaining on standard contracts. In the Energex distribution region 78 per 100 small customers are on market contracts. A higher proportion of gas small customers (70 per 100) were on market contracts.

New South Wales electricity customers continued their shift away from standard contracts following deregulation of pricing in 2014. At the end of June 2017, 78 per 100 electricity customers were on market retail contracts—an increase of 4 per 100 from the previous year. There remain around 735 000 small electricity customers on standard retail contracts in New South Wales, most of which are customers of the incumbent (pre-privatisation) retailers Origin Energy (399 000 customers) and EnergyAustralia (266 000 customers).

At the end of June 2017, 83 per 100 gas customers in New South Wales were on market retail contracts, an increase of 3 per 100. New South Wales gas customers could choose standard retail contacts with regulated prices until 1 July 2017, when the Government removed price regulation.

In South Australia a high proportion of customers are on market retail contracts (87 per 100 electricity customers and 86 per 100 gas customers) and this figure increased very slightly over 2016–17. The majority of electricity customers who remain on standard contracts are those of the local area retailer AGL (94 000 customers).

In contrast to other jurisdictions, ACT customers shifted away from market contracts in 2016–17. The proportion of electricity customers on standard retail contracts increased by 3 per 100 to 79 per 100 of customers, while gas customers on standard retail contracts increased by 5 per 100 to 78 per 100.

This trend may be partly due to the relatively small financial gains that customers can make by switching from a priceregulated standing offer to a market offer.⁴

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

The remaining 10 per cent of customers (around 24 000 residential customers) use prepayment meters (PAYG systems) to purchase electricity, however this number is decreasing as no new PAYG systems are being installed.

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

⁴ The median market offer price was \$1203, compared to a median standing offer price of \$1204. Section 3.9.1 of this report analyses ACT energy prices in detail.





1.3 Customer switching rates

The rate at which customers switch their energy retailer provides some indication of how actively customers are participating in the retail market, but caution should be used in drawing conclusions from switching data about the effectiveness of competition in a particular market.

For example, if customer satisfaction is high there may be less incentive to switch, even in competitive markets.

In addition, switching statistics exclude customers who switch between contracts with their current retailer, which in itself may be a form of active participation.

Figures 1.5 and 1.6 show the percentage of electricity and gas customers (respectively) that switched retailers over the past six years in Queensland, New South Wales, Victoria and South Australia.⁵ Switching rates were flat or declined across these states in 2016–17.

Generally available offers in Energy Made Easy

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

Table 1.1 provides a snapshot of the offers of the number of generally available contracts offered by fuel type and customer segment that were in Energy Made Easy at the end of June 2017. It should be noted that the figures below are an aggregate of contracts that were available in all the gas and electricity zones in each jurisdiction, and do not capture special offers that were available to particular customers.

⁵ The Australian Energy Market Operator (AEMO) regularly publishes switching data. An explanation of how AEMO's switching data is calculated is available at: www.aemo.com.au

Jurisdiction	Fuel Type	Residential	Small Business	
Queensland	Electricity (2 distribution zones)	131 Market	112 Market	
		77 Standing	62 Standing	
		8 Regulated	28 Regulated	
	Gas (2 distribution zones)	32 Market	18 Market	
		6 Standing	6 Standing	
New South Wales	Electricity (3 distribution zones)	884 Market	616 Market	
		275 Standing	288 Standing	
	Gas (6 distribution zones)	116 Market	73 Market	
		23 Standing	20 Standing	
		10 Regulated	10 Regulated	
	Dual	276 Market	74 Market	
		18 Standing	18 Standing	
South Australia	Electricity (1 distribution zone)	89 Market	124 Market	
		35 Standing	70 Standing	
	Gas (1 distribution zones)	50 Market	26 Market	
		7 Standing	7 Standing	
	Dual	20 Market	16 Market	
		2 Standing	2 Standing	
Tasmania	Electricity (1 distribution zone)		8 Market	
			4 Standing	
		3 Regulated	6 Regulated	
ACT	Electricity (1 distribution zone)	52 Market	16 Market	
		13 Standing	10 Standing	
	Gas (1 distribution zones)	4 Market	3 Market	
		2 Standing	2 Standing	
	Dual	28 Market	2 Market	

Table 1.1: Generally available offers in Energy Made Easy as at 30 June 2017

Figure 1.5: Electricity customer switching rates—by jurisdiction







The declining or flat rates of customer switching suggest that energy retailers are currently focusing on customer retention, rather than acquiring new customers. This trend could also be attributed to customers disengaging from the market due to the complexity of information available. This continues the trend from the previous two years.

The AEMC's 2017 Competition Review supports this conclusion, highlighting that across NEM jurisdictions (excluding regional Queensland and Tasmania) the proportion of customers who had been directly approached by energy retailers remained steady⁶:

- around 39 per 100 residential customers were approached by a retailer in the last 12 months
- about 52 per 100 residential customers that were approached received a call
- around 37 per 100 were visited by their retailer.

Among small business customers 51 per 100 said they were approached by an energy retailer and around 57 per 100 received a call. Around 29 per 100 were visited by their retailer. Other ways customers were approached included emails, brochures and letters in the mail.

A lower proportion of both residential and small business customers had been approached by an energy retailer in South East Queensland and the ACT

In Victoria, the proportion of residential customers approached by an energy retailer was significantly higher than the NEM average. This may be due to more choice of products (due to the use of smart meters) and greater customer awareness of these choices than in other jurisdictions. Smart meters are a key to unlocking benefits of new technologies and customer choice. The move to competition in metering services should help increase competition in other states.

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

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

Gas switching rates recovered after a significant drop in 2015–16 to around 5 per 100 customers switching. The drop may indicate that ACT customers were initially encouraged to switch following Origin's entry, but did not keep up this behaviour. Electricity switching rates in the ACT remained flat.

⁶ See www.aemc.gov.au/Markets-Reviews-Advice/2017-Retail-Energy-Competition-Review/Final/AEMC-Documents/Final-Report.aspx, p. 89

Helping customers participate

Energy affordability is a significant issue for a growing number of Australian households. The difference between the highest and lowest energy offers in a given area can be hundreds of dollars a year. However, even though they are struggling to pay their energy bills, many customers are not shopping around and accessing those lower prices. We know, for example:

- that nearly half the residential customers in the NEM have not switched energy retailer or plan in the past five years
- 55 per 100 customers have never switched retailer or plan
- many customers believe it is difficult to compare options, and that investigating their options will be difficult and time-consuming. The AEMC has found that awareness of Energy Made Easy remains low at 9 per 100 customers
- customers who are not interested in investigating their options are more likely to be from lower socio-economic backgrounds, have smaller energy bills, be more risk-averse and/or not technology-proficient by nature.⁷

While we do not have a role in retail pricing, we aim to help consumers play a growing role as participants, not just recipients, in the energy system. One way we do this is by participating in events where we often present and talk to customers and their representatives face to face about energy, the market and our role, promoting Energy Made Easy and our other information resources.

During 2016–17 we participated in a number of events including:

- Adelaide Home Living Expo-Adelaide, April 2017
- Financial Counselling Australia annual conference-Gold Coast, May 2017
- CARE Financial Counselling (ACT) Annual General Meeting-Canberra, November 2016
- South Australian Council of Social Service vulnerability and affordability conference-Adelaide, November 2016
- Energy and Water Ombudsman NSW Anti-poverty Week forum-Campbelltown, October 2016
- the NSW Aboriginal Housing Office's Festival of Energy-Dubbo, September 2016



Figure 1.7: Electricity and gas customer switching rates in ACT



2. Energy retailer performance

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

While price is important to customers, so too is good customer service.⁸ This chapter discusses the customer experience with energy retailers, including:

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

2.1 Customer service

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

- percentage of calls answered within 30 seconds
- average time before a call is answered⁹
- percentage of calls abandoned before being answered.

⁸ We note that Energy Consumers Australia's 2017 Consumer Sentiment Survey found an increase in energy customer satisfaction across all jurisdictions.

⁹ Where the retailer uses an automated or IVR telephone system, the time is measured from when a customer chooses to speak to an operator. In all other cases, the time commences from when the call is received by the switchboard/IVR.

Retailer	Calls taken in	30 secs (%)	Average wait t	time (secs)	Calls abandoned before being answered (%)		
1st Energy	72%	▼24%	39	▲39	9%	▲ 4%	
ActewAGL	53%	▼16%	228	▲37	8%	▲ 4%	
AGL	85%	0%	19	▼9	1%	0%	
Alinta Energy	73%	▼5%	46	▼21	4%	▲1%	
Aurora Energy	73%	0%	21	▼19	3%	0%	
BlueNRG	66%	▼8%	7	_	2%	▼5%	
Click Energy	70%	0%	68	▲23	5%	▲2%	
CovaU	96%	▲8%	0	▼18	1%	▼4%	
Diamond Energy	100%	0%	0	0	0%	0%	
Energy Locals	79%	_	8	_	1%	_	
EnergyAustralia	93%	▲16%	43	▲12	2%	0%	
Enova Energy	70%	▼16%	34	▲31	13%	▲8%	
Ergon Energy Queensland	43%	▼8%	116	▼4	6%	▼1%	
ERM Power	91%	▼6%	11	▲11	1%	0%	
Lumo Energy	90%	▲6%	10	▼8	1%	0%	
M2 Energy	89%	▲1%	_	_	2%	▲2%	
Metered Energy Holdings	100%	0%	8	▲8	0%	0%	
Mojo Power	47%	▼34%	65	▲ 56	15%	▲15%	
Momentum Energy	73%	▼10%	0	▼34	3%	▲2%	
Next Business Energy	88%	▼4%	15	▲14	0%	0%	
Origin Energy	72%	▲19%	66	▼73	1%	▼10%	
People Energy	92%	_	60	_	2%	-	
Pooled Energy	98%	▲7%	9	▲1	4%	0%	
Powerdirect	77%	▼12%	33	▲19	3%	▲2%	
Powershop	78%	▼17%	26	▲15	1%	0%	
QEnergy	95%	▼1%	4	0	5%	▲1%	
Red Energy	58%	▼19%	73	▲37	6%	▲ 3%	
Sanctuary Energy	100%	▲10%	8	▼3	0%	▼1%	
Savant Energy Power Networks	92%	0%	9	▲7	3%	▲1%	
Simply Energy	82%	▼2%	30	▲10	2%	0%	
Tango Energy	98%	0%	8	▲3	2%	▼1%	

Table 2.1: Phone calls to retailers in 2016–17, with percentage of calls answered in 30 seconds, average wait time and percentage of calls abandoned before being answered¹⁰

Most energy retailers answered at least 80 per cent of calls within 30 seconds, and had average waiting times of less than one minute.

ActewAGL had the longest waiting time at nearly four minutes, followed by Ergon Energy and Red Energy. Red Energy had the longest call waiting times, doubling to 73 seconds since 2015–16. Origin Energy's improved the most, with average call time decreasing by 73 seconds.

The South Australian Government requires retailers selling energy to small customers to meet minimum customer service standards (National Energy Retail (Local Provisions) Regulations¹¹). These are reported in appendix 2.

¹⁰ Dashes throughout the tables contained in this report are used where a figure is not applicable to a retailer.

¹¹ Under Clause 7 of the National Energy Retail (Local Provisions) Regulations.

2.2 Complaints

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

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

Figure 2.1 shows the number of residential customer complaints made to energy retailers in each jurisdiction in 2015–16 and 2016–17.



Figure 2.1: Residential customer complaints to retailers in 2015–16 and 2016–17 – by jurisdiction

Except for Tasmania, national complaint numbers fell in all jurisdictions, reversing the upward trend of the previous year. In Queensland around 7 per 100 residential customers complained to their retailer, down from 11 per 100 in 2015–16.

Around 9 per 100 of South Australian customers complained, compared to 14 per 100 in 2015–16.

In New South Wales fewer than 10 per 100 customers made complaints, decreasing from more than 13 per 100 customers.

Complaints to retailers in the ACT fell slightly in 2016–17 from 6 per 100 customers to just over 5 per 100.

Around 4 per 100 customers made complaints in Tasmania, increasingly slightly from 2015–16.

We note that complaint figures nationally were significantly influenced by large reported decreases in complaints to Origin Energy. Towards the end of 2015–16, Origin advised it had revised its complaint recording methodology to correct over-capture of complaints. Origin's large decrease in complaints in 2016–17 can be attributed to this change.

Substantial reductions in the complaint numbers of another large national retailer, AGL, also contributed to the national downward trend.

While the overall number of complaints provides an indication of customer satisfaction levels, caution should be used in drawing conclusions about retailers' performance from them. The nature of some complaints can be outside the control of the energy retailer and may relate to fixed wholesale and network costs that are passed on to the customer. Retailers with effective customer service are generally able to promptly resolve customer complaints when they receive them. Such complaints often do not need to be escalated or referred elsewhere to be resolved. Customers may contact the energy ombudsman in their state or territory if their complaint is not resolved or is dealt with unsatisfactorily by their retailer. Table 2.2 compares the number of complaints made to retailers with those referred to each jurisdictional ombudsman scheme.

It shows the ombudsman schemes received fewer complaints for investigation in 2016–17 when compared with 2015–16.

Retailer	Complaint (Per 100)	ts to retailer	Complaint	s to retailer	Complain ombudsn	nts to nan	Ombudsman complaints as % of total complaints	
Queensland								
AGL	3.23	▼0.92	12 235	▼3018	968	▼141	8%	
Alinta	100.00	_	2	_	-	_	-	
Click Energy	1.00	▲0.28	614	▲214	246	▲ 66	40%	
Diamond Energy	0.12	▼0.20	8	▼ 7	9	▲ 4	113%	
EnergyAustralia	1.57	0.00	1875	▲107	458	▼30	24%	
Ergon Energy Queensland	0.99	▲0.29	6831	▲ 1971	847	▲207	12%	
ERM Power	_	-	_	▼1	2	▲2	-	
Locality Planning Energy	1.39	▲ 0.41	112	▲ 82	14	▲13	13%	
Lumo Energy	17.31	▲13.03	1182	▼1132	216	▼63	18%	
M2 Energy	1.75	▼0.62	316	▼68	59	▼5	19%	
Metered Energy Holdings	22.28	▲ 8.25	2280	▲ 933	N/A	_	N/A	
Mojo Power	3.09	-	55	_	11	▲11	20%	
Momentum Energy	0.00	▼28.57	0	▼2	1	▼5	-	
Next Business Energy	_	_	-	-	1		-	
Origin Energy	16.62	▼9.77	122 867	▼75 011	1648	▼410	1%	
People Energy	4.58	_	7	-	4	_	57%	
Powerdirect	5.84	▲ 3.10	1192	▲ 483	244	▼41	20%	
Powershop	0.37	_	14	-	3	▲3	21%	
QEnergy	1.66	▲ 0.66	101	▲14	67	▲17	66%	
Red Energy	0.78	_	388	-	57	▲ 56	15%	
Sanctuary Energy	2.27	▼2.85	24	▼71	21	▼169	88%	
Simply Energy	6.66	▲1.20	376	▲ 286	43	▲26	11%	
Urth Energy	_	-	20	▲ 20	6	▲5	30%	
Total Qld	7.08	▼ 3.65	150 499	▼74 734	4925	▼449	3%	
South Australia								
AGL	3.53	▼0.96	12 732	▼4427	1480	▼287	12%	
Alinta Energy	4.37	▲ 0.96	1767	▲ 339	657	▲ 343	37%	
Click Energy	1.84	▲1.60	71	▲ 67	26	▲23	37%	
Diamond Energy	0.96	▲ 0.55	6	0	2	▲1	33%	
EnergyAustralia	3.06	▼0.91	2534	▼794	665	▼267	26%	
ERM Power	1.79	▼1.50	7	▼16	2	▼2	29%	
Lumo Energy	2.68	▼1.76	1155	▼722	244	▼41	21%	
M2 Energy	3.10	▼1.31	198	▼42	33	▲5	17%	
Momentum Energy	0.58	▼0.32	54	▼51	48	▼20	89%	
Origin Energy	27.50	▼22.42	53 441	▼31 776	1001	▼547	2%	
Powerdirect	5.41	▲ 3.02	1128	▲ 543	239	▼32	21%	
QEnergy	4.23	▲2.71	11	▲ 4	4	0	36%	
Red Energy	1.44	▼0.95	44	▼38	7	▼12	16%	
Sanctuary Energy	1.80	▼5.68	7	▼30	7	▼27	100%	
Savant Energy Power Networks	1.14	▼0.03	14	0	_		_	
Simply Energy	4.94	▲ 0.23	3989	▲ 396	466	▼283	12%	
Tango	_	-	0	▼1	0	-	-	
Urth Energy	_	_	2	▲2	_	_	-	
Total SA	9.09	▼4.32	77160	▼ 36 546	4881	▼1146	6%	

Table 2.2: Small customer complaints made to each retailer and the respective ombudsman in 2016–17

Retailer	Complaints (Per 100)	to retailer	Complain	Complaints to retailer		its to nan	Ombudsman complaints as % of total complaints
ACT							
ActewAGL	3.48	▲ 0.06	5669	▲ 86	409	▼180	7%
Alinta Energy	_	_	1	_	0	_	0%
EnergyAustralia	1.51	▼0.60	88	▼30	22	▼11	25%
ERM Power	0.00	-	0	▼1	0	_	-
Origin Energy Electricity Limited	31.12	▼31.08	3569	▼1350	31	▼10	1%
Powerdirect	0.83	▼0.17	1	▼2	0	-	0%
Simply Energy	7.41	-	2	-	0	-	0%
Total ACT	5.17	▼0.83	9330	▼1294	462	▼201	5%
Tas							
Aurora Energy	3.70	▲0.76	10135	▲2117	115	▲8	1%
ERM Power	1.80	▼2.41	3	▼2	2	▲2	67%
Total Tas	3.70	▲ 0.76	10 138	▲ 2115	117	▲ 10	1%
New South Wales							
1st Energy	1.63	▲ 1.05	188	▲154	171	▲146	91%
ActewAGL	2.85	▼1.25	844	▼405	163	₹2	19%
AGL	5.53	▼2.03	42 985	▼15 080	3602	▼314	8%
Alinta Energy	2.27	▲ 0.74	794	▲ 657	294	▲271	37%
Blue NRG	0.14	▼1.81	3	▼33	21	_	700%
Click Energy	1.44	▲ 0.32	497	▲207	249	▲ 54	50%
CovaU	1.79	▼7.66	122	▼688	92	▼37	75%
Diamond Energy	0.48	▲0.15	23	▲10	27	_	117%
EnergyAustralia	1.90	▲0.14	18 916	▲1232	3813	▲315	20%
Enova Energy	1.18	▲1.18	31	_	-	_	_
ERM Power	1.46	▼0.78	51	▼40	13	_	25%
Locality Planning Energy	0.92	-	2	-	-	-	-
Lumo Energy	18.45	▲8.47	688	▼1988	168	▼353	24%
M2 Energy	2.35	▼0.62	854	▼49	104	▼15	12%
Mojo Power	4.01	-	188	_	62	▲62	33%
Momentum Energy	0.57	▼0.63	80	▼131	81	▼63	101%
Next Business Energy	1.80	▲1.15	74	▲ 53	22	_	30%
OC Energy	0.13	-	2	-	-	-	-
Origin Energy	20.54	▼8.88	238 437	▼113 667	4865	▼466	2%
People Energy	0.93	-	5	_	8	▲8	160%
Pooled Energy	3.91	▼3.27	9	▼4	-	-	-
Powerdirect	5.50	▲ 3.49	1153	▲ 459	371	▼9	32%
Powershop	0.31	▲0.13	100	▲ 60	121	-	121%
QEnergy	2.49	▲0.75	126	▲1	64	▼33	51%
Red Energy	2.74	▲ 0.38	4616	▲1883	746	▲ 389	16%
Sanctuary Energy	2.49	▼1.34	62	▼89	75	▼29	121%
Simply Energy	5.56	▲1.03	1900	▲ 421	344	▼78	18%
Urth Energy	_	-	10	-	5	▲5	50%
Total NSW	9.21	▼3.88	312 760	▼126 799	15 481	▲ 105	5%

2.3 Energy bill debt

Energy bill debt is defined as an amount owed to a retailer that has been outstanding for 90 days or more.¹² If a customer hasn't asked their retailer for help, accumulating energy debt should be a signal to a retailer to discuss assistance measures with the customer. If customers know they cannot pay a bill in full by the due date, they should contact their retailer to ask for an affordable payment plan, and check if they are receiving a guaranteed discount or change to the best possible rate. In some instances entering a hardship program is the most appropriate outcome for a customer to assist in managing their energy debt. Energy bill debt is an indicator of the overall affordability of energy and how quickly and effectively retailers are assisting customers.

2.3.1 Hardship by jurisdiction

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

There are differences between jurisdictions in the proportion of residential customers with debt. However, generally consistent with decreasing affordability of electricity nationally, the proportion of residential customers with electricity debt increased in most jurisdictions in 2016–17, reversing a general downward trend over recent years.

The proportion of these customers receiving assistance to repay their debt through a hardship program increased everywhere except South Australia.

Chapter 3 (Affordability) analyses the issues surrounding the impacts of decreasing affordability.

2.3.2 Proportion of customers with debt

South Australia has the largest proportion of electricity customers in debt (almost five in every 100 residential customers). The ACT had the highest proportion of gas customers in debt (almost 5 per 100 customers). This reflects differences in prices and consumption, as discussed in chapter 3.

The proportion of residential customers with electricity debt increased in most jurisdictions in 2016–17, reversing a general downward trend over recent years. The proportion of these customers receiving assistance to repay their debt through a hardship program increased everywhere except Queensland.

The proportion of gas customers with a debt also varied between jurisdictions. While the figure increased in Queensland (to just below 5 customers per 100), it fell in New South Wales (to around 3.8), South Australia (to around 4.2 per 100). In the ACT, the decrease was pronounced, falling from just below eight customers per 100 to around 5 per 100.

2.3.3 Customer debt levels

The debt customers held when they started receiving hardship assistance increased everywhere except Tasmania. In South Australia the debt increased by \$326; by \$213 in New South Wales; and \$47 in Queensland. The ACT saw its fifth consecutive increase in the average debt of these customers, rising by \$245 (to \$1537).

Tasmania had the highest average debt for customers commencing hardship assistance, at \$1750, although that has fallen from \$1866 last year.

In Queensland, over 3 per 100 residential electricity customers are repaying debt, including customers in hardship programs (just over 1 per 100). The average debt of customers entering hardship programs was \$776, the lowest of any jurisdiction.

Conversely, the average debt of customers commencing hardship assistance rose across all jurisdictions. Nationally, the ACT had the highest figure in this category with debt of \$1783, an increase of \$677, reversing a decrease of similar size in the previous year.

¹² The Retail Rules require us to distinguish between customers experiencing payment difficulties generally and customers on hardship programs.

The average debt (of customers not on hardship programs) increased in all jurisdictions except ACT, where it fell slightly.





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



Tables 2.3 and 2.4 show the proportion of small business customers with electricity and gas debt, along with average debt levels.

The proportion of small businesses holding electricity debt in 2017 varied between jurisdictions. While the figure increased in Tasmania and ACT, it fell in Queensland, New South Wales and South Australia. The average electricity debt remained steady in Queensland, the ACT and Tasmania, but increased in New South Wales and South Australia.

Proportionally more small businesses had gas debt than electricity debt. Business gas debt rose in Queensland and New South Wales, but dropped in South Australia and ACT.

Despite the substantial decrease in average debt (by \$531), the ACT still had the highest gas debt of any jurisdiction at \$3193 and had the highest rate of businesses with gas debt (7.1 per 100).

Average debt

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

	Custo	mers in debt		A	Average debt			
Jurisdiction	2015	2016	2017	2015	2016	2017		
Queensland	_	2.1%	1.8%	_	\$1639	\$1721		
South Australia	3.6%	3.4%	3.3%	\$1490	\$1441	\$1596		
Australian Capital Territory	3.6%	3.0%	3.7%	\$868	\$1158	\$1200		
New South Wales	3.1%	3.3%	3.0%	\$1973	\$1667	\$1965		
Tasmania	0.8%	0.3%	0.5%	\$1138	\$885	\$867		

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

	Custo	mers in deb	t	A	verage debt	
Jurisdiction	2015	2016	2017	2015	2016	2017
Queensland	-	4.1%	5.0%	-	\$834	\$933
South Australia	3.4%	4.7%	4.8%	\$1769	\$1586	\$1252
Australian Capital Territory	10.8%	6.5%	7.1%	\$1499	\$3724	\$3193
New South Wales	6.8%	6.6%	7.6%	\$2057	\$2100	\$2553

2.4 Payment plans

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

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

Table 2.5 shows the proportion of residential customers on a payment plan for each retailer in each jurisdiction, as well as the rate of payment plan cancellations that occurred in 2016–17. The proportion of customers on payment plans decreased in South Australia, Tasmania and New South Wales, but increased slightly for ACT electricity customers.

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

Proportions of customers on payment plans can vary markedly between retailers, reflecting different policies and approaches to customers who require payment assistance. At a time when energy affordability is an issue, we would expect to see more customers managing their consumption and paying off energy debt under a payment plan. Increased rates of payment plan customers for a majority of retailers is consistent with this.

Nationally, EnergyAustralia generally had the highest rate of customers on payment plans in each jurisdiction. For electricity, its lowest rate of 7 per 100 electricity customers was in NSW; its highest, 15 per 100 electricity customers, in the ACT. For gas, its lowest rate was 5 per 100 customers (in NSW); its highest 15 per 100 gas customers in the ACT.

New South Wales had the highest proportion of electricity customers on payment plans (2.9 customers per 100) while South Australia had the highest rate of payment plans for gas customers (1.8 per 100).

Retailer	Customers	on paymen	it plans (p	er 100)	Customers with payment plans cancelled (per 100)			
	Electri	Electricity Gas		S	Elec	tricity	Gas	
Qld								
AGL	1.65	▲ 0.60	0.56	▲0.19	3.18	▲0.49	1.66	▲0.44
Click Energy	2.55	▲1.18			3.54	▼1.06		
Diamond Energy	1.15	▼1.19			0.19	▲ 0.07		
Energy Locals	0.56	_			0	_		
EnergyAustralia	12.08	▲1.25			7.07	▼9.89		
Ergon Energy	2.36	▼0.23			7.67	▲0.13		
Locality Planning Energy	0.20	▼0.07			0.00	▼0.03		
Lumo Energy	6.17	▲1.35			6.52	▲ 5.62		
M2 Energy	0.22	▲0.02			0.21	▼0.04		
Metered Energy Holdings	1.35	▲0.16			0.00	_		
Mojo Power	1.35	-			0.34	_		
Origin Energy	0.81	▲0.15	2.01	▲1.61	2.29	▲ 0.26	1.69	▲0.16
People Energy	9.87	-			1.97	▲1.97		
Powerdirect	3.19	▲0.83			6.58	▲ 6.26		
Powershop	0.59	-			0.05	_		
QEnergy	9.89	▲1.54			0.00	_		
Red Energy	3.64	-			1.57	_		
Sanctuary Energy	1.04	▼0.85			3.22	▲1.44		
Simply Energy	0.29	▼0.34			0.50	▼0.50		
Total Qld	2.24	▲ 0.19	1.34	▲ 0.96	4.39	▼0.30	1.62	▲ 0.27
SA								
AGL	0.90	▲0.06	0.42	▼0.04	2.43	▲ 0.35	1.83	▲0.42
Alinta Energy	2.68	▼0.17	1.03	▼0.30	0.60	▼8.80	0.22	▼5.53
Click Energy	1.62	▲1.56			1.22	▲1.16		
Diamond Energy	4.90	▲2.44			0.84	_		
EnergyAustralia	12.27	▲1.51	9.38	▲0.91	6.80	▼6.33	5.45	▼5.07
Lumo Energy	3.03	▼0.10			0.58	▲ 0.01		
M2 Energy	0.27	▲0.12			0.43	▲0.21		
Momentum Energy	2.93	▲1.85			8.25	▲3.43		
Origin Energy	1.43	▲0.48	0.55	▲ 0.08	2.82	▲ 0.04	1.51	▲0.04
Powerdirect	1.43	▼0.05			3.16	▲2.88		
QEnergy	5.97	-						
Red Energy	4.59	▲ 0.03			5.13	▼0.34		
Sanctuary Energy	0.51	▼1.51			0.51	▼0.91		
Savant Energy Power Networks	0.00	▼0.93						
Simply Energy	2.11	0.00	1.70	▲0.15	4.43	▼2.37	3.51	▼1.81
Tango Energy	21.74	▲ 19.57						
Total SA	2.56	▲ 0.27	1.79	▲0.14	3.02	▼1.07	2.25	▼0.91

Table 2.5:Customers on payment plans as at 30 June 2017 (change since 2016) and with payment plans
cancelled during 2016–17

Retailer Customers on paymer		nt plans (per 100)		Customers with payment plans cancelled (per 100)				
	Electri	icity	Ga	S	Elec	tricity	Gas	
ACT								
ActewAGL	0.18	0.00	0.13	▲ 0.05	1.88	▼0.11	1.30	▲ 0.36
EnergyAustralia	15.23	▲0.77	15.22	▲1.27	4.09	▼4.78	3.93	▼4.63
Origin	0.54	▲ 0.06	0.73	0.00	1.43	▲ 0.72	1.54	▲ 0.52
Total ACT	0.70	▲ 0.04	0.72	▲0.12	1.93	▼0.24	1.41	▲ 0.20
Tasmania								
Aurora	1.01	▲0.13				▼1.45		
Total Tas	1.01	▲ 0.13				▼1.45		
NSW								
1st Energy	3.97	-			1.36	_		
ActewAGL	0.45	▼0.05	0.23	▲ 0.08	4.15	▼0.46	3.02	▲1.73
AGL	1.10	▲0.41	0.33	▲0.12	1.91	▼0.07	0.83	▲ 0.05
Alinta Energy	1.05	_			0.11	_		
Click Energy	1.11	▲ 0.67			1.41	▲ 0.32		
CovaU	2.12	▲ 0.56	0.35	▼0.39	4.48	▲ 2.19	1.42	▲ 0.25
Diamond Energy	1.44	▼0.59			0.17	_		
Energy Locals	0.76	_						
EnergyAustralia	7.06	▲0.71	5.23	▲0.27	3.77	▼4.69	2.87	▼3.64
Enova Energy	0.16	_						
Lumo Energy	3.47	▼0.85	3.71	▲ 0.30	2.44	▲1.30	2.86	▲2.15
M2 Energy	0.09	▲ 0.02	0.03	▲ 0.03	0.11	▼0.17	0.01	_
Mojo Power	0.36	_			0.32	_		
Momentum Energy	2.15	▲0.94			8.29	▲ 0.99		
Next Business Energy	-	_			3.71	_		
OC Energy	2.90	_			1.52	_		
Origin Energy	0.76	▲0.18	0.63	-0.55	1.99	▲ 0.18	1.66	▲ 0.07
People Energy	5.92	_			1.34	-		
Powerdirect	1.74	▲ 0.32			4.69	▲ 4.52		
Powershop	1.16	▲0.84			0.48	-		
QEnergy	3.95	▲0.71						
Red Energy	2.94	▲ 0.29	1.22	▲ 0.65	3.79	▲ 0.54	1.35	▲1.10
Sanctuary Energy	0.16	▼1.55			1.60	▲ 0.21		
Simply Energy	3.14	▼0.13			8.34	▼3.27		
Total NSW	2.87	▲ 0.38	1.67	▲ 0.08	2.64	▼1.36	1.56	▼0.77

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

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

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

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

The Framework consists of:

- a set of principles that should guide retailers' capacity to pay conversations with customers: Empathy and respect; flexibility; and consistency
- good practice actions and considerations at different stages of a payment plan, including: determining the customer's capacity to pay; reviewing the payment plan; helping customers in severe financial difficulty; dealing with missed payments; and completing a payment plan.

Evaluating the Framework

Between April and May 2017, approximately six months after we published the list of the 15 energy retailers who had adopted the Framework, we conducted an evaluation of the Framework with stakeholders. The evaluation was consistent with our stated objective that we will work with retailers and customer groups to promote the Framework and encourage its wider use.

We consulted with a range of relevant stakeholders including energy retailers, Ombudsman schemes, financial counsellors and customer groups. The feedback indicated the six month mark was still too early to meaningfully evaluate the effectiveness of the Framework. Stakeholders felt at the 12 month mark they would be in a better position to gauge any significant shifts in processes or impacts resulting from the adoption of the Framework.

We will continue engaging with relevant stakeholders to increase awareness of the Framework and assess its effectiveness through participation at both internal and external outreach events. After the 12 month mark, we will reach out to the relevant stakeholders to evaluate if there have been any significant changes in how retailers and customers engage as a result of the Framework. In addition, we will be reviewing retailer hardship frameworks to assess whether businesses are utilising best practice operational frameworks in complying with requirements regarding the treatment of customers experiencing payment difficulties.

More information about the Framework can be found at:

www.aer.gov.au/consumers/my-energy-bill/experiencing-trouble-paying-your-energy-bills#sustainable-payment-plans-framework.
2.5 Hardship programs

The requirement for energy retailers to develop and maintain a customer hardship policy that sets out their approach to identifying and assisting customers experiencing difficulty paying their energy bills is a key protection under the Retail Law.¹³

Referral to a hardship program is generally the most appropriate form of assistance when a customer's payment difficulties are overwhelming, such that they cannot meet a payment plan arrangement because they lack the capacity to pay for current and future consumption. However, a proactive approach from customers to seek out assistance from retailers as soon as possible may limit the increase of debt.

Assistance may be provided by retailers through payment plans, reviewing market contracts, and the application of appropriate concessions and energy rebates. Help under a retailer's hardship program can include tailored payment plans and further support measures to assist customers to manage their bills on an ongoing basis. As long as a customer is meeting their payments, they can't be disconnected.

Retailers report annually on:

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

Chapter 4 (Compliance) discusses work we will be undertaking to review retailer practices in relation to hardship policies and affordability issues.

2.5.1 Customers on hardship programs

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

The proportion of customers receiving hardship assistance remains low, with most jurisdictions reporting fewer than 1 per 100 electricity and gas customers receiving assistance, with most reporting little change when compared with last year.

Conversely there has been a reported increase in the number of customers being placed on payment plans. The data suggests that some retailers are placing customers on payment plans instead of hardship programs. We acknowledge that different retailers, particularly some large retailers, have made changes to the application of their hardship policies and may have reviewed their existing hardship program customers to determine if this was the best avenue for accessing support.

South Australia had the highest rate of electricity and gas customers on hardship programs, but these decreased from 2015–16. Electricity customers receiving hardship assistance fell from 1.8 to 1.5 per 100, while the rate for gas customers decreased from 1.4 to 1 per 100.

Decreases in AGL and EnergyAustralia's proportion of hardship customers for both fuel types contributed to the statewide fall, offsetting increases from Alinta Energy, Momentum Energy and Origin Energy.

In New South Wales, increases in the proportion of electricity customers on hardship programs were reported by Momentum Energy, Simply Energy and Origin Energy, while AGL recorded a decrease.

In Tasmania, the number of Aurora Energy's customers on hardship programs increased to 0.93 per 100 customers.

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

¹³ Hardship programs are available to eligible customers, and must include: processes to identify customers who need assistance, flexible payment options including specifically tailored payment plans and Centrepay, advice on concessions and government grants, referrals to financial counselling services, energy efficiency advice and waiving late payment fees. Customers on hardship programs will not be disconnected while they continue to meet agreed payment arrangements.

Table 2.6: Customers on hardship programs as at 30 June 2017 (change since 2016)

Retailer	Customers on hardship programs (per 100)			
	Electric	ity	Gas	
Qld	2017		2017	
AGL	1.13	▼0.30	0.77	▼0.27
Click Energy	0.78	▼0.02		
Diamond Energy	0.29	▼0.02		
EnergyAustralia	0.93	▼0.12		
Ergon Energy	0.91	▼0.15		
Lumo Energy	0.78	▲ 0.03		
M2 Energy	1.90	▲ 0.27		
Metered Energy Holdings	0.22	▲ 0.07		
Origin Energy	1.11	▲ 0.43	0.47	▲0.18
Powerdirect	1.55	▲ 0.54		
QEnergy	11.29	▲ 8.25		
Red Energy	0.73	_		
Sanctuary Energy	0.09	▼0.61		
Simply Energy	0.25	▲0.13		
Total Qld	1.02	▲ 0.05	0.58	▼0.01
SA				
AGL	1.03	▼1.16	0.98	▼1.47
Alinta Energy	3.01	▲1.99	1.26	▲0.65
Click Energy	0.29	_		
Diamond Energy	0.68	▲ 0.47		
EnergyAustralia	1.72	▼0.11	0.65	▼0.22
Lumo Energy	0.65	▲ 0.06		
M2 Energy	2.31	▲ 0.84		
Momentum Energy	2.35	▲ 0.80		
Origin Energy	1.99	▲ 0.49	0.84	▲0.19
Powerdirect	0.63	▼0.48		
QEnergy	4.48	▲ 3.66		
Red Energy	0.67	▼0.24		▼2.14
Simply Energy	2.18	▲ 0.16	2.25	▲0.89
Total SA	1.51	▼0.29	1.00	▼0.36
ACT				
ActewAGL	0.37	▲ 0.02	0.47	▼0.23
EnergyAustralia	0.59	▼0.26	0.56	▼0.16
Origin	0.56	▲ 0.39	0.47	▲0.22
Total ACT	0.39	▲ 0.03	0.47	▼0.21
Tasmania				
Aurora	0.93	▲ 0.05		
Total Tas	0.93	▲ 0.05		

Retailer		Customers on hardship programs (per 100	hip programs (per 100)		
	Electricity		Gas		
NSW					
1st Energy	0.39	▲ 0.32			
ActewAGL	1.16	▼0.13	0.78	▼0.25	
AGL	1.16	▼0.37	0.66	▼0.14	
Alinta Energy	0.63	_			
Click Energy	0.26	▼0.03			
CovaU	0.07	▼0.16	0.00	▼0.11	
Diamond Energy	0.15	▲ 0.02			
EnergyAustralia	0.34	▼0.02	0.13	▼0.03	
Lumo Energy	0.51	▲ 0.05	0.42	▲0.14	
M2 Energy	0.84	▲ 0.03	0.20	▲0.14	
Momentum Energy	1.71	▲ 0.05			
Origin Energy	1.08	▲ 0.40	0.68	▲0.23	
People Energy	0.19	_			
Powerdirect	1.00	▲ 0.29			
Powershop	0.29	▲ 0.15			
QEnergy	6.25	▲ 3.01			
Red Energy	0.43	▼0.02	0.19	▲0.05	
Sanctuary Energy	0.12	▼0.09			
Simply Energy	2.67	▲ 0.46			
Total NSW	0.83	▲ 0.04	0.51	▼0.05	

Note: Excludes retailers with zero customers on hardship programs.

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

The proportion of New South Wales electricity customers on hardship programs receiving concessions decreased to 72 per 100 (from 74 per 100). Only 39 per 100 electricity customers on hardship programs in South Australia receive concessions, whereas 78 per 100 in Tasmania receive concessions.

ACT customers on hardship programs receiving concessions increased by 15 per cent, to 74 per cent.

The proportion of ACT gas hardship customers receiving an energy concession rose 17 per cent to 43 per cent.

Table 2.7:	Concession	customers on	hardship	programs	(change	since	2016)
------------	------------	--------------	----------	----------	---------	-------	-------

	Electricity (% of customers o programs)	n hardship	Gas (% of customers on hardsh	ip programs)
Jurisdiction	2017		2017	
Queensland	59%	▲7%	56%	▲3%
South Australia	39%	▼2%	13%	▲1%
ACT	74%	▲15%	43%	▲ 17%
New South Wales	72%	▼2%	64%	▼2%
Tasmania	78%	▼1%	_	_

2.5.2 Payment methods of hardship program customers

The Retail Rules require that a payment plan for a hardship customer must be established having regard to the customer's capacity to pay, any amounts owed by the customer, and the customer's expected energy consumption over the coming 12 months.¹⁴

The Retail Law requires retailers to offer flexible payment options (including Centrepay) to hardship customers.¹⁵ Centrepay is a free direct bill-paying service available to customers receiving Centrelink payments. Through Centrepay, customers can pay bills by having a regular amount deducted from their Centrelink payments and transferred electronically to an approved Centrepay business. Centrepay makes it easier for customers to budget by having their bills paid in more manageable instalments.

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

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

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

There were increases in the rates of hardship customers using Centrepay in all jurisdictions (except ACT electricity customers). The largest increase, 9 per cent, was for New South Wales gas customers.

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

In this context, our voluntary Sustainable Payment Plans Framework states that retailers should offer Centrepay and conduct concession checks to every customer who receives income from Centrelink, as this is a very easy way to assist this particular group of vulnerable customers.¹⁶

Increases to the number of customers using Centrepay suggests retailers may more be more actively promoting Centrepay as a payment option.¹⁷

Tasmania has the highest rate of Centrepay use, with half of hardship customers making use of it.

Payment Methods of hardship program customers	Payment (non-Cent	plan repay)	Centrepay		Other	
Jurisdiction						
Electricity						
Queensland	72%	▲20%	20%	▲ 3%	9%	▼23%
South Australia	70%	▲7%	28%	▲ 4%	2%	▼11%
ACT	60%	▲8%	40%	▼7%	1%	0%
New South Wales	66%	▲ 10%	32%	▲7%	2%	▼17%
Tasmania	51%	▼1%	49%	▲ 1%	0%	0%
Gas						
Queensland	79%	▲ 11%	21%	▲7%	0%	▼18%
South Australia	66%	▲6%	28%	▲ 6%	5%	▼12%
ACT	64%	▼4%	35%	▲ 5%	1%	▼1%
New South Wales	70%	▲2%	29%	▲ 9%	1%	▼10%

Table 2.8: Payment methods of hardship program customers

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

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

16 AER Sustainable Payment Plans Framework, 2016, www.aer.gov.au/retail-markets/retail-guidelines/aer-sustainable-payment-plans-framework.

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

2.5.3 Debt levels of customers on hardship programs

If a customer enters a hardship program with a low level of debt they have a greater chance of fully repaying their debt, and successfully completing the hardship program. Low debt levels may indicate that retailers are being more proactive in identifying customers experiencing financial issues, as well as greater awareness among customers that they should seek assistance as soon as they experience payment difficulties. Figures 2.4 and 2.5 show the debt levels of electricity and gas customers who entered hardship programs in 2015–16 and 2016–17.

Customers with low debt (less than \$500) entered hardship programs mostly with Origin Energy (74 per cent), Lumo Energy (83 per cent) and Red Energy (84 per cent). Significantly less (36 per cent less) customers of Click Energy and Alinta Energy entered hardship programs with low debt.

Customers entered hardship programs with high debt (more than \$1500) with Aurora Energy (41 per cent), Powerdirect (39 per cent) and Alinta Energy (37 per cent).

Ergon reported a large reduction in customers entering hardship programs across all debt levels in 2016–17. This is due to a change in policy where the energy debt of customers entering and participating in hardship programs is reset as a current debt, instead of an overdue debt, provided the customer continues to meet the agreed payments of the hardship program.

Gas customers generally entered hardship programs with lower levels of debt, with most customers of gas retailers entering hardship programs with less than \$500 of debt. ActewAGL gas customers commencing hardship assistance had the highest debt levels nationally, with 41 per cent entering its hardship programs with debt greater than \$1500.

Nationally, the customers with the highest average debt when entering their retailer's hardship program belonged to People Energy (\$3209), CovaU (\$2209) and Aurora Energy (\$1750).

		0%	10	%	20%	30%		40%	50%	60%	,	70%	80	%	90%		100%
1 of Eporav	2015-16	0					2			1		1		1			
ist Ellergy	2016-17	-	1	4					41		_				10		2
ActowACI	2015-16				28	8				18	6			95		47	
ACTEWAGE	2016-17			21	1				208				110		8	4	
AGL	2015-16				5196					4538				1425	14	20	
	2016-17				2972				2	472			969		1169		
Alinta Energy	2015-16					727					407			158		120	
Allina Litergy	2016-17		60	4				1264				551			540		
Aurora Energy	2015-16		223			9	969										
	2016-17		270				824				4	04			357		
Click Energy	2015-16																76
	2016-17	_		530					750								
Covall	2015-16	_	6					25					1()		4	
	2016-17		10					30					8		10		
Diamond Energy	2015-16				24					3	1				6	3	3
	2016-17			27					56					20		9	
Energy	2015-16				29	80				1428			710		1021		
Australia	2016-17	_			3()33				144	8		752	2	83	8	
Ergon	2015-16				121	3					967				255	1	17
	2016-17					36					2	7			5	4	
Lumo	2015-16	_					138	37						277	1	12 5	52
	2016-17							1110							181	;	<mark>36</mark> 8
M2 Eporev	2015-16	_		34	47				36	52			142		13	1	
	2016-17			54	8				6	36			2	27	1	85	
Metered Energy	2015-16					16					-	14					
	2016-17	_				5	53							29			
Momentum Energy	2015-16					593						267			92		54
	2016-17					5	581						182		75	3	3
Origin Energy	2015-16			-		15	5252						4262		1461		
	2016-17						29634			_			6	738	1	996 17	720
Power Direct	2015-16	_	63	3			114	4			68			3	34		
	2016-17	_		74				104				55		_	59	_	
Powershop	2015-16	-		37				_		60			_		13	7	
	2016-17	_		59						78		_		29		13	
QEnergy	2015-16	-		1	59					191	000			4	y 40	33	
	2016-17	_			264	4					226	_		_	43	36	
Red Energy	2015-16	-						968				_		_	184	2	19 Z
	2016-17	_						16/6						_	269	0	4215
Salicluary Energy	2015-16	_	1				1	20			0			5	2	2	
Simply Energy	2010-17	_		-	000		4			007	2	_	_	000	2		
оттру спетду	2016-17	_								<u>897</u>			200	288	2	:50	
	20.0 17				967	Dotwoon the) and th	500					392		33	00	
						Setween \$0	J and \$	000 ad \$2500		Bet	ween \$50	iu and	191900				
						∋etween ⊅	1000 al	nn ⊅5000		j25		ле					

Figure 2.4: Electricity debt levels of customers entering hardship programs in 2015–16 and 2016–17



Figure 2.5: Gas debt levels of customers entering hardship programs in 2015–16 and 2016–17

2.5.4 Customers exiting hardship programs

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

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

Figures 2.6 and 2.7 shows the number of electricity and gas customers who exited hardship programs for each retailer in 2015–16 and 2016–17.

The number of electricity customers exiting hardship programs for any reason increased from 66 690 in 2015–16 to 85 475 in 2016–17.

For gas, the number of customers exiting hardship programs for any reason more than doubled from 8195 in 2015–16 to 16 461 in 2016–17.

The proportion of electricity customers exiting hardship programs due to successfully paying off debt decreased from 36 per 100 customers exiting in 2015–16 to 27 per 100 exiting 2016–17, but remained numerically steady across both years at around 23 000 customers.

There were significant increases in both the number and proportion of customers excluded from retailer hardship programs in 2016–17. Notably, the number of customers exiting due to exclusion increased from around 39 000 to 49 000. This equated to an increase in the rate of customers exiting hardship customers due to exclusion from 46 to 57 per 100 customers.

These changes were due in part to significant changes in the reported figures of large retailers AGL and EnergyAustralia in particular.

Adherence to existing hardship payment plans was reviewed by two large retailers. As a result of this review, a significant number of customers were excluded from hardship programs. AGL's rate of exclusions for electricity nearly tripled (to 64 per 100 hardship customers who exited in 2016–17), reflecting an increase from 2100 to 11 200 excluded customers. EnergyAustralia's exclusion rate more than doubled to 53 per 100 hardship customers.

Excluded customers may go back into a retailer's regular billing stream or deal with any debt under a payment plan arrangement. This possible explanation is consistent with increases to EnergyAustralia and AGL's number of customers on payment plans across all jurisdictions.

Nationally, the proportion and number of customers exiting by transfer to other retailers remained static.

Alinta Energy's successful completion rate was consistent with the 2015–16 year at 94 per 100 customers.

Powerdirect (7 per 100 customers), AGL (8 per 100), and M2 Energy (7 per 100) had among the lowest rates of customers exiting hardship programs due to successful completion over the year.

We are concerned about the high number of customers that have been excluded from large retailer hardship programs. It is important for retailers to provide ongoing support to customers when they are experiencing payment difficulties and hardship issues. Over the 2017–18 year the AER will conduct a review of hardship practices and the impact of those practices on vulnerable customers.



Figure 2.6: Electricity customers exiting hardship programs in 2015–16 and 2016–17

In contrast to electricity, the 'success rate' of gas customers exiting hardship programs increased slightly, from 15 per 100 customers in 2015–16 to 17 per 100 customers in 2016–17. Additionally over this period the proportion of customers leaving due to exclusion also increased, from 56 to 66 per 100 customers

EnergyAustralia and AGL had among the lowest rates of gas customers exiting hardship programs for successful completion (4 and 9 per 100 customers, respectively). Alinta Energy had the highest success rate, with all customers who exited hardship in 2016–17 doing so for successful completion.



Figure 2.7: Gas customers exiting hardship programs in 2015–16 and 2016–17

2.5.5 How do retailers manage customers on hardship programs?

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

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

No clear correlation between average debt on entry, use of Centrepay and success rate was evident from the 2016–17 figures. While the retailers with the highest successful hardship program rates tended to have lower debt on entry, several retailers with low average debt on entry also had very low success rates.

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

Further work in this area will assist to identify the trends and themes in retailer practices arising in the hardship space.

Table 2.9:	Hardship program	performance	indicators-	by retailer
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	Number of customers on hardship programs	Customers on hardship programs (as % of customers with debt)	Average debt on entry to hardship programs	Hardship customers using Centrepay	Success rate of hardship programs ¹⁸
Electricity					
1st Energy	37	6%	\$1063	19%	20%
ActewAGL Retail	898	10%	\$1794	42%	37%
AGL	15 819	25%	\$1865	31%	9%
Alinta Energy	1271	26%	\$1556	20%	94%
Aurora Energy	2208	38%	\$1750	49%	28%
Click Energy	565	20%	\$795	28%	63%
CovaU	2	3%	\$2209	50%	47%
Diamond Energy	29	18%	\$1373	7%	42%
EnergyAustralia	5556	14%	\$1333	80%	23%
Ergon Energy Queensland	5469	39%	\$423	27%	52%
Lumo	312	29%	\$233	15%	13%
M2 Energy	749	76%	\$1362	11%	7%
Metered Energy Holdings	23	8%	\$644	4%	100%
Momentum Energy	237	40%	\$506	94%	21%
Origin Energy	22 272	37%	\$540	23%	25%
People Energy	1	3%	\$3210	0%	
Powerdirect	389	27%	\$1821	30%	7%
Powershop Australia	90	9%	\$1429	0%	34%
QEnergy	188	48%	\$822	17%	59%
Red Energy	1075	19%	\$244	41%	22%
Sanctuary Energy	4	6%	\$1330	0%	8%
Simply Energy	2483	48%	\$1396	41%	15%
Gas					
ActewAGL Retail	659	9%	\$1897	33%	31%
AGL	6028	16%	\$840	28%	9%
Alinta Energy Retail Sales	215	13%	\$1329	16%	100%
EnergyAustralia	820	6%	\$947	92%	27%
Lumo Energy	4	11%	\$0	0%	10%
M2 Energy	19	28%	\$568	16%	0%
Origin Energy	3778	19%	\$448	28%	23%
Red Energy	59	6%	\$179	27%	16%
Simply Energy	839	53%	\$556	31%	15%

The success rate has been calculated as the total number of hardship program participants completing a hardship program successfully divided by the total number of hardship program participants exiting hardship programs across the 2016–17 year. In the 2015–16 report this figure was calculated as the number of successful completions during the final quarter of 2015–16 year divided by the number of hardship program participants as of 30 June 2016.

2.6 Disconnections and reconnections

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

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

Disconnections for non-payment were highest in South Australia for both fuel types. Electricity disconnections in the state rose slightly to over 1.4 customers per 100, with the proportion of customers reconnected making up 59 per cent of all electricity disconnections. Conversely, total gas disconnections dropped from 1.2 customers per 100 to around 0.8 per 100.

Queensland had the second highest rate of electricity disconnections, rising to 1.3 customers per 100 in 2016–17. However, as in South Australia, gas disconnections took the opposite trajectory, decreasing to less than 0.6 customers per 100.

Gas disconnections in the ACT in 2016–17 fell to a quarter of their 2015–16 level of 1.2 customers per 100.

Disconnection rates decreased in NSW for both fuel types for the second year in a row.





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

South Australia had the highest rate of electricity customers disconnected for non-payment. Four larger retailers— Momentum Energy, EnergyAustralia, Origin Energy and Simply Energy—disconnected a smaller proportion of customers than in 2015–16, but these decreases were offset by increases in the rate of disconnections by Alinta Energy, which increased to more than 6 per 100 customers, the highest for a South Australian retailer. For gas in South Australia, Alinta's disconnection rate fell from 6 per 100 customers to 1 per 100, contributing to a state-wide decrease.

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

Red Energy and Lumo Energy are retail businesses owned by Snowy Hydro. Throughout the 2016–17 year Snowy Hydro commenced rebranding Lumo Energy as Red Energy in New South Wales and Queensland. Over the 2016–17 year Lumo Energy reported a large reduction in customer numbers in these jurisdictions and Red Energy reported a corresponding large increase in customer numbers, reflecting the rebranding. Disconnection rates in table 2.10 are calculated by dividing the total disconnection events for a retailer across the 2016–17 year by the corresponding customer numbers as of 30 June 2017. This methodology returns abnormally high disconnection rates for Lumo Energy of over 18 per 100 in Queensland and over 15 per 100 in New South Wales. However, the disconnection rate across both retailers was 1.6 per 100 in Queensland and 1.4 per 100 in NSW, which are much closer to the jurisdiction averages of 1.3 per 100 in Queensland and 0.89 per 100 in New South Wales.

Table 2.10: Residential electricity customers disconnected and reconnected by retailers for non-payment in 2016–17

Retailer	Disconı (per	nections 100)	Reconnections (% of disconnections)		% of reconnections that occurred within 7 days	
Queensland						
AGL	1.07	▼0.09	35%	▼6%	97%	0%
Click Energy	0.28	▼0.37	58%	▲13%	67%	▼28%
Diamond Energy	0.29	▼0.07	56%	▼11%	100%	0%
EnergyAustralia	1.15	▼0.61	58%	▲9%	73%	▼18%
Ergon Energy	1.91	▲ 0.50	38%	▼7%	89%	▼4%
Locality Planning Energy	0.60	▲ 0.40	71%	▼29%	100%	0%
Lumo Energy	18.57	▲ 16.50	35%	▼5%	100%	0%
M2 Energy	0.53	▲ 0.08	32%	▲10%	93%	▲12%
Metered Energy Holdings	3.96	▲ 1.98	108%	▲ 30%	93%	▼7%
Origin Energy	0.93	▲ 0.15	67%	▲1%	97%	▲2%
Powerdirect	4.78	▲ 2.57	45%	▼7%	88%	▼10%
QEnergy	1.40	▼0.50	64%	▲ 36%	44%	▼56%
Red Energy	0.34	_	39%	_	97%	_
Sanctuary Energy	0.09	▼0.28	100%	▲29%	100%	▲20%
Simply Energy	0.36	▼0.40	50%	▲8%	100%	▲20%
Total Qld	1.30	▲ 0.16	47%	▼3%	92%	▼3%
South Australia						
AGL	1.01	▲ 0.08	48%	0%	89%	▼3%
Alinta Energy	6.16	▲ 2.52	10%	▼28%	86%	▼6%
Click Energy	0.11	_	75%	_	67%	_
Diamond Energy	1.52	▲ 1.38	44%	▼6%	100%	0%
EnergyAustralia	1.37	▼0.62	49%	▼2%	80%	▼1%
Lumo Energy	2.00	▲ 0.09	21%	▲1%	100%	0%
M2 Energy	0.56	▲ 0.24	28%	▼12%	100%	0%
Momentum Energy	1.47	▼0.10	37%	▼10%	85%	▲10%
Origin Energy	1.17	▼0.24	57%	▲2%	92%	▲3%
Powerdirect	1.70	▲ 0.45	55%	▲14%	94%	0%
QEnergy	_	_	_	_	_	_
Red Energy	2.80	▲1.19	19%	▼1%	100%	▲11%
Sanctuary Energy	0.26	_	100%	▼	100%	-
Simply Energy	1.41	▼0.20	58%	▲1%	73%	▲3%
Total SA	1.43	▲ 0.04	41%	▼6%	87%	0%
ACT						
ActewAGL	0.17	▼0.02	55%	▼9%	92%	▼1%
Energy Australia	1.06	▼0.15	51%	▼5%	57%	▼10%
Origin Energy	1.12	▲ 0.58	54%	▲9%	62%	▲18%
Total ACT	0.25	▲ 0.02	54%	▼7%	80%	▼6%
Tasmania						
Aurora	0.43	▼0.07	55%	▲5%	86%	▼4%
Total Tas	0.43	▼0.07	55%	▲ 5%	86%	▼4%

Retailer	Disco (pe	Disconnections (per 100)		Reconnections (% of disconnections)		econnections curred within 7 days
New South Wales						
1st Energy	0.96	▲ 0.89	34%	▲1%	87%	▼13%
ActewAGL	0.33	▼0.20	20%	▼16%	83%	▼4%
AGL	1.02	▼0.33	44%	▲6%	94%	▼1%
Alinta Energy	2.26	-	8%	-	75%	-
Click Energy	0.25	▲ 0.02	36%	▲8%	73%	▼2%
CovaU	2.25	▲ 0.14	29%	▼2%	80%	▼1%
Diamond Energy	0.36	▼0.31	41%	▼1%	57%	▼43%
EnergyAustralia	0.59	▼0.14	51%	▲8%	65%	▼24%
Lumo Energy	15.04	▲11.86	19%	▼2%	100%	0%
M2 Energy	0.37	▼0.15	25%	▼3%	94%	▲6%
Momentum Energy	1.84	▼0.47	43%	▲ 3%	86%	▼5%
Next Business Energy	0.00	▼0.59	_	-	_	-
OC Energy	0.13	-	50%	-	100%	-
Origin Energy	0.89	0.00	54%	▼1%	92%	▲3%
Powerdirect	3.10	▲ 0.88	45%	▲10%	94%	▼1%
Powershop	0.20	▲ 0.12	32%	▲10%	100%	0%
QEnergy	1.66	▼1.03	46%	▲13%	17%	▼58%
Red Energy	1.21	▲ 0.52	26%	▼3%	79%	▲8%
Sanctuary Energy	0.04	▼0.06	100%	▲25%	100%	0%
Simply Energy	4.18	▼0.32	44%	▼4%	80%	▲1%
Total NSW	0.89	▼0.10	46%	▲2%	86%	▼5%

Retailer	Disconı (per	Disconnections (per 100) (%		ections nnections)	% of reconnections that occurred within 7 days	
Queensland						
AGL	0.80	▼0.43	42%	▲11%	75%	▼1%
Metered Energy Holdings	0.00	▼0.14	_	_	_	_
Origin Energy	0.41	▼0.08	38%	▲2%	57%	▲9%
Total Queensland	0.56	▼0.23	40%	▲7%	68%	▲1%
South Australia						
AGL	0.90	▼0.08	49%	▲9%	80%	▼4%
Alinta Energy	0.98	▼5.27	0%	▼23%	_	-
EnergyAustralia	0.89	▼0.46	50%	0%	68%	▲11%
Origin Energy	0.58	▼0.23	53%	▲ 5%	76%	▲2%
Simply Energy	2.08	▲ 0.44	29%	▼5%	56%	▲1%
Total South Australia	0.87	▼0.36	44%	▲4%	73%	▲2%
ACT						
ActewAGL	0.30	▼0.91	57%	▲ 19%	78%	▲4%
EnergyAustralia	0.67	▼0.81	55%	▲ 18%	63%	▲15%
Origin Energy	1.25	▲ 0.70	30%	▲1%	78%	▲21%
Total ACT	0.36	▼0.83	52%	▲14%	77%	▲5%
New South Wales						
ActewAGL	0.62	▼1.54	24%	▼4%	63%	▼14%
AGL	0.38	▼0.05	35%	▲10%	71%	▼10%
CovaU	2.07	▲ 1.27	17%	▼16%	67%	▼33%
EnergyAustralia	0.35	▼0.22	34%	▲12%	53%	▼11%
Lumo	13.45	▲12.11	1%	▼10%	100%	▲ 40%
M2 Energy	0.11	_	20%	_	100%	_
Origin Energy	0.59	▲ 0.11	40%	▲ 13%	68%	▲3%
Red Energy	0.29	_	24%	_	68%	_
Total New South Wales	0.43	▼0.08	35%	▲10%	66%	▼7%

Table 2.11: Residential gas customers disconnected and reconnected by retailers for non-payment in 2016–17

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

Electricity disconnections in New South Wales decreased for the third consecutive year to around 27 000. For the fifth successive year, over 10 000 electricity customers were disconnected for non-payment of electricity bills in South Australia. In Queensland, disconnections increased from 21 600 to over 25 000.

Gas disconnections fell in all jurisdictions during 2016–17. In New South Wales, the number of customers disconnected was around a quarter of the peak of 20 000 in 2011–12. Gas disconnections in South Australia fell from their highest ever level to 3600. In the ACT, they fell to their lowest ever level of 423.

Table 2.12:	Residential	electricity	disconnections	for non-payment	, 2009–10 to 2016–17
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	Queensland	New South Wales	South Australia	Tasmania	ACT
2009–10		15 835	4 748	1 396	880
2010–11		18 561	7 383	958	402
2011–12		23 207	9 893	178	420
2012–13		24 888	10 723	1 057	73
2013–14		32 940	10 148	1 555	269
2014–15		31 979	10 179	1 046	345
2015–16	21 672	30 065	10 546	1 172	388
2016–17	25 201	27 380	10 902	1 016	427

Table 2.13: Residential gas disconnections for non-payment, 2009–10 to 2016–17

	Queensland	New South Wales	South Australia	ACT
2009–10		14 811	3 410	1 611
2010–11		17 480	2 724	1 411
2011–12		20 118	4 403	2 356
2012–13		7 520	3 129	1 572
2013–14		4 921	3 418	1 066
2014–15		7 555	4 575	1 404
2015–16	1 410	6 389	5 081	1 403
2016–17	1 029	5 536	3 626	423

2.6.1 Disconnections of customers experiencing financial difficulty

Table 2.14 provides further information about residential customers disconnected in 2016–17 with indicators of financial difficulty.

These indicators include the proportion of disconnected customers who:

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

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

The proportion of disconnected electricity customers who had been on a payment plan in the previous 12 months increased to 36 per cent of disconnections (up from 33 per cent in 2015–16) and to 35 per cent for gas (up from 24 per cent). These rises followed rises in 2014–15.

Disconnections of customers who had been disconnected more than once in the previous 24 months remained steady. For electricity, 17 per cent of disconnected customers have previously been disconnected. For gas, disconnections of customers in this category accounted for 13 per cent of disconnections.

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

Table 2.14: Residential customer disconnections, 2016–17

Type of customer disconnected	Electricity (% of disconnections)		Gas (% of disconnections)	
Customer had been on a payment plan in the previous 12 months	36%	▲4%	35%	▲11%
Customer had been disconnected on more than one occasion in the previous 24 months	17%	▼1%	14%	▲1%
Customer was receiving an energy concession	27%	3%	19	-
Customer was on a hardship program	<1%		<1%	-

As discussed earlier in this report, a small number of residential customers in Tasmania use prepayment meters (PAYG) to manage their electricity account. Around half of the customers who use PAYG also receive energy concessions. Table 2.15 shows the number of customers using PAYG (as at the end of June each year), as well as the number and length of self-disconnections²⁰ that occurred in each of the last four years.

Table 2.15: Disconnection of customers using prepayment meters in Tasmania

	Customers with PAYG	PAYG systems capable of detecting and reporting self- disconnections	Self-disconnection events	Average duration of self-disconnections (mins)
2012–13	33 158	4 662	1 068	225
2013–14	30 640	7 194	2 069	287
2014–15	29 612	8 902	2 632	325
2015–16	26 670	10 854	3 098	246
2016–17	23 641	10 911	3 232	262

2.7 Energy concessions

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

We use the following indicators to report on energy concessions:

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

Table 2.16: Customers receiving energy concessions

	Customers receiving energy concessions (%)			
Jurisdiction	Electricity Gas			as
Queensland	29%	0%	21%	▼1%
New South Wales	28%	▼1%	19%	0%
South Australia	26%	▼4%	19%	_
Tasmania	38%	▼1%	_	_
ACT	17%	0%	4%	_

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

¹⁹ Retailers in South Australia and the ACT do not distinguish whether the energy concession is also applied to gas bills.

²⁰ Self-disconnection means an interruption to the supply of energy because a prepayment meter system has no credit (including emergency credit) available.

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

2.8 Security deposits

Retailers can only require small customers to provide security deposits in specific circumstances, for example if the customer owes the retailer money for another account or if the customer has fraudulently acquired energy in the previous two years.²¹ Very few retailers hold security deposits—only Aurora Energy, Origin Energy, Ergon Energy and Savant Energy Power Networks in 2016–17.

Ergon stopped requesting security deposits from new residential customers from 1 July 2015 (the date the Retail Law commenced in Queensland) and has advised²² that it will return deposits, with interest, after one year of a customer paying bills by the due date.

Accordingly, as expected the number of customers with deposits (and the amount held) decreased from last year. In 2016–17, Ergon held deposits from more than 24 000 customers, totalling \$11.6 million, compared to \$14.2 million from 40 000 customers the previous year.

Retailer	Customers with security deposits	Total value of security deposits	
Aurora Energy	20 (small business)	\$82 377	
Ergon Energy 16 417 (residential)		\$11 591 418 23	
	7 911 (small business)		
Origin Energy	13 (residential)	\$5 600	
Savant Energy Power Networks	13 (residential)	\$7 500	

Table 2.17: Security deposits held by retailers as at 30 June 2017

Urth Energy RoLR event

In February 2017 we oversaw the second transfer of customers of a failed energy retailer in our role overseeing the national Retailer of Last Resort (RoLR) scheme.

The transfer followed the Australian Energy Market Operator suspending electricity retailer Urth Energy following its entry into receivership.

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

The RoLR scheme is principally designed to ensure that in the event of retailer failure, arrangements are in place to ensure that customers continue to receive electricity and/or gas supply and are transferred to a new retailer.

Approximately 800 electricity customers in South Australia, Queensland and NSW were affected by Urth Energy's failure. Depending on where the customers were located they were transferred to either AGL, Origin Energy, or EnergyAustralia.

²¹ National Energy Retail Rules, r. 40.

²² www.ergon.com.au/retail/residential/billing-and-payments/security-deposit

²³ Ergon still obtains deposits for small business customers. As these deposits are much larger than residential security deposits, the reduction in the total dollar value of deposits held has not decreased by the same extent as the number of residential security deposits.



3. Energy affordability

This chapter provides an overview of the annual cost of electricity and gas around the country for a 'benchmark household'²⁴ as at June 2017 for all energy customers.

We have included Victoria in our analysis of affordability around the country despite it being regulated by the Essential Services Commission. We consider each jurisdiction that is part of the NEM (Queensland, New South Wales, Victoria, South Australia, Tasmania and the ACT). We have not considered energy affordability for customers in Western Australia and the Northern Territory.

3.1 What is energy 'affordability'?

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

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

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

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

This chapter considers, but simplifies, these variables to present an overview of how electricity and gas bills are trending around the country, with a particular focus on low income households. Although we acknowledge that affordability issues have the greatest impact on vulnerable customers, rising household energy costs affect all energy users.

²⁴ We use the concept of a 'benchmark' household as every household has a different level of consumption and income and it is not possible to account for the individual characteristics of every household.

The ACCC has published the <u>Retail Electricity Pricing Inquiry preliminary report</u>²⁵ into the electricity market highlighting significant concerns about the operation of the NEM, which is leading to serious problems with affordability for consumers and businesses.

The ACCC's initial assessment of information from AER, industry, consumers, businesses, representative groups and other organisations found that between 2007–08 and 2015–16 the main cause of higher customer bills in most states was the significant increase in network costs. Bill increases were also driven by, to a lesser extent, increasing retailer operating costs and by increasing environmental scheme costs.

The ACCC found that:

- based on CPI, retail electricity prices have increased by 80 to 90 per cent (in real terms) in the past decade when taking into account price rises in July 2017
- these large increases in electricity prices have not been matched by price increases in other areas of the economy, nor in wage growth
- those on low incomes are finding it increasingly difficult to absorb electricity price increases and are often limited in what they can do to reduce their energy costs.

The ACCC notes that increased bills are a major source of concern for both residential and business customers and the burden of higher electricity prices disproportionally affects those segments of society least able to afford it. As an example, in most NEM areas in 2016, the proportion of household disposal income spent on electricity was around five times greater for the lowest income quintile as it was for the highest income quintile.

The ability of a household to absorb the electricity price increases of the past decade varies on income. It will also vary according to the household's reliance on electricity compared to other energy sources such as gas, its ability to invest in solar or energy efficient appliances, or to make behavioural changes to reduce use, and its overall bundle of other living costs.

The ACCC's preliminary report contains some recommendations that could be immediately implemented by governments:

- provide additional resourcing to Energy Made Easy as a tool to assist consumers in comparing energy offers
- state and territory governments should review concessions policy to ensure that consumers are aware of their entitlements and that concessions are well targeted and structured to benefit those most in need.

The ACCC will deliver its final report into the electricity market in June 2018.

3.1.1 Our analysis of affordability

Our methodology includes an analysis of:

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

We compare the offers available in June 2017 with what was available at the same time the previous year. For this reason, **1 July 2017 price increases are not captured in this year's analysis** but will be reflected in our report for 2017–18.

²⁵ ACCC's Retail Electricity Pricing Inquiry Preliminary Report published 16 October 2017: www.accc.gov.au/publications/accc-retail-electricity-pricing-inquirypreliminary-report.

Unless we state otherwise, any reference to 'market offer' and 'standing offer' refers to the median market and standing offer respectively. Similarly, any reference to an annual bill or charges refers to an estimated annual bill based on a benchmark household's consumption level.

In our analysis of electricity bills we use two benchmark consumption levels for each jurisdiction: one for low income households (which, on average, have 1–2 people) and one for middle and high income (typical) households (which, on average, have 2–3 people). Our analysis of gas bills uses only typical consumption levels. 'Income' refers to annual disposable income.²⁶

Our methodology of using ABS data and our approach to calculating average incomes for low, typical and high income households is further explained in appendix 7.

3.2 The cost of energy

This year, energy prices have generally increased across all jurisdictions. Our commentary will focus on:

- price increases and the impact this has had as a percentage of disposable income,
- the composition of energy bills, and
- the impact of concessions.

Recent price rises are having a greater impact on low income households. The ACCC's Retail Pricing Inquiry preliminary report and consumer groups have also reported on this.²⁷

Now, more than ever, we recognise that customers must be informed about how they can minimise energy costs and find the best retail contract for their circumstances.

Rising prices have impacted customers differently across the jurisdictions we regulate. On average, across all jurisdictions, a low income household (on a market offer and without a concession) paid 5.1 per cent of their disposable income towards their electricity bills and 4 per cent to their gas bills over the 2016–17 financial year. For example:

- in Queensland the electricity and gas prices as a percentage of a low income household's disposable income has remained constant since 2015 (at 5.6 per cent and 2.9 per cent respectively)
- in New South Wales the percentage of disposable income spent on electricity has experienced an increase since 2016 (of 0.4 per cent to 5.2 per cent). Gas costs have decreased over the year (0.2 per cent to 3.2 per cent of disposable income)
- in Victoria low income households have experienced a slight increase in electricity and gas bills as a share of income (0.2 per cent for each fuel), and
- in all other state jurisdictions this rate of spending disposable income on energy costs has increased, up to a variation of 0.7 per cent.

When considering the composition of bills for customers it is important to review the different components charged. Specifically, we examined fluctuations in the fixed service to property, or supply charges, component of the bill against the variable component (the retail usage charges).

On average electricity supply charges were about 25.7 per cent across the jurisdictions for electricity with the highest in Victoria at 35.8 per cent and the lowest, 16.6 per cent, in Tasmania. Supply charges averaged 26.1 per cent for gas across the states with the highest in Queensland at 36.7 per cent and the lowest in the ACT at 16.7 per cent. This aspect of the bill is fixed and customers have a limited ability to reduce their service to property charges.

This chapter will go into further detail about how households have been impacted by supply charge components.

²⁶ Disposable income is derived by deducting estimates of personal income tax and the Medicare levy from gross income.

²⁷ See St Vincent de Paul Society's The NEM—A hazy retail maze, published December 2016.

3.2.1 Reducing energy bills

Concessions can have a considerable impact on low income households in helping to manage their energy costs. Once concessions are applied to the median market offer, the percentage of disposable income low income customers spend on energy costs can be reduced by up to 1.3 per cent for electricity costs and 0.6 per cent for gas costs.

Each jurisdiction has different energy concessions and it can be difficult for customers to understand what help is available. We encourage customers to talk to their retailers about available concessions and discuss assistance in minimising the overall cost of energy.

Concessions for customers will vary depending on their individual eligibility, and from jurisdiction to jurisdiction they vary hundreds of dollars. Based on the median market offers, low income households could potentially access considerable savings of up to several hundred dollars if they access available concessions.

For example, in Queensland customers can access about \$340 per year through the electricity rebate. In South Australia there is a combined electricity and gas concession of \$217.90 available. This chapter will further detail the impact concessions can have for customers in relation to their disposable income.

Energy offers often contain different payment incentives. Most retailers offer customers 'pay on time' discounts, which range from a 5 per cent discount to a 40 per cent discount. These are rates that usually entitle the customer to a discount off their energy charges once they make payment of their bill by the payment due date. For the majority of customers this can allow them access to lower charges.

For customers that are in hardship (temporary or long term) it may be more difficult to pay an energy bill on time.

We encourage customers experiencing payment difficulties to find an offer with lower usage rate, or a guaranteed discount, so they are not penalised for installing payment plans or failing to make a bill payment on time.

Retailers also need to ensure that customers can access clear and transparent information about available rates and tariffs, and understand the terms and conditions of these offers, specifically in relation to pay on time discounts.

We will continue to encourage customers to use our Energy Made Easy website to assist them in making informed choices about retail energy offers. We are also undertaking a review of the Retail Energy Pricing Information Guidelines to ensure customers are provided with clear information about energy offers to enable them to access the best energy deal.

We will also continue to engage with retailers who are signatories to the Sustainable Payment Plans Framework and monitor how this has affected engagement with hardship customers.



July price increases and the benefits of switching

Energy is a significant cost for many households and small businesses, especially given the electricity and gas price increases on 1 July 2017.

Customers can still save money by shopping around even after most retailers raised their prices on 1 July 2017. In fact, it is now even more important for them to do so. Energy customers could be saving hundreds of dollars off their electricity and gas bills by switching to a better offer. Customers who may be on a standing offer, or who have not switched for a long time, are likely to be paying more than they need to.

Our Energy Made Easy (<u>www.energymadeeasy.com.au</u>) website helps customers compare the generally available electricity and gas offers in their local area, and provides practical advice on what to think about when deciding on an offer. If there is a discount being offered, customers should check if the discount is off the entire bill or only part of the bill, and if there are any conditions to receiving it, like paying on time or setting up a direct debit. This can affect the amount of a bill.

Retailers are required by law to provide assistance to customers who are having trouble paying their energy bill. If customers are struggling to pay their energy bills they should contact their energy retailer early and ask for help to avoid being disconnected. More information is available at: www.energymadeeasy.gov.au/get-energy-smart/ energy-bills/having-trouble-paying-your-bill.

Queensland		<u> </u>
Brisbane	\$230	\$37
Bundaberg	\$22	
		
New South Wales	2	0
New South Wales Sydney	9 \$410	\$138



Savings customers can make by switching from the median standing offer to the lowest market offer

3.3 National overview

3.3.1 Energy prices and bills

Our analysis shows that electricity bills for a low income household on a market offer increased across all jurisdictions. The increase in electricity bills ranged from 2.9 per cent in Queensland to 10.6 per cent in New South Wales between June 2016 and June 2017.

Gas bills have increased marginally (less than two per cent) in Queensland and New South Wales, and by approximately 6.2 per cent in Victoria. They have decreased in the Australian Capital Territory and South Australia (1.2 per cent and 4.7 per cent respectively). This means gas bills constitute either a similar or smaller proportion of a low income household's annual disposable income.

Electricity bills for a low-income household remained highest in Tasmania (at \$2032 before concessions are applied) where electricity is the predominant source of fuel and cool climates continue to generate high demand for electricity for heating. Although representing a significant 8.5 per cent of disposable income for a low income household (or 6.5 per cent with concessions applied), it is important to note for most Tasmanian households, this would be the only energy bill they receive, unlike in other jurisdictions where many households may also pay a gas bill.

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







Figure 3.2: Annual electricity and gas bills (6000 kWh 24 000 MJ-all jurisdictions), June 2015, 2016 and 2017

Annual electricity bills to June 2017 for low income households in other jurisdictions on the median market offer ranged between \$1233 and \$1441 (before any concessions). As a per centage of income, low-income households in the ACT (where incomes are generally higher) continued to fare slightly better, spending 3.7 per cent. This compares favourably to the relative spend by low income households in other jurisdictions of between 4.8 and 6.0 per cent (with Tasmania at 8.5 per cent).

3.3.2 Composition of energy bills

Energy bills are made up of fixed and variable charges. For residential and small business customers the fixed charge is the supply charge and the variable charge is the retailer's usage charges. The fixed charge 'bundles' network and wholesale costs which are regulated and are typically passed on as a daily charge. The retailer's usage charges vary by retailer and the customer is able to enter into an agreement about what rate they agree to be charged for gas or electricity.

We also analysed the daily supply charge as a proportion of energy bills. Daily supply charges are fixed components of a bill and cannot be reduced by households changing their consumption patterns. While there are some exceptions, retailers generally offer conditional discounts on the energy usage components of the bill and not on the daily supply charge.

Energy usage charges generally continue to constitute the majority of energy bills. However, as low income households consume less electricity than middle and high income households, the daily supply charge is a larger component of their bill compared to a middle or high income household. As a result, any changes in the daily supply charge tend to have a greater impact on a low income household's annual bill.

With the exception of New South Wales gas bills and Tasmanian electricity bills, our analysis found the median market supply charge amounts to a smaller proportion of an annual bill than last year. The median electricity supply charge has increased (except in Queensland), but this increase has been outpaced by the increase in the energy usage charge, whereas the median gas supply charge has decreased (except in New South Wales).

3.3.3 Concessions

Each state and territory government offers an energy concession to eligible households. Concessions can significantly improve energy affordability. The potential savings vary in each jurisdiction and depend on how the concession is applied, but could be in the order of several hundred dollars a year for each fuel (for example a \$494 concession for electricity for households in Tasmania, a \$99 concession for gas in New South Wales to go with the existing \$295 electricity concession and \$217.90 across both fuels in South Australia). The ACT now has a combined Utilities Concession (\$604), which applies to energy (electricity and gas), water and sewerage. We look more closely at the value and impact of concessions later in the chapter.

Powering Forward

The Commonwealth Government created the website Powering Forward (www.poweringforward.energy.gov.au) to help customers understand the energy industry. It includes information for residential and small business customers about how they can save, access concessions and rebates, and get information about energy details and assistance.

The website links to Energy Made Easy, Centrelink, the Department of Veterans' Affairs and provides important information on how to reduce energy costs.

3.3.4 Switching and discount offers

While concessions can represent an important saving for eligible households, our affordability analysis shows that, for many households, there are significant savings to be achieved just by switching to a cheaper offer (and not just from a standing to a market offer).

The potential saving from switching from the median electricity standing offer to the cheapest market offer varies widely from jurisdiction to jurisdiction, ranging from \$169 for a low income household in South East Queensland to \$735 for a middle income household in South Australia. The potential saving from switching from the median gas standing offer to the cheapest market offer also varies widely from jurisdiction to jurisdiction, ranging from \$22 for a household in Brisbane to \$436 in Victoria. The potential savings would be greater if switching from a higher than median standing offer.

When comparing offers it is important to consider the impact discounts can have on the annual cost of energy bills. Nearly all retailers include in their market offers discounts to customers who pay their energy bills generally by the due date. These pay on time discounts range from a five per cent to a 40 per cent discount, depending on the retailer and the distribution zone.

In addition to the varying discounts, the base rates that the advertised discounts apply to vary from retailer to retailer – an offer that has lower base rates and a lower advertised discount may work out to be cheaper than an offer with higher base rates and a larger advertised pay on time discount. Another condition affecting the value of discounts is that most advertised discounts only apply to the energy usage component of the bill instead of both the usage and daily supply charge components. In certain circumstances an offer with a smaller advertised discount that applies to the overall bill could be cheaper than an offer with a larger advertised pay on time discount that only applies to the usage component.

For example, figure 3.3 shows the annual bill for a typical customer in Victoria's AusNet distribution network area under each retailer's best market offer at June 2017, and the advertised discount associated with that offer. Our analysis shows the offer with the largest advertised pay on time discount (40 per cent) is not the cheapest offer available. In fact, there is an offer with a 33 per cent pay on time discount which is about \$80 cheaper per annum.



Figure 3.3: AusNet distribution zone, cheapest single rate offers from each retailer, typical consumption (4900 kWh)

It is important to consider how much a bill stands to cost a household that is unable to pay on time and receive the advertised pay on time discount. The additional cost of a bill from not paying on time will be greater where the advertised discounts are high compared to offers that have smaller pay on time discounts.

Using the Victorian AusNet distribution zone again as an example, figures 3.4 and 3.5 show all generally available single rate market offers and the typical annual bill for customers that pay on time (in blue) and fail to pay on time (in red).²⁸ The green and yellow bar demonstrates that the cheapest offer available for customers costs \$1462 a year after a 33 per cent pay on time discount is applied. However, this bill can increase by \$720 (to an annual cost of \$2182) if not paid on time and the 33 per cent discount is forfeited; making this offer one of the most expensive offers available in the area (as shown in figure 3.5).

Figure 3.5 highlights that offers with a pay on time discounts are not necessarily the cheapest offers, particularly for households who struggle to pay bills when the fall due. The purple bar in figures 3.7 and 3.8 shows the annual cost of an available offer which does not have a pay on time discount (which cost \$1642 a year). Although this is \$180 more expensive than the cheapest offer for households that always pay bills on time and qualify for the pay on time discounts, it is potentially \$540 cheaper than the same offer for households who struggle to pay bills on time (as shown in figure 3.4). It is also the cheapest offer available when considering undiscounted prices.

We encourage customers to visit <u>www.energymadeeasy.gov.au</u> to check the generally available offers in their area-Again, we look more closely at this in our jurisdictional sections.



Figure 3.4: AusNet Services distribution zone, all generally available single rate market offers, typical consumption (4900 kWh), sorted by discounted price

28 Offers that do not feature pay on time discounts appear as standalone blue bars.



Figure 3.5: AusNet Services distribution zone, all generally available single rate market offers, typical consumption (4900 kWh), sorted by undiscounted price

3.4 Queensland

Summary of electricity and gas affordability in Queensland

- The median market electricity and gas offers increased by around 2.9 and 1.2 per cent respectively.
- For a low income household, the annual electricity bill for the median market offer was \$1441 (\$1100 with a concession). Consistent with last year, this is 5.6 per cent of annual disposable income, or 4.3 per cent with a concession.
- A low income household on the median gas market offer would spend \$742 per annum (or \$671 with a concession). This is just under 3 per cent of a low income household's annual disposable income, or around 2.6 per cent with a concession.
- Low income households in the Energex distribution zone could save potentially up to \$350 off their electricity bills if they switched to one of the cheaper market offers in their area.

3.4.1 Energy prices and bills

There are two electricity distribution zones in Queensland:

- Energex covers South East Queensland (including Brisbane, Sunshine Coast and Gold Coast), and
- Ergon Energy, the rest of the state (mostly rural and regional).29

Ergon and Energex are subsidiaries of the Government Owned Corporation Energy Queensland Limited, which was created on 1 July 2016.³⁰

Historically the Queensland Competition Authority (QCA) reviewed the regulated tariffs in Queensland and made annual price determinations. However since the commencement of retail electricity price deregulation in south east Queensland (the Energex zone) on 1 July 2016, the QCA no longer regulates retail electricity prices for residential and small business customers in south east Queensland although it continues to do so in regional Queensland (the Ergon zone).

In 2016–17, the annual electricity bill for households using a typical 4100 kWh per year in Ergon Energy's zone is \$1470.

²⁹ Essential Energy's network in New South Wales also extends into Queensland near Goondiwindi.

³⁰ www.energyq.com.au.

For customers in the recently deregulated Energex Zone, electricity bill prices are slightly higher than the previous year with the median market offer increasing by around 2.9 per cent from \$1401 to \$1441 without concession (\$1101³¹ with concession) (figure 3.4).





Queensland has four gas distribution zones: Allgas Energy (south Brisbane and the Gold Coast), Australian Gas Networks³² (AGN) (Brisbane North and Ipswich), AGN (Northern) and AGN (Wide Bay).

While gas prices are not subject to price regulation in Queensland, in its 2017 Competition Review, the AEMC maintained that competition continues to be less effective in the south east Queensland retail gas market, due to the small size of the market and the tightening demand and supply conditions in the wholesale gas market.³³ The level of competition is not expected to change significantly. There are only a relatively small number of gas customers in regional Queensland with access to reticulated gas.

Figure 3.7 shows the range of annual gas bills across the distribution zones. The median market offer was lowest in AGN (Wide Bay) (\$464) and highest in AGN (Northern) (\$781) for a typical gas consumption level (of 10 000 MJ per year).

The range between the cheapest and most expensive market offer was most pronounced in the Allgas Energy zone (at \$94), with the three AGN zones relatively narrow—as low as \$22 for AGN (Wide Bay), where households continue to have the lowest annual bills.

³¹ The concession amount is \$340.85.

³² Australian Gas Networks was previously Envestra.

³³ AEMC Competition Review, 2017, p. 223.



Figure 3.7: Range of generally available gas offers by distribution zone in Queensland (10 000 MJ)-June 2017

3.4.2 Energy bills as a percentage of income

Two types of energy rebate are available to eligible customers in Queensland.³⁴ The Electricity Rebate currently provides a rebate of up to \$340.85 per year towards electricity bills. Eligibility was previously restricted to households that had a Commonwealth Pensioner Concession Card, Department of Veterans' Affairs Gold Card or Queensland Seniors Card. In April 2017, eligibility for the Electricity Rebate was expanded to include Commonwealth Health Care Card holders and asylum seekers.³⁵ The Reticulated Natural Gas Rebate, which is available to eligible pensioners and seniors, provides a rebate of around \$71.30 per year toward gas bills. Figure 3.8 shows the impact of these rebates on bills for a benchmark low income household.

³⁴ www.qld.gov.au/community/cost-of-living-support/electricity-gas-rebates.

³⁵ www.qld.gov.au/community/cost-of-living-support/electricity-gas-rebates#Eligibility.



Figure 3.8: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household in Queensland (4100 kWh and 10 000 MJ, June)

For a low income household, the annual electricity bill for the median market offer was \$1441 (\$1100 with a concession). Consistent with last year, this is 5.6 per cent of annual disposable income, or 4.3 per cent with a concession. The annual electricity bill for the median standing offer was \$1511 (\$1170 with a concession). This represents 5.9 per cent of a benchmark low income household's annual disposable income, or 4.6 per cent with a concession. The annual gas bill for a low income household increased by approximately 1 per cent for customers on the median market offer, and decreased by approximately 1 per cent for customers on the median standing offer. Currently there is not a significant price difference between the median standing offer and the median market offer in Queensland, although the median market offer remains slightly cheaper. For example, a low income household on a median market offer would spend \$742 (or \$671 with a concession) compared to the standing offer of \$749 (or \$678 with a concession). Annual bills of this size are just under 3 per cent of a low income household's annual income, which fall to around 2.6 per cent for a market offer and 2.7 per cent for a standing offer after concessions.

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

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

Table 3.1:	Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable
	income for Queensland—June 2017

Household income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income-with concession	Electricity 4100 kWh	1101	4.3
Low income-without concession	Electricity 4100 kWh	1442	5.7
Middle income	Electricity 5800 kWh	1859	2.5
High income	Electricity 5800 kWh	1859	0.9
Low income-with concession	Gas 10 000 MJ	671	2.6
Low income-without concession	Gas 10 000 MJ	742	2.9
Middle income	Gas 10 000 MJ	742	1.0
High income	Gas 10 000 MJ	742	0.4

3.4.3 Composition of energy bills and impact of concessions

Daily supply charges for electricity decreased to around \$434 per annum in 2017, which represents 30 per cent of a low income household's annual electricity bill, and 1.7 per cent of its disposable income. Daily supply charges are relatively high in Queensland, although as a proportion of a low income household's electricity bill, supply charges are relatively similar to other jurisdictions.

Daily supply charges for gas also decreased and are now around \$273 per annum, which represents around 37 per cent of a low income household's annual gas bill, and around 1.1 per cent of its disposable income. Despite the decrease, gas supply charges in Queensland as a proportion of a low income household's bill remain significantly higher than other jurisdictions (which are in the range of 18 to 26 per cent).

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

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

Table 3.2	Composition of	low income	household energy	/ bills (mediar	market offer)
Table J.Z.	Composition of	10W INCOME	nousenoiu energy	y bills (meulai	i market oner)

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—4100 kWh	2014	15.1	84.9	21.2
	2015	24.1	75.9	23.1
	2016	33.4	66.7	23.5
	2017	30.0	70.0	23.6
Gas—10 000 MJ	2014	42.4	57.6	9.3
	2015	36.8	63.2	9.6
	2016	42.4	57.6	9.5
	2017	36.7	63.3	9.6



Mei receives assistance under her retailer's hardship program

Mei is a single parent with a young child. They live in a two bedroom apartment on the Gold Coast in Queensland. Mei has her electricity and gas provided by the same retailer and is on a market offer for both fuels.

Mei has a gas hot water system and a gas stove and oven. She has two electric space heaters as well as air conditioning. Mei's annual electricity consumption is approximately 5000 kWh and her annual gas consumption is approximately 10 000 MJ. Her average quarterly electricity bill is \$415 and average quarterly gas bill is \$190.

Mei is self-employed and is recently between contracts. Mei has paid her last few energy bills late, which meant she has not received her pay on time discount and has also been charged a late payment fee. As a result of this, her electricity bill has increased to \$475 and her gas bill to \$215 per quarter. Mei is unable to pay the full amount that is due, has started to accumulate debt, and is worried she will be disconnected. She calls her retailer to find out what to do.

The retailer's agent talks to Mei about her circumstances and suggests Mei be placed onto the retailer's hardship program to help get back in control of her energy bills over the next year. As part of the hardship program, Mei's retailer agrees to reassess her contract and offers a guaranteed discount and a payment plan which takes into account her capacity to pay. All late payment fees are waived and Mei feels confident that she can afford to pay \$60 per week toward her combined energy bills.

The retailer's agent also offers to send a trained energy consultant to Mei's house to help Mei check if there are simple steps she can take to reduce her energy consumption.

3.5 New South Wales

Summary of electricity and gas affordability in New South Wales

- The median market electricity and gas offers increased by around 10.6 and 1.8 per cent respectively.
- For a low income household, the annual electricity bill for the median market offer was \$1419 (\$1144 with a concession). This is 5.2 per cent of annual disposable income, or 4.2 per cent with a concession.
- A low income household on the median gas offer would spend \$860 per annum (or \$761 with a concession). This is around 3.2 per cent of a low income household's annual disposable income, or 2.8 per cent with a concession.
- Low income households in the Ausgrid and Endeavour distribution zones could save potentially up to about \$500 off their electricity bills if they switched to one of the cheaper market offers in their area. Customers in the Essential Energy distribution zone could potentially save up to about \$430.

3.5.1 Energy prices and bills

There are three electricity distribution zones in New South Wales: Ausgrid, Endeavour Energy and Essential Energy. In June 2017, there were 24 retailers marketing generally available electricity contracts to residential customers in New South Wales, one more than 2016.

The Essential Energy distribution zone had the highest average electricity bills (\$1846 for the median standing offer and \$1576 for the median market offer). Essential Energy covers most of regional and rural New South Wales, so it typically has fewer customers to support payment for maintenance and supply within a larger area of network infrastructure. The greater network costs are reflected in the final bills to customers.

The Ausgrid distribution zone, which covers the Sydney, Central Coast and Hunter regions, had the greatest difference (\$514) between the cheapest (\$1191) and most expensive (\$1705) market offers (Figure 3.9).

Customers in both the Ausgrid and Endeavour Energy distribution zones could potentially save up to \$500 if they switched to one of the cheaper market offers in their area. In the Ausgrid zone, an annual bill on the cheapest market offer was around \$1191 (over \$500 cheaper than the most expensive market offer of \$1705), households in the Endeavour zone could potentially save a similar amount with the cheapest market offer at \$1156—almost \$500 less than an annual bill for a household on the most expensive market offer in that zone (\$1644).

While the median market offer is less than the median standing offer in each distribution zone as at 30 June 2017, 21 per 100 residential customers remained on standing offers, compared with 25 per 100 residential customers for the same time last year.



Figure 3.9: Range of generally available electricity offers by distribution zone in New South Wales (4300 kWh)— June 2017

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

Historically, regulated gas prices have been determined by the New South Wales Independent Pricing and Regulatory Tribunal (IPART) under voluntary pricing arrangements with ActewAGL, AGL and Origin Energy. In October 2015, the New South Wales Government announced it would remove retail gas price regulation from 1 July 2017, subject to an increase in retail gas market competition within regional areas.³⁶ Figure 3.10 shows the range of annual gas bills across the distribution zones.





3.5.2 Energy bills as a percentage of income

The Low Income Household Rebate is the primary energy concession available to eligible customers³⁷ in New South Wales. It applies only to electricity bills and is capped at \$235 per year.

Some customers are also eligible³⁸ for the Family Energy Rebate, which is capped at \$150 per year. For households eligible for both the Low Income Household Rebate and the Family Energy Rebate³⁹, the Family Energy Rebate is capped at \$15 per year, making the maximum annual electricity concession available \$250. On 1 July 2015, the New South Wales Government introduced a Gas Rebate to help eligible householders pay their gas bills. The gas rebate is \$90 per year. The analysis of annual electricity bills in figure 3.11 includes the maximum value of both concessions.⁴⁰

³⁶ www.resourcesandenergy.nsw.gov.au/energy-customers/energy-sources/gas/removal-of-gas-price-regulation-deregulation.

³⁷ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans' Affairs Gold Card.

³⁸ Eligibility is restricted to households that receive the Australian Government's Family Tax Benefit A and/or B.

³⁹ The Family Energy Rebate is not available as a standalone rebate. <u>www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/rebates/family-energy-rebate</u>.

⁴⁰ NSW Energy and Gas rebates are defined as rebates of energy bills exclusive of GST. As all figures in our analysis are inclusive of GST, we have applied concession energy rebates of \$275 and \$99 for electricity and gas respectively.


Figure 3.11: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household in New South Wales (4300 kWh and 24 000 MJ, June)

Across New South Wales, annual electricity bills increased in 2016–17. For a low income household on the median market offer, bills increased quite significantly by around 10.6 per cent to \$1419 (or \$1144 with a concession). A low income household on the median standing offer (including regulated offers) experienced higher bills than the market offer (\$1555 or \$1280 with a concession) and higher bills compared to being on standing offer last year (\$1360 or \$1085 with a concession), an increase of around 14.3 per cent. A low income household on the median standing offer and receiving a concession spent 4.7 per cent of its annual income on electricity. Without any concessions, 5.7 per cent of that household's annual income would be spent on electricity.

Annual gas bills for a household on the median market offer in New South Wales increased by nearly 2 per cent to \$860 (or \$761 if the household was eligible for the gas concession). The annual bill for the median standing offer was slightly higher at \$939 (without a concession).

For a low income household, gas bills represent between 2.8 and 5.7 per cent of annual income, depending on whether they are on a market or standing offer and whether they receive a concession.

A middle income household using a typical amount of energy–5900 kWh in New South Wales–spends approximately 2.3 per cent of its income on electricity (table 3.3). For a high income household, electricity accounted for 0.8 per cent of its annual income. Middle and high income households spent 1.1 per cent and 0.4 per cent on gas respectively.

Table 3.3:	Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable
	income in New South Wales—June 2017

Household income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 4300 kWh	1144	4.2
Low income—without concession	Electricity 4300 kWh	1419	5.2
Middle income	Electricity 5900 kWh	1775	2.3
High income	Electricity 5900 kWh	1775	0.8
Low income—with concession	Gas 24 000 MJ	761	2.8
Low income—without concession	Gas 24 000 MJ	860	3.2
Middle income	Gas 24 000 MJ	860	1.1
High income	Gas 24 000 MJ	860	0.4

3.5.3 Composition of energy bills and impact of concessions

Daily supply charges for a median market electricity offer were \$394 per annum in 2017, which represents 21 per cent of a low income household's annual electricity bill and 1.1 per cent of its disposable income.

Daily supply charges for a median market gas offer were \$260 per annum, which represents around 30 per cent of a low income household's annual gas bill and 1 per cent of its disposable income.

The electricity concession helps eligible customers save over 17.4 per cent on electricity; and the new gas concession an additional 11.5 per cent for eligible customers.

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

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—4300 kWh	2014	24.6	75.4	19.1
	2015	26.4	73.6	21.2
	2016	28.4	71.6	21.4
	2017	21.0	79.0	17.4
Gas—24 000 MJ	2014	24.9	75.1	N/A
	2015	20.5	79.5	N/A
	2016	25.7	74.3	11.0
	2017	30.2	69.8	11.5

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



Matthew and Declan generate their own solar power

Matthew and Declan live in a two bedroom house in The Ponds, New South Wales. They have solar panels on their rooftop, which were installed as part of the NSW Government's Solar Bonus Scheme (the Scheme) to encourage the uptake of renewable energy in NSW. The Scheme ended on 31 December 2016.

Matthew and Declan were in a gross metering arrangement, which meant they could not use the solar power they produced in their own home. During the Scheme's operation they received subsidised payments of 60 cents per kilowatt hour for the solar power they fed from their property into the electricity grid. From 1 January 2017, the tariff Matthew and Declan received reverted to an unsubsidised feed-in tariff (of six cents per kilowatt hour from their retailer⁴¹).

To continue to get the most out of their solar PV system, Matthew and Declan decided to switch to using the solar power they generated themselves to meet as much of their energy needs as possible. This would limit their need to use the more expensive grid electricity. They contacted their retailer and changed to a net meter that allowed them to consume the energy they generated and export any excess power they did not use to the grid. Their retailer installed a digital smart meter at no upfront cost.

The digital smart meter gives Matthew and Declan access to additional benefits, being able to obtain more accurate information on their energy consumption and costs, giving them greater control over their energy usage and helping them to save on electricity bills.

3.6 Victoria

Summary of electricity and gas affordability in Victoria

- The median market electricity and gas offers increased by around 5.7 and 6.2 per cent respectively.
- For a low income household, the annual electricity bill for the median market offer was \$1233 (\$1047 with a concession). This is 4.8 per cent of annual disposable income, or 4.1 per cent with a concession.
- A low income household on the median gas offer would spend \$1397 per annum (or \$1280 with a concession). This is around 5.4 per cent of a low income household's annual disposable income, or 4.9 per cent with a concession.
- Depending on the distribution area, low income households could save potentially between \$388 (Citipower) to \$672 (AusNet) off their electricity bills and \$404 (AusNet) to \$671 (Multinet) off their gas bills if they switched to one of the cheaper market offers in their area.

⁴¹ See: www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-electricity-publications-retail-offers-for-solar-bonus-scheme-customers/ options-for-solar-customers-after-the-solar-bonus-scheme-ends.pdf.

3.6.1 Energy prices and bills

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

Consistent with previous years, customers in AusNet Services' distribution zone—which covers most of the eastern part of Victoria, including some of the eastern suburbs of Melbourne—had the highest electricity bills for the median market (\$1535) and median standing offer (\$1653). It is reasonable to expect distributors servicing regional areas to have higher prices, given the large amount of network infrastructure required to service a relatively smaller number of customers.

In terms of the median market offer, the Powercor and AusNet Services distribution zones had similar annual bills of \$1260 and \$1336 respectively, with CitiPower and United Energy slightly lower again (\$1133 and \$1150).

In Victoria, the range between the cheapest and most expensive annual electricity bills (for a low usage level) within each distribution zone is quite significant across the distribution zones. While the median market offer was consistently several hundred dollars cheaper than the median standing offer, the difference between the cheapest and most expensive market offer ranged from \$388 (Citipower) to \$672 (Ausnet Services). The range was also significant in each of the other zones, between \$447 (Jemena) and \$508 (United Energy). These figures should provide Victorian households with a strong incentive to shop around for a better offer.

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





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

Annual gas bills in Victoria are relatively consistent, both across and within each distribution zone. For the median standing offer, annual gas bills were between about \$1511 and \$1658. The median market offer was consistently several hundred dollars cheaper, between \$1324 and \$1418 for a typical level of usage. In each zone, the cheapest market offers were lower again.





3.6.2 Energy bills as a percentage of income

The Victorian Government offers electricity and gas concessions to eligible households.⁴² The Annual Electricity Concession provides a 17.5 per cent discount off electricity bills. The discount does not apply to the first \$171.60 or automatically to any amount billed above \$2882. Eligible households with annual electricity bills of more than \$2882 can apply for the Excess Electricity Concession to continue to receive the 17.5 per cent concession on electricity consumed above this amount.

The Winter Gas Concession provides a 17.5 per cent discount off gas bills, but only applies to gas services in the six months between 1 May and 31 October each year. It does not apply to the first \$62.40 or automatically to any charge above \$1439. Eligible households with gas bills of more than \$1439 during the winter period can apply for the Excess Gas Concession to continue to receive the 17.5 per cent concession. Figure 3.14 shows the impact of these concessions on annual electricity and gas bills.

⁴² Eligibility is limited to the holder of at least one of the following cards: Pensioner Concession Card, Health Care Card or Department of Veterans' Affairs Gold Card.



Figure 3.14: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household in Victoria (3700 kWh and 63 000 MJ, June)

The electricity bill for a household on the median market offer was \$1233 (or \$1047 with a concession). Electricity bills for the standing offer were higher, at \$1518 (or \$1282 with a concession). A low income household on the median market offer and receiving an energy concession would spend 4.1 per cent of its disposable income on electricity (or 4.7 per cent without a concession). For the median standing offer, the annual electricity bill would be 5 per cent of a low income household's disposable income (receiving a concession), or 5.9 per cent without a concession.

Annual electricity bills for the median market offer were 5.7 per cent higher in 2017 compared to the previous year. Electricity bills for the standing offer also increased (by approximately 5.1 per cent) over the same period.

Gas bills in Victoria increased over the year. The annual bill for median market offer was \$1397 (or \$1281 with a concession), or around 6.2 per cent higher than 2016. The median standing offer increased by around 8.5 per cent to \$1588 (or \$1454 with a concession).

A low income household on the median market gas offer and receiving a concession spent 4.9 per cent of its disposable income on gas (or 5.4 per cent without a concession). For the median standing offer, the annual gas bill would be 5.6 per cent of a low income household's disposable income (receiving a concession), or 6.1 per cent without a concession.

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

Table 3.5:	Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable
	income in Victoria–June 2017

Household Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income-with concession	Electricity 3700 kWh	1048	4.0
Low income-without concession	Electricity 3700 kWh	1233	4.7
Middle income	Electricity 4900 kWh	1486	2.0
High income	Electricity 4900 kWh	1486	0.8
Low income—with concession	Gas 63 000 MJ	1281	4.9
Low income—without concession	Gas 63 000 MJ	1397	5.4
Middle income	Gas 63 000 MJ	1397	2.0
High income	Gas 63 000 MJ	1397	0.8

3.6.3 Composition of energy bills and impact of concessions

Daily supply charges for electricity continued to gradually rise to \$442 per annum in 2017. This represents 36 per cent of a low income household's annual electricity bill, which remains high relative to other states and territories.

Daily supply charges for gas were \$285 per annum, which represents 20.4 per cent of a low income household's annual gas bill, and 1.1 per cent of its disposable income.

Energy concessions help eligible customers save 15 per cent on electricity and at least 8 per cent on gas.⁴³

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

Fuel type—consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—3700 kWh	2014	31.3	68.7	15.1
	2015	33.7	66.3	15.0
	2016	36.8	63.2	15.0
	2017	35.8	64.2	15.1
Gas—63 000 MJ	2014	18.2	81.8	8.3
	2015	20.6	79.4	8.3
	2016	19.6	80.4	8.4

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

2017

3.7 South Australia

Summary of electricity and gas affordability in South Australia

- The median market electricity and gas offers increased by around 7.8 per cent and decreased by 4.7 per cent respectively.
- For a low income household, the annual electricity bill for the median market offer was \$1427 (\$1318 with a concession). This is 6 per cent of annual disposable income, or 5.5 per cent with a concession.
- A low income household on the median gas offer would spend \$998 per annum (or \$889 with a concession). This is around 4.2 per cent of a low income household's annual disposable income, or 3.7 per cent with a concession.

19.3

80.7

• Low income households could save potentially up to \$993 off their electricity bills if they switched to one of the cheaper market offers in their area.

3.7.1 Energy prices and bills

South Australia has one electricity distribution zone (SA Power Networks). Eighteen retailers had offers generally available to residential electricity customers in South Australia. Figure 3.15 shows the range in generally available electricity offers.

At \$1579, the annual bill on the median standing offer was more than \$150 more expensive than the median market offer. Households can potentially make significant savings by shopping around, with the cheapest market offer returning an annual bill of \$1037.

15.1 15.0 15.0 15.1 8.3 8.3 8.4

8.4

⁴³ The 17.5 per cent electricity concession does not apply to the first \$171.60, and the 17.5 per cent winter concession does not apply to the first \$62.40. Our analysis assumes constant electricity and gas consumption in each year, however it is likely that customers would consume more gas during winter periods (for heating), and therefore receive a greater part of the 17.5 per cent winter concession available to them.



Figure 3.15: Range of generally available electricity offers by distribution zone South Australia (3700 kWh) – June 2017

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

In four out of the five pricing zones (Mount Gambier, Port Pirie, Whyalla and Riverland) the median standing was the same as the most expensive market offer at \$1037. The median market offer was approximately \$54 cheaper at \$983 in the same four zones. While the median standing offer in the Metro zone was the same as the median standing offers in the other pricing zones, the range between the cheapest and most expensive market offers was more significant (range of approximately \$182 compared to \$93 in the other four zones zones). The most expensive market offer in the Metro zone was \$1101.



Figure 3.16: Range of generally available gas offers by distribution zone in South Australia (21 000 MJ)— June 2017

3.7.2 Energy bills as a percentage of income

Eligible households in South Australia can receive a concession of up to \$217.90 (in total) on their annual household energy (electricity and gas) bills.⁴⁴ In our analysis, we applied a concession of \$108.95 each to the annual electricity and gas bills of low income households (Figure 3.17).





⁴⁴ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans' Affairs Gold Card, or receive one of the specified Centrelink payments: www.sa.gov.au/topics/care-and-support/financial-support/concessions/energy-bill-concessions

The electricity bill for a low income household on the median market offer was \$1427 (or \$1318 with a concession). This is approximately 7.8 per cent more expensive than the previous year (without a concession). Electricity bills for the standing offer were higher, at \$1579 (or \$1470 with a concession). The median standing offer increased by 11.3 per cent compared to the previous year.

At June 2017, a low income household on the median market offer and receiving an energy concession would spend 6 per cent of its disposable income on electricity (or 5.5 per cent without a concession). If the household was on the median standing offer, its electricity bill would comprise 6.6 per cent of a low income household's disposable income (with a concession), or 6.2 per cent without a concession.

While electricity prices in South Australian have increased in 2016–17, the analysis indicates that gas bills have in fact decreased. For a low income household on the median market offer, the annual bill was \$998 (or \$889 with a concession). This is 4.7 per cent lower than last year (without a concession). Households on a standing offer are also paying less in June 2017—\$1037 (or \$928 with a concession), which is approximately 10.1 per cent less than. A low income household on the median gas market offer and with a concession would spend 3.7 per cent of its disposable income on gas or 4.2 per cent without a concession. For the median standing offer, the annual gas bill would comprise 3.9 per cent of a low income household's disposable income (receiving a concession), or 4.4 per cent without a concession.

A benchmark middle income household using a typical amount of electricity—5100 kWh in South Australia—spent 2.9 per cent of its disposable income on electricity bills. A high income household using the same amount of electricity spend 1.1 per cent of its income. Middle and high income households spent 1.6 per cent and 0.6 per cent of their disposable income respectively on gas.

Household income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 3700 kWh	1318	5.5
Low income-without concession	Electricity 3700 kWh	1427	6.0
Middle income	Electricity 5100 kWh	1883	2.9
High income	Electricity 5100 kWh	1883	1.1
Low income—with concession	Gas 21 000 MJ	889	3.7
Low income-without concession	Gas 21 000 MJ	998	4.2
Middle income	Gas 21 000 MJ	998	1.6
High income	Gas 21 000 MJ	998	0.6

Table 3.7: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income in South Australia—June 2017

3.7.3 Composition of energy bills and impact of concessions

Daily supply charges for electricity were around \$287 per annum in 2017, which represents 20 per cent of a low income household's annual electricity bill and 1.2 per cent of its disposable income. Electricity supply charges in South Australia are significantly cheaper than other states and territories (considered in this report), with households on the median market offer in Queensland, New South Wales, Victoria, Tasmania and the ACT all spending more than \$330 per year.

Daily supply charges for gas were \$261 per annum—about the middle of the range compared to other jurisdictions which represents around 26 per cent of a low income household's annual gas bill and 1.1 per cent of its disposable income.

For eligible customers, concessions provide savings of around 8 per cent on electricity bills and 11 per cent on gas bills (assuming the energy concession is evenly allocated across both fuels).

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

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

Fuel type— consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—3700 kWh	2014	18.9	81.1	5.8
	2015	20.1	79.9	7.8
	2016	21.2	78.8	8.1
	2017	20.0	80.0	7.6
Gas-24 000 MJ	2014	27.3	72.7	8.3
	2015	25.8	74.2	10.7
	2016	26.3	73.7	10.3
	2017	26.2	73.8	10.9



Layla and Antonio save by comparing offers and switching

Layla and Antonio live with their children in a four bedroom house in Mawson Lakes, South Australia. They are on a market offer and receive their electricity bills quarterly. Layla and Antonio earn a typical household income (\$74 000) and are not eligible for any concessions.

While there is gas available in their area, Layla and Antonio's house does not have a gas connection and so all their major appliances are electric. Having three children between the ages of five and 15, there are many appliances on during the afternoon and evening. Layla and Antonio have relatively high annual consumption (approximately 8500 kWh per annum). Their bills come to about \$1010 per quarter or \$4040 each year (around 5.5 per cent of their annual income).

Layla and Antonio were told about a free government website, Energy Made Easy (www.energymadeeasy.gov.au), that could help them save money on their electricity bills. They visited the website and entered some simple details from their bill and were surprised to discover that they were on one of the more expensive contracts in their area.

Layla and Antonio had been on their market offer for a number of years and the discount they received when they signed up had ended after the initial 12 months expired. This meant that they no longer received discounts off their electricity usage. They contacted the retailer offering the cheapest deal on Energy Made Easy (using the offer ID provided), checked it was suitable for their needs and arranged to switch. After switching their average quarterly electricity bill fell to \$660 or \$2640 a year (now around 3.6 per cent of their annual income), saving them \$640 per year.

Layla and Antonio also picked up a few energy saving tips from Energy Made Easy, after comparing their household's electricity consumption to other similar sized households in their area.

3.8 Tasmania

Summary of electricity affordability in Tasmania

- The regulated electricity offer increased by around 3.5 per cent.
- For a low income household, the annual electricity bill was \$2032 (\$1538 with a concession). This is 8.5 per cent of annual disposable income, or 6.5 per cent with a concession.

3.8.1 Electricity bills as a percentage of income

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

Since 1 July 2014, electricity customers could choose to enter a market retail contract with Aurora Energy, or with a potential new entrant retailer. Customers could also choose to remain on the regulated standard retail contract. However, as at 30 June 2017, no new retailer had entered the Tasmanian electricity market, and with active competition yet to be fully realised in Tasmania, Aurora Energy's customers remained on standard retail contracts under regulated prices.⁴⁵

Eligible customers in Tasmania can receive a rebate of approximately \$494 per year toward their electricity bills.⁴⁶

Figure 3.18 shows the impact of this concession on the annual electricity bills of residential customers on the standing offer.



Figure 3.18: Annual electricity bills, and as a share of disposable income for a benchmark low income household in Tasmania (6500 kWh, June)

The annual electricity bill for a low income household (on the standing offer) is \$2032, (or \$1538 with the concession). This is an increase of 3.5 per cent from 2016 (or 3.9 per cent with a concession). Electricity bills continued to represent a relatively high proportion of a low income household's disposable income, at a steady 6.5 per cent (or 8.5 per cent without a concession).

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

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

⁴⁵ Excludes customers that use prepayment meters.

⁴⁶ Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card or a Department of Veterans' Affairs Gold Card.

Table 3.9:Summary of annual electricity bills (for the standing offer) and as a share of disposable incomeJune 2017

Household income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income-with concession	Electricity 6500 kWh	1538	6.4
Low income-without concession	Electricity 6500 kWh	2032	8.5
Middle income	Electricity 8800 kWh	2631	4.3
High income	Electricity 8800 kWh	2631	1.7

3.8.2 Composition of energy bills and impact of concessions

Daily supply charges for electricity were \$337 per annum in 2017, which represents 16.6 per cent of a low income household's annual electricity bill and 1.4 per cent of its disposable income, which is consistent with 2015.

Energy concessions help eligible customers save around 24.3 per cent (\$494) on electricity.

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

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

Fuel type— consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—6500 kWh	2014	16.6	83.4	22.0
	2015	16.6	83.4	23.8
	2016	16.6	83.4	24.6
	2017	16.6	83.4	24.3



Ron and Maggie are eligible for energy concessions and manage bills by paying fortnightly

Ron and Maggie are retired aged pensioners who live in a one bedroom unit in Launceston, Tasmania. They are on Aurora's regulated standing offer for electricity and receive quarterly bills.

There is no gas available in their area and all their major appliances are electric, including the oven, hot water system and space heater. Ron and Maggie try to conserve energy, however they are often home during the day as they no longer work. Their electricity use is much higher between April and September as they rely on their space heaters to keep warm. Their annual consumption is approximately 8000 kWh.

During summer, Ron and Maggie's electricity bills are around \$460. The autumn quarterly bill increases to \$570 and in winter rises to \$800. This is primarily due to their increased electricity consumption towards warming their home as the weather gets colder.

Ron and Maggie receive a combined pension of \$1218.60 a fortnight. They are eligible for an energy concession of \$1.35 per day (around \$122 off each quarterly bill). With the concession their summer bills come to around \$335, their autumn bills to around \$448 and their winter bills to around \$578.

Ron and Maggie generally pay their bills and expenses as they fall due. When paying their winter electricity bill, this represents nearly half of their income for that fortnight. Ron and Maggie talk to their retailer and arrange to make fortnightly payments of \$73 towards their bills to avoid paying large quarterly electricity bills during winter (around six per cent of their fortnightly income). Ron and Maggie checked with their retailer and confirmed that there would be no additional fee for making the fortnightly payments over the counter at Australia Post.

3.9 ACT

Summary of electricity and gas affordability in the ACT

- The median market electricity offers increased by around 5.2 and median gas offers decreased by 1.2 per cent respectively.
- For a low income household, the annual electricity bill for the median market offer was \$1266 (\$1065 with a concession). This is 3.7 per cent of annual disposable income, or 3.1 per cent with a concession.
- A low income household on the median gas market offer would spend \$1514 per annum (or \$1313 with a concession). This is just under 4.5 per cent of a low income household's annual disposable income, or 3.9 per cent with a concession.
- Low income households could save potentially up to \$151 off their electricity bills and \$160 off their gas bills if they switched to one of the cheaper market offers in their area.

3.9.1 Energy prices and bills

The ACT has one electricity and one gas distribution zone (both ActewAGL Distribution). ActewAGL Retail is the incumbent retailer for energy, water and telecommunications, and supplies around 91 per cent of residential electricity and gas customers. There are three retailers offering energy contracts to households in the ACT.

Figure 3.19 shows the range in generally available electricity and gas offers in the ACT. The range for electricity offers is quite narrow, with the cheapest market offer electricity (\$1194) only \$151 cheaper than the most expensive market offer (\$1345). The median market offer is \$1266. The median standing offer has increased by approximately 11.5 per cent (from \$1244 to \$1387). Figure 3.19 also shows a range of \$159 between the cheapest (\$1421) and most expensive (\$1581) gas bills.





3.9.2 Electricity and gas bills as a percentage of income

From 1 July 2017, the energy and utility concession and the water and sewerage rebate have been combined in a single Utilities Concession.⁴⁷ The maximum rebate amount is \$604 per household which is calculated on a daily basis, with rates depending on the season⁴⁸.

Consistent with our approach in previous years, we have assumed that the utility concession was equally divided into thirds across a customer's electricity, gas and water/sewerage bills. We therefore used \$201.30 to represent the value of an annual concession for each of electricity and gas bills (figure 3.20).

⁴⁷ Eligibility is restricted to households that hold a Centrelink Pensioner Concession Card, a Centrelink Low Income Health Care Card or a Department of Veterans' Affairs Pensioner Concession Card.

⁴⁸ See: www.assistance.act.gov.au/adult/utilities/energy_concession.



Figure 3.20: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household in the ACT (5600 kWh and 48 000 MJ, June)

Electricity bills have increased in the ACT in 2016–17. For a low income household on the median market offer, the annual bill in 2017 has increased by 5.2 per cent to \$1266 (3.7 per cent of income) without a concession, or \$1065 (3.1 per cent of income) with a concession. Low income households on the median standing offer would be paying over \$100 more than if they were on the median market offer.

In contrast, annual gas bills decreased by 1.2 per cent from the previous year—it was \$1514 for a low income household on the median market offer (or \$1313 with a concession), compared to \$1533 (\$1334 with concession) the year before. This represents 4.5 per cent of disposable income (3.9 per cent with a concession).

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

Table 3.11:	Summary of annua	l electricity a	and gas bills	(for the r	median n	narket off	er) and a	as a share	of disposable
	income-June 201	7							

Household income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income-with concession	Electricity 5600 kWh	1065	3.1
Low income-without concession	Electricity 5600 kWh	1266	3.7
Middle income	Electricity 7500 kWh	1536	1.5
High income	Electricity 7500 kWh	1536	0.7
Low income—with concession	Gas 48 000 MJ	1313	3.9
Low income-without concession	Gas 48 000 MJ	1514	4.5
Middle income	Gas 48 000 MJ	1514	1.5
High income	Gas 48 000 MJ	1514	0.7

3.9.3 Composition of energy bills and impact of concessions

Daily supply charges for the median market electricity offer increased to \$380 (from \$362 the previous year) which represents 30 per cent of a low income household's annual electricity bill and around 1.1 per cent of its disposable income.

Daily supply charges for gas decreased to \$253 per annum (from \$280 the previous year), which represents approximately 18 per cent of a low income household's annual gas bill and around 0.7 per cent of its disposable income.

Energy concessions help eligible customers save 16 per cent on electricity and 13.3 per cent on gas.

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

Fuel type— consumption	Year	Daily supply charges (%)	Energy use charges (%)	Saving with concession (%)
Electricity—5600 kWh	2014	19.9	80.1	13.4
	2015	26.6	73.4	16.5
	2016	30.1	69.9	16.5
	2017	30.0	70.0	15.9
Gas-24 000 MJ	2014	17.4	82.6	11.7
	2015	17.5	82.5	13.0
	2016	18.3	81.7	12.9
	2017	18.3	81.7	13.3



4. Compliance

Our primary objective in the retail energy market is to encourage customers to be active and confident participants. To facilitate this, we focus our compliance and enforcement work on achieving a culture where consumers are placed first and businesses comply with their obligations under energy laws.

This chapter provides an overview of our compliance and enforcement activities for the year.

4.1 Highlights

In 2016–2017, our compliance and enforcement work focused on three key areas:

- · explicit informed consent particularly unsolicited sales
- protections for vulnerable customers (including life support customers and customers of exempt sellers)
- billing including content, recovering under or overcharged amounts and billing frequency.

We employed a range of tools in our work:

- enforcement outcomes (including infringement notices and undertakings)
- · monitoring industry practices and conducting targeted compliance activities
- · engaging with and educating stakeholders
- updating guidelines.

In total, we issued 21 infringement notices for a total of \$420 000 paid by businesses for alleged breaches of the Retail Law and Retail Rules.

We continued a major life support registration campaign and raised awareness amongst stakeholders around requirements for life support registration and energy services. We also submitted a rule change proposal aimed at improving the processes around registration of life support customers.

We monitored, and compared, offers on Energy Made Easy and those on retailer websites and engaged extensively with retailers to ensure that timely and accurate retail pricing information was provided to consumers in accordance with the Retail Pricing Information Guidelines.

We also completed a compliance review of a selection of exempt sellers in Queensland to determine whether they were meeting certain obligations under the (Retail) Exempt Selling Guideline.

We issued three compliance checks in relation to retailer billing obligations.

We engaged extensively with industry, Ombudsman schemes and consumer organisations about the upcoming changes to the rules around metering, and our role enforcing those.

Focus for 2017-18

In the coming year we will continue to enforce the Retail Law and Retail Rules and we will engage with businesses to ensure the retail energy market delivers positive outcomes for customers.

In 2017–18, our focus will be to:

- complete our review of retailer hardship policies to assess whether businesses are utilising best practice in complying with requirements for assisting customers experiencing payment difficulties
- conduct compliance audits of a select number of retailers to examine practices regarding disconnections
- consult closely with retailers, consumer representatives and other stakeholders about how energy pricing information is presented on energy price fact sheets, retailer websites and Energy Made Easy
- engage with industry and work closely with Ombudsman schemes to:
 - address issues arising from the new requirements for metering contestability, including life support obligations on retailers, and the handling of customer complaints by retailers, and
 - open access to Ombudsman dispute resolution schemes to exempt customers in embedded networks
- consult on, and implement changes to the AER's:
 - Compliance Procedures and Guidelines
 - (Retail Law) Performance Reporting Procedures and Guidelines
 - Retail Pricing Information Guidelines, and
 - (Retail) Exempt Selling Guideline.

4.2 Enforcement outcomes

Through regular industry education and engagement we support efforts to ensure that customers are informed and well protected by safeguards provided by the Retail Law and Rules.

Where industry non-compliance is identified, we consider a range of response options to address the instance and deter re-occurrence.

4.2.1 Infringement Notices

In 2016–17, 21 infringement notice penalties with a total of \$420 000 were paid by businesses for breaches of the Retail Law and Rules.

Rule/Law	Description	No	Business
125(2)(d) Retail Rules	Failure to provide a registered life support customer with four business days notice of a planned interruption	12	Ausgrid—\$160 000 Ergon Energy—\$20 000 Energex Limited—\$40 000 Endeavour Energy—\$20 000
88 Retail Law	Sale of electricity without valid authorisation or exemption	5	Stockland Trust Management Limited—\$100 000
s. 38 Retail Law	Failure to obtain explicit informed consent	3	Simply Energy—\$60 000
282 (1) Retail Rules	Submitting inaccurate information and data	1	Origin Energy LPG Limited—\$20 000

Table 4.1 Infringement notices paid

4.2.2 Life support

Ausgrid, Ergon Energy, Energex Limited and Endeavour Energy paid a total of \$240 000 in penalties for breaches of life support obligations during the year. These breaches have the potential to be catastrophic and businesses need to have robust systems and processes in place to minimise the risk of breaching life support obligations.

Ausgrid also provided a court-enforceable undertaking to improve its systems and processes for managing life support customers. This will include implementation of a comprehensive compliance program specially focussed on life support equipment provisions under the Retail Rules; an annual review of this program by an independent reviewer; appointing a compliance officer to ensure it meets the requirements under the court enforceable undertaking; and implementation of a project to verify the network connectivity of its life support customers.

4.2.3 Sale of electricity without valid authorisation or exemption

As an essential service, it is an important requirement of the Retail Law that any person who sells energy to a person for premises must hold either a retailer authorisation or an exemption from that requirement. Authorisations and exemptions impose a range of customer protection obligations on energy sellers, through the requirements of Retail Law and through the conditions of exemption.

In July 2016, five penalties totalling \$100 000 were paid by Stockland Trust Management Limited (Stockland). Stockland, an exempt energy seller, sold energy without a retailer authorisation or an exemption at four sites in Queensland and one site in New South Wales.

Stockland also provided us with an undertaking that it will not sell energy without a valid authorisation or exemption and that it will implement a Retail Law compliance program. Energy Intelligence, which provided Stockland with energy management services in relation to one of the properties at which electricity was sold, provided us with a court enforceable undertaking to improve its internal processes and appoint a compliance officer with specific responsibilities in this area.

These were the first infringement notices issued by us in relation to the sale of energy without a retailer authorisation or exemption from that requirement.

4.2.4 Explicit informed consent

Explicit informed consent is a critical protection to ensure customers understand relevant terms when they sign up with a retailer. Customers also need to be informed of their options at the end of their energy contract.

In December 2016, Simply Energy paid \$60 000 in penalties for failing to comply with these requirements in its telemarketing activities. We issued the infringement notices in relation to three separate occasions on which customers who received Simply Energy telemarketing calls either did not understand the nature and the purpose of the call, or did not have the capacity to provide the proper consent to be entered into a contract with Simply Energy. The affected customers included residents of a nursing home and a retirement village.

4.2.5 Submitting inaccurate data to the AER

In March 2017, a \$20 000 penalty was paid by Origin Energy LPG Limited following submission of inaccurate performance data to us across three quarters for the 2015–16 reporting year. This was the first time an infringement notice has been issued in relation to the failure to submit accurate performance data. The consequences of late and/or inaccurate reporting include delaying stakeholders' access to timely and accurate data, which among other things is used to inform submissions to energy and consumer policy debate.

In June 2017 we wrote to all retailers reminding them of their performance reporting obligations. Accurate and timely submission of performance data by retailers plays an important part in providing transparency into the retail energy market, which in turn is vital to promoting customer confidence. Many government departments, regulators, consumer representatives, energy Ombudsman schemes and other stakeholders rely on the performance data we publish.

In the coming year we will continue to closely monitor the provision of timely and accurate performance reporting data by retailers.

4.3 Compliance activities

Throughout the year we undertook a series of compliance activities to monitor retailer compliance with their legislative obligations.

4.3.1 Retail pricing information compliance review

The Retail Pricing Information Guidelines (the Guidelines) provide direction to energy retailers about providing data and information to us for the purposes of Energy Made Easy. They also play an important role in educating consumers and empowering them to engage in the retail energy market and make more informed and efficient decisions. This year we continued to monitor compliance with the Guidelines.

During 2016–17, we engaged with 26 retailers in relation to a number of recurring areas of non-compliance. The most significant issues identified during our review related to the publication of inaccurate, inconsistent or obsolete retail pricing information on Energy Made Easy and retailer websites.

In June 2017, we wrote to all energy retailers to remind them of their obligations to comply with the Guidelines. Presentation of pricing information to customers was a focus of the Prime Minister's roundtable meetings with energy retailers in August 2017 and we have commenced work on revision of the Guidelines to make improvements in this area. This will be an ongoing focus in 2017–18.

4.3.2 Compliance checks

Regular, accurate bills are customers' key information tool in relation to their energy costs and usage. We release compliance checks periodically to highlight relevant obligations under the Retail Law and Retail Rules and this year issued three compliance checks to remind retailers of their obligations in relation to their billing obligations:

- bill content, frequency and payment method
- calculating and basis for bills
- billing complaints and incorrect charges.

4.3.3 Queensland exempt selling review

Under the Retail Law, a person usually must hold a retailer authorisation in order to sell energy. Situations where a retailer authorisation is not necessary or appropriate include those where the exempt seller is selling energy incidentally (i.e. the sale is not the seller's core business) in an embedded network.⁴⁹

During 2016–17, we reviewed the practices of 425 Queensland exempt sellers and billing agents in order to assess whether their practices were compliant with their concessions and rebates and security deposit obligations under the (Retail) Exempt Selling Guideline.

We focussed our review on compliance with Condition 7 (collection of security deposits) and Condition 12 (applying for applicable electricity and gas rebates or concessions on behalf of a customer). Condition 12, in particular, is designed to provide protections for vulnerable customers eligible to receive energy concessions.

There has been a significant rise in the number of exempt sellers nationally and the AEMC was recently directed by the Council of Australian Governments to review the arrangements for exempt sellers. The AEMC has released a draft report⁵⁰ which has found the current regulatory framework is not fit for purpose and made a range of recommendations for improvements, with a final report due at the end of November

We will continue to monitor the practices of exempt sellers in the coming year.

⁴⁹ An embedded network is a privately owned electricity network where a single meter (which is supplied by a retailer) provides all energy for the site. Examples of embedded networks include residential apartment blocks, and caravan parks.

⁵⁰ The final report will be released by the AEMC on 28 November 2017.

4.4 Monitoring activities

The self-reporting framework requires retailers and distributors to report possible breaches of the Retail Law and Retail Rules. The AER Compliance Procedures and Guidelines (September 2014) sets the frequency of reporting. The three levels of reporting reflect the level of potential harm or risk to customers.

Table	4.2:	Reporting	types
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Type 1	Obligations to life support or hardship customers.
	These potential breaches must be reported no later than two business days after they are identified.
	Other unlawful disconnections of customers must be reported quarterly.
Type 2	Obligations relating to energy marketing, pre-contractual procedures, billing and customer hardship.
	These potential breaches must be reported bi-annually.
Туре 3	Obligations relating to customers classification, consumption threshold matters, disconnection requests and distributor
	interruptions to supply. These potential breaches must be reported annually.

4.4.1 Type 1 obligations (Retail Rules Part 6–8)

Type 1 immediate reportable obligations remain the most important with these breaches having the highest customer impact.

In 2016–2017, the AER received a total of:

- 44 type 1 immediate breaches from retailers and distributors
- 345 type 1 quarterly breaches from retailers and distributors.

The 44 type 1 immediate breaches comprised two reports from retailers and 42 reports from distributors.

Retailers reported two type 1 immediate matters in relation to rule 116(1)(d)—disconnection of a hardship or residential customer that is adhering to a payment plan.

Distributors reported 42 type 1 immediate matters:

- 38 potential breaches of r. 125(2)(d)—failing to provide a life support customer four business days written notice of any planned interruptions to their energy supply
- 4 potential breaches of r. 120(1)—disconnection of customers where the premises are registered under Part 7 as having life support equipment.

Retailers reported 107 type 1 quarterly breaches. Most of the reported breaches were for:

- unlawful disconnection of customers who have moved into new premises
- instances where retailers did not provide the correct notification to customers prior to arranging disconnection for non-payment.

Distributors reported 238 potential type 1 quarterly breaches. The majority of these reports related to:

- unlawful disconnection of customers during a protected period
- de-energising a customer's service without valid grounds.

4.4.2 Type 2, type 3 obligations (Retail Law, Part 2; Retail Rules, Part 2, 4)

In 2016–2017, explicit informed consent and billing obligations remained key issues for type 2 and type 3 reporting.

The nature of type 2 and 3 obligations, which often involve systems and processes, means that a reporting breach may affect a large number of customers. In deciding which breaches to pursue, we look at the matters that have the most significant impact on customers.

Type 2 obligations relate to retailer energy marketing, pre-contractual procedures, billing and customer hardship.

Type 3 obligations relate to customers classification, consumption threshold matters, disconnection requests and distributor interruptions to supply. This year, the majority (over 90 per cent) of distributor reported breaches of type 3 obligations concerned the requirement to provide non-life support customers with four business days notice of planned

interruptions to their energy supply. The number of customers affected by reported breaches of this obligation was extremely low.

4.5 Engagement

In relation to life support obligations, our engagement and education work included:

- Forums
 - Two industry forums were held to raise awareness and collaborate with industry on a life support rule change proposal.
- Surveys
 - A survey was sent to distributors on March 2017 regarding their obligations to life support customers.
- Community education
 - In August 2016, we distributed over 2300 life support information packs to GP clinics to build awareness of the customer life support protections under the Retail Law and Rules. The information packs for their distribution included brochures outlining the proper registration process and encouraging patients to have a plan in place if they unexpectedly lose supply.
 - Over 1100 brochures were supplied to regional councils encouraging their community to have a support plan in place for powered medical equipment.
 - To raise awareness of proper life registration and the available life support protections, we provided organisations including the Australian Medical Association and the Council on the Ageing with articles for their publications.
 - In February 2017 we provided a publication of life support information on Health Direct, a government supported website offering free health advice to Australians, specifically targeted at carers.

In relation to **disconnections**, we surveyed retailers in August 2016 regarding disconnections and move-in customers, gathering information on the practices and processes retailers had in place for move-in customers.

4.6 Guideline update

Updated AER Compliance Procedures and Guidelines were released in June 2017. These new Guidelines incorporate AEMC rule changes, in particular expanding competition in metering and related services rule change which introduces a number of new key customer protection provisions.

We also completed a broader review of the reporting framework and consulted on changes to the guidance material on the use of our audit powers.



5. Appendices

Appendix 1: Customer profile of energy retailers

	Electricity		Ga	Gas	
Retailer	Small Customers	Large Customers	Small Customers	Large Customers	
Queensland					
AGL	Х	Х	Х	Х	
Alinta Energy	Х	Х			
Click Energy	Х				
CS Energy		Х			
Diamond Energy	Х	Х			
Energy Locals	Х				
EnergyAustralia	Х	Х			
Ergon Energy	Х				
ERM Power	Х	Х			
Locality Planning Energy	Х	Х			
Lumo	Х	Х			
M2 Energy	Х				
Macquarie Bank		Х			
Metered Energy	Х		Х		
Mojo Power	Х				
Momentum Energy	Х	Х			
Next Business Energy	Х				
OC Energy	Х				
Origin Energy	Х	Х	Х	Х	
OzGen Retail		Х			
People Energy	Х	Х			
Powerdirect	Х	Х			
Powershop Australia	Х				
Progressive Green		Х			
QEnergy	Х	Х			
Red Energy	Х	Х			
Sanctuary Energy	Х				
Savant Energy	Х				
Simply Energy	Х	Х			
Stanwell Corporation Limited		Х			
Tango Energy		Х			
WinEnergy		Х			
New South Wales					
1st Energy	Х				
ActewAGL Retail	Х	Х	Х	Х	
AGL	Х	Х	Х	Х	
Alinta Energy	Х	Х	Х		
Blue NRG	Х	Х			
Click Energy	Х		Х		
CovaU	Х	Х	Х		
COzero Energy		Х			
Diamond Energy	Х	Х			
Energy Locals	Х				

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Blue NRG X X	Blue NRG
Click Energy X	Click Energy
COzero Energy X	COzero Energy
Diamond Energy X	Diamond Energy
EnergyAustralia X X X X	EnergyAustralia
ERM Power X X	ERM Power
Lumo X X	Lumo
M2 Energy X	M2 Energy
Macquarie Bank X	Macquarie Bank
Momentum Energy X X	Momentum Energy
Next Business Energy X	Next Business Energy
Origin Energy X X X X	Origin Energy
People Energy X	People Energy
Powerdirect X X	Powerdirect
Progressive Green X	Progressive Green
QEnergy X	QEnergy
Red Energy X X	Red Energy

	Electr	Electricity		as
Retailer	Small Customers	Large Customers	Small Customers	Large Customers
Sanctuary Energy	Х			
Savant Energy	Х		Х	
Simply Energy	Х	Х	Х	Х
Tango Energy	Х	Х		
WinEnergy		Х	Х	
ACT				
ActewAGL Retail	Х	Х	Х	Х
AGL		Х		
Alinta Energy		Х		
EnergyAustralia	Х	Х	Х	Х
ERM Power	Х	Х		
Macquarie Bank		Х		
Momentum Energy		Х		
Next Business Energy	Х			
Origin Energy	Х	Х	Х	Х
Powerdirect	Х			
Red Energy	Х	Х		
Simply Energy	Х			
Stanwell Corporation Limited		Х		
Tasmania				
Aurora Energy	Х	Х		
ERM Power	Х	Х		
Macquarie Bank		Х		

Appendix 2: South Australian service standards

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

Retailers must report to the AER on their compliance with these standards and give reasons for any non-compliance as well as information on strategies to improve compliance in the future.

Retailer	Percentage of with	tage of written enquiries responded to within five business days		Percentage	Percentage of telephone calls answere within 30 seconds	
	2014–15	2015–16	2016–17	2014–15	2015–16	2016–17
AGL	95%	91%	99%	93%	85%	85%
Alinta Energy	98%	100%	99%	77%	77%	65%
Blue NRG ⁵¹	-	100%	N/A	-	N/A	N/A
Click Energy	-	97%	75%	-	77%	79%
Diamond Energy	95%	95%	95%	95%	95%	95%
EnergyAustralia	95%	99.9%	99%	93%	84%	80%
ERM Power	100%	N/A	50%	95%	97%	91%
Lumo Energy	99%	92%	100%	92%	93%	95%
M2 Energy	88%	93%	90%	79%	88%	89%
Momentum Energy	100%	100%	100%	83%	90%	86%
Origin Energy	99%	99.7%	99.2%	94%	87%	90.2%
Powerdirect	95%	95%	99%	85%	89%	78%
QEnergy	100%	100%	100%	100%	100%	100%
Red Energy	100%	100%	100%	94%	96%	95%
Sanctuary Energy	88%	87%	100%	80%	90%	100%
Savant Energy	_	_	99.6%	_	100% 5	² 92.3%
Simply Energy	100%	97.83%	92%	91%	89%	87%
Tango Energy	100%	100%	100%	97%	100%	100%

Alinta Energy has failed to meet the telephone responsiveness service standard for the last five years (Alinta Energy reported 76 per cent of telephone calls answered within 30 seconds for 2012–13 and 77 per cent for 2013–14).

⁵¹ The phone systems currently used by Blue NRG could not provide this information.

⁵² Savant Energy changed phone systems in March 2016, figure covers period from March 2016 to 30 June 2016.

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

Section 285 of the Retail Law specifies that a retail market performance report must include, amongst other things, a report on the performance of distributors by reference to distributor service standards and associated Guaranteed Service Level (GSL) schemes.⁵³ The Retail Law defines distributor service standards as service standards imposed on distributors by or under energy laws⁵⁴, including, for example, service standards relating to the following:⁵⁵

- 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 reported a large reduction in the amount of GSL compensation payments made during 2016–17. Energex paid a total of \$457 578, down from \$795 585 and Ergon paid \$492 524, down from \$877 674.
- Energex had more instances of connections and reconnections not being provided by the agreed date, whereas Ergon had more instances of exceeding the target duration of interruption GSL.

New South Wales

- On a pro rata basis, the number of customer complaints received by Endeavour Energy was the lowest in the state, followed by Essential Energy and Ausgrid.
- Essential Energy had a slightly higher rate of telephone calls compared to the other New South Wales distributors. Essential Energy also had the highest rate of abandoned phone calls (10 per cent).
- Ausgrid reported 76.7 per cent of calls answered within 30 seconds, this is a large increase from 32 per cent in 2015–16.
- Faulty street light repairs were actioned within the 12 business day window in the majority of cases.

South Australia

- Overall SAPN reliability levels are relatively good compared to the national averages (taking into account the mix of urban and rural service areas).
- SAPN reported a high proportion of calls answered within 30 seconds.
- The number of street light repairs undertaken within the performance targets dropped from 96 per cent to 89 per cent in CBD, metropolitan and major regional areas. However in country areas almost 100 per cent of street light repairs were undertaking within the performance targets.
- SAPN reported only one instance of an appointments with a customer where a SAPN representative was more than 15 minutes late out of a total of 32 369 appointments.

⁵³ National Energy Retail Law, s. 285(d).

⁵⁴ Energy laws are defined to include national energy legislation, jurisdictional energy legislation, the Rules, the NER and the NGR and instruments made under this Law, the Rules, the NER and NGR (including the Retail Market Procedures).

⁵⁵ National Energy Retail Law, s. 2.

ACT

- Overall ActewAGL reliability levels are relatively good compared to the national averages (taking into account the mix of urban and rural service areas).
- There were 84 instances where ActewAGL did not provide at least four business days notice of a planned interruption, up from 54 in 2016–17.

Tasmania

- TasNetworks reported receiving 505 customer complaints in the period—a relatively low number compared to other distributors.
- The number of instances where TasNetworks did not provide sufficient notice of a planned interruption was relatively low at 77 customers for the period.
- TasNetworks reported a total of \$3 526 080 in payments for exceeding minimum restorations times, which is around \$2.3 million more than 2015–16.

Table A.1:	Queensland	electricity	distributor	performance,	2016-17

	Energex	Ergon
GSL		
Wrongful disconnections	65	103
Compensation paid	\$9 230	\$14 626
Connection not provided by the agreed date	383	28
Compensation paid	\$119 947	\$7 052
Reconnection not provided within the required time	76	4
Compensation paid	\$6 325	\$456
Failure to attend to customer's premises within the time required concerning loss of hot water supply	0	1
Compensation paid	0	\$57
Failure to attend appointments on time	207	157
Compensation paid	\$11 799	\$8 949
Notice of planned interruption to supply not given-small residential customers	1 084	974
Compensation paid	\$30 352	\$28 089
Notice of planned interruption to supply not given-small business customers	65	349
Compensation paid	\$4 615	\$24 263
Interruption duration GSL	2415	3 445
Compensation paid	\$275 310	\$392 730
Interruption frequency GSL	0	143
Compensation paid	0	\$16 302
Total GSL payments given	4 295	5204
Total Compensation paid	\$457 578	\$492 524
Total System Average Interruption Duration Index (SAIDI)—(minutes)		
Central Business District	7.953	_
Urban	131.562	482.095
Short rural	520.825	1225.878
Long rural	-	1235.369
Total System Average Interruption Frequency Index (SAIFI)—(number)		
Central Business District	0.044	_
Urban	0.842	1.378
Short rural	1.991	3.098
Long rural	-	6.457

Table A.2: NSW electricity distributor performance, 2016–17

	Ausgrid	Endeavour Energy	Essential Energy
Customers			
Total number of customers	1 716 409	974 251	842 381
Residential customers	1 534 396	889 963	744 369
Small non-residential customers	166 320	79 005	93 585
Complaints			
Total complaints received	6 103	2 284	2 820
Residential (%)	_ 56	96.6%	87%
Small non-residential (%)	_	3.4%	13%
Telephone services			
Total calls received	381 421	257 640	239 605
Calls answered within 30 seconds (%)	76.7%	85%	69%
Calls abandoned (%)	6.2%	4.68%	10%
Promptness of connection			
Connections provided for new and existing premises	126	0	192 130
Connections not provided on or before agreed time	0	0	0
Compensation paid for failing to provide connections on time	\$0	\$0	\$0
Faulty street lights			
Number of reported street light faults	19 543	17 436	9 818
Occasions where repairs not completed on or before agreed date	395	1 668	23
Compensation paid to customers	\$5 925	\$4 635	\$325
Planned interruptions			
Number of planned interruptions	3 871	9 755	14 811
Occasions where there was insufficient notice of the interruption	34	37	83
Occasions where the planned interruption was for longer than the time indicated on the notice	_ 57	436	1 292

⁵⁶ Complaints to Ausgrid could not be distinguished between residential and non-residential customers as insufficient customer information was supplied.

⁵⁷ Under Ausgrid's Deemed Standard Connection Contract planned interruptions are no longer covered by the guaranteed customer service standards, and therefore there is no report on occasions and compensation for this period.

Table A.3: SA electricity distributor performance, 2016–17 (SA Power Networks)

Customers	
Total number of customers	854 721
Residential customers	761 915
Small non-residential customers	97 748
Customer service	
Total calls received	606 753
Calls answered within 30 seconds (%)	87%
Calls abandoned (%)	7%
Promptness of connection	
New supply addresses connected	11 805
Connections not provided on or before agreed time	238
Compensation paid for failing to provide connections on time	\$71 930
Faulty street lights—Adelaide Business Area, Adelaide Metropolitan Area and Major Regional Areas	
Number of reported street light faults	35 181
Occasions where repairs not completed on or before agreed date (within five days)	3 726
Compensation paid to customers	\$442 600
Faulty street lights—Country Areas	
Number of reported street light faults	5 212
Occasions where repairs not completed on or before agreed date (within 10 days)	53
Compensation paid to customers	\$2 150
Timeliness of appointments	
Total number of appointments	32 369
Total number of appointments with customers where a representative of SAPN is more than 15 minutes late	1
Compensation paid to customers	\$25

Table A.4: Duration of supply interruptions, 2016–17 (SA Power Networks)

System Average Interruption Duration Index (SAIDI) (minutes)	
CBD Feeder	16.2
Urban Feeder	110.6
Short Rural Feeder	229.5
Long Rural Feeder	264.0
SAIDI TOTAL	151.4
Percentage contribution of planned interruptions to state-wide SAIDI	30%
Number of customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	33 711
Compensation paid to customers who experienced a supply interruption greater than 12 hours but less than or equal to	\$3 371 100
15 hours	
Number of customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	25 830
Compensation paid to customers who experienced a supply interruption greater than 15 hours but less than or equal to	\$3 874 500
18 hours	
Number of customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	30 084
Compensation paid to customers who experienced a supply interruption greater than 18 hours but less than or equal to	\$6 009 600
24 hours	
Number of customers who experienced a supply interruption greater than 24 hours but less than 48 hours	23 576
Compensation paid to customers who experienced a supply interruption greater than 24 hours but less than 48 hours	\$9 548 280
Number of customers who experienced a supply interruption greater than 48 hours	7 744
Compensation paid to customers who experienced a supply interruption greater than 48 hours	\$4 685 120
Total amounts paid to customers for duration of supply interruptions exceeding the threshold amount	\$27 685 120

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

System Average Interruption Frequency Index (SAIFI)	
CBD Feeder	0.114
Urban Feeder	1.115
Short Rural Feeder	1.712
Long Rural Feeder	1.428
SAIFI TOTAL	1.244
Number of customers with greater than nine but less than or equal to 12 interruptions	3194
Compensation paid to customers with greater than nine but less than or equal to 12 interruptions	\$319 400
Number of customers with greater than 12 but less than or equal to 15 interruptions	724
Compensation paid to customers with greater than 12 but less than or equal to 15 interruptions	\$108 600
Number of customers with greater than 15 interruptions	14
Compensation paid to customers with greater than 15 interruptions	\$2 800
Total amounts paid to customers for frequency of supply interruptions exceeding the threshold amount	\$430 800

Table A.6: ACT electricity distributor performance, 2016–17 (ActewAGL)

Complaints	
Total complaints received	1113
Complaints responded to within 20 business days	1111
Planned interruptions	
Number of planned interruptions	1186
Instances where notice of at least four business days was not provided to customers	84
Instances where supply was not restored within 12 hours of the initial interruption	16
Unplanned interruptions	
Number of unplanned interruptions	1385
Instances where supply was not restored within 12 hours of the initial interruption	85
Compensation	
Number of customers that received compensation	93
Compensation paid	\$4 380
System Average Interruption Duration Index (SAIDI)	
Overall	83.74
Distribution network—planned	44.21
Distribution network—unplanned	69.63
Normalised distribution network—unplanned	39.53
System Average Interruption Frequency Index (SAIFI)	
Overall	0.902
Distribution network—planned	0.212
Distribution network—unplanned	0.860
Normalised distribution network—unplanned	0.690
Customer Average Interruption Duration Index (CAIDI)	
Overall	265.99
Distribution network—planned	208.68
Distribution network—unplanned	80.98
Normalised distribution network—unplanned	57.31

Table A.7: Tasmania electricity distributor performance, 2016–17 (TasNetworks)

Complaints	
Total complaints received	505
Planned interruptions	
Number of planned interruptions	3 864
Number of customers not notified of planned interruptions	77
Compensation paid to customer not notified of planned interruptions	\$2 640
Faulty street lights	
Number of reported street light faults	2 627
Occasions where repairs not completed within seven days	824
Compensation paid to customers for repairs not completed within seven days	\$420
New connections and reconnections	
New connections	2 795
New connections completed by scheduled date	2 239
Compensation paid to customers for late connections	\$25 740
Reconnections	27 041
Reconnections completed by scheduled date	26 909
Compensation paid to customers for late reconnections	\$0
System Average Interruption Duration Index (SAIDI)	
Average duration of interruptions	343
Normalised average duration of interruptions	219
Number of timely restoration payments made	31 023
Value of restoration payments made	\$3 526 080
System Average Interruption Frequency Index (SAIFI)	
Average frequency of interruptions	2.06
Normalised average frequency of interruptions	1.77
Number of reliable supply payments made	3536
Value of reliable supply payments made	\$282 880

Appendix 4: Supplementary tables

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

Retailer	Customers on pay	Customers on payment plans Customers on hardship programs		dship programs	Customers disconnected for non-payment		
	June 2016	June 2017	June 2016	June 2017	2015–16	2016–17	
Queensland							
AGL	3 637	5 932	4 966	4 065	4 037	3 860	
Click Energy	744	1 524	434	466	350	166	
Diamond Energy	99	72	13	18	15	18	
EnergyAustralia	11 189	1	1 093	1 026	1 820	1 268	
Energy Locals		13 264		0		0	
Ergon Energy	15 483	14 139	6 321	5 469	8 381	11 421	
Locality Planning Energy	8	16		0	6	48	
Lumo	2 534	286	391	36	1 088	860	
M2 Energy	32	40	264	343	73	95	
Metered Energy	111	138	14	23	184	405	
Mojo Power		24		0		0	
Origin Energy	4 532	5 518	4 729	7 590	5 632	6 316	
People Energy		15		0		0	
Powerdirect	334	361	143	175	312	540	
Powershop		22		0		0	
QEnergy	110	99	40	113	25	14	
Red Energy		1 795		361		168	
Sanctuary Energy	35	11	13	1	7	1	
Simply Energy	10	16	2	14	12	20	
South Australia							
AGL	2 865	2 918	7 440	3 346	3 145	3 266	
Alinta Energy	1 071	969	383	1 090	1 369	2 229	
Click Energy	1	61	0	11	0	4	
Diamond Energy	35	29	3	4	2	9	
EnergyAustralia	8 628	9 701	1 471	1 362	1 597	1 081	
Lumo Energy	1 273	1 229	242	264	777	811	
M2 Energy	7	14	68	119	15	29	
Momentum Energy	58	140	83	112	84	70	
Origin Energy	1 461	2 453	2 295	3 411	2 151	2 000	
Powerdirect	250	227	188	100	210	269	
QEnergy	125	4	1	3	1	0	
Red Energy	10	110	25	16	44	67	
Sanctuary Energy	11	2	0	0	0	1	
Simply Energy	1 511	1 597	1 445	1 645	1 151	1 066	
Tango Energy	1	5	0	0	0	0	
ACT							
ActewAGL	277	272	544	570	287	256	
EnergyAustralia	775	816	46	33	65	59	
Origin Energy	32	54	11	56	36	112	
Tasmania							
Retailer	Customers on payment plans		Customers on ha	rdship programs	Customers d for non-p	Customers disconnected for non-payment	
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	June 2016	June 2017	June 2016	June 2017	2015–16	2016–17	
Aurora Energy	2 085	2 419	2 065	2 208	1 172	1 016	
New South Wales							
1st Energy	0	376	3	37	3	91	
ActewAGL	145	128	376	328	152	92	
AGL	4 991	7 984	10 994	8 408	9 781	7 447	
Alinta Energy		301		181		648	
Click Energy	112	372	74	88	58	84	
CovaU	62	64	9	2	57	68	
Diamond Energy	79	68	5	7	26	17	
EnergyAustralia	58 617	64 553	3 360	3 135	6 659	5 351	
Energy Locals		1		0			
Enova Energy		4		0			
Lumo Energy	1 136	81	122	12	837	351	
M2 Energy	22	32	230	287	147	126	
Mojo Power		17		0		0	
Momentum Energy	103	157	141	125	196	134	
Next	0	0	1	0	1	13	
Business Energy							
OC Energy		44		0		2	
Origin Energy	6 243	7 920	7 320	1 1215	9 669	9 258	
People Energy		31		1		0	
Powerdirect	205	197	104	114	322	352	
Powershop	69	361	31	90	18	62	
QEnergy	29	31	29	49	24	13	
Red Energy	942	4 786	503	698	771	1 979	
Sanctuary Energy	66	4	8	3	4	1	
Simply Energy	957	971	645	824	1 313	1 290	

Retailer	Customers on payment plans		Customers on hard	dship programs	Customers di for non-p	Customers disconnected for non-payment	
	June 2016	June 2017	June 2016	June 2017	2015–16	2016–17	
Queensland							
AGL	275	435	776	594	916	617	
Metered Energy					8		
Origin Energy	396	2 030	282	472	486	412	
South Australia							
AGL	591	540	3 159	1 254	1 260	1 152	
Alinta Energy	230	176	106	215	1 081	167	
EnergyAustralia	4 645	5 155	478	360	744	490	
Origin Energy	834	995	1 143	1 514	1 426	1 048	
Simply Energy	541	630	744	833	570	769	
ACT							
ActewAGL	94	141	762	499	1 317	317	
EnergyAustralia	583	658	30	24	62	29	
Origin Energy	32	45	11	29	24	77	
New South Wales							
ActewAGL	32	47	217	160	457	127	
AGL	1 315	2 071	5 167	4 180	2 789	2 427	
CovaU	14	6	2	0	15	35	
EnergyAustralia	15 063	17 441	487	436	1 708	1 177	
Lumo Energy	462	35	39	4	182	127	
M2 Energy	0	3	3	19	0	10	
Origin Energy	2 983	1 630	1 138	1 763	1 238	1 542	
Red Energy	52	386	12	59	0	91	
Simply Energy		0		6		0	

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

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

Jurisdiction			Electricity			Gas		
		2016	2017	% change	2016	2017	% change	
Qld	Annual bill (\$)	1401	1441	▲2.9	733	742	▲1.2	
Qld	Percentage of income (%)	5.6	5.6		2.9	2.9		
NSW	Annual bill (\$)	1283	1419	▲10.6	845	860	▲1.8	
NSW	Percentage of income (%)	4.8	5.2		3.2	3.4		
Vic	Annual bill (\$)	1166	1233	▲ 5.8	1316	1397	▲6.2	
Vic	Percentage of income (%)	4.6	4.7		5.2	5.4		
SA	Annual bill (\$)	1324	1427	▲7.8	1047	998	▼4.7	
SA	Percentage of income (%)	5.7	6.0		4.9	4.2		
Tas	Annual bill (\$)	1964	2032	▲ 3.5				
Tas	Percentage of income (%)	8.5	8.5					
ACT	Annual bill (\$)	1203	1266	▲ 5.2	1533	1514	▼1.2	
ACT	Percentage of income (%)	3.6	3.7		4.6	4.5		

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

Jurisdiction			Electricity			Gas	
		2016	2017	% change	2016	2017	% change
Qld	Annual bill (\$)	1787	1859	▲ 4.0	733	742	▲1.2
Qld	Percentage of middle income (%)	2.5	2.5		1.0	1.0	
Qld	Percentage of high income (%)	0.9	0.9		0.4	0.4	
NSW	Annual bill (\$)	1615	1775	▲ 9.9	845	860	▲1.8
NSW	Percentage of middle income (%)	2.1	2.3		1.1	1.1	
NSW	Percentage of high income (%)	0.8	0.8		0.4	0.4	
Vic	Annual bill (\$)	1411	1486	▲ 5.3	1316	1397	▲6.2
Vic	Percentage of middle income (%)	1.9	2.0		1.8	1.9	
Vic	Percentage of high income (%)	0.7	0.8		0.7	0.7	
SA	Annual bill (\$)	1771	1883	▲ 6.3	1047	998	▼4.7
SA	Percentage of middle income (%)	2.8	2.9		1.7	1.6	
SA	Percentage of high income (%)	1.1	1.1		0.6	0.6	
Tas	Annual bill (\$)	2544	2631	▲3.4			
Tas	Percentage of middle income (%)	4.3	4.3				
Tas	Percentage of high income (%)	1.7	1.7				
ACT	Annual bill (\$)	1457	1536	▲ 5.4	1533	1514	▼1.2
ACT	Percentage of middle income (%)	1.5	1.5		1.5	1.5	
ACT	Percentage of high income (%)	0.7	0.7		0.7	0.7	

Appendix 7: Energy affordability methodology

The key elements of our analysis include:

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

For each jurisdiction, we determined electricity and gas consumption levels for our benchmark low, middle and high income households (see tables A.9 and A.10). A benchmark low income household is a household that uses the average amount of electricity and gas in the relevant state or territory for all households that are the same size as low income households on average. A benchmark middle and high income household is a household that uses the average amount of electricity and gas in the relevant state or territory.

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

We obtained data from the ABS on disposable household incomes for low, middle and high incomes (also tables A.9 and A.10) to estimate the proportion spent on electricity and gas bills (assuming these households were on the median market offer). For our benchmark low income households we have also shown the impact of receiving the energy concession in that jurisdiction.

In 2015–16, we released updated electricity consumption benchmarks and the ABS released updated income data. We applied the updated consumption benchmarks to the 2014–15 analysis in this chapter to provide comparisons with the 2016–17 analysis.

Annual electricity and gas consumption levels

To represent the electricity consumption of a benchmark low income household, we took the average number of people in a low income household for each state and territory from the ABS and used electricity consumption benchmark data to determine an average consumption level for that sized household. Benchmarks in 2014, and annual electricity bills in the 2014–15, 2015–16 and 2016–17 report are based on the updated consumption benchmarks.⁵⁸

For our benchmark middle and high income households we used typical electricity consumption levels—each state and territory's 'average' household consumption from the electricity consumption benchmark data (a two to three person household). This is higher than for our benchmark low income households which are typically smaller—on average one to two persons.⁵⁹

Available data on gas consumption levels is limited and we have not attempted to estimate a 'low' consumption level. Instead, we use an estimate only of 'typical' gas consumption, which was formed by various jurisdictional energy regulator reports and St Vincent de Paul's energy price reports.

These electricity and gas consumption levels are estimates. Furthermore, our low income electricity consumption figures are based on benchmark data for all households (not only low income households) and may not account for low income households using less energy per member of the household than other households.⁶⁰

⁵⁸ The Retail Rules require retailers to provide information to residential customers on their electricity bill regarding how their electricity consumption compares to similar sized households in their local area. ACIL Allen's 2014 electricity benchmarks show that annual consumption has fallen 12.3 per cent on average from the 2011 survey. Consumption fell most in Queensland and South Australia where the penetration of solar PV systems is highest. The electricity bill benchmarks for residential customers 2014 report is available at: www.aer.gov.au/retail-markets/retail-guidelines/electricity-bill-benchmarks-for-residential-customers-2014

⁵⁹ Data obtained from the Australian Bureau of Statistics (ABS) shows that low income households are on average one to two person households.

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

Collection of energy offers

We selected a postcode in each distribution or pricing zone and collected all of the generally available offers in that postcode in June 2013, June 2014, June 2015, June 2016 and June 2017. We only consider single-rate tariffs and exclude any Green Power-only and solar offers. Where possible, we collect offer details from our energy price comparison website, Energy Made Easy (www.energymadeeasy.gov.au). For Victoria (the only state in our analysis in which the Retail Law had not commenced at 30 June 2017, we collected tariffs from the Victoria Energy Compare website (https://compare.switchon.vic.gov.au).

Estimating annual energy bills

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

Annual household disposable income

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

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

This report now uses an adjusted lowest income quintile to represent 'low income' households, which is made up of the lowest two deciles, excluding the first and second per centiles. The 'middle income' households continue to be represented by the third income quintile and 'high income' households are represented by the fifth income quintile. This report uses data from the ABS for 2013–14 which was adjusted to 2014–15, 2015–16 and 2016–17 dollars using the Consumer Price Index for low income households and the Wage Price Index for middle and high income households (see tables A.9 and A.10). The ABS has recently released updated data which we will use in future affordability reports.

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income (\$)
Queensland	4100	10 000	1.46	25 532.10
New South Wales	4300	24 000	1.45	27 069.32
Victoria	3700	63 000	1.45	26 046.61
South Australia	3700	21 000	1.23	23 790.07
Tasmania	6500	N/A	1.20	23 789.18
ACT	5600	48 000	1.45	33 894.48

Table A.9: Benchmark low income households-summary of annual electricity and gas consumption levels

Table A.10: Benchmark middle and high income households—summary of annual electricity and gas consumption levels

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income—middle (\$)	Annual disposable income—high (\$)
Queensland	5800	10 000	2–3	73 634.37	195 696.43
New South Wales	5900	24 000	2–3	76 824.62	217 743.57
Victoria	4900	63 000	2–3	74 736.41	194 014.38
South Australia	5100	21 000	2–3	64 337.81	170 436.82
Tasmania	8800	N/A	2–3	60 911.39	154 194.10
ACT	7500	48 000	2–3	102 123.99	218 436.46

Appendix 8: Map of electricity distribution zones



Appendix 9: Map of gas distribution zones

