Notice of draft instrument

AER Performance Reporting Procedures & Guidelines

April 2011

Contents

Shortened forms

ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
business customer	Has the meaning given in section 2 of the National Energy Retail Law. (A customer who is not a residential customer. *See also residential customer.*)
Customer Framework	The National Energy Customer Framework, including the National Energy Retail Law and National Energy Retail Rules
GSL	Guaranteed Service Level
large customer	Has the meaning given in section 2 of the National Energy Retail Law (A business customer who consumes 100 MWh or more of electricity or 1 TJ or more of gas per annum. *See also business customer.*)
PPM	Prepayment meter
residential customer	Has the meaning given in section 2 of the National Energy Retail Law (A customer who purchases energy principally for personal, household or domestic use at premises.)
Retail Law	National Energy Retail Law
Retail Regulations	National Energy Retail Regulations
Retail Rules	National Energy Retail Rules
small business customer	Has the meaning given in section 5 of the National Energy Retail Law. (A business customer who consumes less than 100MWh of electricity or 1 TJ of gas per annum. *See also business customer.*)
small customer	Has the meaning given in section 5 of the National Energy Retail Law. (A customer who is a residential customer, or who is a business customer who consumes less than 100MWh of electricity or 1 TJ of gas per annum. *See also residential customer, business customer.*)
small market offer customer	Has the meaning given in section 5 of the National Energy Retail Law. (A small business customer who consumes 40-100MWh of electricity or 0.4-1TJ of gas per year. *See also small business customer.*)

Retail consultation procedure

This notice and the attached draft AER Performance Reporting Procedures and Guidelines (the guideline) have been published in accordance with the retail consultation procedure set out in r. 173 of the National Energy Retail Rules.

The AER invites comments on the draft guideline. Responses to this consultation will inform the AER in its approach to retail market performance reporting under the National Energy Customer Framework (the Customer Framework) and the development of its final guideline.

This is the final stage of the AER's consultation on the guideline. As advised in the Ministerial Council on Energy's Standing Committee of Officials Bulletin No. 190 on 21 March 2011, all activities carried out by the AER prior to the commencement of the Customer Framework (such as consultation, making instruments and decision-making) will be supported by appropriate transitional provisions enacted by participating jurisdictions to ensure instruments and decisions made as a result of these activities are validly made under the Retail Law and Rules and take effect on commencement of the Customer Framework.

Written submissions on the draft guideline are invited by **3 June 2011**.

Submissions can be sent electronically to: AERInquiry@aer.gov.au with the title "Draft AER Performance Reporting Procedures and Guidelines – attn Lynley Jorgensen", or by mail to:

General Manager, Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submissions provided by email do not need to be provided separately by mail.

PLEASE NOTE:

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will therefore be treated as public documents unless otherwise requested, and will be placed on the AER's website (www.aer.gov.au). Parties wishing to submit confidential information are asked to:

- clearly identify the information that is subject of the confidentiality claim
- provide a non-confidential version of the submission for publication, in addition to the confidential one.

The AER does not generally accept blanket claims for confidentiality over the entirety of the information provided. Such claims should not be made unless all information is truly regarded as confidential. The identified information should genuinely be of a confidential nature and not otherwise publicly available.

In addition to this, parties must identify the specific documents or relevant parts of those documents which contain confidential information. The AER does not accept documents or parts of documents which are redacted or 'blacked out'.

For further information regarding the AER's use and disclosure of information provided to it, please refer to the *ACCC–AER information policy: the collection, use and disclosure of information*, which is available on the AER website under 'Publications'.

1 Requirement to develop procedures and guidelines

The National Energy Retail Law (Retail Law) requires the AER to publish retail market performance reports providing information on a series of matters identified in the Retail Law and National Energy Retail Rules (Retail Rules). The matters identified include information and statistics about the energy retail market and the activities and performance of energy retailers and distributors (regulated entities).[1] The AER's reports must provide sufficient detail to explain the key factors relevant to the level of and trends in the performance of regulated entities.[2]

The AER Performance Reporting Procedures and Guidelines (the guideline) support the AER's reporting function by specifying the manner and form in which regulated entities must submit relevant information and data to the AER, including the date or dates each year by which it must be submitted to the AER.[3] The reporting requirements specified in the guideline are binding on regulated entities, and non-compliance may attract civil penalties or infringement notices.[4]

The guideline will apply to all regulated entities in participating jurisdictions from the date on which the Customer Framework commences. The AER may amend the guideline at any time in accordance with the retail consultation procedure.[5]

1 ss. 284, 285, Retail Law; rr. 166, 167, Retail Rules
2 r.167(2), Retail Rules
3 s.286(3), Retail Law
4 s. 282, Retail Law
5 s.286(4), Retail Law

2 Context in which draft procedures and guidelines have been prepared

The Customer Framework is the final stage in the transition to national regulation of the energy markets. The Ministerial Council on Energy's (MCE) consultation on the Customer Framework started in 2006 and included extensive consultation on two exposure drafts in 2009 and 2010.

The National Energy Retail Law (South Australia) Bill 2010 was introduced in November 2010. At the same time, the MCE released the National Energy Retail Rules and Regulations to be made. The *National Energy Retail (South Australia) Act 2011* and *Statutes Amendment (National Energy Retail Law) Act 2011* received the Royal Assent on 17 March 2011.The MCE agreed on 10 December 2010 that jurisdictions would work toward a common target date of 1 July 2012 for commencement of the Customer Framework.

Part 12 of the new Retail Law creates an AER performance regime, requiring the AER to publish retail market performance reports. The nature and content of those reports was determined by the MCE through its consultation on the Customer Framework, and is now specified in the Retail Law and Rules.

To support this role, the Retail Law empowers the AER to develop performance reporting procedures and guidelines. The guideline specifies the manner and form in which regulated entities are to provide information and data to the AER for the purposes of its performance reports, and the date or dates by which that information and data is to be submitted.

In preparation for its new roles in retail market performance reporting, the AER commenced preliminary consultation in 2010. The AER published an issues paper on approaches to retail market performance reporting in June 2010. The AER also hosted a stakeholder forum on 4 August 2010 in Melbourne (with video conferencing to other states).

Consultation on development of Hardship Program Indicators commenced separately with an Issues Paper in April 2010 followed by stakeholder forums on 28 May and 8 September 2010. The AER also met individually with retailers to discuss their hardship programs throughout July and August. Additional forums were held in October 2010: the first with the Energy Retailers Association of Australia (ERAA) and retailers; and a subsequent forum with consumer groups and energy ombudsman schemes.

In November 2010, the AER published a consolidated position paper on retail market performance reporting, which included the AER's updated proposals on Hardship Program Indicators. The AER held a further stakeholder forum on 26 November 2010 in Melbourne (with video conferencing in other states) to discuss the proposals in the Position Paper. Meetings with energy retailers and the AER's Customer Consultative Group continued in early 2011.

Responses to the position paper have informed the development of the draft guideline released with this notice.

This will be the final stage of the AER's consultation on these instruments. As advised in the Ministerial Council on Energy's Standing Committee of Officials (SCO) Bulletin No. 190 on 21 March 2011, all activities carried out by the AER prior to the commencement of the Customer Framework (such as consultation, making instruments and decision-making) will be supported by appropriate transitional provisions enacted by participating jurisdictions to ensure AER instruments and decisions made as a result of these activities are validly made under the Retail Law and Rules and take effect on commencement of the Customer Framework.

Comments on the draft guideline will be taken into account in development of the final guideline. The AER is aiming to publish the final guideline in the third quarter of 2011, well in time for regulated entities to prepare for the commencement of the Customer Framework on 1 July 2012.

3 Issues involved in the preparation of procedures and guidelines

As noted above, this is the fourth stage of the AER's public consultation on its approach to performance reporting under the Customer Framework and the development of the guideline. Submissions received in response to the issues papers released in April and June 2010 guided us in the development of the position paper and proposed indicators for consultation in November.

Responses to the position paper have informed the development of the draft guideline released with this notice, and allowed us to further refine our proposed approach. All submissions received are available on the AER website.

Key issues raised in submissions, and the approach the AER has taken to them in the draft guideline, are summarised in Appendix B to this notice. There are, however, a number of issues raised by stakeholders on the proposed approach, and on the Customer Framework itself, which are usefully discussed here.

The Customer Framework requires the AER to publish retail market performance reports on a range of issues, including information and statistics on the retail market, and the activities and performance of regulated entities. The AER must perform its performance reporting role in a manner that will or is likely to contribute to the achievement of the National Energy Retail Objective to promote efficient investment in, and efficient operation and use of, energy services for the long term interest of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.[6] Importantly, the AER must exercise this responsibility in a manner that will be compatible with the development and application of consumer protections for small customers, including, but not limited to, protections for hardship customers.[7]

Regulated entities questioned the scope and objectives of the reporting requirements proposed in the November draft decision. The AER notes that the issue of what should be included in the AER's reports was considered as part of the MCE's consultation on the development of the Customer Framework. The information and statistics that the MCE determined must be included in those reports are now prescribed in the Retail Law and Rules.[8] The guideline is an administrative tool which enables the AER to perform its reporting functions. It prescribes the manner and form in which regulated entities must submit information and data relating to the prescribed matters to the AER to inform these reports.[9]

The information and data requirements specified in the guideline, referred to in this notice as *indicators*, will work in combination to allow the AER to:

- measure the performance of regulated entities

[6] s. 13 National Energy Retail Law
[7] s. 205 National Energy Retail Law
[8] s. 284 National Energy Retail Law
[9] s. 286 National Energy Retail Law

- to understand changes in individual regulated entities' performance over time
  - to understand differences in performance across the market
  - to allow comparisons to be made between businesses. This will help to identify examples of good practice which can be shared across industry. It will also highlight areas where a regulated entity's performance compares less favourably and can help to direct our regulatory resources to those areas where further action or improvement may be required.

- consider contextual information to help explain trends in the information and data reported
- understand the effectiveness of the Customer Framework, and help inform the decision-making processes of regulated entities, regulatory agencies and Government
- monitor how the market is evolving over time.

Data for each indicator will be collected either annually (by reference to the previous financial year) or quarterly. Submissions on the frequency of reporting reflected the need for balance between the cost of generating and submitting analysis and reports at different intervals and the benefits that flow from more timely consideration and publication of information. The AER's decision on the appropriate frequency of data collection and reporting for each indicator has been made on a case by case basis. The frequency of reporting for each indicator in the draft guideline has been proposed with regard to the following considerations:

- whether the indicator targets circumstances or conduct likely to have a material impact on customers, so that the early identification of seasonal trends or systemic issues is necessary to allow the AER, regulated entities and other interested parties to respond to issues as they emerge
- whether the information or data in question is more likely to be informative from year-to-year or within a year
- whether the value derived from reporting at alternative frequencies is outweighed by the cost or complexity of collection, analysis and submission of the relevant information and data by regulated entities at the relevant interval.

If, over time, it becomes apparent that collection and reporting of information and data for a particular indicator does not provide the expected benefits, or that additional or different indicators would add value, the AER will consider consultation on appropriate amendments to the guideline. Similarly, if information and data collected in the early years of the regime's operation reveal trends that warrant escalated attention (so that reporting should be increased), or relatively flat or stable results (so that reporting might be decreased) consultation on the merits of changing the frequency of reporting will be considered.

4 Possible effects of procedures and guidelines

As noted above, the AER will be responsible for monitoring and reporting on retail market performance in each participating jurisdiction from the date of commencement of the Customer Framework.

The guideline will create a streamlined national structure for regulated entities to adhere to. The centralising of current, jurisdictional regimes in a single framework, with accountability to a single regulator, will create savings for regulated entities in management of these obligations.

Regulated entities may need to make adjustments to internal performance reporting systems to ensure compliance with the new, national guideline from the date of commencement. Our approach seeks to minimise these costs by taking existing jurisdictional arrangements into account in developing the AER's own requirements. Our adoption of tiered quarterly and annual reporting requirements is consistent with approaches in most participating jurisdictions, and should not pose significant changes for regulated entities.

By consulting on and releasing the guideline ahead of the transition date, we have sought to give regulated entities adequate time prior to 1 July 2012 to identify and implement any changes required before the obligations imposed by the guideline take effect.

The details relating to each proposed indicator are contained in Appendix A of this notice:

- A.1 Retail market structure,
- A.2 Energy affordability for small customers,
- A.3 Customer service and complaints,
- A.4 Handling customers experiencing payment difficulties,
- A.5 Prepayment meters (PPMs),
- A.6 De-energisations (Disconnections),
- A.7 Re-energisations (Reconnections),
- A.8 Concessions,
- A.9 Security deposits,
- A.10 Hardship program indicators,
- A.11 Distributor performance reporting.

A summary of the AER's response to submissions is provided in Appendix B.

The draft guideline released with this notice is available on the AER's website.

A. Appendix A: Draft decision

A.1 Retail market overview – retail market structure

Section 285 of the Retail Law requires the AER to include a retail market overview in its retail market performance reports. Rule 166 of the Retail Rules prescribes the information that must be included in the retail market overview. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER. These categories include, but are not limited to, small customers and large customers, and residential customers and business customers.

The first four elements of the retail market overview provide information on the nature of the market, collectively referred to here as retail market structure.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
s.166(1)(a) a statement of the number of retailers and the number of retailers actively selling energy to customers	No reporting requirements.	n/a	n/a
s.166(1)(b) an indication of the number of customers of each retailer	No reporting requirements.	n/a	n/a
s.166(1)(c) an indication of the total number of customers with standard retail contracts and market retail contracts, respectively, and the numbers by reference to each retailer	Retailers are required to submit the total number of standard retail contracts and the total number of market retail contracts for the supply of electricity and/or gas held on the last calendar day of the relevant reporting period in each participating jurisdiction, in each of the following customer categories: ▪ Residential customers ▪ Small business customers (0-100MWh per annum; 0-1 TJ per annum) ▪ (for market retail contracts only) Large customers (>100MWh per annum; >1TJ per annum) Retailers are required to confirm whether they offer small market offer customers standard retail contracts, or only market retail contracts.	Quarterly	S2.2
s.166(1)(d) an indication of the numbers of customers who have transferred from one retailer to another retailer	No reporting requirements.	n/a	

For each participating jurisdiction, we propose to require retailers to submit the number of customers they had on standard retail contracts and the number of customers they had on market retail contracts on the last day of each quarterly reporting period. Customer numbers will be required for each jurisdiction and for each of the three primary customer categories defined in the Retail Law (residential, small business and large customers) as relevant.

Under the Customer Framework small market offer customers (those small business customers consuming 40-100MWh of electricity or 0.4-1TJ of gas per year) will not necessarily have access to standard retail contracts. Consideration of small business customers in total may therefore tell us little about the number of those customers *choosing* one type of contract over another. Retailers will therefore be asked to confirm whether or not standard retail contracts are offered to small market offer customers.

The number of authorised retailers will be recorded in a register maintained by the AER under the Retail Law, and reported on that basis. An authorised retailer will be considered active in a particular jurisdiction or customer category if the retailer currently has customers in that category in that jurisdiction (e.g. so that a retailer who reports residential customers on standard and/or market retail customers in Victoria will be identified as active in the Victorian residential customer market).

The total number of customers of each retailer will be calculated by summing the number of customers in each participating jurisdiction and category reported as holding standard and market retail contracts. The information provided on customer numbers in the retail market overview will be aggregated for retailers holding less than 10 per cent of the total number of customers in the relevant category and jurisdiction.

Provision of quarterly data will allow for more detailed inferences to be drawn about changes in retailer activity and customer behaviour over time. It will also be an important factor when assessing materiality in performance measures and compliance outcomes more generally.

The information collected from retailers for the market overview will be complemented by data published by AEMO on small customer transfers. This data will be collated and published quarterly, together with the information provided on retail market structure.

A.2 Retail market overview – Energy affordability for small customers

A further element of the retail market overview is a report on energy affordability for small customers.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
s.166(1)(e) a report on energy affordability for small customers	No reporting requirements.	n/a	n/a

The AER proposes to publish an annual energy affordability report examining affordability for both residential and small business customers.

Energy affordability reports will combine recurring content considering trends over time with additional, tailored content in the form of case studies or essays which will vary from year to year and provide detailed studies of identified areas of interest or concern.

The annual report on energy affordability will have the following elements:

- the year in review, identifying events and regulatory or policy decisions within the reporting year that are relevant to energy affordability,
- consideration of energy charges for residential customers, including:
  - developing detailed indexes for each jurisdiction explaining price changes,
  - analysis of consumption changes over time and how this affects affordability,
  - comparing the above information to income levels and changes in income levels,
- consideration of energy charges for small business customers, and
- a targeted essay or case study on a particular issue or issues.

We do not intend to impose any specific reporting requirements for this report at this stage. However, on occasion we may ask retailers for some limited information about the number of customers accessing different types of energy tariffs. We may also request consumption information from distribution businesses. This will assist our statistical analysis of changes in energy prices over time. At this stage, we intend to request this information on an informal, ad hoc basis without imposing formal reporting requirements.

A.3 Customer service and complaints

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(a) of the Retail Rules requires the retail market performance report to include information and statistics on customer service and complaints, including complaints about billing, energy marketing and customer transfers. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER. These categories include, but are not limited to, small customers and large customers, and residential customers and business customers.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r.167(1)(a) a retail market activities review in a retail market performance report must include information and statistics on customer service and complaints	**Customer Service** Retailers must report national data, under a single 'energy' category, for each of the following call centre performance measures:		
	Total number of calls to an operator or customer service officer, including sales calls and any abandoned calls to an operator as at the end of each quarter	Annually	S3.1
	Number and percentage of calls forwarded to an operator that are answered within 30 seconds as at the end of each quarter	Annually	S3.2
	Of those calls forwarded to an operator, the average time before an operator answers the call as at the end of each quarter	Annually	S3.3
	Of those calls forwarded to an operator, the number and percentage of calls abandoned before being answered by an operator as at the end of each quarter	Annually	S3.4
r.167(3)(c), a retail market activities review must provide information under subrules (1) and (2) by reference to the specific activities where appropriate, such as customer complaints about billing, energy marketing and customer transfers	**Complaints** In each participating jurisdiction, and separately for residential and small business customers, retailers must report the number of complaints made in the reporting period about:		
	▪ Billing	Quarterly	S3.5
	▪ Energy marketing	Quarterly	S3.6
	▪ Customer transfers	Quarterly	S3.7
	▪ Other matters	Quarterly	S3.8
	Electricity and gas complaints are to be recorded together under a single 'energy' category.		

Customer service

These call centre performance indicators will provide a good overall measure of retailers' performance regarding the quality of service they provide to customers, as they monitor one of the key interfaces between retailers and their customers. These indicators are well established as appropriate measures of retailer customer service and almost all are currently reported in participating jurisdictions.[10] These indicators will also enable us to provide context to other areas of our performance report, in particular, to the complaints data reported by retailers and ombudsman schemes. For example, we may analyse the number of complaints as a proportion of the total number of calls to a retailer.

Retailers will be required to report national data, under a single ‘energy’ category (without distinguishing between residential and small business customers, participating jurisdictions, or electricity and gas telephone calls). We are proposing to collect quarterly data for these indicators on an annual basis. This will allow us to identify any seasonal trends and changes in the data reported, as well as to identify whether certain events are impacting on the number of calls to retailers and the level of customer service provided. For example, in response to notifying customers of an increase in energy prices or after natural disasters such as floods or bushfires.

Complaints

This set of indicators will enable us to monitor the most common areas of complaints made by customers to retailers. It will also allow us and other stakeholders to monitor trends in the types and number of complaints over time for both the industry as a whole and for individual retailers. We intend to compare complaints data reported by retailers with that from energy ombudsman schemes to provide an indication of how well a retailer is actively managing the complaints it receives. For example, where retailers are appropriately and effectively managing complaints from their customers, we would expect to see only a small proportion of complaints made to energy ombudsman schemes. Comparing complaints data reported by retailers with that from energy ombudsman schemes may also enable us to identify instances when retailers have not been defining or recording complaints correctly. For example, where there are large discrepancies between the complaints data reported by retailers with that from energy ombudsman schemes.

Retailers will be required to report separate complaints data for residential and small business customers in each participating jurisdiction. Electricity and gas complaints will be reported under a single ‘energy’ category (separate reporting is not required). We are proposing to collect quarterly data for these complaint indicators on a quarterly basis. This will allow the AER to promptly identify, and take action on, any systemic issues identified through retailers’ complaints statistics or where they may indicate potential compliance issues. It will also enable us to monitor any changes in the data reported as well as the impact of certain events on the number of complaints recorded by retailers (for example, when notifying customers of an increases in energy prices or in response to major marketing campaigns etc).

[10] All proposed customer service indicators are reported in all jurisdictions except the average time before an operator answers a call which is not currently reported in South Australia and New South Wales.

A.4 Handling customers experiencing payment difficulties

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(b) of the Retail Rules requires this report to include information and statistics on the handling of customers experiencing payment difficulties. This information is to be provided by reference to participating jurisdiction and categories of customers as determined by the AER. The Retail Rules also specify that reporting must distinguish hardship customers and other residential customers experiencing payment difficulties.

To satisfy this requirement, the AER is proposing a number of indicators related to the key obligations on retailers in the Customer Framework to identify and assist customers experiencing payment difficulties, including the use of payment plans and Centrepay. We have also included indicators that will provide contextual information on some of the key factors relevant to the level of, and trends in, retailer performance, such as customers' energy bill debt levels. Indicators regarding the handling of hardship customers experiencing payment difficulties have been incorporated into the hardship program indicators (see section A.10).

When assessed together with the hardship program indicators, the data will provide an overall picture of the tools retailers use to assist customers who are experiencing payment difficulties and the effectiveness of the assistance provided. Furthermore, when assessed alongside the disconnection indicators (see section A.6), the data will provide an indication of how retailers balance their competing priorities of recovering outstanding debts and ensuring that customers remain on supply.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 167 (1)(b) A retail market activities report in a retail market performance report must include information and statistics on the handling of customers experiencing payment difficulties (distinguishing hardship customers and other residential customers experiencing payment difficulties)	**Energy bill debt** Total number of residential customers (excluding hardship program customers) and small business customers repaying an 'energy bill debt'[11] at the end of the reporting period, in each participating jurisdiction	Quarterly	S3.9
	Average amount of 'energy bill debt' for those residential customers (excluding hardship program customers) and small business customers at the end of the reporting period in each participating jurisdiction	Quarterly	S3.10
	Number of residential customers (excluding hardship program customers) with 'energy bill debt' at the end of the reporting period in each participating jurisdiction who owe: ▪ Over \$500 but less than \$1,500 ▪ Over \$1,500 but less than \$2,500 ▪ Over \$2,500	Quarterly	S3.11
	Centrepay Number of residential customers using Centrelink's Centrepay to pay their energy bills at the end of each quarter within the reporting period, in each participating jurisdiction	Annual	S3.12
	Payment plans Number of residential customers (excluding hardship program customers) on a 'payment plan',[12] at the end of the relevant reporting period, in each participating jurisdiction	Quarterly	S3.13
	Number of residential customers (excluding hardship program customers) who had their 'payment plan' cancelled by the retailer for non-payment, in the relevant reporting period, in each participating jurisdiction	Quarterly	S3.14
	Number of residential customers (excluding hardship program customers) with two or more 'payment plans' cancelled for non-payment in the previous 12 months, in each participating jurisdiction	Quarterly	S3.15
	Number of residential customers (excluding hardship program customers) who successfully completed their 'payment plan', in the relevant reporting period, in each participating jurisdiction	Annual	S3.16

[11] 'Energy bill debt' is defined as the dollar amount owed to the retailer for the sale and supply of gas or electricity, excluding other services, which has been outstanding to the retailer for a period of 90 days or more. An amount owing after the final bill has been issued by the retailer, on termination of a customer contract, should not be counted as 'energy bill debt'.

[12] 'Payment plan' is defined as a plan for a residential customer experiencing payment difficulties to pay a retailer, by periodic instalments, any amount payable by the customer. A 'payment plan' must only include an arrangement in which the customer is paying off an arrears component (of any overdue amount) and must consist of at least three instalments. Customers using flexible payment arrangements for convenience or budgeting purposes must be excluded from these 'payment plan' indicators.

Energy bill debt

The purpose of the above debt indicators is to provide an indication of the number of and extent to which customers are experiencing difficulties paying their energy bills. We consider customers with energy bill debt (owing for 90 days or more) to be an appropriate proxy measure for customers who are likely to be experiencing payment difficulties.

These debt indicators will provide important context to the indicators monitoring the handling of customers experiencing payment difficulties and will also provide an indication of how proactive retailers are in identifying customers with payment difficulties. For example, if a retailer has many customers in debt and a higher than average debt level but also reports few customers on a payment plan or using Centrepay, this may indicate the retailer is not proactive in identifying customers experiencing payment difficulties and offering assistance. Conversely, we might expect a retailer with fewer customers in debt to have fewer customers who are receiving these types of assistance. For example, if a retailer has a high number of customers in debt and a large number of customers on a payment plan or in the hardship program, this may indicate that the retailer is proactive in offering assistance to customers experiencing payment difficulties. Conversely, if a retailer reports a higher level of customer debt or more customers in debt but fewer customers on a payment plan and/or the hardship program, this may indicate that further examination or information is required to understand what the drivers are behind this.

The indicators will also provide important context for the AER’s affordability report, particularly when considering trends and changes over time. Increasing numbers of customers in debt as well as an increase in debt levels across customers could indicate that energy affordability is worsening.

Given the average debt of customers may be skewed by a small number of very large energy debts, we are proposing to also collect the number of residential customers with debts within the brackets outlined above. This will help to explain changes in the average debt reported and allow for comparisons to be made with the average debt of customers entering retailers’ hardship programs.

The AER acknowledges that these debt indicators may be influenced by factors outside the control of the retailer, such as an economic downturn, or natural disasters such as floods, cyclones or bushfires, which can have a significant impact on customers. We will remain mindful of these external influences when analysing the data reported by retailers.

We consider it important to collect quarterly data for these indicators because it is likely to be affected by seasonal trends, such as summer and winter peaks, which may drive higher consumption and therefore increase bills and payment pressures. It will also help us to identify where other external events are impacting the debt figures as highlighted above. More timely and regular data may also allow for the identification of good practice approaches in this area which can be shared across industry.

Due to concerns raised by retailers regarding the commercial sensitivities of this data, the AER is proposing to report on average debt levels (and the number of customers in each of the debt brackets) in aggregate, without reference to individual retailers.

However, the AER will itself closely analyse individual retailer data for important trends.

Centrepay

The purpose of this indicator is to monitor the use and up take of Centrelink's Centrepay by residential customers. Centrepay is a tool that retailers can offer to customers on income support, who may be at risk of payment difficulties, to maintain regular payments towards their energy bills. Collecting the number of customers who use Centrepay will allow the AER—and other interested stakeholders—to monitor any changes and trends over time in the numbers of customers choosing to use this payment option. It will also reflect to a degree how well it is being promoted as a payment option by individual retailers. This data, together with other indicators proposed in this area, will help to provide a more complete understanding of the mechanisms and tools retailers are using to assist customers who are, or are at risk of, experiencing payment difficulties.

We are proposing to collect quarterly data on an annual basis. While we expect the data to be relatively stable, the quarterly breakdown at the end of the year will allow for the identification of any seasonal trends in the data or changes in the data in response to events such as economic downturns, natural disasters or promotional campaigns by retailers and other agencies.

Payment plans

The Retail Law enshrines payment plans as the primary tool retailers use to assist customers who are experiencing difficulties paying their energy bills.[13] These indicators will enable the AER to monitor the use of payment plans by retailers and their effectiveness in assisting customers.

To ensure that the indicators are targeted at customers experiencing payment difficulties, the AER is proposing to define 'payment plans' as those payment arrangements established where the customer is paying off arrears in addition to their ongoing consumption costs. 'Payment plans' should therefore consist of at least three instalments and exclude customers who are using a 'flexible payment arrangement' for convenience or budgeting purposes.

The indicators measuring the success rate and cancellation of payment plans will provide a measure of whether retailers are adequately assessing customers' capacity to pay when establishing payment plans. For example, if a low number of customers are successfully completing their payment plans, while a high number of payment plans are being terminated for non-payment, it may indicate that suitable payment plans, adequately reflecting customers' capacity to pay, are not being offered by the retailer.

Retailers are not required to offer customers more than two payment plans within 12 months if the customer has had both payment plans cancelled due to non-payment.[14] In collecting data on the number of customers who have had two or more payment

[13] s. 50 (1)(a) National Energy Retail Law
[14] r. 33(2)(a) National Energy Retail Rules

plans cancelled, the AER will be able to measure the extent to which this occurs. The AER considers this important to monitor as these customers may not receive further payment plan assistance from their retailer and may therefore be more vulnerable to disconnection.

We propose to collect quarterly data on a quarterly basis for the indicators regarding the number of customers on a payment plan, the number of customers who had their payment plan cancelled and the number with two or more payment plans cancelled in the previous 12 months. This will allow for any trends in the data to be quickly identified and acted upon in the event that it appears that retailers are not offering customers appropriate payment plans.

Given that payment plans are typically calculated over a 12 month period,[15] we are proposing to collect the number of customers who successfully complete their payment plan on an annual basis.

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15 r. 72(1)(a) National Energy Retail Rules

A.5 Prepayment meters (PPMs)

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(c) of the Retail Rules requires the retail market performance report to include information and statistics on the provision of prepayment meter systems (PPMs) to customers, including (but not limited to) the total number of customers using PPMs, self-disconnections and the number of PPMs removed due to payment difficulties. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r.167(1)(c) a retail market activities review in a retail market performance report must include information and statistics on the provision of prepayment meter systems to customers, including (but not limited to) the total number of customers using prepayment meters, self-disconnections and numbers of prepayment meters removed due to customer payment difficulties	Total number of customers using PPMs as at the last day of the reporting period, in each participating jurisdiction	Quarterly	S3.17
	Number of PPM customers that receive an energy concession as at the last day of the reporting period, in each participating jurisdiction	Quarterly	S3.18
	Number of PPMs removed due to payment difficulties during the reporting period, in each participating jurisdiction	Quarterly	S3.19
	Number of customers using a PPM, where the PPM is able to detect and report self-disconnections as at the last day of the reporting period, in each participating jurisdiction	Quarterly	S3.20
	Number of self-disconnection events recorded by PPMs during the reporting period, in each participating jurisdiction	Quarterly	S3.21
	Number of PPM customers recorded by their PPM as having been self-disconnected during the reporting period, in each participating jurisdiction	Quarterly	S3.22
	Average duration of self-disconnection events recorded by PPMs during the reporting period, in each participating jurisdiction	Quarterly	S3.23

These indicators will enable the AER to monitor trends in the number of customers using prepayment meters (PPMs) and will provide an overview of their uptake in various jurisdictions. Currently, there are PPMs installed in South Australia, Tasmania and Queensland. The AER intends to monitor and report on the total number of customers using PPMs, including in those jurisdictions that choose not to apply the PPMs provisions in the Customer Framework.[16]

The AER notes that the vast majority of PPMs currently installed in Queensland and Tasmania use older technology and do not have the functionality to record and report data on self-disconnections. In these instances, the AER will not require retailers to report against the self-disconnection indicators above, given this data is not available. The AER notes that newer technology PPMs installed in Tasmania and South Australia can record and report self-disconnection data. As such, retailers will be required to report against the self-disconnection indicators above where the PPMs have this capability. The AER intends to monitor the number of PPMs in use that are able to detect and report self-disconnections as this will provide important context to the data reported against the self-disconnection indicators.

Monitoring the number of PPM customers in receipt of an energy concession will enable us to calculate what proportion of the total PPM customer base they comprise. Stakeholders have previously highlighted that the evidence from Tasmania indicates a higher rate of customers receiving energy concessions move onto PPMs agreements.[17] The AER considers this important as customers on limited and fixed incomes—such as those in receipt of energy concessions—may be more likely to use PPMs as a tool to help them budget and monitor their expenditure on energy. This is likely to be of interest to a number of stakeholders, particularly policy makers in relevant jurisdictions and those with responsibility for concessions policies and programs, as well as consumer organisations.

Monitoring the number of PPMs removed due to payment difficulties will provide an indication of the extent to which PPM customers are experiencing ongoing payment difficulties. It may also assist in understanding retailers' ability to identify these customers and offer appropriate assistance. For example, if the number of PPMs removed due to payment difficulties is decreasing and self-disconnections are increasing, the AER may seek further information to understand if retailers are appropriately identifying PPM customers experiencing payment difficulties.

Monitoring the number of self-disconnection events and the number of customers who are self-disconnected as well as the average duration of self-disconnection events (alongside the proportion of PPMs able to detect and report self disconnections) will assist us to gain a better understanding of the extent of self-disconnection across PPM customers. This is particularly important given that customers using PPMs have fewer protections from disconnection. Unlike other customers who will receive reminder and disconnection warning notices prior to being disconnected, customers using PPMs are disconnected when their PPM runs out of credit.

Considering the number of customers self-disconnected alongside the total number of self-disconnection events may also help to identify whether PPM customers are self-disconnecting multiple times during the reporting period. This could signal that those

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[16] Under the Customer Framework, a person may sell energy using a prepayment meter system only within jurisdictions where their use is permitted by a local instrument. Some jurisdictions, for example Queensland, have indicated that they will not implement the prepayment meter regime.

[17] See QCOSS submission to the AER's June 2010 Issues Paper available on the AER's website.

customers are experiencing on-going payment difficulties and raise questions as to whether a PPM remains the most appropriate payment method for their circumstances.

We are proposing to collect quarterly data for this set of PPM indicators on a quarterly basis. The timely collection and reporting of the data will enable us to monitor changes over time in the use of PPMs and the experience of PPM customers. In particular, it will allow us to monitor any seasonal trends and changes in the number and duration of self-disconnections, enabling us to understand better the extent of self-disconnections across PPM customers.

A.6 De-energisations (Disconnections)

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(d) of the Retail Rules requires these reports to include information and statistics on the de-energisation (disconnection) of premises for reasons of non-payment. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER. The Retail Rules also specify that reporting on disconnections must distinguish hardship customers and other residential customers on payment plans.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 167 (1)(d) A retail market activities report in a retail market performance report must include information and statistics on de-energisation of premises for reasons of non-payment (distinguishing hardship customers and other residential customers on payment plans)	In each participating jurisdiction and for each customer category below, the number of customers disconnected for non-payment in the reporting period: ▪ Residential customers in each calendar month of the reporting period ▪ Small business customers in each calendar month of the reporting period ▪ Residential hardship program customers ▪ Residential customers in receipt of an energy concession ▪ Residential customers who have been on a payment plan in the previous 12 months ▪ Residential customers who have been disconnected on more than one occasion in the previous 24 months	Quarterly	S3.24

The AER considers that the number of premises disconnected for reasons of non-payment is a critical indicator for monitoring retailer performance as it can have a significant impact on those customers affected. Energy is an essential service, and as such, access to electricity and gas supplies is considered to be a prerequisite to social participation and adequate standards of living. Disconnection statistics are closely monitored by stakeholders, can influence policy makers and will be an important input into the AER’s compliance and enforcement monitoring regime.

The decisions that retailers make about which customers to disconnect and when they are disconnected will reflect their debt management and risk policies, the training of their call centre and credit staff, as well as how their hardship policies and programs operate. When examined alongside the hardship program and payment difficulties indicators (see sections A.4 and A.10), these disconnection indicators will provide an indication of how retailers balance the competing priorities of ensuring customers remain on supply and preventing the accrual of further energy bill debt. They will also contribute to the AER’s understanding of retailers’ ability to identify and assist customers experiencing financial difficulties and the extent to which customers are referred to the hardship program to avoid disconnection.

The different categories of customers, determined by the AER above, will also help to understand the overall disconnection numbers reported. For example, it will enable the AER to calculate the proportion of disconnections that occurred where the customer was in receipt of an energy concession or on the hardship program etc. Collecting information on the number of customers disconnected who were previously on a payment plan will provide a measure of the effectiveness of payment plans as a tool to assist customers to avoid disconnection for non-payment.

Section 47 of the Retail Law requires that de-energisation or disconnection of hardship customers due to an inability to pay their energy bills should be a last resort option. As such, the AER anticipates that the number of hardship customers disconnected would be very low. The purpose of monitoring retailer performance in this area is to provide a ready check for the AER, and interested stakeholders, to understand how retailers are complying with this obligation. It will also reflect the effectiveness of hardship programs in helping customers experiencing payment difficulties to avoid disconnection.

The primary purpose of the indicator measuring the number of customers disconnected more than once in a 24-month period is to understand the extent to which these customers, with ongoing payment difficulties, are being disconnected. The indicator will reflect retailers' ability to identify these customers and provide appropriate assistance to help them avoid being disconnected and reconnected multiple times. The Customer Framework obliges retailers to have processes in place to identify customers experiencing payment difficulties. Retailers are also required to offer payment plans and have hardship programs to assist customers with an inability to pay to avoid disconnection. The MCE's SCO noted that one of the benefits of hardship programs is that it allows retailers, and energy customers, to avoid costly disconnection and reconnection cycles.[18] Monitoring the number of customers who are disconnected multiple times will provide some understanding of the extent to which this benefit is being realised. The 24-month time period for this indicator will allow time to develop some customer history, particularly given the time it can take to meet all procedural requirements, such as warning notices, prior to effecting a disconnection. The AER notes however that due to the ability to switch retailers in most jurisdictions, data reported against this indicator may not always be complete as it will only capture those disconnected customers that subsequently remain with the same retailer for the 24-month period.

We consider it appropriate to collect monthly data on a quarterly basis for the total number of residential and small business customers who are disconnected. As set out above, disconnections are a critical area for the AER to monitor given that energy is an essential service and disconnection has a significant impact on affected customers. For the remaining disconnection indicators, we are proposing to collect quarterly data on a quarterly basis. This will enable the AER to respond in a timely manner to any issues or trends identified in the data.

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[18] Ministerial Council on Energy Standing Committee of Officials, Decision Regulation Impact Statement (RIS) - A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, pg 57 and 58: http://www.ret.gov.au/Documents/mce/_documents/Energy%20Market%20Reform/decision_ris_necf.pdf

A.7 Re-energisations (Reconnections)

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(e) of the Retail Rules requires the retail market performance report to include information and statistics on the re-energisation (reconnection) of premises that were disconnected for reasons of non-payment (see section A.6). This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 167 (1)(e) A retail market activities report in a retail market performance report must include information and statistics on re-energisation of premises referred to in paragraph (d)	In each participating jurisdiction and for each customer category below, the number of customers reconnected in the same name and address within seven days of disconnection for non-payment, in the reporting period: ▪ Residential customers in each calendar month of the reporting period ▪ Small business customers in each calendar month of the reporting period ▪ Residential hardship program customers ▪ Residential customers in receipt of an energy concession ▪ Residential customers who have been on a payment plan in the previous 12 months	Quarterly	S3.25
	In each participating jurisdiction, the total number of customers reconnected in the same name and address (regardless of the date of disconnection) in the reporting period	Quarterly	S3.26

The proposed reconnection indicators will complement the disconnection indicators discussed above (see section A.6). They will provide an understanding of the experience of disconnected customers in negotiating and arranging the reconnection of their energy supply. In particular, they will allow the AER to calculate the proportion of reconnected customers who were able to negotiate their reconnection within seven days. Monitoring rates of reconnection across these customer categories (consistent with those specified in the disconnection indicators) will highlight whether there are any differences in these customers being able to arrange the reconnection. The indicators will also allow the AER to identify where differences in performance occur across retailers.

For the same reasons as set out in the disconnections indicators above, we consider it important to collect monthly data on a quarterly basis for the number of residential and small business customers reconnected within seven days. For the remaining reconnection indicators, we are proposing to collect quarterly data on a quarterly basis. This will allow the AER to respond in a timely manner to any issues or trends identified in the data.

A.8 Concessions

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(f) of the Retail Rules requires the retail market performance report to include information and statistics on concessions for customers where retailers administer the delivery of concessions to customers. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r.167(1)(f) a retail market activities review in a retail market performance report must include information and statistics on concessions for customers where retailers administer the delivery of concessions to customers	Number of residential customers, in each participating jurisdiction, that are recorded by the retailer as being entitled to receive an energy concession, where the concession is administered or delivered by the retailer as at the end of each quarter	Annual	S3.27

This indicator will help to provide context to other areas of our performance report. In particular, monitoring the total number of customers in receipt of an energy concession will provide a baseline measure, enabling us to determine the proportion of concession customers that are disconnected (and those that are subsequently reconnected within seven days). It will also allow us to determine the proportion of concessions customers that are participating in retailers' hardship programs and who are using prepayment meters (PPMs).

This data is likely to be useful for policy makers (particularly with responsibility for concessions policies and programs) in understanding the experience of, and other assistance provided to, energy concessions customers.

We are proposing to collect quarterly data for the above indicator on an annual basis. This will allow us to identify seasonal trends and changes in the data reported. It may also be used by other stakeholders to help inform their understanding of different jurisdictional energy concession schemes and the experience of these customers. For example, if the data indicates that the proportion of concession customers being disconnected for non payment or the number on hardship programs is increasing, it may suggest that more customers in receipt of energy concessions are experiencing affordability problems. Again, this data and analysis is likely to be of interest to policy makers and may provide a useful input into their policy development and decisions.

A.9 Security Deposits

Section 285 of the Retail Law requires the AER to include a retail market activities report in its retail market performance reports. Rule 167(1)(g) of the Retail Rules requires the retail market performance report to include information and statistics on the number and aggregate value of security deposits held by each retailer as at 30 June each year. This information is to be provided by reference to participating jurisdiction and to different categories of customers as determined by the AER.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r.167(1)(g) a retail market activities review in a retail market performance report must include information and statistics on the number and aggregate value of security deposits held by each retailer as at 30 June each year	Number of security deposits held by retailers for residential and small business customers as at the end of each quarter	Annual	S3.28
	Aggregate value of security deposits held by retailers for residential and small business customers as at the end of each quarter	Annual	S3.29

This indicator will enable the AER to monitor the use of security deposits held by retailers for residential and small business customers. Security deposits, when requested by retailers, can be difficult for some customers to afford and manage. Monitoring their use and value will enable the AER to ensure that retailers are only requesting security deposits in accordance with the Retail Law and Rules and this will be a helpful input into our compliance and enforcement monitoring regime.

The annual collection of quarterly data will enable the AER to identify and monitor any seasonal or other trends in requests for security deposits (for example, increases in requests for security deposits at particular times during the year). If, over time, the quarterly breakdown of data does not reveal any issues or trends, the AER may consider collecting annual data only.

A.10 Hardship program indicators

Energy is an essential service, and as such, access to electricity and gas supplies is considered to be a prerequisite to social participation and adequate standards of living. The Customer Framework obliges retailers to have hardship policies and programs in place. These policies and programs aim to prevent customers from being disconnected solely due to an inability to pay their energy bills. This recognises the potential for disconnection to exacerbate ongoing financial difficulties and have a severe impact on the health and well-being of affected customers.[19] The purpose of hardship policies—as set out in the Customer Framework—is to identify customers experiencing payment difficulties due to hardship and to assist those customers to better manage their energy bills on an ongoing basis.[20]

The AER recognises that energy retailers are businesses with legitimate commercial interests who can expect energy bills will be paid by customers. The AER also recognises that hardship policies and programs are not intended to enable customers to avoid their energy bill payment responsibilities. Rather, they are designed to help customers experiencing financial difficulty to maintain access to this essential service, while allowing retailers to avoid the costs of disconnecting these customers who cannot pay and facilitating recovery of their debts. The hardship regime therefore offers retailers and customers the means to resolve each of their conflicting priorities—maintaining energy supply for residential customers and recovery of payment by retailers.[21]

Section 287 of the Retail Law requires the AER to determine hardship program indicators. Rule 75 of the Retail Rules requires the indicators to cover entry into and participation in the hardship program. It also requires the AER to collect information on assistance available and provided to customers under hardship programs.

[19] MCE SCO, Decision Regulation Impact Statement: A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, p. 57.

[20] s. 43(1), National Energy Retail Law

[21] MCE SCO, Decision Regulation Impact Statement: A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, p. 58.

A.10.1 Entry into hardship programs

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 75(2)(a) The hardship program indicators must cover entry into hardship programs	Number of customers on a retailer's hardship program at the end of each calendar month of the reporting period in each participating jurisdiction	Quarterly	S4.1
	Number of hardship program customers, in each participating jurisdiction, that are recorded by the retailer as being entitled to receive an energy concession, where the concession is administered or delivered by the retailer	Quarterly	S4.2
	Number of customers 'denied access'[22] to the hardship program during each calendar month of the reporting period, in each participating jurisdiction	Quarterly	S4.3
	The average energy bill debt for those hardship program customers who entered the hardship program during the reporting period, as at the last calendar day of the reporting period	Quarterly	S4.4
	The number of hardship program customers, as at the last calendar day of the reporting period, who entered the hardship program, with an energy bill debt: ▪ Between \$0 and \$500 ▪ Over \$500 but less than \$1,500 ▪ Over \$1,500 but less than \$2,500 ▪ \$2,500 or more	Quarterly	S4.5

Number of customers on hardship programs

The primary purpose of this indicator is to provide a baseline measure of the number of customers receiving hardship assistance from their retailer. It will be used to help interpret the data from other indicators. For example it will enable the AER to calculate the proportion of hardship customers: in receipt of a concession; successfully completing the program; excluded from the program for non-compliance etc. By subtracting the number of customers reported as exiting the hardship program (see section A.10.2) from the total number of customers on the program, we will also be able to calculate (and monitor) the number of customers who entered each retailer's hardship program in each month.

The AER proposes that for each quarter retailers report monthly data on the total number of customers on the hardship program. Hardship programs are the primary

[22] 'Denied access' is defined as a residential customer who is referred to the hardship program by any means (e.g. identified by the retailer or self-identified by the customer or by a third party) but who is not accepted onto the hardship program. This does not include customers who decline to participate in the program.

means by which retailers are required to assist vulnerable customers experiencing financial difficulties under the Customer Framework. Therefore the AER considers it important to monitor this area on a regular basis, without a considerable time lag between the periods reported and receiving the data.

The obligation to have a hardship program, and report against hardship program indicators, will be new for some retailers. Whilst some retailers currently have hardship programs and report against jurisdictional hardship indicators, these have only been in place for a short period of time. In light of this, we consider it appropriate to monitor the performance of retailers with regard to their hardship programs on a more regular basis, particularly during the initial stages of commencement of the Customer Framework. This will help to ensure that customers are being afforded the proper protections as prescribed.

Monthly data will enable the AER to more easily identify and monitor trends or changes, particularly in response to events, such as bushfires, floods or an economic downturn, which may impact upon customers' need for hardship assistance. The data from this indicator, when considered alongside other debt and disconnection indicators, will help to provide a more holistic understanding of how retailers assist customers experiencing hardship and payment difficulties.

The AER recognises that this data will, to some extent, be influenced by general economic trends and the socio-economic profile of retailers' customer bases. It will therefore reflect the broader need for hardship assistance across residential energy customers and this context may help to explain trends in the data reported. Some aspects of retailer performance, as well as the actions taken by retailers, will influence the data reported. For example, retailers' efforts to proactively identify customers experiencing hardship and the way in which they promote their hardship programs (both internally and externally) will have an impact on the number of customers on hardship programs. Similarly, the training provided by retailers to their call centre staff and hardship teams and how they respond to internal and external referrals to their hardship programs will also influence the data.

Number of customers receiving concessions on hardship programs

This indicator will provide some insight into *who* is accessing retailers' hardship programs. A customer's energy concession status is readily identifiable and easily available to retailers given that these energy concessions are administered by the retailer and delivered through the customer's energy bill. Retailers are also obliged to advise hardship program customers of available concessions.[23]

The data reported will largely reflect the personal circumstances of those customers on retailers' hardship programs, rather than the performance of retailers per se. However, actions by retailers to advise hardship program customers of available concessions will impact the data reported.

The data will also help to explain the relationship between energy concessions programs and the experience of energy hardship. Whilst not all concessions customers will experience hardship, there may be a higher proportion of concession customers

[23] s. 44(d), National Energy Retail Law

on hardship programs, reflecting that these customers are on a fixed and limited incomes and may therefore be more likely to experience payment difficulties. Also, if people on hardship programs are experiencing financial difficulty, but are not able to access energy concessions, this may raise questions about the customers that hardship programs and concessions schemes are targeting and whether customers are getting all the assistance available to them.

This data is also likely to be of use to policy makers—particularly those with responsibility for jurisdictional concessions policies and programs—and other interested stakeholders. For example, if the data shows over time that the proportion of concession customers accessing hardship programs is increasing, this may indicate that customers on income support are finding it more difficult to manage their ongoing energy costs. This data may therefore be used as a prompt or evidence that a review of the appropriateness or adequacy of energy concessions is required. It will also highlight the additional assistance provided to energy concessions customers outside of concessions programs.

Retailers will be required to report quarterly data to the AER on a quarterly basis. This will enable us to monitor the number of customers in receipt of a concession on the hardship program as a proportion of the total number of hardship program participants. If, over time, the number of concession customers accessing the hardship program remains relatively stable and we consider that quarterly data is of limited value, we will review whether it is more appropriate to collect this data on an annual basis.

Number of customers denied access to hardship programs

This measure will provide data on the number of customers who are denied access to hardship programs by retailers. It will enable us to calculate the proportion of customers who sought access but were not accepted onto hardship programs. This will help to inform an understanding of the accessibility of retailers' hardship programs. Furthermore, when assessed alongside the number of customers on, and exiting, the hardship program, it will provide an indication of total demand for hardship assistance.

The indicator will also provide a measure of a retailer's threshold for accepting customers on the hardship program. For example, a high number of customers denied access to the program may indicate that the entry criteria for that retailer's program are too narrow or stringent. Alternatively it may indicate the retailer is providing other assistance outside of its hardship program. Monitoring this data will enable the AER to further investigate and respond to any issues identified. For example, one stakeholder noted their frustration at retailers denying customers access to their programs until contacted by a financial counsellor or an ombudsman scheme was mentioned. We also note that in Victoria during 2009-10 it was reported that over 1,000 customers were denied access to hardship programs, with two retailers accounting for the vast majority of those denied access.[24] Regular monitoring of this

[24] Essential Services Commission (Victoria), Energy retailers comparative performance report – Customer service 2009-10, December 2010, p. 11

data will enable the AER to promptly identify and respond to any concerns that customers are not able to access retailers' hardship programs.

From the data reported by retailers, we will not be able to ascertain *why* these customers were denied access. Therefore, retailers will be encouraged to provide additional commentary to explain any trends in the data reported to the AER. For example retailers may provide an indication of the proportion of these customers who were offered alternative forms of assistance outside of the hardship program and those who were denied access because they did not meet the programs' requirements. It is anticipated that this additional information will inform the AER's and stakeholders' understanding of where each retailer's hardship program fits within their business; how it relates to their debt collection and debt management processes; and any relative thresholds of hardship or conditions of entry they apply.

Consistent with other 'hardship entry' indicators, we propose to collect monthly data on a quarterly basis. This will enable the AER to determine the total demand for hardship assistance on a month-by-month basis. The Customer Framework enshrines hardship programs as the primary means used by retailers to assist vulnerable customers experiencing financial difficulty. Significant customer detriment can arise for customers not able to access this help. Therefore timely information on the number of customers denied access is important and will enable the AER to promptly query with retailers where higher, or a significant change in, numbers is reported.

Debt on entry to hardship programs

In developing the hardship regime prescribed in the Customer Framework, the MCE's SCO noted that the "benefits to retailers of providing access to hardship programs are the early identification of customers in potential financial difficulties and thus enabling the early adoption of payment assistance measures before substantial debts accrue".[25]

Monitoring the amount of energy bill debt customers have upon entry into retailers' hardship programs will reflect how proactive retailers are in identifying hardship program customers. It will also reflect retailers' general debt collection and credit management practices before customers enter their hardship programs.

This indicator will be particularly useful to monitor over time and across retailers. It will allow us to monitor differences in approach and performance across retailers as well as providing a longitudinal measure of the extent of hardship experienced by customers.

We consider it important to collect quarterly data in this area because it is likely to be affected by seasonal trends such as summer and winter peaks, which may drive higher consumption and therefore increase bills and payment pressures. It also enables regular monitoring of retailer performance and easier identification of trends in the data reported, for example to more clearly see the impacts of events such as floods, bushfires or economic downturn etc.

[25] MCE SCO, A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, Policy Response Paper, June 2008, p 52.

When comparing data across retailers, this quarterly breakdown will enable the AER to identify good practice approaches which can be shared across industry to improve the identification of customers requiring hardship assistance. The AER will also be able to monitor the performance of retailers' hardship programs in a timely manner. For example, if customers entering a retailer's hardship program have much higher average debts when compared to other retailers, the AER may seek to understand the drivers behind the data reported. The AER could also consider whether there were any steps the retailer could take to identify customers earlier, thus enabling the adoption of payment assistance measures before significant debts accrue. Alternatively, if a retailer had consistently lower levels of debt we would also try to understand why this was the case and to promote this 'good practice' across industry where possible.

We are also proposing to collect the number of customers entering the hardship program within the debt brackets outlined above. This will help to explain movements in the average debt figure reported, given that it can be skewed by a small number of customers entering with very large energy debts. This data will also identify how many customers are entering hardship programs with very large energy debts and allow the AER to track this over time. We recognise that as energy prices rise we may witness 'bracket creep' as customers begin accruing larger levels of debt that correspond with higher bill amounts. When considering the data submitted by retailers we will be mindful of factors, such as energy price rises, that may impact this data.

A.10.2 Participation in hardship programs

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 75(2)(b) The hardship program indicators must cover participation in hardship programs	Number of hardship program customers using each of the following payment methods, as at the last day of the reporting period, by participating jurisdiction: ■ Payment plan ■ Centrepay ■ Prepayment meter (PPM) ■ Any other payment method	Annual	S4.6
	Average energy bill debt of hardship program customers as at the last day of the relevant reporting period	Quarterly	S4.7
	Total number of customers who exited the hardship program as at the last day of each calendar month during the reporting period	Quarterly	S4.8
	Number of customers who exited the hardship program during the reporting period who: ■ Successfully completed the program or exited with the agreement of the retailer ■ Were excluded or removed from the program for non-compliance (for example, where the customer did not make the required payments, or where they failed to contact the retailer. This should also include those hardship program customers who leave the program because they feel they are not able to meet the program requirements or payments requested by the retailer) ■ Switched, transferred or left the retailer	Quarterly	S4.9

Payment methods of hardship program customers

The AER is proposing to collect information on the payment methods used by customers on the hardship program. This indicator is likely to be less influenced by the actions of retailers and more reflective of customer choice and preference. As with monitoring those hardship customers on concessions, this indicator will provide some ‘demographic’ information about the payment preferences of hardship customers. It may also highlight whether certain types of customers are more likely to require hardship assistance, for example those in receipt of concessions who use Centrepay, or those using prepayment meters.

As payment methods are unlikely to vary substantially throughout the year, the AER is proposing to collect annual data on an annual basis for this indicator.

Average debt of hardship program customers

The average energy bill debt of customers on the hardship program will enable the AER, and other interested stakeholders, to monitor the debt levels of hardship program customers over time. It will provide an indication of the outcomes for these customers in terms of the effectiveness of the advice and assistance offered by retailers, as part of their hardship program, to help them better manage their ongoing energy bills. For example, if the average debt level of customers on the hardship program decreases over time, this may indicate that the program is effective in helping customers to better manage their ongoing energy bills.

In our November position paper, the AER also proposed an indicator measuring the proportion of customers on the hardship program who were unable to meet their ongoing energy costs. While a number of stakeholders supported the measure, most retailers were opposed to the indicator, claiming that it would be difficult and onerous to report. They also raised concerns that the data may be skewed by incentive payments and debt waivers offered by some retailers and that there was significant risk that the data from this indicator could be open to misinterpretation.

We are not proposing to include this separate indicator at this time. Instead, we are proposing to consider trends over time in the 'average debt on entry' alongside the 'average debt of customers on the program'. This will provide an understanding of whether the hardship program is effective in assisting customers to reduce their energy bill debts. For example, if the average debt of customers on the hardship increases over time, while average debt on entry remains stable, this may indicate that more customers on the hardship program are struggling to afford their ongoing energy costs. Such a result may reflect that the retailer's hardship program is becoming less effective and failing to assist customers to afford their ongoing energy bills. Alternatively, it may indicate that the retailer has an increasing proportion of customers on their program who are experiencing chronic hardship and are unable to afford their ongoing energy costs. As a result, the AER will be prompted to explore with retailers the key drivers behind these trends and consider whether any response is required. In the event that the AER finds that this alternative approach does not provide sufficient information to explain the trends in debt levels reported, we may reconsider requiring retailers to report on specific indicators that measure the proportion of customers on the hardship program who are unable to meet their ongoing consumption costs.

We consider it important to collect quarterly data for the above indicator because, similar to the average debt on entry, it is likely to be affected by seasonal peaks and other events (such as natural disasters, an economic downturn etc). Quarterly data will also enable regular monitoring of retailer performance and provide a clearer understanding of trends in the data over longer time periods.

Exiting the hardship program

The primary purpose of the indicator is to monitor and understand the number of customers who are exiting hardship programs each month and their reasons for leaving. This additional information will allow the AER to separately identify and report on the number of customers successfully completing hardship programs and allow this trend to be monitored over time. Comparisons across retailers may also help to identify 'good practice' which can then be shared across industry. For example, those programs with a high proportion of customers successfully exiting would reflect the retailer has been effective in enabling customers to participate and reduce their debt so they are better able to manage their ongoing energy bills. Furthermore, monitoring the number of customers who are excluded from the hardship program for non-compliance will provide an indication of whether a retailer's hardship program requirements are too onerous or stringent.

Subtracting the number of customers who were excluded for non-compliance from the number of customers on the hardship program will give an indication of those customers who are successfully managing their payment plans and participating in the program.[26] This will reflect retailers' ability to appropriately take into account their hardship program customers' capacity to pay when establishing payment plans.

The AER is proposing to collect monthly data on a quarterly basis for the total number of customers who exited the hardship program. When subtracted from the total number of customers on the hardship program, this indicator will also enable the AER to calculate the number of customers who enter each retailer's hardship program each month. Hardship programs are the primary means by which retailers will assist vulnerable customers experiencing financial difficulty. Therefore the AER considers it important to monitor this area on a regular basis without having a considerable time lag between the period reported against and receiving the data.

The AER is proposing to collect quarterly data on the breakdown of reasons for customers exiting hardship programs. Quarterly data will enable the identification of trends or changes in the data and, where appropriate, to be promptly queried or acted upon by the AER. For example, if there is an increase in those excluded for non-compliance that is out of step with previous performance or the rest of the industry, the AER will seek further information to understand the reasons for the change in the data reported.

[26] This analysis will replace the separate indicator we had previously considered to measure hardship customers' payment plan success rate (see full discussion in Appendix B).

A.10.3 Assistance available to and assistance provided to customers under customer hardship policies

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
r. 75(2)(c) The hardship program indicators must cover assistance available to and assistance provided to customers under customer hardship policies	Number of residential customers disconnected for non-payment of a bill during the reporting period, who successfully completed the hardship program or exited by agreement with the retailer in the previous 12 months	Quarterly	S4.10
	Number of residential customers who successfully completed the hardship program or exited by agreement with the retailer in the previous 12 months, who were reconnected in the same name and at the same address within seven days of disconnection	Quarterly	S4.11
	Retailers must provide a written summary (up to 500 words) on the types of assistance offered and provided to hardship customers throughout the reporting period. Where possible, retailers should provide quantitative data on the various types of initiatives and assistance provided to hardship program customers in the reporting period	Annual	S4.12
	Retailers may provide anonymous case studies that highlight the assistance provided under their hardship program and the positive impact and outcomes achieved for their customers	Annual	S4.13

Disconnection & reconnection of previous hardship program customers

These indicators will provide a longer-term measure of the impact of retailers' hardship programs in helping customers to better manage their ongoing energy bills.

Retailers acknowledge that customers who successfully complete the hardship program typically have little or no debt. Upon completion of the program, they are also often moved onto flexible payment arrangements so they can continue to make regular payments towards their energy bills. These actions will help hardship program customers to avoid accumulating further debt and minimise their risk of disconnection within 12 months of successfully exiting the program.

We recognise that participation in a hardship program will not always prevent a customer from being disconnected in future. We also recognise that some customers who successfully complete a retailer's hardship program may experience a change in circumstances which results in further payment difficulties. However, as with other customers, retailers are obliged to identify those customers experiencing payment difficulties and offer them assistance. We also consider that customers who have previously successfully participated in a hardship program may be more likely to self-identify and re-enter hardship programs in the event that they experience future payment difficulties. As such, we expect disconnection rates for customers who have successfully completed hardship programs in the previous 12 months to be low.

Customers who successfully complete the program or exit by agreement with the retailer are considered able to better manage their ongoing energy bill payments. Therefore they should be at less risk of disconnection within 12 months of completing the hardship program. As such, we consider this to be a suitable longer-term measure of the effectiveness of retailers' hardship programs.

This is a measure of key interest to consumer groups who have argued that it supports the policy intent of hardship programs: to assist those customers to better manage their energy bills on an ongoing basis. It will also provide some insight into the effectiveness of the advice and assistance retailers provide as part of the hardship program.

Collecting information on the reconnection of customers who have previously been on the hardship program will provide a more complete picture of the outcomes for these customers. It will enable us to identify the proportion of customers who are able to promptly negotiate the reconnection of their energy supply.

The AER notes that due to the ability to switch retailers in most jurisdictions, data reported against these indicators may not always be complete as it will only capture those customers that remain with the same retailer for 12 months after exiting the hardship program.

Reporting quarterly data on a quarterly basis will enable the AER to monitor seasonal trends and changes in the data over time. Quarterly data will allow for comparisons and consideration alongside other disconnection indicators proposed (see section A.6). It will also allow us to understand what proportion of disconnections relate to customers who were previously on the hardship program. Furthermore, it will enable the AER to promptly query with retailers where the data indicates a decline in performance when compared to either past performance or across industry. This will provide the AER with an understanding of what may have caused the decline in performance and whether any response or changes are required. If the numbers reported against these indicators are very low, the AER may consider reporting the data in aggregate.

Summary of hardship assistance & hardship case studies

The assistance provided to hardship customers is a fundamental aspect of the retailers' hardship programs. Collecting information and publishing a summary of the types of assistance provided by retailers under their hardship programs will give stakeholders an understanding of the tools retailers are using to assist customers to better manage their ongoing energy bills. It will allow retailers to showcase their programs; provide detail on their initiatives offered and the number of customers who accessed the assistance. The information will also provide transparency to interested stakeholders about what hardship assistance is on offer from each retailer. This understanding of retailers' programs will in turn, provide additional context and help explain the data from other hardship program indicators.

The AER is proposing that retailers provide a written summary (no more than 500 words) on the assistance they have provided to their hardship program customers throughout the year. Retailers should explain how they have assisted their customers on the hardship program to better manage their ongoing payments. Where possible, retailers should provide quantitative data on the various types of initiatives and assistance provided to customers on the hardship program. For example, retailers may provide an indication of the number of customers who were referred to a concession program or financial counselling service; those who were given an incentive payment plan; those who received energy efficiency advice such as an in-home energy audit where offered etc. The AER intends to publish these summaries in an appendix to our annual performance report to complement the hardship program indicators data.

Retailers will also have the opportunity to submit anonymous case studies to the AER to supplement the information provided on the assistance offered to hardship customers under their programs.[27] Case studies will provide useful context and more qualitative information to highlight and promote good practice among retailers. They will enable retailers to show how their programs have resulted in successful outcomes and had a positive impact on the customers assisted. The AER intends to publish in its annual performance report a selection of the case studies submitted which demonstrate good industry practice.

We are proposing to collect annual data on the forms of assistance offered and provided to hardship customers as well as annual case studies where retailers choose to submit these.

[27] It should be noted that the submission of case studies optional and retailers will not be required to submit them.

A.11 Distributor performance reporting

In addition to the discussed retailer performance reporting obligations the Customer Framework included obligations on the AER to report on:

- the performance of distributors by reference to distribution service standards and GSL schemes, and
- the performance of distributors in relation to the small compensation claims regime.

NECF Requirement	Manner and form in which information and data must be provided	Date(s) for submission	Guideline reference
s.285(d) a report on the performance of distributors by reference to distributor service standards and associated GSL schemes	No reporting requirements.	n/a	n/a
s.285(e) a report on the performance of distributors in relation to the small compensation claims regime under Part 7	No reporting requirements.	n/a	n/a

We do not intend to impose any specific reporting requirements for this report at this stage.

In reporting on distributor performance by reference to distributor service standards and GSL schemes, the AER will rely wherever possible on information provided to the jurisdictional regulator or agency responsible for administration and enforcement of those standards and schemes. Information gathered by the AER for the purpose of administering and monitoring performance under distribution determinations made by the AER under the national electricity rules may also be used for this purpose. Until such time as jurisdictional responsibility for the administration and enforcement of distributor service standards and GSL schemes ends, so that existing reporting arrangements fall away, the AER does not intend to impose duplicate or supplementary reporting requirements on these matters for the purposes of the retail market performance report.

While uncertainty remains as to which jurisdictions will adopt the small claims compensation regime and in what form, we do not consider it appropriate to consult on fixed indicators of distributor performance in this area. We will initiate consultation on appropriate performance indicators for each compensation regime as its scope and application is determined. Where multiple regimes are settled at the same time, we are likely to combine such consultations to reduce any unnecessary duplication in the consideration of common issues.

B. Summary of issues raised in submissions

Issue raised	AER response
Frequency of retailer reporting	
Submissions from regulated entities largely opposed quarterly reporting stating not only was it too costly and onerous, that no benefits had been demonstrated. Further, some submissions considered that quarterly reporting went beyond what was required and envisaged by the Customer Framework. Retailers also contended that monthly data intervals were not required, as data disaggregated by each quarter was adequate to reveal seasonal trends. Other stakeholders preferred quarterly reporting focusing on the benefits and positive outcomes they say would flow from quarterly reporting. Such benefits included: more timely identification of systemic issues or seasonal trends that have a material impact on consumers; allows for better forward planning for consumer representative groups, and facilitates a more timely response from consumer representative groups which enhances their ability to advocate.	The AER maintains that there is significant benefit in the quarterly collection and reporting of data and information pertaining to certain indicators. In deciding whether quarterly or annual collection and publication of data is more appropriate, the AER had regard to several factors, including how critical the indicator is to customers; the usefulness of early identification of any change, or seasonal trend in the indicator to facilitate timely response by the AER, regulated entities, and other retail market stakeholders; and whether the information or data in question is more likely to be informative from year-to-year or within a year. In developing the draft guideline we have also taken into account the need to weigh these benefits against the cost or complexity of collection, analysis and submission of the relevant information and data by regulated entities at the relevant interval to ensure that the appropriate balance of costs and benefits is achieved. The frequency of reporting that will apply to each of the AER's proposed indicators has been considered on a case-by-case basis. Our reasons for each decision on this issue are explained in Appendix A.

Issue raised	AER response
Retail Market Overview – Market Structure	
Several submissions confirmed retailers' capacity to report on the proposed market overview indicators, with some commenting that new systems may need to be introduced to enable reporting in accordance with the new requirements under the Retail Law and Rules.	The AER will continue to work with retailers and other stakeholders to refine and clarify reporting requirements, to ensure that system changes can be made in time for the 1 July 2012 transition, with minimum disruption to businesses.
Stakeholders questioned the need for the AER to collect the number of small market offer customers and large customers on standard or market retail contracts, as the majority of customers in these categories will be on market retail contracts.	The AER has removed the requirement for retailers to report against the small market offer customer category, and these customers will now be reported only within the small business customer category. In its place, we will require retailers to tell us whether or not they offer small market offer customer standard retail contracts, or only market retail contacts. This change will simplify the customer categories that retailers will have to maintain, and is intended to improve our ability to interpret customer number data. We understand that small market offer customers are usually offered market retail contracts, and so have removed the category. If standard contracts are offered to small market offer customers by a number of retailers, we may reintroduce the category in the future.
Retail Market Overview – Energy affordability	
The AER's proposal of a targeted energy affordability essay was supported.	The AER will publish an annual targeted essay or case study on a particular issue relating to energy affordability. This essay will supplement the affordability information that will be presented consistently each year.

Issue raised	AER response
Submissions suggested that the AER publish an additional, annual research project (separate to the targeted affordability essay/case study).	At this stage we do not consider there is a specific need to commit to further annual research project as part of the retail performance report. If, from time to time, the AER identifies a need to commission studies of this nature to support its functions under the Customer Framework, we may do so as the need arises.
The disaggregation of small business, rural/regional, and metropolitan customers for the purposes of the energy affordability report was suggested, as the distinction between the experiences of different customer classes is not always clear.	The AER will report separately on small business and residential customers by jurisdiction. We do not intend to report on specific regions, as available data sources do not reliably support disaggregation to that level. However, issues specific to a particular region or category of customer may be examined in a detailed case study.
An affordability benchmark should be included in the AER's affordability report to monitor changes in affordability over time.	We maintain the view that an assessment of this nature is likely to be highly subjective and largely dependent on factors external to energy retail market performance. We consider the approach outlined in this paper, including the development of price indexes, will enable interested parties to determine the amount of income customers spend on energy, and identify any changes over time, without the need to specify an affordability benchmark.
Retail Market Activities Review – Customer service	
Stakeholders who commented on these indicators were generally supportive. However one retailer argued that the proposed indicators would provide limited insight into a retailer's level of customer service and would not be effective in measuring the customer service delivered by retailers.	We maintain the view that the proposed call centre performance indicators provide a good overall measure of retailers' performance regarding the quality of service they provide to customers. They focus on one of the key interfaces between retailers and their customers, are well established and almost all are currently collected and reported in participating jurisdictions.

Issue raised	AER response
It was suggested that the AER should commit to a regular qualitative assessment of retailers' customer service performance, particularly when the data indicates that there might be an issue with retailers' performance in this area.	We will consider the need for undertaking qualitative assessments of retailers' customer service performance on an ad-hoc basis, particularly when the data reported identifies issues or concerns. This could include, for example, an independent survey of retailers' performance in handling calls from customers.
One retailer noted that it is unable currently to separate call centre performance data for its electricity, water and wastewater services.	The AER is working with retailers to ensure that data can be collected and reported in a comparable and a consistent manner, in accordance with the guideline.
Retail Market Activities Review – Complaints	
It was suggested that an additional customer service complaint category would also provide meaningful information.	We maintain the view that there is likely to be considerable overlap between complaints recorded in the customer service category and complaints recorded in the relevant 'issue' category. Most complaints made by customers about a particular issue will also involve an element of dissatisfaction with the level of customer service received. Complaints which solely relate to customer service will be recorded under the 'other' complaints category.
A concern was raised that collecting information on complaints from retailers will involve material additional costs and may have a negative impact on customer service delivery timeframes if additional records are required to be generated by customer service staff. It was also argued that drawing comparisons between retailers based on complaints statistics alone is potentially unfair. It was suggested that rather than	Monitoring complaints data from retailers will provide an indication of the total number of complaints made to energy retailers. Reporting only on complaints made to energy ombudsman schemes will not provide a full understanding of the overall number of complaints made by customers, as not all customers will decide to complain, or be aware that they can complain, to an ombudsman scheme. We intend to compare retailer complaints data with complaints data from energy ombudsman schemes to gain an understanding of how well retailers handle the complaints they

Issue raised	AER response
collecting the information directly from retailers, the AER should look to the issues that go to the energy ombudsman schemes and compare retailers on that basis.	receive.
In response to concerns raised during the forum in November 2010 regarding the accuracy of ombudsman complaints data, EWOV noted that members of the Australian and New Zealand Energy Ombudsman Network (ANZWEON) are committed to registering issues consistently.	The AER is currently liaising with energy ombudsman schemes to determine the most effective ways to compare complaints data from retailers with that from ombudsman schemes across the various jurisdictions on a consistent basis.
Retail Market Activities Review – Handling customers experiencing payment difficulties	
Customer energy bill debt levels	
Consumer groups supported the debt indicators. However, retailers expressed concerns about the indicators suggesting it will reflect the composition of their customer base and not their 'performance'. Furthermore, they argued they do not have control over the level of debt carried by their customers and are only able to provide assistance when the customer notifies	We acknowledge that the level of debt that individual customers can support or sustain is likely to vary depending on their individual and personal circumstances. However, the Customer Framework makes clear that the identification of customers experiencing hardship or payment difficulties is a mutual obligation on both retailers and customers.[28] The MCE has highlighted that: "self-identification by customers is recognised as a common means of identifying. However, retailers should have processes in place to identify customers in potential hardship and offer assistance to

[28] s. 44(a), National Energy Retail Law

Issue raised	AER response
them that they are experiencing difficulty paying their energy bills. Retailers considered these debt indicators are for 'social policy' purposes and the data should not be used to assess retailer performance in any clear and measurable sense. Some retailers in particular queried the value of collecting energy bill debt information for small business customers.	those customers. This includes responding to internal and external referrals to move customers onto a hardship program".[29] The AER further notes retailers have previously suggested to the MCE that the "onus should be on the customer to contact the retailer and inform of difficulties making payment". In response, the MCE has set out that "under the NERL retailers and customers have a shared responsibility in identifying when a customer is experiencing payment difficulties due to hardship".[30] We consider energy bill debt (that is owed for 90 days or more) to be an appropriate proxy measure for customers experiencing payment difficulties. Monitoring these debt levels will provide a valuable indication of the number of, and extent to which, customers are experiencing payment difficulties with their energy bills. Monitoring the debt levels of small business customers will provide a useful data set for the AER's affordability report and will allow some understanding of the experience of these customers in managing their energy bills. These debt indicators will also provide important detail to explain key factors relevant to the levels and trends in the performance of retailers.[31] In particular, they will provide context against which to assess retailers' response and the level of assistance provided to customers who are experiencing payment difficulties. For example, if a retailer has a high number of customers in debt and a small number on payment plans, the hardship program or using Centrepay, this may indicate that the

29 Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO), Policy Response Paper, June 2008, pg 53: http://www.ret.gov.au/Documents/mce/_documents/MCE_SCO_National_Framework20080613111731.pdf

30 MCE's SCO, Responses to Key Issues Raised by Stakeholders on the Second Exposure Draft of the National Energy Customer Framework, September 2010, Attachment 1 pg 2: http://www.ret.gov.au/Documents/mce/_documents/2010%20bulletins/No.%20183%20-%20Response%20to%20Submissions%20-%20NECF.pdf

31 r. 167 (2), National Energy Retail Rules

Issue raised	AER response
	retailer is not proactive in identifying customers experiencing payment difficulties, or providing its customers with appropriate assistance. Conversely, a retailer with fewer customers in debt may have fewer customers who are receiving assistance from the retailer reflected in lower numbers of payment plans etc.
Retailers were concerned that the indicators would be onerous to collect and would require changes to their IT systems.	The AER did not receive any detailed information from retailers on the difficulties or costs associated with reporting this information. We have invited retailers to meet with us to better understand their businesses and IT systems to ensure that they can report against these indicators in accordance with the guideline.
Some respondents expressed concerns that the AER will only provide commentary or information on the data reported in aggregate, if there are trends in the data. A further concern was that a lack of comment in the public report could imply that no examination or analysis of the data has been undertaken.	The AER maintains that all data provided by retailers for the purposes of the performance report will be examined and analysed. Where appropriate, the AER will provide commentary on the data, including aggregate data, reported in its performance reports.
Centrepay	
Consumer groups strongly supported the inclusion of this indicator. Some retailers did not support its inclusion. They consider that as the Retail Rules require retailers to provide access to Centrepay, it is not clear what performance indicators will establish beyond retailers reporting any compliance breaches in this area and datasets that Centrelink may already maintain.	Centrepay is a useful tool to assist low income customers to maintain regular payments towards their energy bills. This indicator will be used, in conjunction with other indicators, to assess the effectiveness of assistance provided to customers experiencing payment difficulties. Furthermore, the indicator will enable the AER and other interested stakeholders to monitor the take up of this payment option and will also provide an indication of how well Centrepay is being promoted as a payment option by individual retailers.

Issue raised	AER response
Flexible payment arrangements	
Consumer groups expressed concerns that the AER has not proposed to collect information on the provision of flexible payment arrangements. They argued that indicators on customers using flexible payment arrangements could provide further information on the level of assistance retailers extend to their customers. Furthermore, collecting data on flexible payment arrangement defaults and terminations will provide a useful indication of financial hardship. For example, an increasing number of terminations may suggest that a larger proportion of customers are finding it difficult to budget for their energy bill payments.	The AER is not proposing to include indicators regarding the use of flexible payment arrangements. As set out in the position paper, we consider that many customers use flexible payment arrangements for budgeting reasons and convenience, rather than because they are experiencing payment difficulties. Therefore monitoring their use (and terminations) is less likely to reflect how retailers handle customers experiencing payment difficulties. Instead, we are proposing to monitor the number of customers on a payment plan and the number of customers who had their payment plans terminated for non-payment/default. To ensure that these indicators are targeted at customers experiencing payment difficulties, the AER is proposing to define 'payment plans' as those payment arrangements established where the customer is paying off arrears in addition to their ongoing consumption costs. 'Payment plans' should therefore consist of at least three instalments and exclude customers who are using a 'flexible payment arrangement' for convenience or budgeting purposes.
Billing and notice path indicators	
Consumer groups did not support the AER's proposal to not collect information on bills and notices issued. For example, the number of bills issued; the number of bills payed on time; the number of disconnection warning notices issued etc. They argued this information would add value as longitudinal data on where customers pay in the billing path will indicate changes in energy	We are not proposing to include the indicators suggested on billing and notice paths as many customers may intentionally delay payment of their energy bills. We therefore consider that the number of reminder notices or disconnection warnings issued by retailers is unlikely to be a reliable reflection of the extent of customers experiencing payment difficulties or of retailer performance. We are also not proposing to include indicators monitoring the number of estimated

Issue raised	AER response
affordability and the relative effectiveness of retailer engagement with customers. Consumer groups also argued that the AER should collect information on the number of estimated accounts as it is relevant to billing and credit management. Estimations can result in a customer receiving a large “catch up” bill once an actual meter read is taken. These unexpected larger accounts may cause temporary payment difficulties for customers.	bills issued. Estimated bills are more likely to reflect access to customers’ meters and may not always result in payment difficulties, for example where bills have been over estimated and the customer receives a credit once the meter is read. Instead, we have proposed a number of other indicators, such as the debt, payment plan and disconnection indicators, to understand trends in energy affordability and retailer engagement with customers, in addition to our requirement to produce an annual report on energy affordability
Payment plans	
Consumer groups strongly supported the proposed payment plan indicators. Retailers had some concerns, claiming the AER is using these indicators as a proxy measure for payment difficulties. Retailers argued this is not justifiable as many customers without payment difficulties use payment plans for convenience. Retailers also noted that a number of customers have their payment plans rolled over each year. As a result it is difficult to determine whether customers are on a payment plan for flexible budgeting purposes or due to financial difficulty.	The AER considers that its definition of payment plans will ensure that only customers who are on a payment plan because of payment difficulties will be captured under this indicator. Our definition of a ‘payment plan’, set out in the Performance Reporting Procedures and Guidelines, is limited to payment arrangements established where the customer is paying off arrears in addition to their ongoing consumption costs. ‘Payment plans’ should therefore consist of at least three instalments and exclude customers who are using a ‘flexible payment arrangement’ for convenience or budgeting purposes. Therefore, reporting in accordance with the guideline will exclude those customers using flexible payment arrangements for convenience or budgeting purposes. The AER notes that this approach is consistent with current jurisdictional reporting on similar payment plan indicators.

Issue raised	AER response
Consumer groups noted that the arrears component for payment plans should refer to any overdue amount and not be restricted to historic debt (debt that is > 90 days overdue). Furthermore, they consider that the payment plan indicators should measure the number of customers with a payment plan, as opposed to the number of payment plans.	The AER agrees and the definition of debt with regard to payment plans and the indicators has been clarified.
Some consumer groups argued that the AER should collect data on the number of payment plans offered to small business customers. They consider that the data would reflect the positive steps taken by retailers to assist small businesses with payment difficulties.	The AER maintains that view that as retailers are not obliged to offer small business customers payment plans under the Retail Law or Rules, retailers should not be required to report on the number of small business customers on a payment plan.
Retail Market Activities Review – Prepayment meters (PPMs)	
The two retailers who have PPM customers—Aurora and Ergon Energy—noted that the majority of PPMs currently installed do not have the ability to report on self-disconnections. Newer PPMs, however are able to report some data on self-disconnections, but they are unable to record the full details of every instance of self-disconnection. For example, when customers self-disconnect for short periods a number of times between card insertions.	Ergon Energy noted that all of the PPMs currently in operation in Queensland (~4,000) are installed in remote parts of Queensland and only a small number (~300) of these PPMs are connected to the national electricity grid. It further noted that these PPMs use older technology and therefore are not able to report self-disconnection data. Aurora has also advised that the majority of PPMs installed in Tasmania (~37,500) use older technology and do not have the functionality to report self-disconnection data. However, the newer technology PPMs used in Tasmania (~1,500) and South Australia can record self-disconnection data, with some limitations. In particular, these newer PPMs will record a self-disconnection in some cases where there is no actual interruption to the customers energy supply. For example, a self-disconnection event will be recorded by the meter when a customer runs out of credit

Issue raised	AER response
	before the customer invokes the meter emergency credit facility as well as when the PPM has no credit (including emergency credit) available. In both of the circumstances mentioned above there will be an interruption to the supply of energy. However, a self-disconnection event will also be recorded when the meter's credit expires during a period of prohibited disconnection[32] and there is no interruption to the customers' supply. The number of self-disconnections reported by these meters may therefore be overstated in some instances. Despite this limitation with the data, we consider that monitoring the total number of self-disconnection events will assist us in understanding the extent of self-disconnection across PPM customers and trends in self-disconnections over time.
Aurora advised that new PPMs record the duration of self-disconnection events any time when there is an interruption to the supply (including the time before a customer invokes the emergency credit). It clarified that the duration of the individual events is not recorded, rather a cumulative total duration of minutes off supply will be recorded for those self-disconnections that occurred between the two card top-ups (when data is transferred from the meter to the retailer).	Given the inability for newer technology PPMs to record the duration of individual self-disconnection events, we are no longer proposing to have an indicator monitoring the number of self-disconnection events across different time bands (as proposed in the Position Paper). We consider that monitoring the average duration of self-disconnections will be a critical measure in this area.
It was argued that the reason for a self-disconnection may not always be clear and some self-disconnections can occur for reasons other than payment difficulties or hardship. For example, PPMs may be installed in	We recognise that the reason for a customer's self-disconnection may not always be clear. However, monitoring changes in the average duration of self-disconnections alongside trends in the number of self-disconnection events and the number of customers self-disconnecting will allow us to gain a better understanding of the extent

32 In accordance with r.129 (3) Retail Rules, the period of prohibited disconnection refers to any time after 3:00pm on a week day or over the weekend.

Issue raised	**AER response**
holiday homes that are used infrequently and therefore these customers may self-disconnect deliberately.	of self-disconnection and the experience of PPMs customers over time. It may also assist us in understanding possible drivers behind the average duration. For example, if the data provided by a retailer indicates an increase in the average duration of self-disconnections we may seek further information from the retailer to understand what may be causing this and what impact may be attributed to holiday houses and other premises which are not occupied for long period of times.
Ergon Energy argued that reporting on the proposed PPM indicators for customers in Queensland will not yield meaningful results because the PPMs currently in place are not able to report any self-disconnection data and there are too few customers to gain robust and meaningful trends. It also raised concerns that reporting on all the indicators proposed will require them to replace the older PPMs with newer meters, which would impose significant upfront and on-going costs.	Retailers will be required to report self-disconnection data only when the PPM systems they have in place have the functionality to record and report self-disconnections.
Some stakeholders suggested reporting on the number of PPM customers that self-disconnect three or more times in any three month period for longer than 240 minutes on each occasion. They argued that this will provide an indication of the number of households that are repeatedly running out of credit and finding it difficult to maintain a continuous electricity supply.	We are not proposing to report on PPM customers that self-disconnected three or more times in any three month period for longer than 240 minutes on each occasion. We consider the effectiveness of this indicator in monitoring self-disconnection rates may be limited as it may not provide a representative picture of the extent of self-disconnection across all PPM customers. Monitoring the number of customers self-disconnected alongside the number and the duration of self-disconnection events will provide a more complete understanding of the extent of self-disconnections. We also propose to monitor the number of PPMs removed due to customer payment difficulties.

Issue raised	AER response
Reporting on the number of PPM concession customers who have self-disconnected was also suggested, given that concession recipients are living on low incomes and may be more vulnerable to hardship—and possibly to disconnection—than others.	We are not proposing to separately monitor the number of self-disconnections for PPM customers receiving an energy concession. We maintain the view that it may be possible to attribute the number of self-disconnection events for concession PPM customers by considering the total number of self-disconnections in light of the proportion of PPM concession customers. If, however, data received indicates that PPM concession customers are more susceptible to self-disconnection, we may consider collecting additional data in this area in future.
Retail Market Activities Review – Disconnections & reconnections	
Retailers did not support some of the proposed disconnection and reconnection indicators, arguing that they do not reflect retailer performance. In particular, retailers consider that monitoring multiple disconnections within 24 months generates assumptions that retailers are failing to detect payment difficulties if a customer is disconnected in these circumstances. Retailers argued that this assumption is unfair as some customers may be unwilling to engage with their retailer and admit payment difficulties and that disconnection may be the only way to prompt engagement. Conversely, consumer groups strongly supported these indicators. They believe it will provide an indication of	The decision to disconnect a customer is solely that of the retailer. The decisions that retailers make about which customers to disconnect and when they are disconnected will reflect their debt management and risk policies, the training of their call centre and credit staff, as well as how their hardship policies and programs operate. When examined alongside the hardship program and payment difficulties indicators, the disconnection indicators will provide an indication of how retailers balance the competing priorities of ensuring customers remain on supply and preventing the accrual of further energy bill debt. They will also contribute to the AER's understanding of retailers' ability to identify and assist customers experiencing financial difficulties and the extent to which customers are referred to the hardship team and therefore able to avoid disconnection. The AER recognises that, on occasion, it may be difficult for a retailer to engage with some customers. However, the Customer Framework enshrines the principle that the

Issue raised	AER response
the extent of customers in ongoing payment difficulty and customer vulnerability. It will also provide an understanding of whether more vulnerable customers are being disconnected from their energy supply.	disconnection of a hardship customer's premises due to an inability to pay energy bills should be a last resort option.[33] Furthermore, the Customer Framework prohibits the disconnection of customers in hardship or experiencing payment difficulties unless the retailer has used its best endeavours to contact the customer and offer payment assistance.[34] Given these obligations, retailers should use all available measures to contact and assist customers before disconnecting them. We are therefore of the view that disconnections should not be used by energy retailers as a mechanism to prompt or induce customer contact before all other options have been exhausted. The primary purpose of the indicator measuring the number of customers disconnected more than once in a 24-month period is to understand the extent of customers with ongoing payment difficulties as well as retailers' ability to identify these customers and provide appropriate assistance. The Customer Framework obliges retailers to have processes in place to identify customers experiencing payment difficulties. Retailers are also required to offer payment plans and have hardship programs to assist customers with an inability to pay to avoid disconnection. The Ministerial Council on Energy noted that one of the benefits of hardship programs is that it allows retailers, and energy customers, to avoid costly disconnection and reconnection cycles.[35] Monitoring the number of customers who are disconnected multiple times will provide some understanding of the extent to which this benefit is being realised.

[33] s. 47, National Energy Retail Law

[34] r. 111(3)(c), National Energy Retail Rules

[35] MCE's SCO, Decision Regulation Impact Statement (RIS) - A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, pg 57 and 58: http://www.ret.gov.au/Documents/mce/_documents/Energy%20Market%20Reform/decision_ris_necf.pdf

Issue raised	**AER response**
Some retailers did not support collecting the number of hardship program customers disconnected and reconnected. They argued that the purpose and usefulness of the indicator is unclear because a 'high' or 'low' figure in itself has no meaning. They consider that the key question is whether a retailer's hardship program is compliant with regulatory obligations and sufficiently resourced. Consumer groups strongly supported the indicators suggesting that they would indicate the extent of customers in ongoing payment difficulty and customer vulnerability. They consider that the rationale for reporting these indicators is to ensure that disconnection for non-payment of these customers is a last resort.	The Retail Law states that de-energisation of hardship customers due to inability to pay energy bills should be a last resort option.[36] Therefore, as noted in the issues paper, the AER anticipates that the number of hardship customers disconnected would be very few. As a result monitoring performance in this area will provide a ready check for us, retailers and other interested stakeholders to ensure they are complying with this obligation. If high numbers are reported, for example, it would signal that further information or investigation is required to understand how retailers were complying with this obligation.
Retailers sought clarification on whether the indicator would include customers on the hardship program who have not been exited back to normal credit conditions because the retailer has been unable to contact the customer, or the customer is unwilling to work within the program.	Any customer who is on the hardship program and has not been returned to the normal billing cycle at the time of disconnection should be included in this indicator.
It was argued that it is not clear what inference can be drawn from data regarding disconnection/reconnection	We maintain the view that it is an important to monitor disconnection/reconnection rates amongst customers in receipt of energy concessions. These customers are more

36 s. 47, National Energy Retail Law

Issue raised	AER response
of concession customers. It was suggested that the key question is whether retailers are both properly availing customers of their concession entitlements and disconnecting in accordance with the Customer Framework.	likely to be on limited or fixed incomes and may therefore be more likely to experience payment difficulties or financial hardship. A survey cited by the Productivity Commission showed that 53 per cent of respondents who experienced disconnection from an essential service had been on income support when disconnected.[37] This data will indicate whether the proportion of concession customers being disconnected for non-payment is increasing over time or whether these customers account for a large proportion of the total number of disconnections. This likely to be of interest to stakeholders in understanding the effectiveness of the assistance provided to concession customers.
A retailer argued that collecting information on the reconnection of customers within seven days of disconnection implies that if there are a high number of reconnections, the original disconnection was incorrect. As such, it is not possible to make a clear assessment of retailers' performance using this indicator.	Consideration of the number of reconnections carried out within seven days of disconnection will not, in isolation, provide an indication of whether or not retailers are appropriately disconnecting and reconnecting customers. In order to make such an assessment, the data from this indicator will need to be considered alongside a number of other indicators proposed. For example, we would examine disconnection and reconnection indicators together with those monitoring hardship programs, customer debt levels and the handling of customers experiencing payment difficulties. This will provide a more holistic picture of the assistance being provided by retailers to assist customers with an inability to pay to avoid disconnection. We will also consider any ombudsman data regarding complaints from customers about being improperly disconnected or where they are unable to renegotiate their reconnection. This information will provide further context to the data and enable the AER to make

[37] Productivity Commission Inquiry Report, Review of Australia's Consumer Policy Framework, April 2008, vol 2

Issue raised	AER response
	a more informed assessment of retailer performance in this area.
Retail Market Activities Review – Concessions	
Reporting on instances where retailers did not apply concessions to customers' accounts was suggested. Whilst the AER noted this will be better identified through complaints from affected customers, it was argued that it is difficult to rely on customer complaints, as some may be unaware of their right to complain. Furthermore, it was noted that in some instances the concession may not show on a customer's bill and customers may therefore not know when to complain.	We maintain the view that any issues or concerns with retailers not applying concession to customers' bills will be better identified through complaints from affected customers rather than through a separate indicator. Under the Retail Rules, retailers will be required to include on customers' bills any amount discounted[38] so customers will be able to identify whether their concessions have been applied or not.
Retail Market Activities Review – Security deposits	
One retailer argued that there is limited value in collecting information regarding security deposits commenting that this is a function of customers' credit history.	The AER is required under the Retail Rules to report on the number and value of security deposits held by retailers. This indicator will highlight any differences in performance and approaches to the use of security deposits across retailers and over time. It enable the AER to ensure that retailers are only requesting security deposits in accordance with the Retail Law and Rules and will be a helpful input into our compliance and enforcement monitoring regime.

38 Under r.25(1)(P) Retail Rules, retailers must include on a customer's bill any amount deducted, credited or received under a government funded energy charge rebate, concession or relief scheme or under a payment plan.

Issue raised	AER response
Some retailers did not support reporting on the number and aggregate value of security deposits held for longer than 12 months for residential customers and 24 months for small business customers. They argued that this indicator is not explicitly required by the Retail Rules. One retailer also argued that the policy rationale is not clear, nor is the indicator likely to be meaningful. It questioned what a 'high' figure would represent and suggested that including this indicator will result in an increased reporting burden and data storage costs.	We are no longer proposing to report on the number and value of security deposits held for longer than 12 months for residential customers and 24 months for small business customers. Under the Retail Rules, retailers are obliged to return security deposits within 12 months for residential customers and 24 months for small business customers.[39] We are proposing to monitor the timely return of security deposits as part of our compliance framework, for example, through targeted provision letters.
Hardship program indicators	
Many retailers raised concerns that the objective of hardship programs is unclear. They argue this has resulted in the inclusion of indicators that go beyond what retailers are required to do under the Customer Framework and this sets unrealistic expectations about what can be achieved through their programs. In particular they raised concerns with how their 'performance' regarding the need to balance competing priorities of reducing customers' debt, keeping	The purpose and objective of hardship policies has been consulted on and established as part of the development of the Customer Framework. This is evident in the Regulation Impact Statement (RIS) published by the MCE's Standing Committee of Officials (SCO). When recommending the implementation of these hardship obligations the RIS states that a retailer's hardship program is "required to have the explicit aim of assisting hardship customers in managing their current and future payment obligations".[42] This aim has been enshrined in the Retail Law, which states that "the purpose of a retailer's customer hardship policy is to identify residential customers experiencing payment difficulties due to hardship and to assist those

[39] r.45(1) Retail Rules

[40] ss. 43(1) & 47, National Energy Retail Law

[41] s. 47, National Energy Retail Law

Issue raised	AER response
repayments low, and not disconnecting customers will be interpreted from the indicators. Conversely, consumer groups who responded considered that the proposed hardship program indicators supported the policy intent and purpose of hardship programs specified in the Retail Law.[40] They suggested the objective of these programs is to assist customers avoid disconnection and help them match their capacity to pay with their ongoing energy costs. This is supported by the minimum requirements for hardship programs outlined in the Retail Law.[41]	customers to better manage their energy bills on an ongoing basis".[43] The MCE SCO's Policy Response Paper sets out that the national hardship framework was not designed to be overly prescriptive. Instead, a number of core elements of the framework have been outlined in the Retail Law to ensure that the hardship programs effectively meet the specified policy objective.[44] The minimum requirements include processes to identify customers experiencing payment difficulties due to hardship, processes for early response by the retailer, flexible payment options and energy efficiency assistance.[45] Furthermore, hardship programs are required to give effect to the general principle that disconnection of premises of a hardship customer due to inability to pay energy bills should be a last resort option.[46] As a result, the AER considers that in assisting customers to better manage their bills on an ongoing basis, retailers' hardship programs should strive to assist customers to achieve, as far as possible, a more sustainable level of energy consumption that is matched to their capacity to pay. This in turn will assist customers to reduce their energy bill debt and avoid disconnection. The RIS states that "to ensure retailer compliance with [their hardship] obligations

42 MCE SCO, Decision RIS: A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, p. 63.
43 s. 43(1), National Energy Retail Law
44 MCE SCO, A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, Policy Response Paper, June 2008, p. 54.
45 s. 44, National Energy Retail Law
46 r. 47, National Energy Retail Law
47 MCE SCO, Decision RIS: A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, p. 63.
48 MCE SCO, A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, Policy Response Paper, June 2008, p. 55.
49 r. 75, National Energy Retail Rules

Issue raised	AER response
	the AER will be required to monitor compliance with the requirements and to develop and report on a range of hardship indicators".[47] The MCE Policy Response Paper suggests when developing the hardship indicators "the AER should have regard to hardship indicators established in jurisdictional frameworks".[48] In developing the proposed indicators, the AER has also considered how to practically measure whether retailers' policies are identifying customers with payment difficulties and assisting them to better manage their energy bills on an ongoing basis. The Retail Rules require the hardship program indicators to cover entry into and participation in the hardship program. It also requires the AER to collect information on assistance available and provided to customers under the hardship program.[49] We consider that the proposed indicators reflect these requirements. For example, indicators on the number of customers on the hardship program and denied access to the hardship program, as well as debt upon entry into the hardship program provide an understanding of entry into and accessibility of hardship programs. Similarly monitoring the debt of all hardship program customers and those customers exiting the hardship program will provide an indication of customers' participation in the hardship program. Finally, disconnections and reconnections within 12 months of successfully completing the hardship program, as well as retailers reporting on initiatives to help customers under their programs meets the requirement to monitor assistance available and provided to hardship customers. Other indicators will help provide an understanding of the experience and characteristics of hardship program customers such as payment methods used by these customers and the number receiving an energy concession.
Retailers consider that many of the indicators proposed by the AER are not demonstrably a measure of the	The AER recognises that a small number of the proposed indicators will reflect customer demographics and payment preferences of customers on the hardship

Issue raised	AER response
effectiveness of a hardship program or retailers performance. They suggested that indicators that are largely influenced by customer behaviour and demographics and should not be called ‘performance indicators’, but referred to as ‘supplementary data’.	program rather than retailer ‘performance’. We have sought to highlight in our discussion of each indicator where this may be the case and in these instances the reasons why we think retailer actions will have some impact on the data reported. We have also sought to draw out for each indicator, the elements of retailer performance and the actions taken by retailers that will influence the data. In all cases we have set out our reasons why we think the information should be included in the reporting requirements. This has been set out in the AER’s issues paper, position paper and Appendix A of this document. For example, retailers proposed that the number of hardship customers who are in receipt of an energy concession should be considered ‘supplementary data’. We recognise that this indicator will largely reflect the personal circumstances of those customers on retailers’ hardship programs and their eligibility for concessions programs, rather than the performance of retailers per se. However, actions by retailers to advise hardship program customers of available concessions may influence the data. Retailers raised similar concerns regarding the debt upon entry indicator. Whilst we recognise that a customer’s level of debt may be influenced by a number of factors outside of the retailer’s control, we consider that the data will also reflect how proactive retailers are in identifying hardship program customers as well as their general debt collection practices.
Retailers are concerned that the proposed performance reporting regime fails to recognise energy hardship as a shared responsibility between retailers, the government and the community.	We acknowledge that assessing the impact of retailers’ hardship policies can be very complex and difficult, typically because so many factors can play a role in determining the extent and nature of hardship experienced by energy customers. For example, general economic and employment conditions as well as a customer’s personal circumstances can influence the nature of a customer’s hardship and their

Issue raised	AER response
	response to hardship assistance.[50] We also recognise that there is a shared responsibility between government, community and retailers with regard to tackling energy hardship and that everyone has a role to play in assisting these customers. However, the primary role of the hardship indicators is to measure the performance of retailers' hardship programs and monitor retailers' compliance with their obligations.[51] They will also be a valuable source of information and data to help government, community groups and energy retailers respond to customers experiencing hardship and will help inform the debate on how to best address energy hardship issues.
Customers denied access to the hardship program	
Consumer organisations supported this indicator. A consumer organisation noted its frustration at retailers who deny customers access to their hardship program until financial counsellors contact the retailer and/or the ombudsman is mentioned. A number of retailers did not support this indicator, with one suggesting that it would not indicate whether the eligibility criteria for a retailer's hardship program are	The AER considers this indicator to be a critical element of monitoring entry into, and the accessibility of, hardship programs. It will enable us to calculate the proportion of customers who sought access to, but were not accepted onto the program. We are aware that in 2009-10 in Victoria, over 1,000 customers were denied access to hardship programs. While many retailers reported that no customers were denied access to the hardship program, two retailers were responsible for the vast majority of those denied access.[52] When approving retailers' hardship policies, the AER must consider whether they are accessible, transparent and consistently applied. This measure will aid the AER in

[50] AER Issues Paper: Developing National Hardship Indicators, April 2010
[51] MCE SCO, Decision RIS: A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, p. 63.
[52] Essential Services Commission (Victoria), Energy retailers comparative performance report – Customer service 2009-10, December 2010, p. 11

Issue raised	AER response
too restrictive.	monitoring the accessibility of hardship programs over time. We acknowledge that solely assessing the number of customers denied access to the hardship program may not necessarily indicate whether the eligibility criteria for a retailer's hardship program are too stringent. This is because it will not, for example, take into account instances where customers receive other forms of assistance, such as a payment plan, outside of the hardship program. Retailers will therefore be encouraged to provide additional commentary to explain any trends in the data reported to the AER. Furthermore, in the event that a retailer reports a high number of customers being denied access, or where the data varies significantly from past performance or the rest of the industry, the AER may request further information from the retailer to understand the drivers for the reported performance and the reasons why these customers were denied access to the hardship program. As the hardship program is the primary means of assistance for customers experiencing payment difficulties, those customers who are denied access may be particularly vulnerable to disconnection or at risk of accruing higher energy bill debts. We therefore consider it important to understand how many customers are unable to access hardship programs and assistance. This data is also likely to be of interest to other stakeholders, particularly in the context of increasing concerns about energy affordability.
A retailer was concerned that the indicator will be difficult to report on in practice, given there may be some uncertainty in defining when a customer can be considered to have been denied access.	To enable consistent and comparable reporting of this indicator by retailers, the AER has provided a definition of 'denied access' in the Performance Reporting Procedures and Guidelines. The definition includes 'a residential customer is referred to a hardship program by any means (e.g. identified by the retailer or self-identified by the customer or by a third-party acting on behalf of the customer) but is not accepted onto the hardship program'. It does not include customers who decline to participate in the

Issue raised	AER response
	program. We believe that this definition provides retailers with a clear understanding of the customers and situations to be captured for the purposes of reporting against this indicator. This will allow retailers to ensure that relevant staff (such as those in their call centres, credit management and hardship teams etc) are appropriately trained and able to report these instances in accordance with the Guideline.
Third party referrals and average length of participation	
A consumer group was concerned that the AER had proposed to not collect the number of third party referrals to the hardship program. They consider this indicator will allow the AER to ascertain how effectively a retailer is communicating its hardship program. They also suggested that having data which shows the effectiveness of financial counsellors assisting clients to access hardship programs would help financial counsellors to lobby for extra resources.	The AER does not propose to monitor the number of third party referrals. As set out in our previous papers, data from this indicator will be very difficult to interpret or to draw conclusions and inferences about retailer performance or the accessibility of hardship programs. Furthermore, we consider that it will be difficult to ascertain what high or low figures will indicate. For example, if a retailer reports a high number of third party referrals, this could indicate that the retailer is not allowing customers to self identify. Alternatively, it could reflect that the retailer is actively promoting their hardship policy to relevant third party representatives to assist in identifying hardship customers. Conversely, if a low number of third party referrals is reported, this may indicate that the retailer is not promoting its hardship policy and accepting referrals from third party agencies. However it may also reflect that customers experiencing payment difficulties prefer to contact their retailer directly for hardship assistance.
A consumer group was concerned that the AER had proposed not to collect the average length of participation in the hardship program. They considered that the data could highlight differences between hardship programs offered by retailers and help identify	The AER does not propose to monitor the length of customers' participation in hardship programs, given this data will also be difficult to interpret this data and draw reliable conclusions or inferences about retailer performance. This is because the average length of time a customer remains on a retailer's hardship program will be largely influenced by their level of debt when they enter the program, as well as their ability to repay this amount and meet their ongoing energy costs. Furthermore, if

Issue raised	AER response
which programs are helpful and innovative.	customers were not able to remain on retailers' hardship programs for an appropriate length of time, this will be reflected in other indicators proposed, including the number of customers excluded from the program, or the subsequent disconnection of customers previously on the hardship program. We are unclear how data from this indicator could be used to identify which programs are helpful and innovative. For example, would programs with a shorter (or longer) average duration of participation be considered to be more helpful or innovative? We intend to consider this through analysis of the hardship indicators as a whole.
Debt upon entry into the hardship program & debt of all hardship program participants	
Retailers expressed concerns that a focus on debt will lead to unfounded and inaccurate assumptions about retailer performance with regard to monitoring the effectiveness of their hardship programs. Some retailers were also opposed to the AER collecting the levels of debt upon entry into the hardship program. One retailer considered it an inferior indicator to monitoring the average debt upon entry over time, suggesting it will be overly complex to review and make meaningful conclusions. It was argued that as energy prices rise 'bracket creep' will be inevitable, suggesting	The AER maintains that these indicators are critical to measuring the experience of customers in hardship both in terms of the 'extent' of energy hardship and to provide context to the assistance provided by retailers as part of their programs. We believe that the data reported against these indicators will also reflect how proactive retailers are in identifying hardship program customers as well as their general debt collection practices. In developing the hardship regime prescribed in the Customer Framework, SCO also noted that the "benefits to retailers of providing access to hardship programs are the early identification of customers in potential financial difficulties and thus enabling the early adoption of payment assistance measures before substantial debts accrue".[53] We also note that some retailers have acknowledged the link between the early

[53] MCE SCO, A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers, Policy Response Paper, June 2008, p. 52.

Issue raised	AER response
'trends' in the data that do not necessarily reflect retailers' hardship customer identification processes.	identification of customers and lower debt levels. For example, AGL notes that 'the average level of energy debt per customer is expected to decline as AGL continues to focus on the early identification of customers experiencing or likely to experience financial difficulty'.[54] We recognise that as energy prices rise we may witness 'bracket creep' as customers begin accruing larger levels of debt that correspond with higher bill amounts. The primary purpose of the debt brackets is to provide context to the average debt upon entry into the hardship program which can be skewed by a small number of large debts. When considering the data submitted by retailers, we will be mindful of factors, such as energy price rises, that may impact the data.
Debt on exit from the hardship program	
One consumer group suggested that the AER should collect the average debt level of customers who successfully exit the hardship program. They cited 2009-10 Victorian data in which three retailers reported an increase of over $500 of debt on exit per customer. They acknowledged that debt elimination may not occur in all cases where a customer successfully completes a hardship program. However, they consider that if a customer is to be assisted to 'better manage their energy bills on an ongoing basis,' he/she generally should not	The AER considers that customers successfully completing the hardship program should have little or no energy bill debt. This is reflected in discussions with retailers who have advised that customers successfully completing or exiting the program by agreement with the retailer have little or no debts and generally go on to a flexible payment arrangement. Therefore, we consider the value of collecting average debt levels for customers successfully completing hardship programs to be limited. We are proposing to monitor the number of customers successfully exiting retailers' hardship programs on a monthly basis as well as average debt levels across hardship programs. While three retailers in Victoria reported higher levels of debt upon exit from the hardship program than on entry, the AER notes that the debt upon exit figure will

[54] AGL Sustainability Report 2010, p. 77

Issue raised	AER response
be exiting the hardship program 'successfully' with a higher amount of debt than what he/she had upon first entering into the hardship program.	include all customers who exited the program—including those who were excluded from the program because they were not meeting the program requirements and those who left the retailer. In these cases, customers may not always have a lower level of debt, particularly where they are excluded for non-compliance. Furthermore, the debt upon entry figures and debt upon exit figures will comprise two different groups of customers, making it difficult to directly compare the data. The AER is not proposing to include an indicator monitoring the average debt of customers who exit the program.
Meeting/not meeting ongoing consumption	
There was strong support from consumer groups for this indicator. It was considered particularly valuable as it is the only indicator to incorporate hardship program customers' energy consumption. Furthermore consumer groups considered that the indicator goes directly to the purpose of a retailer's hardship policy: to assist customers to better manage their bills on an ongoing basis. While one retailer was supportive of the indicator and noted that the data would be readily available, most were not arguing that it would be onerous and costly to report. Retailers also considered that the data may be skewed by incentive payment plans or debt write-offs under the hardship program.	The AER agrees that an indicator monitoring the proportion of customers on hardship programs who are unable to afford their ongoing energy costs would be of value. It could provide context to a number of indicators, in particular the average debt of customers on the hardship program, and help to explain any trends in the data. For example, a retailers' average debt across their hardship program may increase over time if it is supporting a number of customers who are unable to meet their ongoing energy costs. Understanding the proportion of hardship program customers unable to meet their ongoing energy costs would also provide additional context and information for the AER's energy affordability report. We also consider that the indicator could provide some insight into the effectiveness of the assistance and advice provided by retailers as part of their hardship programs, to enable customers to better manage their ongoing energy bills. For example, customers who first enter the hardship program may be unable to afford their ongoing energy costs. However, as they move through the program and receive assistance and advice from the retailer on concessions, financial counselling and energy efficiency

Issue raised	AER response
Retailers also expressed concerns about the data being misinterpreted to suggest that retailers' hardship programs are not effective if they are failing to stabilise or reduce debt. A number of retailers and consumer groups cautioned that customers new to the hardship program are likely to have increasing debts as they are unlikely to have the capacity to meet their ongoing costs and reduce arrears. There are also customers who, due to chronic hardship, are unable to meet ongoing consumption costs and pay off arrears, despite a retailer's best efforts.	strategies, as well as begin to make regular payments through an appropriate payment plan, we can expect customers will begin to move to a more sustainable outcome. As such, they will be more able to meet their ongoing consumption costs and start to reduce their arrears. Furthermore, we consider that the information provided by the indicator on the number of customers who are unable to afford their ongoing energy consumption would be useful for policy makers and other interested stakeholders. If it appears that over time, the number of customers who are unable to afford their ongoing energy costs is increasing, this may indicate worsening trends in energy affordability. Therefore, the data from this indicator could be used to alert government and consumer groups about the issue and to consider whether further policy responses are required. Many retailers have indicated concerns regarding how this indicator could be implemented without introducing onerous or manual data collection processes. They have also raised concerns regarding how to reflect incentive payments offered by some retailers that may skew the data. In response, retailers at the AER's November forum suggested reporting against this indicator using their 'judgement' on the proportion of their customers not able to meet their ongoing energy costs. However this raises concerns for the AER in terms of how to achieve robust, accurate and consistent data across all retailers. Therefore, given the concerns regarding the practical difficulties in reporting this information reliably and consistently, we are proposing not to include this indicator at this time. However, given the strong support for this measure from stakeholders, the AER is proposing to assess data from other indicators together to provide similar information. Considering the average debt on entry alongside the average debt of customers on the

Issue raised	AER response
	hardship program over time will provide an indication of whether customers on hardship programs are meeting their ongoing energy costs and are able to reduce their energy debt levels. For example, if the average debt of customers on the hardship program increases over time, while average debt on entry remains stable, this may indicate that more customers on the hardship program are struggling to afford their ongoing energy costs. In the event that the AER finds that this alternative approach does not provide sufficient information to explain the trends in debt levels reported, we may reconsider requiring retailers to report on specific indicators that measure the proportion of customers on the hardship program who are unable to meet their ongoing consumption costs.
Customers exiting the hardship program	
A number of consumer groups, ombudsman and retailers supported the indicator. It was noted that providing reasons for customers leaving the program will assist in determining how effective a retailer has been in communicating and engaging with customers. One retailer saw little value in reporting the number of customers leaving the program because they are not able to meet its requirements. It argued this data may be difficult to obtain where customers leave without providing forwarding contact details. An ombudsman scheme requested clarification on the circumstances under which a customer may 'exit by agreement'. For example, they raised concerns that	The AER agrees that the indicator will provide valuable information about how effective retailers are at communicating and engaging with customers on their hardship program. It will also explicitly show those customers who are successfully exiting the program. We consider it important to collect information regarding the number of customers who leave the program because they are unable to meet the program requirements as it may provide an indication that the retailer's requirements are too stringent or not flexible enough to appropriately consider customers' individual circumstances or capacity to pay. If a high number of customers are successfully completing the program and exiting by agreement with the retailer, it may also highlight examples of good practice that can be shared across industry. As outlined in the Guideline, we consider that customers who are on the hardship program and leave the retailer without providing forwarding contact details should be

Issue raised	AER response
where a hardship program customer is unable to make the payments requested, they may agree to be removed from the hardship program and this would be reported under the 'exit by agreement' category.	included in the 'switched, transferred or moved away category'. Customers who are removed from the hardship program because they are unable to meet the program requirements should be included in the category for customers who are 'excluded or removed from the program for non-compliance'.
Customers managing payment plans	
Several retailers questioned the usefulness of this indicator. One retailer suggested that success may be more effectively measured by evaluating the flexibility that a retailer applies in ensuring the hardship program meets customers' unique needs and circumstances.	The AER agrees that the usefulness of the indicator regarding customers managing their payment plans is limited. This is particularly relevant considering the difficulty in providing an appropriate definition for 'payment plan success rate'. If each retailer is providing their own definition and judgement on which customers fall into this category, it will be difficult to ensure the accuracy, reliability and consistency of the data reported and therefore the AER will be unable to make comparisons of performance across retailers. Retailers argued this indicator will measure their performance in taking customers' circumstances and capacity to pay into account when establishing payment plans. However, we consider that the information provided by this indicator can be provided by other indicators the AER is collecting. For example this will also be evident in the data relating to customers exiting the hardship program. If there are a high number of customers exiting the hardship program for non-compliance, this will indicate that the retailer may not be adequately taking customers' capacity to pay into account when establishing payment plans. Furthermore, the number of customers on the hardship program minus the number of customers excluded for non-compliance will provide a good indication of those customers who are successfully participating in the hardship program and therefore managing their payment plan. As a result, this will reflect how well the retailers are taking account of customers' capacity to pay and the number of

Issue raised	AER response
	customers meeting the program requirements. The AER therefore proposes not include the indicator.
Number of residential customers disconnected for non-payment of a bill/reconnected who successfully completed the hardship program in the previous 12 months.	
Consumer groups supported these indicators arguing they go directly to the purpose of a retailer's customer hardship policy. They highlighted that if customers who successfully exit the hardship program are in general better able to manage ongoing energy bills, there should be relatively few disconnections within 12 months. Consumer groups acknowledged that a customer's circumstances can change over a 12 month period and that there may be new causes that prompt further payment difficulties. However, if their previous experience on the hardship program was positive, they are likely to self-identify to the retailer for further assistance, rather than be disconnected. This should ensure that disconnections within 12 months of successfully completing the hardship program are relatively rare.	The AER considers that that it is important to have a longer-term measure of the impact of retailers' hardship programs in achieving their prescribed purpose: to help customers better manage their ongoing energy bills.[55] We consider that the indicators regarding the disconnection and reconnection of customers who had successfully completed the hardship program are a practical way of measuring this as they go directly to the purpose of a retailer's hardship policy. Retailers acknowledge that customers who successfully complete the hardship program typically have little or no energy bill debt. These customers, unlike customers who are removed from the program for non-compliance or who switch retailers, should also be better equipped to manage their energy bills on an ongoing basis. Upon completion of the hardship program retailers have advised that these customers are often placed onto a flexible payment arrangement to enable them to continue to make regular payments towards their energy bills and to help avoid future arrears accruing. In addition, while on the hardship program, customers may be provided with energy efficiency advice that will assist them to reduce their consumption levels and help match this to their capacity to pay. Therefore, we expect these customers to be at less at risk of disconnection within 12 months of completing

[55] s. 43(1), National Energy Retail Law

Issue raised	AER response
Retailers did not support these indicators arguing that they set unrealistic expectations about the long term influence retailers can have over customer behaviour or circumstances. They consider that the focus on disconnection levels, will lead to unfounded and inaccurate assumptions about retailer performance and pose unreasonable reputational risk to retailers. Retailers also argued that the indicators suggest they have a permanent obligation to avoid disconnecting customers that have participated in their hardship program; implying that successful participation in a hardship program should in itself prevent future disconnection.	the hardship program. We recognise that participation in a hardship program will not always prevent a customer from being disconnected in future. We also recognise that some customers who successfully complete a retailer's hardship program may experience a change in circumstances which results in further payment difficulties. However, as with other customers, retailers are obliged to identify those customers experiencing payment difficulties and offer them assistance. We also consider that customers who have previously successfully participated in a hardship program may be more likely to self-identify and re-enter hardship programs in the event that they experience future payment difficulties. As such, we expect disconnection rates for customers who have successfully completed hardship programs in the previous 12 months to be low. If a large number of customers are disconnected within 12 months of successfully completing a retailer's hardship program, this could indicate that the assistance provided by the retailer under the program was inadequate. It could also indicate that the retailer is taking customers off the program too soon or that the retailer is failing to identify customers who are experiencing further payment difficulties. Where high numbers are reported, we would seek to discuss this with retailers to understand the drivers behind these trends and whether further actions or responses are required.
An Ombudsman scheme recommended that the indicators should include customers who successfully completed the program as well as those who exited with the agreement of the retailer.	The AER agrees that customers who exit the hardship program by agreement with the retailer should also be included and the draft guideline has been amended to reflect this.

Issue raised	AER response
Assistance provided	
Retailers suggested that it will be difficult and time consuming to report on the types of assistance provided to customers on the hardship program. Some respondents also argued that reporting on the number of customers using different payment methods is not a measure of the effectiveness of a retailer's program.	The AER is proposing to amend the reporting frequency for the types of assistance provided to hardship customers to annual. Furthermore, the AER is proposing that retailers provide a written summary (no more than 500 words) on the assistance that they have provided to their hardship customers throughout the year. Retailers should explain how they have assisted their customers on the hardship program to better manage their ongoing payments. Where possible, retailers should provide quantitative data, on the assistance provided to customers on the hardship program. The AER considers that data on payment methods is important as it will provide an indication of payment preferences of customers on the hardship program. This indicator is likely to be less influenced by the actions of retailers and more reflective of customer choice and preference. As with monitoring those hardship customers on concessions, this indicator will provide demographic information that will give an indication of the payment preferences of hardship customers. The data will also, to a limited extent, be influenced by retailer performance as retailers are required to offer their customers flexible payment options, including payment plans and Centrepay. Therefore, the data may provide an indication of the extent to which retailers are promoting these various payment options to their hardship program customers.
Distributor Performance Reporting	
Performance by reference to distribution service standards and GSL Schemes	
Submissions received were supportive of the AER's proposed position to minimise any duplication of	We maintain the view that where this information is collected and published by jurisdictional regulators, the AER does not need to establish reporting requirements

Issue raised	AER response
reporting performance against service standards and GSL schemes.	for distribution businesses. Further information on this will be available as jurisdictions settle transitional and application legislation to implement the Customer Framework.
Performance in relation to the small compensation claims regime	
Submissions received were supportive of the AER's position to not establish indicators for the small compensation claims regime until such time as that regime is established and operational.	Further information on this will be available as jurisdictions settle transitional and application legislation to implement the Customer Framework.