# Quarterly Retail Performance Report Q1 2019-20

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AUSTRALIAN ENERGY REGULATOR

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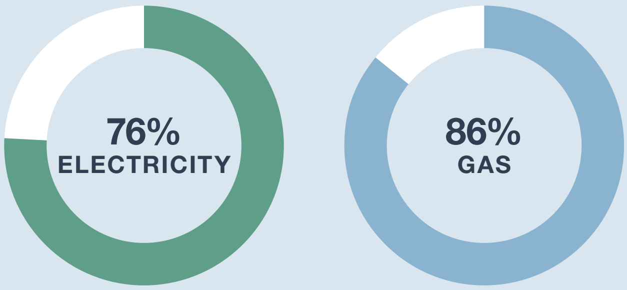
# Retail market at a glance
# Q1 2019-20

## Market structure

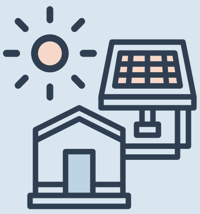
Tier 2 market share increased


## Customer behaviour

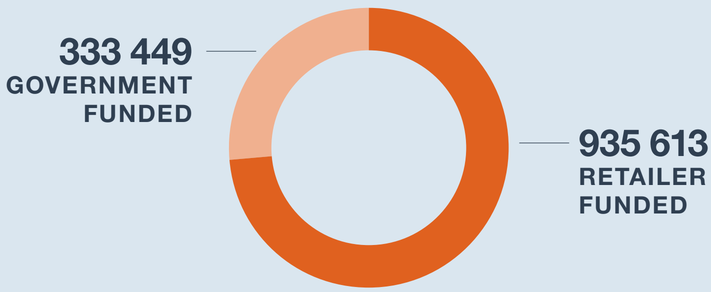
Most residential customers are on market contracts




## Transition to renewables



Over 1.2 million customers receive solar feed-in tariffs



# Payment difficulties

## A large number of households missed pay on time discounts

**365 426**
ELECTRICITY

**138 111**
GAS

### Customers on hardship programs

**1.14%**
ELECTRICITY

**0.70%**
GAS

### Average hardship debt

**$1385**
ELECTRICITY

**$673**
GAS

### Residential disconnections

**15 511**
ELECTRICITY

**2144**
GAS

### Credit defaulted customers

**30 747**
ELECTRICITY

**6748**
GAS

## 1. There are some positive signs for competition

The data for this section can be found in schedule S2 in the accompanying data book on our website.

### Tier 2 retailer market share increased

In the residential electricity market, Tier 2 retailers increased market share from 16% in Q1 2018-19 to 18% in Q1 2019-20 (figure 1.1). In small business electricity, Tier 2 retailers increased market share from 16% to 17% over the same time period.

Tier 2 retailers also increased market share in the gas market, although the vast majority of customers are with Tier 1 retailers. In residential gas, Tier 2 market share increased from 8% to 10% from Q1 2018-19 to Q1 2019-20 (figure 1.2), while in small business gas Tier 2 market share increased from 4% to 6%.

**Figure 1.1:** Residential electricity - total market share of customers

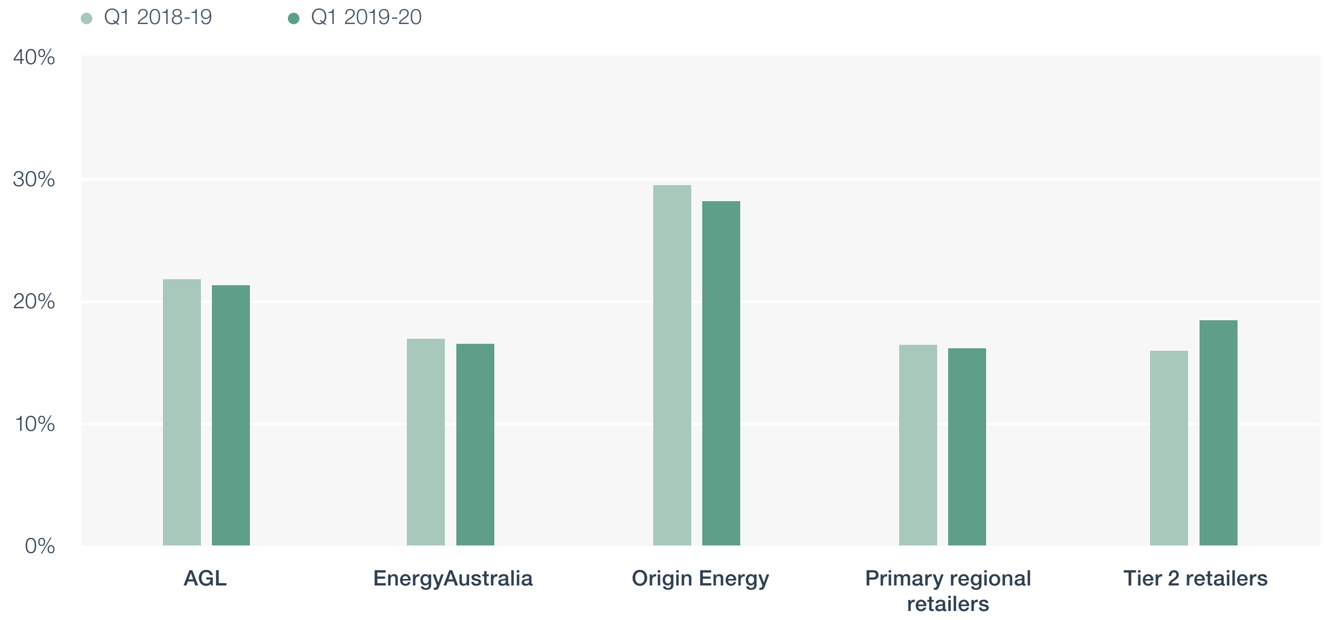
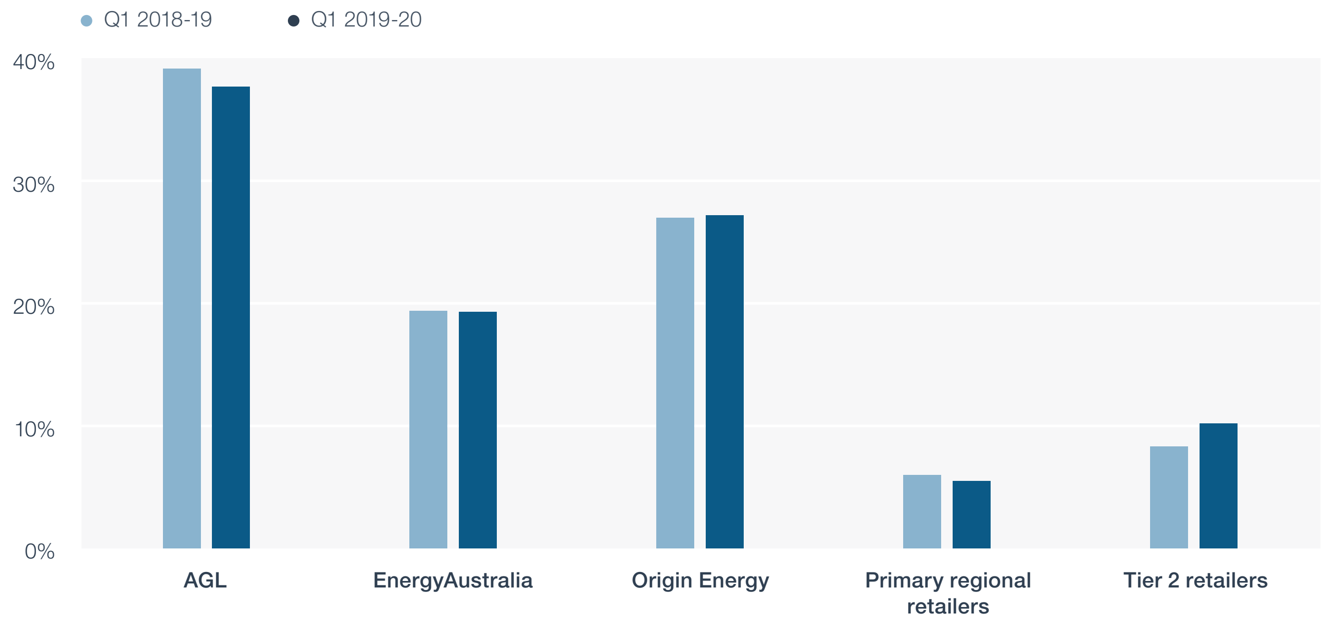



**Figure 1.2:** Residential gas - total market share of customers



## The proportion of customers on market contracts is up slightly

The overall proportion of customers on market contracts increased slightly from Q1 2018-19 to Q1 2019-20 in the residential electricity and gas markets, as well as in small business electricity.

In residential electricity, the proportion of customers on market contracts increased from 74% in Q1 2018-19 to 76% in Q1 2019-20, and from 63% to 64% in small business electricity over the same period.

The proportion of customers on market contracts in residential gas increased from 84% to 86% from Q1 2018-19 to Q1 2019-20, while the proportion of small business gas customers on market contracts held steady at 76% in the same period.

## Customers are switching from standing to market contracts

Since Q3, the AER has been collecting data to show internal customer movement between market and standing contracts and vice versa for each retailer. This quarter 1.2% of electricity and 2.5% of gas residential customers switched from standing to market contracts, while less than 1% of electricity and gas customers switched from market to standing offers, while remaining with the same retailer.

## Many customers missed pay on time discounts

Pay on time discounts can represent up to 40% of a customer's bill. A total of 365 426 residential and 13 959 small business electricity customers missed their pay on time discounts during the quarter, representing around 3% of market offer customers in each market segment. In the gas market, 138 111 residential customers (2% of market offer customers) and 939 small business customers (3% of market offer customers) missed their pay on time discounts.

## Most feed-in tariffs are retailer-only funded

While 5% of solar customers are receiving a government funded feed-in tariff for their solar generation, 13% of customers are receiving a retailer-only funded feed-in tariff.

## Smart meter installations increased

This quarter 110 496 smart meters were installed, more than in Q3 or Q4 2018-19.

## 2. Total complaints fell slightly

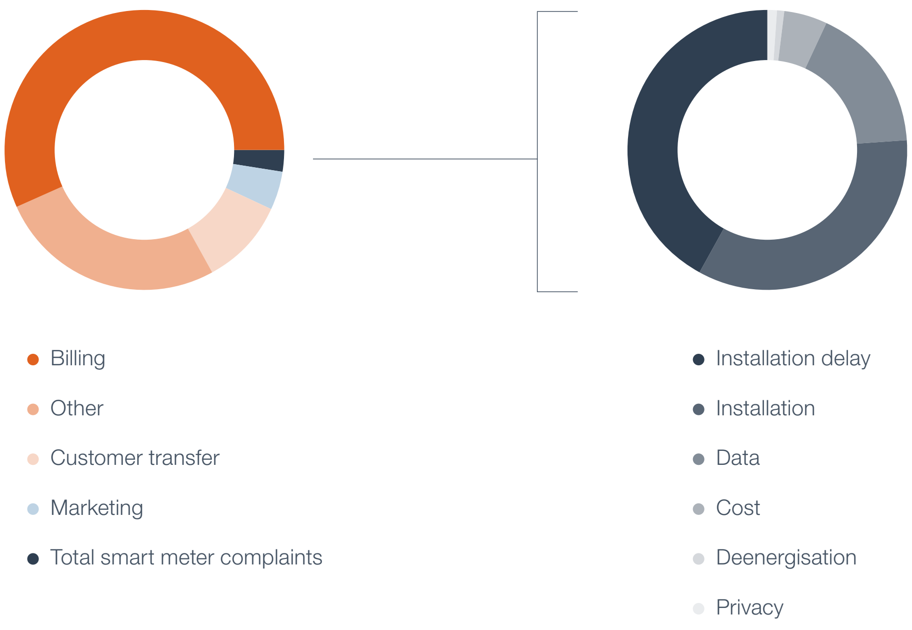
The data for this section can be found in schedule S3 in the accompanying data book on our website.

Due to the seasonal nature of complaints (for example, hot weather leads to higher consumption which can lead to more billing complaints) comparisons are most useful between like quarters. In Q1 2019-20, 42 224 customers raised complaints, representing 0.6% of all residential and small business electricity customers. This was a decrease from Q1 2018-19, when 0.7% of customers raised complaints. Figure 2.1 shows total complaints for the quarter.

In Q3 the AER commenced collecting data about smart meter installation complaints. In Q1, there were 1043 complaints about smart meters. Of these complaints, 439 related to installation delays, and a further 355 related to other aspects of installation. Figure 2.2 provides a breakdown of smart meter complaints.

**Figure 2.1:** Total complaints for Q1 2019-20

**Figure 2.2:** Smart meter complaints Q1 2019-20



# 3. Q1 2019-20 customer debt levels are lower than Q1 2018-19, but some customers credit defaulted for small debts

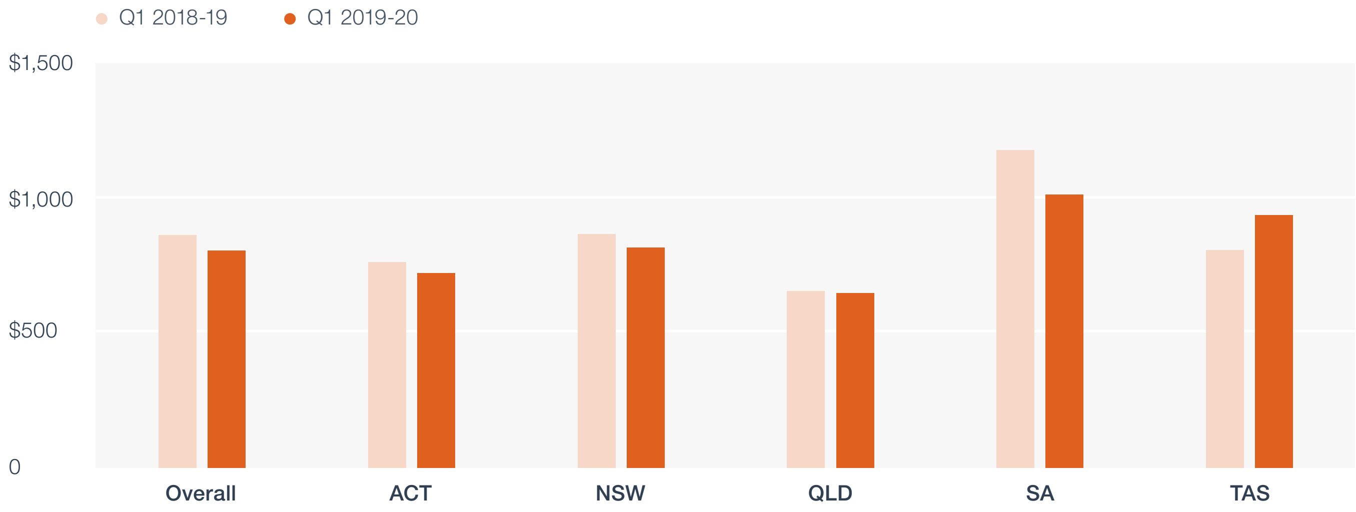
The data for this section can be found in schedule S3 in the accompanying data book on our website.

### Non-hardship debt levels decreased in all jurisdictions except Tasmania

Figure 3.1 below shows that the average debt of customers not on hardship programs decreased from about $863 to $804 from Q1 2018-19 to Q1 2019-20.

The average debt of South Australian customers decreased significantly over the past year, but remained the highest compared to other jurisdictions. Over the same period, the average non-hardship debt in Tasmania increased and is approaching South Australian levels.

**Figure 3.1:** Average non-hardship residential energy debt




### Customers are often credit defaulted for small debts, which can have significant consequences

We now collect data on the number of residential customers referred to an external credit collection agency for debt recovery.

The number of residential customers referred to external credit collection agencies for debt recovery in Q1 2019-20 was 57 797 for electricity and 15 266 for gas. The most common amount of debt at the time of referral to an external credit collection agency for debt recovery in Q1 2019-20 was for debts up to $500 (23 316 for electricity and 10 134 for gas).

The number of residential customers that were credit defaulted in Q1 2019-20 was 30 747 for electricity and 6748 for gas. So around half of all customers referred to external credit collection were credit defaulted.

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

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

### The proportion of customers on payment plans is steady

Retailers are required to offer payment plans to residential customers experiencing payment difficulties. Payment plans are intended to allow customers to repay their energy debt in affordable, regular instalments.

The proportion of electricity and gas customers on payment plans in Q1 2019-20 was about the same as for Q1 2018-19.

**EnergyAustralia updates its reporting of payment plan customers**

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

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

Because of EnergyAustralia's large market share, its change in method affects our overall data. We have therefore removed the EnergyAustralia data on payment plans for the purposes of our trend analysis.

## 4. The proportion of customers on hardship programs generally remained steady

The data for this section can be found in schedule S4 in the accompanying data book on our website.

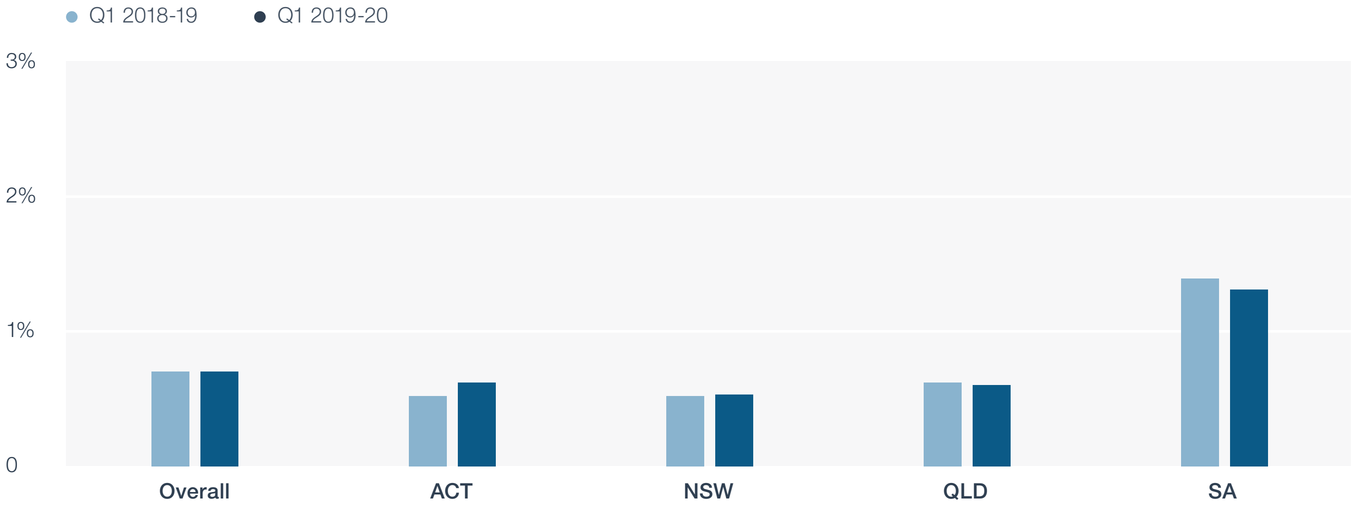
Retailers must offer tailored assistance to customers experiencing ongoing hardship. Often these customers have trouble meeting a standard payment plan arrangement and may not have the capacity to manage ongoing energy usage charges in addition to existing energy debt. Customers participating in a hardship program cannot be disconnected for non-payment of their account.

Figure 4.1 below shows that while the overall proportion of residential electricity customers on hardship programs was slightly lower than for Q1 2018-19, the proportion increased in the ACT, SA and Tasmania.

**Figure 4.1: Electricity customers on hardship programs as a % of total customers**

Figure 4.2 shows that the overall proportion of residential gas customers on hardship programs was close to that in Q1 2018-19.

**Figure 4.2:** Gas customers on hardship programs as a % of total customers




## 5. Disconnection rates remain relatively high, but were mostly lower than Q1 2018-19

The data for this section can be found in schedule S4 in the accompanying data book on our website.

Figure 5.1 below shows that the disconnection rate for residential electricity customers in Q1 2019-20 was lower than for Q1 2018-19. Figure 5.2 shows a similar story for gas disconnection rates (with the exception of the ACT).

While most disconnection rates were lower than for the same period the previous year, rates have remained at a relatively high level since we began collecting data on this indicator.

**Figure 5.1:** Residential electricity disconnections as a % of total customers

**Figure 5.2:** Residential gas disconnections as a % of total customers