

Annual report on compliance and performance of the retail energy market 2017-18



Released December 2018

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Glossary

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BPID	Basic Plan Information Document
Centrepay	A payment method where bill payments are deducted from Centrelink benefits.
Conditional discount	A discount applied to an energy bill based on a certain condition being met (e.g. paying bill on time).
Customers	A person who purchases goods and services from a business.
Disposable income	Household income after income tax, Medicare levy and Medicare levy surcharge (as per ABS).
EME	Energy Made Easy
ESC	Essential Services Commission Victoria
Exempt seller	Exempt sellers buy electricity and/or gas from a retailer and resell it to customers in a multi-dwelling premises.
Hardship program	A program to help residential customers who are having difficulty paying their electricity and/or gas bills. All retailers must have a customer hardship policy.
High income household	The average income of the 20% of households in the highest equivalised disposable household income quintile (as per ABS).
Kilojoule (kJ)	A measure of gas equal to 1000 joules.
Kilowatt (kW)	A measure of power equal to 1000 watts.
Kilowatt hour (kWh)	A measure of electricity equal to 1000 watt hours.
Large customer	Large customers are identified as at or above the upper consumption threshold set out below: For electricity, 100 MWh pa except in SA (160MWh), Tasmania (0.15GL or 150MWh) and NSW (100MWh). For gas, ITJ pa (in NSW 1000GJ or 1TJ pa).
Low income household	The average income of the 20% of households in the lowest equivalised disposable income quintile (as per ABS) and excludes the first and second percentiles.
Market contract	Also known as market (retail) contracts. A contract for electricity or gas that includes terms and conditions not included in standard contracts. The tariff rates in market retail contracts are set by energy retailers.
Mean	Also known as the average. The mean is found by adding up the sum of a given set of numbers and then dividing this sum by the total number in the set.
Median	The median is the number in the middle of a given set of numbers arranged in ascending order.
Middle income household	The average income of the 20% of households in the third equivalised disposable household income quintile (as per ABS).
NEM	National Electricity Market
NER	National Electricity Rules

NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NSW	New South Wales
QLD	Queensland
SA	South Australia
SEQ	South East Queensland
Small customer	<p>Small customers are identified as below the consumption threshold set out below:</p> <p>For electricity, 100 MWh pa except in SA (160MWh), Tasmania (0.15GL or 150MWh) and NSW (100MWh).</p> <p>For gas, ITJ pa (in NSW 1000GJ or 1TJ pa).</p>
SPPF	Sustainable Payment Plans Framework—A voluntary framework for retailers set by the AER.
Standard contract	<p>Also known as standing contract or regulated offer/contract.</p> <p>A basic plan for electricity or gas offered by a retailer. The law sets the terms and conditions these contracts must contain.</p>
Supply charge	Also known as a fixed charge, service (to property) charge, or standing charge.
Switching	When a customer signs up to a new plan for their electricity and/or gas supply with a different energy retailer.
Tariff	<p>The price of electricity or gas under an energy plan. The tariff includes two parts:</p> <ul style="list-style-type: none"> • supply charge • usage charge
TAS	Tasmania
Usage charge	Also known as a variable charge or consumption charge.
VIC	Victoria
Weighted average	A weighted average is an average obtained by multiplying each component by a factor. This factor represents the importance of each component (the weighting).

About this report

Energy retailers are required to submit performance reports to us under s 282 of the National Energy Retail Law (NERL). This report is published in accordance with s279 and s284 of the NERL.

We monitor competition in energy markets and the performance of the retailers selling energy to residential, small business and large customers in Queensland, South Australia, the ACT, New South Wales and Tasmania.

Where we refer to ‘national’ figures or numbers, this is a reference to the jurisdictions that we regulate. In our energy affordability chapter we also include Victoria (regulated by the Essential Services Commission) in the national and jurisdictional analysis.

Performance data plays an important role in informing stakeholders and promoting confidence in the market. Key stakeholders, such as government policy makers, regulators, consumer representatives, and energy ombudsmen use this data to identify emerging trends and provide better outcomes for customers.

This year we experienced unprecedented issues with the data provided by retailers. We received inaccurate, incomplete or late data submissions from a number of retailers. The delay in receiving accurate retailer data has delayed the release of this report and impacted on our ability to publish accurate quarterly data on our website.

Most notably, we received a number of inaccurate data submissions from AGL during 2017–18. While AGL has since resubmitted a complete set of data for the year, it has also indicated that some performance data and customer numbers it submitted to us in previous years may be inaccurate. This should be taken into consideration when drawing any conclusions about trends in the jurisdictions in which AGL is active.

We published an industry guidance note in July 2018 addressing our expectations in relation to data accuracy in retail performance reporting¹.

From 1 January 2019, retailers will be required to report additional information² to the AER about:

- market and tariff pricing structures, and customer contracts
- the roll-out of smart meters as a result of the metering contestability regime that commenced on 1 December 2017; hardship programs and customers experiencing payment difficulties.

This new information will include data on the number of customers moving from standard to market contracts and market to standard contracts. The new indicators will also capture the number of (deemed) customers without any retail customer contract³, and those on a market retail contract with an expired or changed benefit.

These new indicators will allow us to report in a more comprehensive manner on market structure and pricing, metering contestability, the number of customers excluded from market contracts (by choice or geographic location), and the experience of vulnerable customers.

1 Guidance Note *AER focus on errors in retail performance reporting* available at <https://www.aer.gov.au/retail-markets/performance-reporting/guidance-note-errors-in-retail-performance-reporting-july-2018>

2 Pursuant to AER (Retail Law) Performance Reporting Procedures and Guidelines Version 3 available at <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/aer-retail-law-performance-reporting-procedures-and-guidelines-january-2019>

3 As set out in s.54 of the Retail Law.

Chair Foreword

Rising retail energy prices are increasing pressure on Australian households. There's been significant media and political interest on this throughout the year, and this report brings into focus the impact of these price increases.

Prices increased for most customers in 2017-18. Customers in the ACT had the largest increase of 22.6 per cent for market offers while customers on standard offers in South Australia experienced the largest increase of 22.1 per cent.

Energy became less affordable in 2017-18. South Australian low income households on standard offers have the least affordable energy in the National Electricity Market – with 11.2 per cent of a low income household's disposable income being spent on electricity.

The data contained in the report shows us that these price rises are flowing through to rising numbers of electricity disconnections – 7172 more than last year – and an increase in the amount of debt consumers are carrying when they enter hardship programs offered by retailers.

More electricity customers (1.1 per cent of all customers) and gas customers (0.7 per cent) are going into these hardship programs but fewer people are successfully completing them (22 per cent electricity and 17 per cent gas). Retailers are excluding increasing numbers of people and this is a key driver behind our proposed rule change to strengthen the requirements of these hardship programs.

It is pleasing to note that more and more people are moving off expensive standard offers (73 per cent of residential electricity and 83 per cent of gas customers are on market offers) to cheaper deals - electricity prices for customers on standard offers rose in all jurisdictions except Tasmania.

Small and medium enterprises can also save money if they shop around for better deals. Our report shows that only just over half (62 per cent) of small business customers are on market contracts. The situation is slightly better with gas, where 76 per cent of small business customers are on market contracts.

Our work on a Default Market Offer will provide those consumers on expensive standard offers with savings and help simplify comparison of market offers, but shopping around for a better deal on our EnergyMadeEasy price comparison site is still the best way for customers to save money.

Our report shows that there's been an increase in the number of customers who are switching providers (generally between 5 and 8 per cent of customers each quarter) and our new Basic Plan Information Document – released in August 2018 – provides customers with information that is easier to understand to help them as they search for a cheaper deal.

The Tier One “Big Three” energy companies (AGL, Origin and EnergyAustralia) still dominate the market with 69 per cent of residential electricity and 86 per cent of residential gas customers but the report shows signs that smaller retailers are beginning to gain market share. This increased competition is good news for customers as more companies competing for business means better deals for customers.

Customer service indicators demonstrate that the Big Three are lagging behind smaller operators when it comes to answering phone calls from customers within 30 seconds. They also have longer wait times and a greater proportion of calls abandoned before being answered.



AER staff at the Adelaide Home Show, 19–21 October 2017: (L to R) Danielle Coronel, Georgiana Copeland and Rohan Smith

The findings in this report are stark - more Australian households are experiencing difficulty in paying their electricity and gas bills. We urge people to ask for assistance before debt gets out of hand. It is a difficult conversation to have but retailers are required by law to provide assistance to customers who find themselves in this situation.

Retailers are also required to work with customers to negotiate a realistic payment plan. Customers should also work with the retailer – and if necessary a range of free assistance services like financial counsellors – to ensure they are accessing all the concessions and financial assistance they may be entitled to. Customers on a retailer hardship plan who are adhering to that plan cannot legally be disconnected.

During 2017-18, we undertook a wide range of compliance action with retailers, resulting in 17 infringements worth \$340 000 in penalties, along with two court enforceable undertakings. Retailers and distributors were held to account for failing to provide required protections to life support customers, failing to offer hardship assistance and wrongfully de-energising the premises of a vulnerable customer among other issues.

We faced difficulty in our retail market performance work this year when a number of retailers provided us with inaccurate data. A wide spectrum of individuals and organisations that normally rely on our data for their advocacy work were unable to do so when we removed inaccurate data from our website. Businesses have provided us with assurances that they have remedied the issues that led to the inaccuracies and are improving their systems to prevent a repeat of these mistakes. We will be vigilant in holding them to their word.

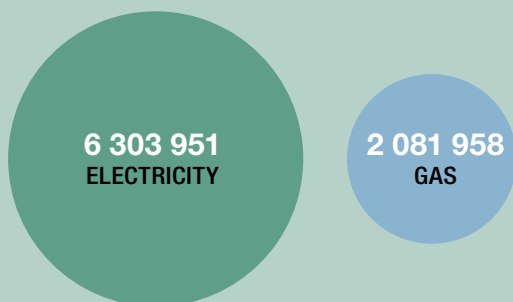
Next year we will collect an even larger set of data from retailers with new performance indicators commencing in 1 January 2019. We will use this information to inform our market analysis and assist us in working to provide better outcomes for energy customers.

Paula Conboy
Chair
December 2018

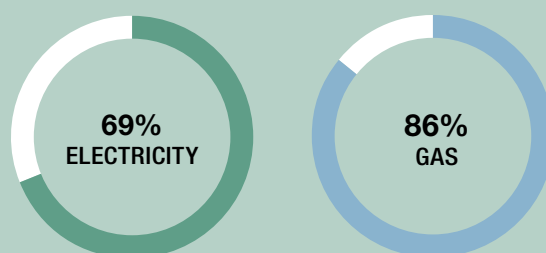
Key facts 2017–18

Market overview

TOTAL RESIDENTIAL CUSTOMERS



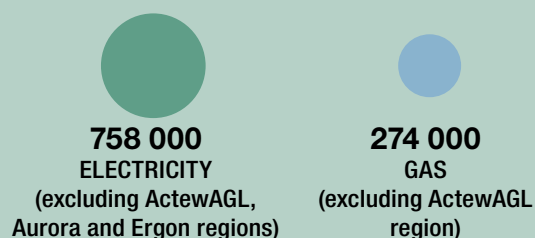
TIER 1 MARKET SHARE RESIDENTIAL CUSTOMERS



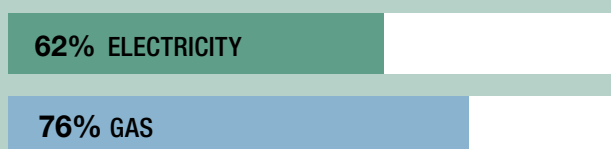
RESIDENTIAL CUSTOMERS ON MARKET CONTRACTS



RESIDENTIAL CUSTOMERS ON STANDARD CONTRACTS



SMALL BUSINESS CUSTOMERS ON MARKET CONTRACTS



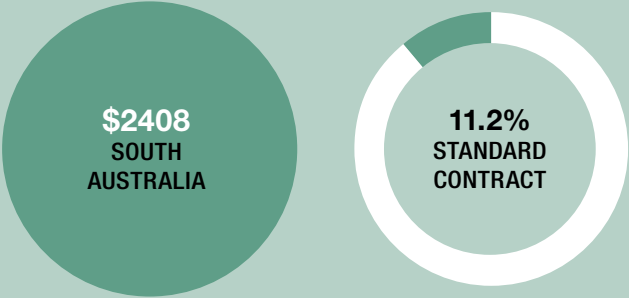
44
ACTIVE
RETAILERS

4 678
EME OFFERS

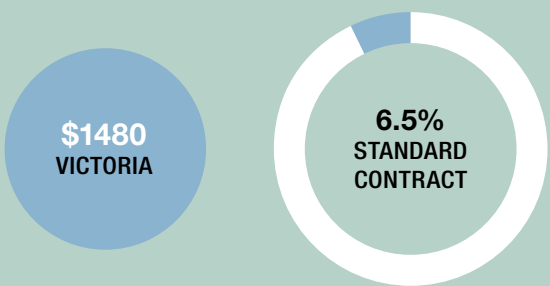
Affordability (low income households)

LEAST AFFORDABLE ENERGY (% INCOME SPENT ON ENERGY)

ELECTRICITY

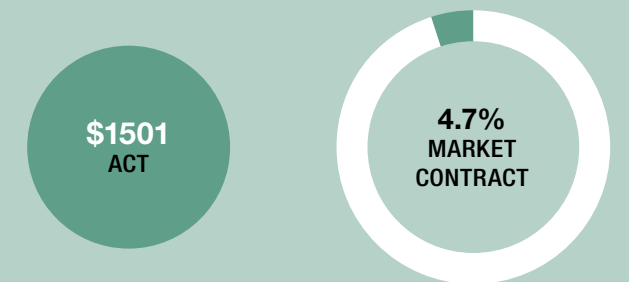


GAS

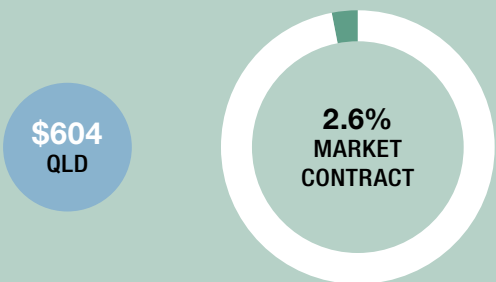


MOST AFFORDABLE ENERGY (% INCOME SPENT ON ENERGY)

ELECTRICITY



GAS



LARGEST PRICE RISE

ELECTRICITY



GAS

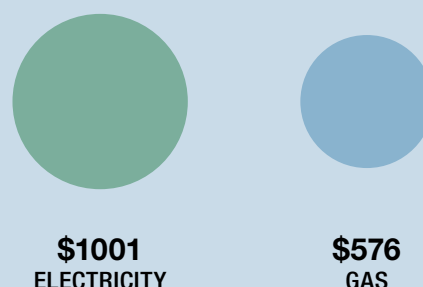


Payment difficulties and hardship

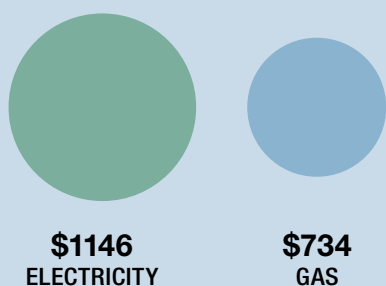
CUSTOMERS IN DEBT (NON HARDSHIP)



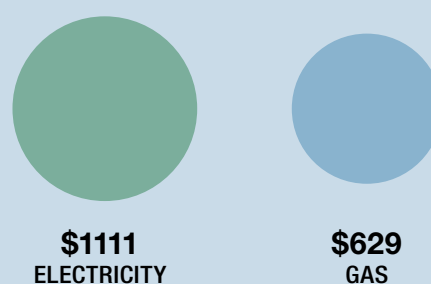
AVERAGE DEBT (NON HARDSHIP)



DEBT ON ENTRY TO HARDSHIP PROGRAM



AVERAGE HARDSHIP DEBT



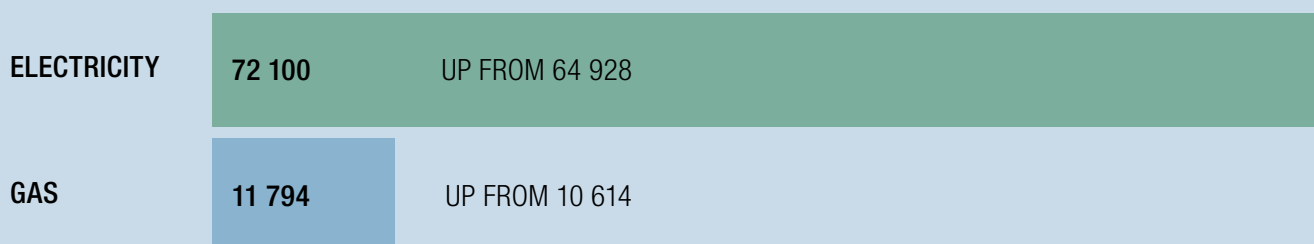
CUSTOMERS ON HARDSHIP PROGRAMS

1.1% **0.7%**
ELECTRICITY GAS

RATE OF HARDSHIP PROGRAM SUCCESS

22% **17%**
ELECTRICITY GAS

RESIDENTIAL DISCONNECTIONS



Retailer customer service

AVERAGE CALL WAITING TIME



44
SECONDS

COMPLAINTS

3.2%
OF CUSTOMERS
COMPLAIN

COMPLIANCE

\$340 000

PENALTIES PAID

17

INFRINGEMENT
NOTICES

9

RETAILERS
AUDITED

16

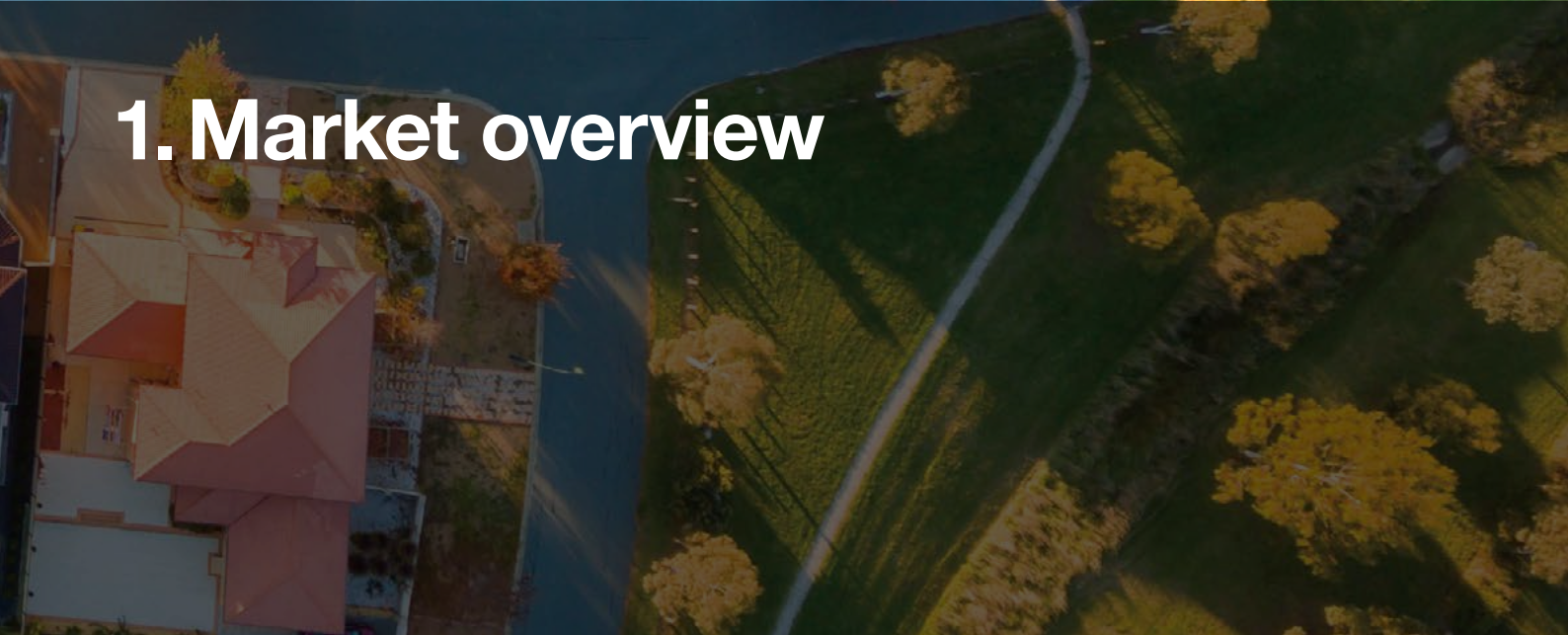
HARDSHIP POLICIES
REVIEWED

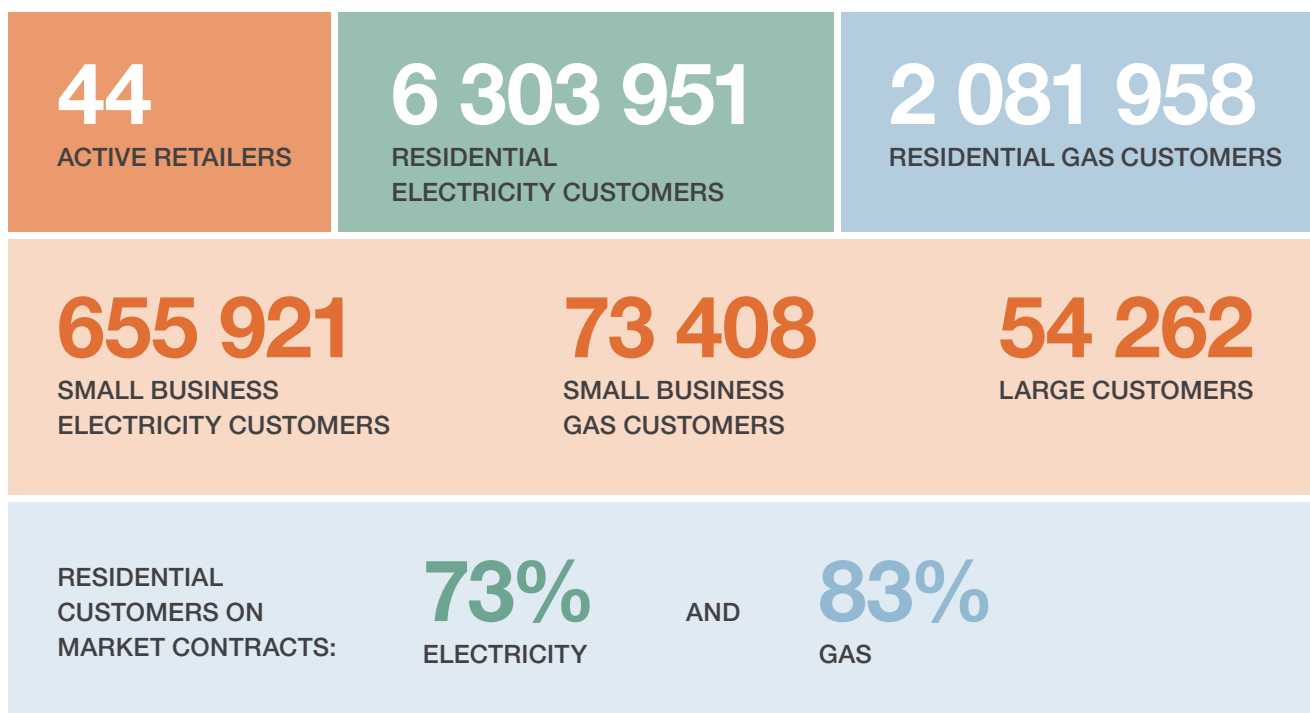
2

COMPLIANCE
CHECKS



1. Market overview





In this chapter we report on:

- energy prices in major cities for 2018–19
- competition in the retail market including retailer customer numbers and market share
- the proportion of residential and small business customers on standard and market contracts
- retail energy offers published on Energy Made Easy (EME), by jurisdiction
- customers switching between retailers in all National Electricity Market (NEM) jurisdictions
- new market and policy developments
- changes in the energy market, including the growth of solar, and
- our community outreach program.

1.1 National energy prices for 2018–19

Key points

- There is a wide range of standard and market offer prices in the major cities.
- Standard offer prices are considerably higher than market offer prices in most areas.
- For **electricity**, customers on a median standard contract in Adelaide spend the most, and customers on a median market contract in Canberra spend the least.
- For **gas**, customers on a median standard contract in Canberra spend the most and customers on a median market contract in Brisbane spend the least.
- Retailers can change prices at any time and we encourage customers to use EME to check if they are on the best contract available in their area taking into account their individual needs.

This year, for the first time, we present current energy prices (as represented by yearly bill cost for electricity and gas average consumption) for the coming year 2018–19, for each retailer for the major cities in the jurisdictions that we regulate. In drawing together this analysis we apply consumption levels particular to each jurisdiction.⁴

We have provided this information in order to improve market transparency in relation to current energy prices.

Rising energy prices have received significant attention this year. In July 2018, the Australian Competition and Consumer Commission (ACCC) released its final report at the conclusion of the Retail Electricity Price Inquiry. The ACCC examined the high prices in the electricity sector, assessed competition within the sector, and looked at how to reduce prices and increase affordability. The ACCC found that high prices and bills have placed enormous strain on household budgets and business viability⁵.

One of the recommendations arising from the ACCC's report was an electricity default market offer (DMO) and an associated reference bill. We have commenced work on this. The DMO will set a maximum price that retailers can charge standing offer customers. This will also feed into a reference bill against which headline discounts must be advertised. The Commonwealth Government requested the AER to commence work developing a DMO price and reference bill by 30 April 2019. We released a position paper in November 2018 to commence consultation on this process.

In the analysis below we have not included Victoria and Tasmania. Tasmania has full retail contestability but other than Aurora Energy no other retailer has chosen to supply the Tasmanian residential electricity market. There is only one regulated electricity offer⁶ in Hobart, offered by Aurora Energy (\$2455).⁷ Customers in Tasmania use more electricity than those in other jurisdictions because gas is not available as an alternative fuel source to the majority of customers in Tasmania.

We do provide an analysis of current electricity prices in one regional area, Mount Isa, in order to present the range of prices available to customers in Queensland (as regional Queensland still has price regulation for standard offers⁸).

We base bill costs for the 2018–19 financial year on available offers displayed on EME, at 1 August 2018.⁹

The charts below present the range of electricity and gas bill costs for 2018–19 in each city¹⁰, including:

- the median standing offer price across all retailers
- the median market offer price across all retailers.

This information provides an indication of the spread of market and standard offers available in the market and the cost per household based on average consumption¹¹ for residential customers on single rate tariffs,¹² as the majority of households are on contracts featuring some form of single rate tariffs. We assume that any conditional discounts have been met by the customer (for instance, the customer pays their bill by the due date in order to qualify for any pay-on-time discounts).

4 See appendix 7 for our methodology which includes jurisdictional consumption benchmarks.

5 *Restoring electricity affordability and Australia's competitive advantage Retail Electricity Pricing Inquiry—Final Report*, June 2018, p. iv, available at <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>

6 The Office of the Tasmanian Economic determines maximum electricity price that Aurora Energy can charge small customers in Tasmania. See: *Investigation to determine maximum standing offer prices for small customers on mainland Tasmania: Final Report*, May 2016, p. v, [https://www.economicregulator.tas.gov.au/Documents/Standing%20Offer%202016%20Determination%20Investigation%20\(16%201179\).PDF](https://www.economicregulator.tas.gov.au/Documents/Standing%20Offer%202016%20Determination%20Investigation%20(16%201179).PDF), accessed 30 November 2018.

7 Based on the pricing information Aurora Energy has submitted in EME and the average level of consumption that we apply to Tasmania, we calculate the 2018–19 bill price to be \$2455.

8 The Queensland Competition Authority determines the regulated retail electricity prices (notified prices) that are paid by customers who have not entered into a negotiated or market contract with their retailer in the Ergon distribution area: *Final determination: Regulated retail electricity prices for 2017–18*, June 2017, p. iii: <http://www.qca.org.au/getattachment/a3e8d208-8177-4d58-a677-f90ad6812c3d/QCA-2017-18-final-determination-of-regulated-elect.aspx>, p. iii.

9 Single rate offers; average consumption in each jurisdiction.

10 We base our analysis on offers available in the distribution zone (as indicated in Table 1.7), which may capture the entire city or a large portion of the city. Distribution zones in major cities typically contain the largest spread of available offers.

11 These offers reflect the offers available on www.energymadeeasy.gov.au. Bill cost is based on average usage/consumption in each jurisdiction.

12 Refer to <https://www.energymadeeasy.gov.au/get-energy-smart/about-energy-offers/which-type-tariff-right-you> for the definition of single rate tariffs.

In addition, for each retailer, we detail:

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

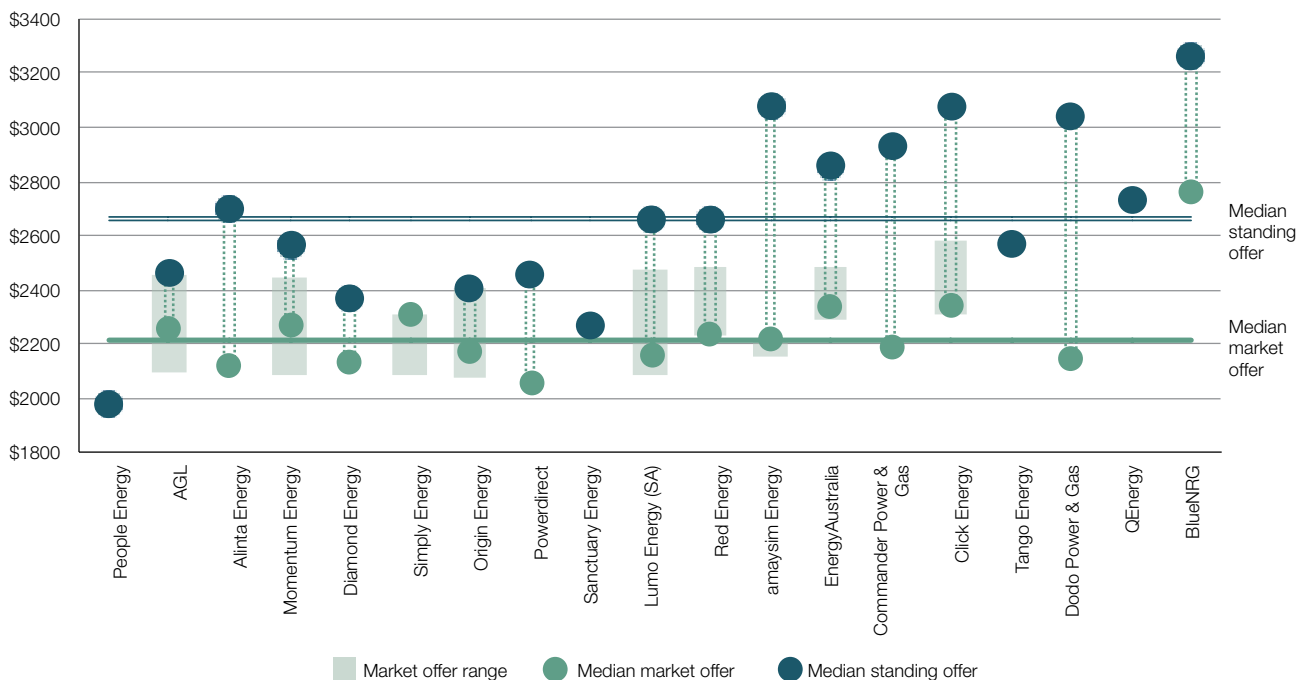
1.1.1 ELECTRICITY—PRICES IN MAJOR CITIES

Cities such as Sydney that have the largest number of electricity retailers competing for customers have the widest range of prices. These charts show the range of yearly electricity prices in the major cities.

Electricity—Adelaide

South Australia, which deregulated prices in 2013, has the most expensive electricity in the jurisdictions that we regulate. There are 19 electricity retailers in the SA Power Networks zone, which covers the entire state of South Australia. The most expensive market offer is \$2752, offered by BlueNRG, and the cheapest market offer is \$2052 from Powerdirect. Customers could be paying over \$3000 for their electricity in 2018–19 if they are on one of the most expensive standing offers. People Energy¹³, Sanctuary Energy, Tango Energy, and QEnergy offer only standing offers in Adelaide.

Figure 1.1: Adelaide electricity prices as at 1 August 2018

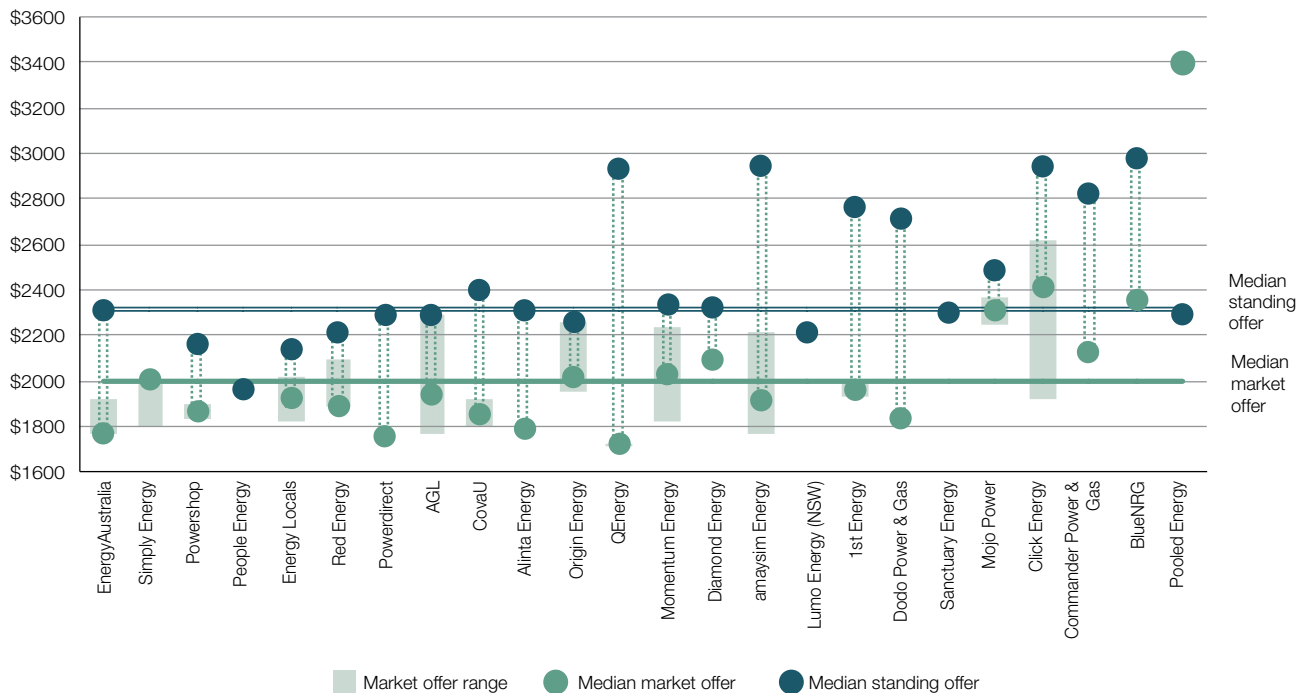


13 People Energy's standing offer is no longer available.

Electricity—Sydney

New South Wales has had full retail contestability and deregulated electricity prices since 2014. There are 24 electricity retailers in the Ausgrid zone¹⁴—the largest number of retailers of all the cities. The most expensive (electricity only) market offer is \$2621 from Click Energy.¹⁵ The cheapest offer is \$1711 from QEnergy, however QEnergy's customers on standing offers pay significantly more (\$1220 more) than those on market offers. People Energy, Sanctuary Energy, and Lumo Energy offer only standing offers in Sydney.

Figure 1.2: Sydney electricity prices as at 1 August 2018



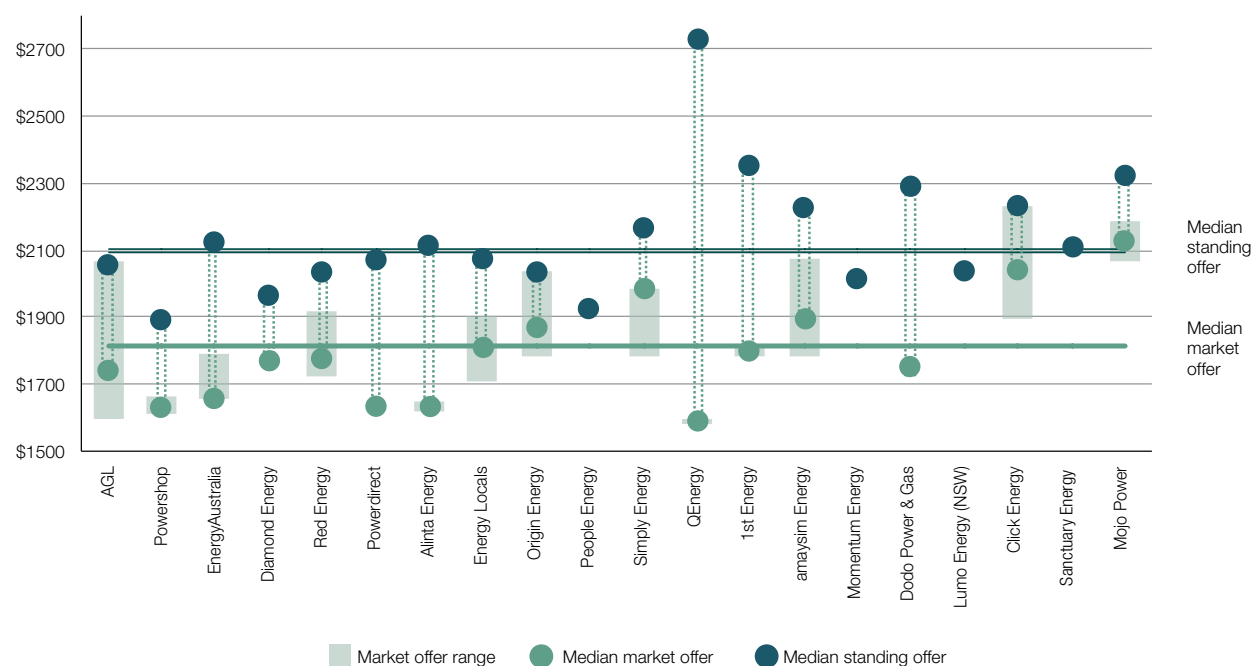
Electricity—Brisbane

There are 20 electricity retailers in the Energex zone, which covers South East Queensland. This area has had full retail contestability and deregulated electricity prices since 2016. QEnergy offers the cheapest market offer at \$1583 but, similar to its approach in Adelaide, it also has a wide range of prices: its most expensive standing offer in the market is \$2731 for the year (73% or \$1149 more expensive than its cheapest market offer). People Energy, Sanctuary Energy, Momentum Energy, and Lumo Energy offer only standing offers in Brisbane. The most expensive market offer is Click Energy at \$2232.

¹⁴ Sydney has two electricity distribution zones: Endeavour Energy and Ausgrid. We chose the Ausgrid zone for the purpose of this analysis.

¹⁵ We have not included Pooled Energy in our explanation of the chart because its prices include niche services associated with servicing a swimming pool in addition to costs associated with the supply of electricity.

Figure 1.3: Brisbane electricity prices as at 1 August 2018

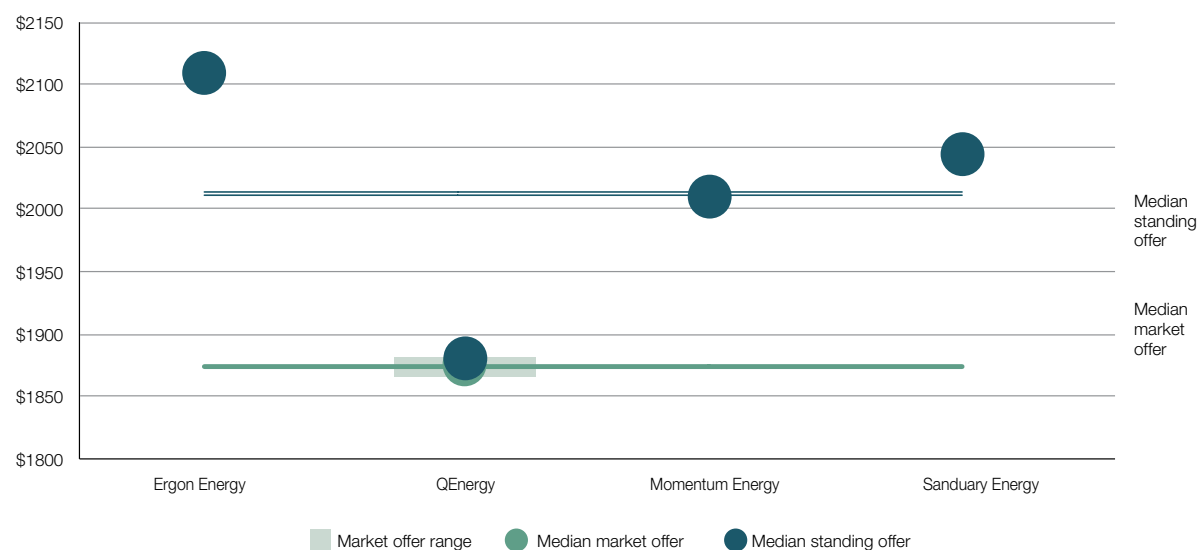


Electricity—Regional Queensland (Mount Isa)

Ergon is the incumbent retailer in regional Queensland, but there are three other electricity suppliers. Previously, Ergon customers who switched to another retailer were unable to return to Ergon. Restrictions preventing customers from returning to Ergon after their home or small business had transferred to another electricity retailer were removed in September 2018.¹⁶

The cheapest market offer in this region is \$1866 by QEnergy and the most expensive offer is Ergon Energy's standing offer at \$2110. The range between cheapest market offer and most expensive standing offer is small relative to other jurisdictions, at \$245.

Figure 1.4: Regional Queensland (Mount Isa) electricity prices as at 1 August 2018

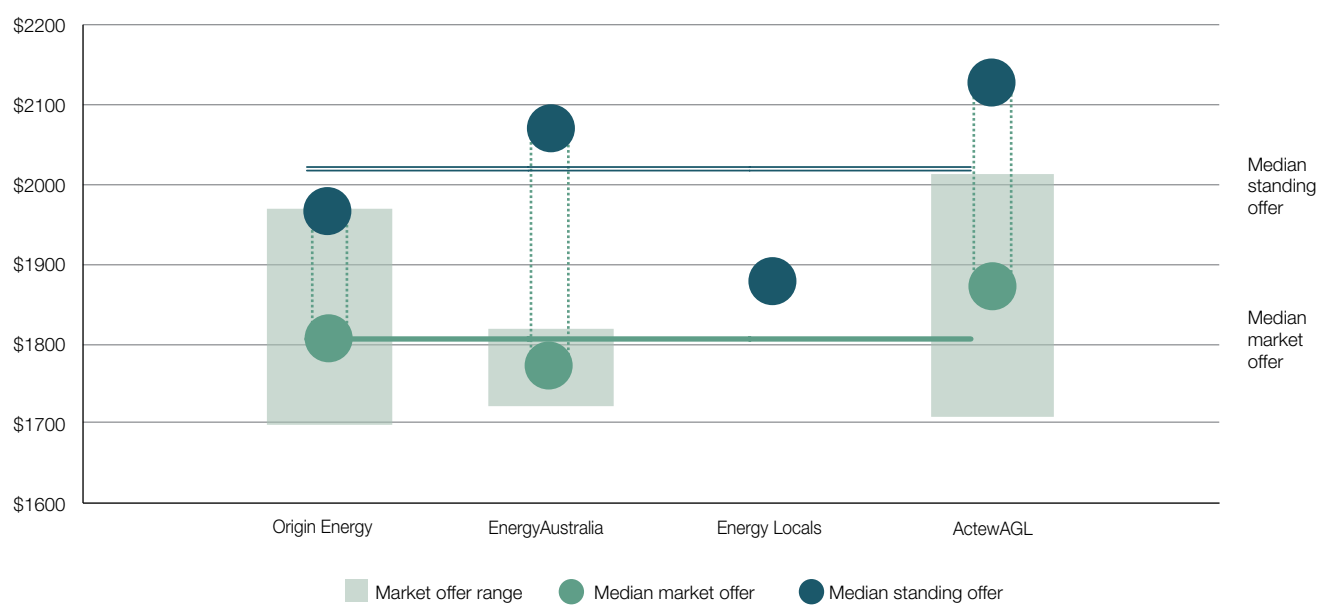


¹⁶ Ergon has published information on the situations where customers are able to return to Ergon after switching. Further information is available at: <https://www.ergon.com.au/retail/business/account-options/return-to-ergon-retail>

Electricity—Canberra

Electricity prices remain regulated in the ACT.¹⁷ There are four electricity retailers in the ActewAGL zone. The cheapest market offer is available from Origin Energy at \$1697 and the most expensive is from ActewAGL at \$2012. ActewAGL also has the most expensive standing offer at \$2177. Energy Locals has a market and standing offer, both at the same price point.

Figure 1.5: Canberra electricity prices as at 1 August 2018



1.1.2 GAS—PRICES IN MAJOR CITIES

Compared with electricity, across all major cities there are fewer retailers selling gas to residential customers and the spread of prices is less significant.

These charts show the range of yearly gas prices in the major cities.

Gas is not available to the majority of residential customers in Tasmania and regional Queensland¹⁸.

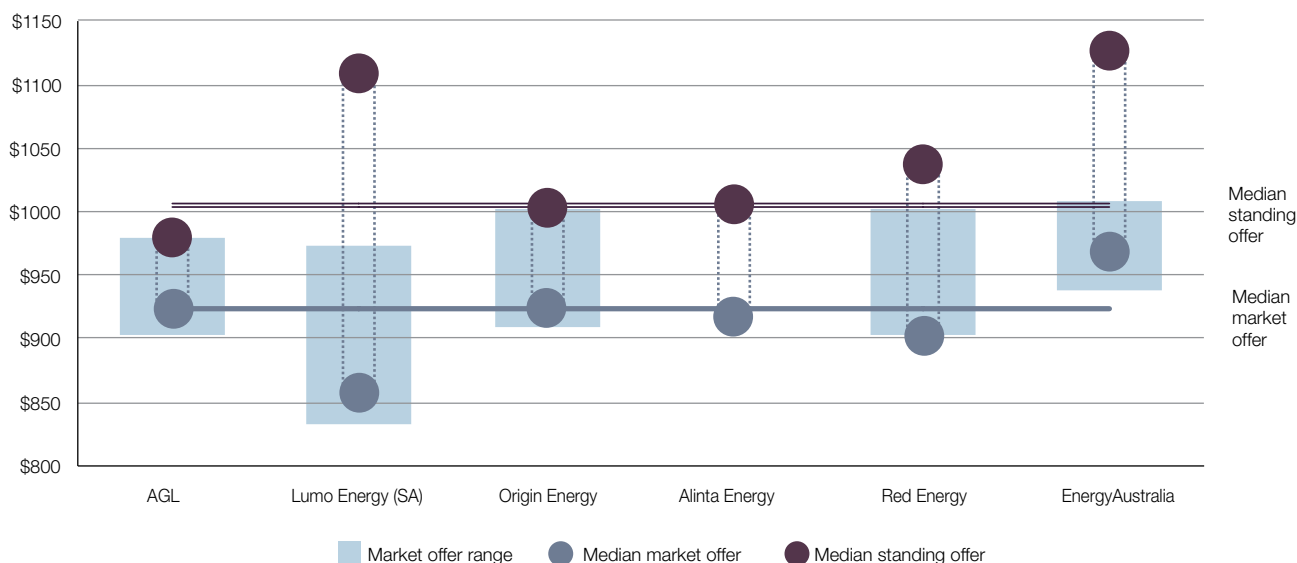
Gas—Adelaide

There are six gas retailers in Adelaide. The cheapest gas market offer is from Lumo Energy at \$833 and the most expensive standing offer is EnergyAustralia's offer at \$1126. Red Energy has three market offers in Adelaide, two of which are at the same price point.

¹⁷ The Independent Competition and Regulatory Commission determines maximum average percentage change ActewAGL Retail can charge for electricity prices. Independent Competition and Regulatory Commission, *Final Report: Standing offer prices for the supply of electricity to small customers from 1 July 2017*, June 2017, <http://www.icrc.act.gov.au/wp-content/uploads/2017/03/Report-6-of-2017-June-2017-1.pdf>, p. iii.

¹⁸ Reticulated gas (distributed by a pipeline) is not available to all Queensland homes.

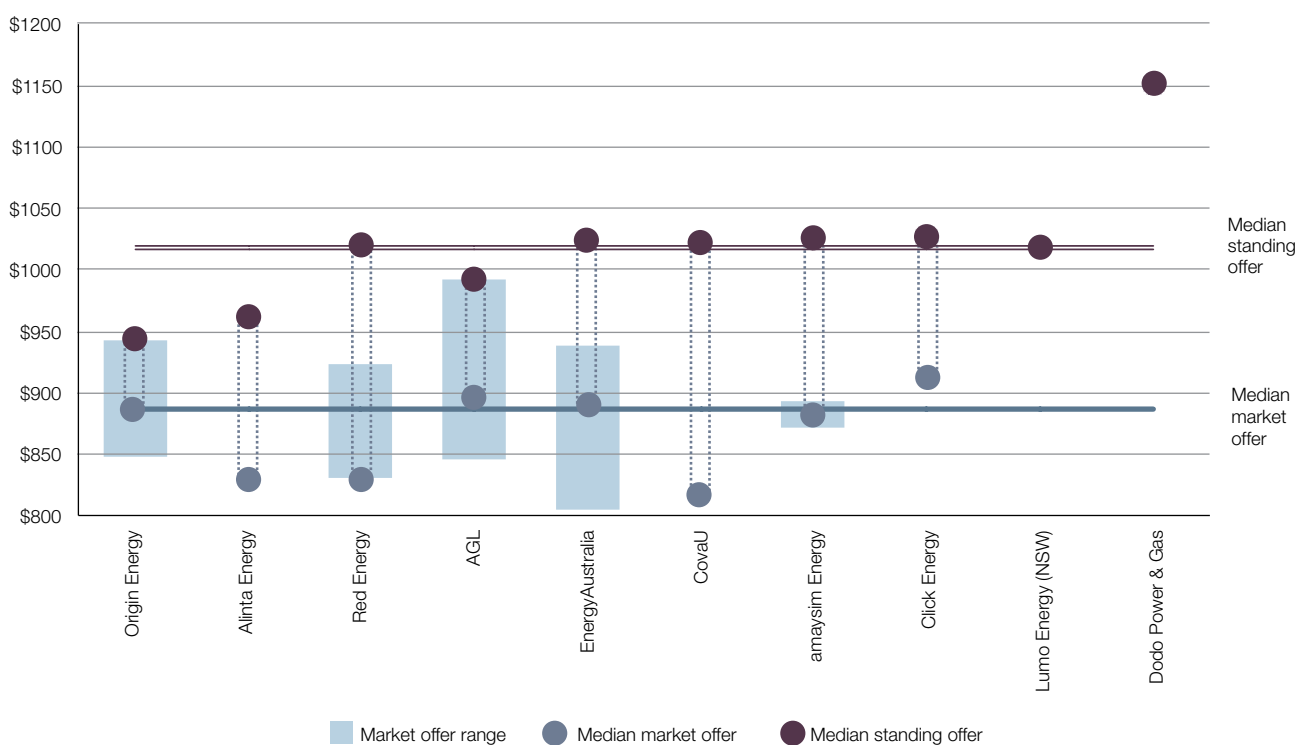
Figure 1.6: Adelaide gas prices as at 1 August 2018



Gas—Sydney

There are 10 gas retailers in Sydney. The most expensive market offer is AGL's offer at \$991 and the cheapest is from EnergyAustralia at \$804. Six retailers offer standing offer prices within \$10 of each other (between \$1018 and \$1026). Customers can save approximately \$214 by switching from the median standing offer to the cheapest market offer. Lumo Energy and Dodo Power & Gas offer only standing offers in Sydney.

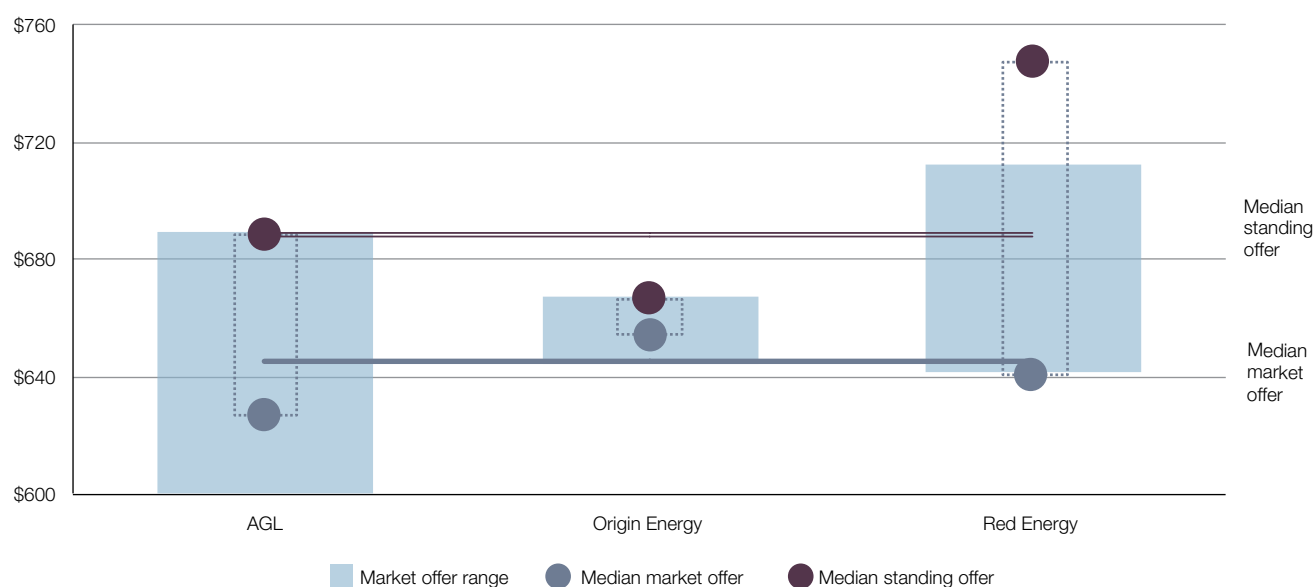
Figure 1.7: Sydney gas prices as at 1 August 2018



Gas—Brisbane

There are three gas retailers in the Australian Gas Networks zone in Brisbane.¹⁹ The most expensive standing offer is Red Energy's offer at \$747, and AGL offers the cheapest market offer at \$599 (customers who make this switch stand to save \$148). The difference between the median market and median standing offer is limited to \$43.

Figure 1.8: Brisbane gas prices as at 1 August 2018

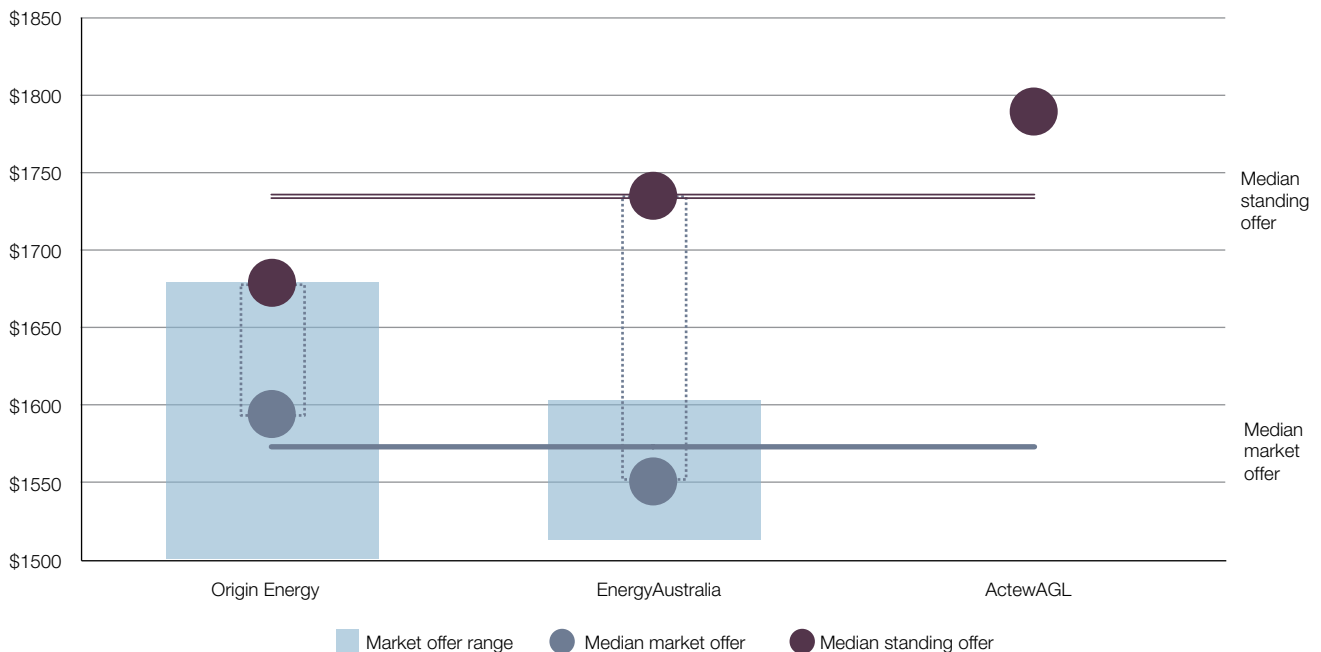


¹⁹ Brisbane has two gas zones: Australian Gas Networks (north of the Brisbane River) and Allgas Energy (south of the Brisbane River). We chose the Australian Gas Networks zone for the purposes of this analysis.

Gas—Canberra

There are three gas retailers in the ActewAGL gas zone: ActewAGL, Origin Energy and EnergyAustralia. ActewAGL has one standing offer, which is the highest standing offer in the market at \$1791. The cheapest market offer in Canberra is \$1484 by Origin Energy. Customers can save \$162 by switching from the median standing offer to the median market offer.

Figure 1.9: Canberra gas prices as at 1 August 2018



In chapter 5 (energy affordability), we provide detailed analysis of historical energy price trends and resulting financial burden on customers.

1.2 Competition in the retail market

Key points

- Tier 1 retailers AGL, EnergyAustralia and Origin continue to dominate all segments of the retail market where there is price deregulation although their market share decreased.
- Tier 2 retailers gained market share in the residential and small business electricity segments of the market.
- Tier 1 retailers control the small business gas and large gas segments of the market.
- 44 retailers compete for customers across all market segments and jurisdictions—some retailers offer dual fuel contracts.
- Five new retailers entered the retail market this year.

To provide a more complete picture of the Australian retail energy market, this year we have reported total customer numbers and market share for all retailers, on a national and jurisdictional basis, for all segments of the market.

We have also separated residential from small business customers, to provide a more detailed overview of those market segments.

Three retailers dominate the retail market in jurisdictions with price deregulation: AGL/Powerdirect,²⁰ EnergyAustralia, and Origin (collectively the **Tier 1 retailers**). In segments of the market where there are more retailers competing for customers, Tier 1 retailers are less dominant.

In the last year more customers switched to Tier 2 electricity retailers. In the residential and small business electricity segments of the market, where there are a greater number of retailers, Tier 1 retailers have a large but decreasing market share of 69% (down from 72%) and 66% (down from 67%) respectively.

There is much greater market concentration by Tier 1 retailers in the residential and small business gas segments. While Tier 1 retailers lost some market share in the residential gas segment (now at 86%, down from 88% last year), in the small business gas segment Tier 1 retailers dominate with 93% of market share. There are only 12 retailers supplying gas to small businesses.

The large electricity customer segment is less concentrated, with Tier 1 retailers holding 72% of large electricity customers. There is almost no competition between Tier 1 and Tier 2 retailers in the large gas segment where Tier 1 retailers control 99% of the market. There was, however, competition between Tier 1 retailers with AGL and Origin taking large gas customers from EnergyAustralia. Aside from Tier 1 retailers, the only other competitor with discernible market share in the large gas segment is ActewAGL in the ACT.

In Tasmania, the ACT, and regional Queensland, which still have price regulation, the incumbent retailers Aurora Energy (Tasmania), ActewAGL (ACT), and Ergon Energy (regional Queensland) supply most electricity customers.

We have published complete customer numbers for all retailers, across all segments of the market and all jurisdictions, for electricity and gas (see appendix 1).

NEW RETAILERS

New retailers entering the residential and small business electricity segments of the market this year were Tango Energy²¹, Winenergy, Flow Systems, and Real Utilities.

We authorised five new entrants authorised to sell energy this year:

- GloBird Energy Pty Ltd—electricity and gas
- Discover Energy Pty Ltd—electricity
- Sunset Power International Pty Ltd—electricity
- ZEN Energy Retail Pty Ltd—electricity
- Power Club Limited—electricity.

We also revoked the authorisation of electricity retailer COzero Energy Retail Pty Ltd (COzero) on 2 July 2018. This followed an order made by the Federal Court for the winding up of COzero on 20 June 2018 and the appointment of a liquidator, which are Retailer of Last Resort (RoLR) events.

The revocation of COzero's electricity retailer authorisation means that COzero can no longer sell electricity to customers in jurisdictions that have adopted the National Energy Retail Law. Since all of COzero's customers had switched to other retailers before the authorisation revocation, no customers were affected by the RoLR events.

²⁰ Powerdirect is part of the AGL group of companies and is included in Tier 1 for the purpose of the analysis in this chapter only.

²¹ Tango Energy also operates in Victoria.

1.3 Residential customer numbers

This year we are reporting on complete customer numbers for all retailers in the residential electricity segment of the market. There were 34 retailers actively selling electricity to residential customers²².

1.3.1 RESIDENTIAL ELECTRICITY

Tier 1 retailers controlled 69%²³ of the residential electricity segment of the market in the jurisdictions we regulate²⁴. Other retailers with significant market share in this segment include Ergon (10%) with Alinta, Aurora, and Red Energy each holding almost 4% of the market.

This year, across all jurisdictions, there were decreases in customer numbers for Tier 1 retailers and increases among Tier 2 retailers.²⁵ Of the Tier 1 retailers, EnergyAustralia experienced the largest decrease in customer numbers in this segment of the market—a drop of 4% of its customer base.

Alinta, Energy Locals, Enova Energy, Locality Planning, OC Energy, and Qenergy experienced large percentage increases in existing residential customer numbers. Relative to its existing customer base, Mojo Power saw the largest decrease in customer numbers—a drop of 41% of its residential electricity customers.

New retailers Winenergy, Flow Systems, and Real Utilities all gained residential electricity customers.

The number of residential electricity customers with Tier 1 retailers decreased by 113 455 from 2016–17 to this year.

The shift in market share away from Tier 1 retailers may indicate that residential customers are moving to more competitive offers, or niche products, offered by smaller retailers.

Figure 1.10: Market share of residential electricity customers 2016–17

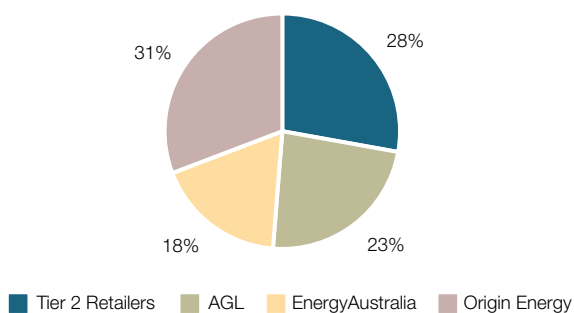
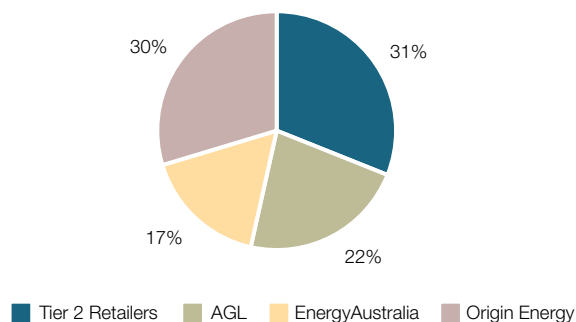


Figure 1.11: Market share of residential electricity customers 2017–18



²² Retailers selling to customers during 2017–18.

²³ For the purposes of highlighting trends we have rounded numbers throughout this report.

²⁴ Excludes Victoria.

²⁵ The AEMC 2018 Retail Energy Competition Review available at <https://www.aemc.gov.au/markets-reviews-advice/2018-retail-energy-competition-review> refers to Tier 2 retailers as all retailers other than AGL, EnergyAustralia, and Origin.

Table 1.1: Residential electricity customers 2016–17 to 2017–18

Residential electricity	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
Origin	1 903 767	30.79%	1 869 626	29.66%	–1.13%	–1.79%
AGL	1 411 503	22.83%	1 378 777	21.87%	–0.96%	–2.32%
EnergyAustralia	1 108 680	17.93%	1 062 092	16.85%	–1.08%	–4.20%
Ergon Energy	598 848	9.69%	613 300	9.73%	0.04%	2.41%
Red Energy	214 698	3.47%	248 176	3.94%	0.46%	15.59%
Alinta Energy Retail Sales	64 903	1.05%	240 936	3.82%	2.77%	271.22%
Aurora Energy	238 374	3.86%	241 125	3.82%	–0.03%	1.15%
ActewAGL Retail	180 567	2.92%	180 579	2.86%	–0.06%	0.01%
Simply Energy	112 044	1.81%	125 240	1.99%	0.17%	11.78%
amaysim Energy	96 889	1.57%	97 198	1.54%	–0.03%	0.32%
M2 Energy (trading as Dodo Power & Gas)	57 268	0.93%	49 269	0.78%	–0.14%	–13.97%
Powerdirect	38 490	0.62%	35 748	0.57%	–0.06%	–7.12%
Lumo	47 488	0.77%	35 082	0.56%	–0.21%	–26.12%
Powershop Australia	34 807	0.56%	34 748	0.55%	–0.01%	–0.17%
Locality Planning Energy	8166	0.13%	15 120	0.24%	0.11%	85.16%
1st Energy	9 482	0.15%	13 118	0.21%	0.05%	38.35%
Metered Energy Holdings	10 939	0.18%	11,598	0.18%	0.01%	6.02%
Diamond Energy	11 588	0.19%	10 158	0.16%	–0.03%	–12.34%
Momentum Energy	12 073	0.20%	9444	0.15%	–0.05%	–21.78%
Energy Locals	312	0.01%	5084	0.08%	0.08%	1529.49%
Enova Energy	2435	0.04%	4144	0.07%	0.03%	70.18%
Qenergy	1852	0.03%	4396	0.07%	0.04%	137.37%
Mojo Power	6464	0.10%	3,787	0.06%	–0.04%	–41.41%
OC Energy	1532	0.02%	4062	0.06%	0.04%	165.14%
CovaU	3016	0.05%	3307	0.05%	0.00%	9.65%
Sanctuary Energy	3939	0.06%	3393	0.05%	–0.01%	–13.86%
Savant Energy Power Networks	1408	0.02%	1781	0.03%	0.01%	26.49%
People Energy	677	0.01%	569	0.01%	0.00%	–15.95%
Pooled Energy	221	0.00%	518	0.01%	0.00%	134.39%
Winenergy	0	0.00%	813	0.01%	0.01%	813.00%
Real Utilities	0	0.00%	363	0.01%	0.01%	363.00%
Blue NRG	1	0.00%	0	0.00%	0.00%	–100.00%
Next Business Energy	199	0.00%	135	0.00%	0.00%	–32.16%
Tango Energy	23	0.00%	21	0.00%	0.00%	–8.70%
Flow Systems	0	0.00%	244	0.00%	0.00%	244.00%
Grand total	6 182 653	100.00%	6 303 951	100.00%		1.96%

1.3.2 RESIDENTIAL GAS

There were 13 retailers actively selling gas to residential customers.²⁶

Tier 1 retailers control 86% of the residential gas segment. The next largest residential gas retailer is ActewAGL, with 6% of the market followed by Simply, Red Energy and Alinta who each hold around 2% of market share.

Alinta, amaysim, and Savant Energy had the largest increases in residential gas customer numbers relative to their existing customer base. AGL and Lumo were the only retailers to experience a drop in residential gas customers.

Figure 1.12: Market share of residential gas customers 2016–17

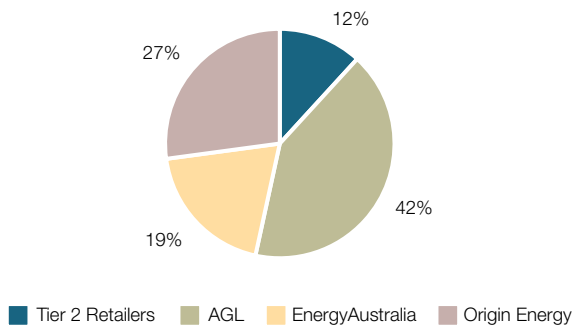


Figure 1.13: Market share of residential gas customers 2017–18

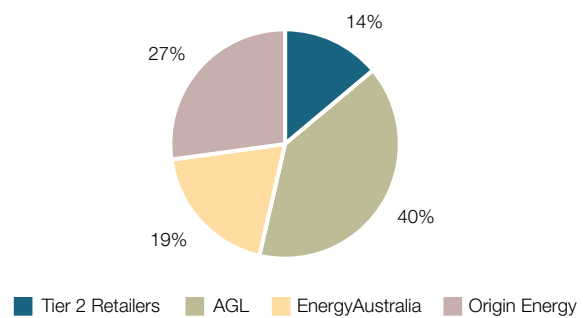


Table 1.2: Residential gas customers 2016–17 to 2017–18

Residential gas	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
AGL	840 132	41.61%	826 589	39.70%	-1.91%	-1.61%
Origin	547 775	27.13%	565 486	27.16%	0.03%	3.23%
EnergyAustralia	392 698	19.45%	400 342	19.23%	-0.22%	1.95%
ActewAGL Retail	127 603	6.32%	128 194	6.16%	-0.16%	0.46%
Simply Energy	37 788	1.87%	43 429	2.09%	0.21%	14.93%
Red Energy	31 563	1.56%	42 969	2.06%	0.50%	36.14%
Alinta Energy Retail Sales	17 356	0.86%	38 489	1.85%	0.99%	121.76%
amaysim Energy	3687	0.18%	14 103	0.68%	0.49%	282.51%
M2 Energy (trading as Dodo Power & Gas)	9313	0.46%	10 512	0.50%	0.04%	12.87%
Metered Energy Holdings	8139	0.40%	8 476	0.41%	0.00%	4.14%
CovaU	1694	0.08%	1 998	0.10%	0.01%	17.95%
Lumo	944	0.05%	695	0.03%	-0.01%	-26.38%
Savant Energy Power Networks	185	0.01%	676	0.03%	0.02%	265.41%
Grand Total	2 018 877	100.00%	2 081 958	100.00%		3.12%

²⁶ Retailers selling to customers during 2017–18.

1.4 Small business customer numbers

This year we are reporting on the small business segment of the market. There are 36 retailers selling electricity and 12 retailers marketing gas to small business customers.

1.4.1 SMALL BUSINESS ELECTRICITY

Tier 1 retailers hold 66% of small business electricity customers—this is the least concentrated segment of the market. Origin experienced a drop of 3% of its customer base this year, while AGL (and Powerdirect) increased its customer base by 4% and EnergyAustralia increased its base by 5%.

Ergon (14%) and Aurora (5%) are other retailers holding significant market share in this area of the market.

Tier 2 retailers Alinta, Energy Locals, Enova, and OC Energy are some of the retailers who experienced growth in customers. However, other smaller retailers experienced a drop in customer numbers, with Qenergy, Momentum, and Simply Energy among those who lost market share this year.

Figure 1.14: Market share of small business electricity customers 2016–17

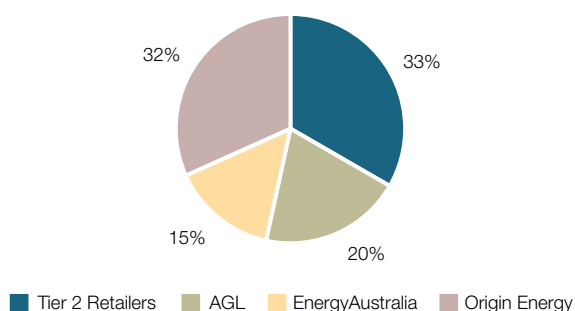


Figure 1.15: Market share of small business electricity customers 2017–18

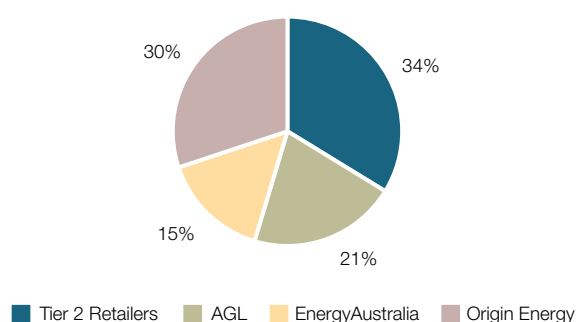


Table 1.3: Small business electricity customers 2016–17 to 2017–18

Small business electricity	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
Origin Energy Electricity	204 561	31.71%	198 443	30.25%	–1.46%	–2.99%
AGL	105 707	16.39%	115 706	17.64%	1.25%	9.46%
EnergyAustralia	95 901	14.87%	100 607	15.34%	0.47%	4.91%
Ergon Energy Queensland	89 960	13.95%	88 873	13.55%	–0.40%	–1.21%
Aurora Energy	35 191	5.46%	35 468	5.41%	–0.05%	0.79%
Alinta Energy Retail Sales	10 435	1.62%	24 231	3.69%	2.08%	132.21%
Powerdirect	23 904	3.71%	18 689	2.85%	–0.86%	–21.82%
ActewAGL Retail	11 853	1.84%	12 220	1.86%	0.03%	3.10%
Momentum Energy	11 295	1.75%	9318	1.42%	–0.33%	–17.50%
Qenergy	9561	1.48%	6943	1.06%	–0.42%	–27.38%
Simply Energy	8560	1.33%	6770	1.03%	–0.29%	–20.91%
Red Energy	6174	0.96%	6085	0.93%	–0.03%	–1.44%
Lumo	6198	0.96%	5396	0.82%	–0.14%	–12.94%
Blue NRG	2259	0.35%	4348	0.66%	0.31%	92.47%
CovaU	3792	0.59%	4267	0.65%	0.06%	12.53%
ERM Power Retail	4227	0.66%	3738	0.57%	–0.09%	–11.57%
Next Business Energy	4305	0.67%	3640	0.55%	–0.11%	–15.45%
M2 Energy (trading as Dodo Power & Gas)	3578	0.55%	2993	0.46%	–0.10%	–16.35%
amaysim Energy	2586	0.40%	2777	0.42%	0.02%	7.39%
Powershop Australia	1506	0.23%	1533	0.23%	0.00%	1.79%
1st Energy	2086	0.32%	1467	0.22%	–0.10%	–29.67%
Diamond Energy	611	0.09%	773	0.12%	0.02%	26.51%
OC Energy	121	0.02%	393	0.06%	0.04%	224.79%
Metered Energy Holdings	298	0.05%	298	0.05%	0.00%	0.00%
Energy Locals	19	0.00%	280	0.04%	0.04%	1373.68%
Enova Energy	184	0.03%	291	0.04%	0.02%	58.15%
Locality Planning Energy	117	0.02%	151	0.02%	0.00%	29.06%
People Energy	25	0.00%	44	0.01%	0.00%	76.00%
Savant Energy Power Networks	24	0.00%	40	0.01%	0.00%	66.67%
Tango Energy	49	0.01%	97	0.01%	0.01%	97.96%
Mojo Power	0	0.00%	8	0.00%	0.00%	8.00%
Pooled Energy	9	0.00%	9	0.00%	0.00%	0.00%
Sanctuary Energy	0	0.00%	5	0.00%	0.00%	5.00%
Winenergy	0	0.00%	16	0.00%	0.00%	16.00%
Flow Systems	0	0.00%	3	0.00%	0.00%	3.00%
Real Utilities	0	0.00%	1	0.00%	0.00%	1.00%
Grand total	645 096	100.00%	655 921	100.00%		1.68%

1.4.2 SMALL BUSINESS GAS

Tier 1 retailers dominate the small business gas segment of the market, holding 93% of all customers. Aside from Tier 1 retailers, ActewAGL and CovaU are the only retailers who hold any distinct market share in this segment (3% each).

This year, Origin's market share grew to 53% while AGL and ActewAGL saw their small business gas customer numbers decrease.

Figure 1.16: Market share of small business gas customers 2016–17

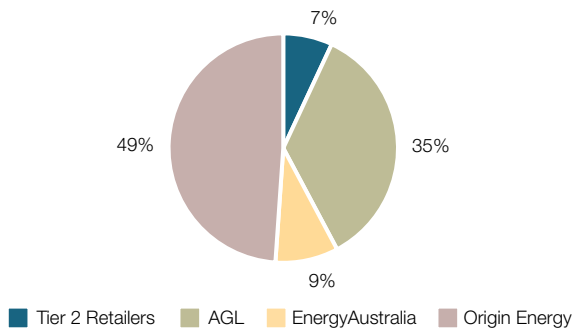


Figure 1.17: Market share of small business gas customers 2017–18

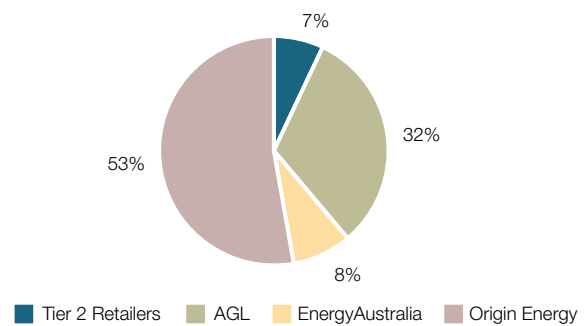


Table 1.4: Small business gas customers 2016–17 to 2017–18

Small business gas	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
Origin	33 239	48.90%	38 950	53.06%	4.16%	17.18%
AGL	23 974	35.27%	23 099	31.47%	–3.80%	–3.65%
EnergyAustralia	6036	8.88%	6175	8.41%	–0.47%	2.30%
ActewAGL Retail	2590	3.81%	2446	3.33%	–0.48%	–5.56%
CovaU	1697	2.50%	2165	2.95%	0.45%	27.58%
Simply Energy	293	0.43%	328	0.45%	0.02%	11.95%
amaysim Energy	115	0.17%	166	0.23%	0.06%	44.35%
Alinta Energy Retail Sales	2	0.00%	41	0.06%	0.05%	1950.00%
Red Energy	14	0.02%	30	0.04%	0.02%	114.29%
Lumo	7	0.01%	5	0.01%	0.00%	–28.57%
Savant Energy Power Networks	3	0.00%	3	0.00%	0.00%	0.00%
Winenergy	1	0.00%	0	0.00%	0.00%	–100.00%
Grand total	67 971	100.00%	73 408	100.00%		8.00%

1.5 Large customer numbers

This year we have reported on the large customer segment of the market.²⁷ There are 34 retailers selling electricity and six retailers selling gas to large customers across the jurisdictions that we regulate.

1.5.1 LARGE ELECTRICITY

Tier 1 retailers control 72% of the large electricity segment of the market. AGL (and Powerdirect) saw growth of 41% in customer numbers compared with last year, but Alinta, EnergyAustralia, and Origin experienced decreases in customer numbers.

Of the Tier 2 retailers, Stanwell and Progressive Green grew their existing customer bases by around 60%. Stanwell experienced an increase of 1.44% in market share—this was the largest gain for a Tier 2 retailer. Simply Energy experienced an increase of 75% in customer numbers. 1st Energy gained new customers in this segment of the market.

Figure 1.18: Market share of large market electricity customers 2016–17

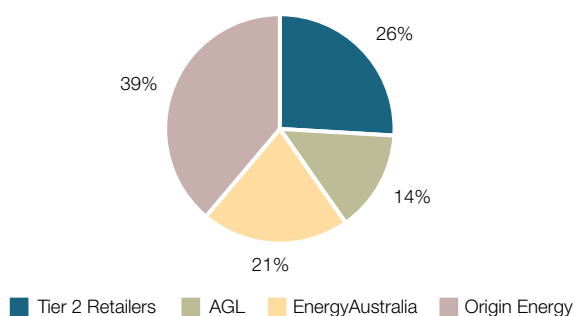
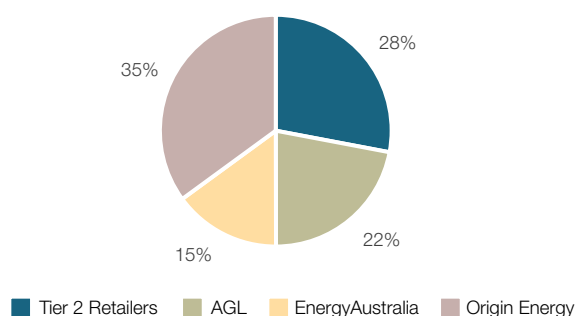


Figure 1.19: Market share of large market electricity customers 2017–18



²⁷ This year, some retailers have reclassified small business/large customers. AGL has indicated that large customer numbers for the previous year may have been underreported. This should be taken into consideration when drawing conclusions about any movement in AGL's market share. Ergon Energy Queensland has also reported that it has 5292 large electricity customers on standard contracts.

Table 1.5: Large market electricity customers 2016–17 to 2017–18

Large electricity	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
Origin	20 732	39.04%	17 641	35.06%	–3.98%	–14.91%
AGL	7658	14.42%	10 712	21.29%	6.87%	39.88%
EnergyAustralia	10 874	20.48%	7549	15.00%	–5.47%	–30.58%
ERM Power Retail	3051	5.75%	3055	6.07%	0.33%	0.13%
Momentum Energy	2300	4.33%	2755	5.48%	1.14%	19.78%
Aurora Energy	1829	3.44%	2046	4.07%	0.62%	11.86%
Stanwell Corporation	1106	2.08%	1773	3.52%	1.44%	60.31%
ActewAGL Retail	1644	3.10%	1540	3.06%	–0.04%	–6.33%
Alinta Energy Retail Sales	1479	2.79%	807	1.60%	–1.18%	–45.44%
Red Energy	851	1.60%	485	0.96%	–0.64%	–43.01%
Simply Energy	263	0.50%	461	0.92%	0.42%	75.29%
Next Business Energy	350	0.66%	337	0.67%	0.01%	–3.71%
Powerdirect	86	0.16%	233	0.46%	0.30%	170.93%
Progressive Green	143	0.27%	228	0.45%	0.18%	59.44%
Blue NRG	168	0.32%	129	0.26%	–0.06%	–23.21%
Tango Energy	136	0.26%	127	0.25%	0.00%	–6.62%
CovaU	77	0.15%	75	0.15%	0.00%	–2.60%
OC Energy	10	0.02%	50	0.10%	0.08%	400.00%
1st Energy	0	0.00%	44	0.09%	0.09%	4400.00%
Powershop Australia	44	0.08%	46	0.09%	0.01%	4.55%
Diamond Energy	48	0.09%	39	0.08%	–0.01%	–18.75%
Winenergy	24	0.05%	39	0.08%	0.03%	62.50%
Qenergy	45	0.08%	35	0.07%	–0.02%	–22.22%
Lumo	104	0.20%	32	0.06%	–0.13%	–69.23%
SIMEC ZEN Energy Retail (formerly ZEN Energy Retail)	-	0.00%	26	0.05%	0.05%	26.00%
Locality Planning Energy	20	0.04%	20	0.04%	0.00%	0.00%
Macquarie Bank	8	0.02%	8	0.02%	0.00%	0.00%
OzGen Retail	2	0.00%	8	0.02%	0.01%	300.00%
CS Energy Limited	7	0.01%	5	0.01%	0.00%	–28.57%
Infigen Energy Markets	1	0.00%	4	0.01%	0.01%	300.00%
COzero Energy Retail	40	0.08%	0	0.00%	–0.08%	–100.00%
Delta Electricity	0	0.00%	2	0.00%	0.00%	2.00%
Ergon Energy Queensland	0	0.00%	0	0.00%	0.00%	0.00%
People Energy	1	0.00%	1	0.00%	0.00%	0.00%
Grand total	53 101	100.00%	50 312	100.00%		–5.25%

1.5.2 LARGE GAS

This segment of the market is dominated almost exclusively by the Tier 1 retailers, which hold 99% of customers. While EnergyAustralia lost market share, AGL and Origin increased their customer bases by 13% and 15% respectively.

Figure 1.20: Market share of large market gas customers 2016–17

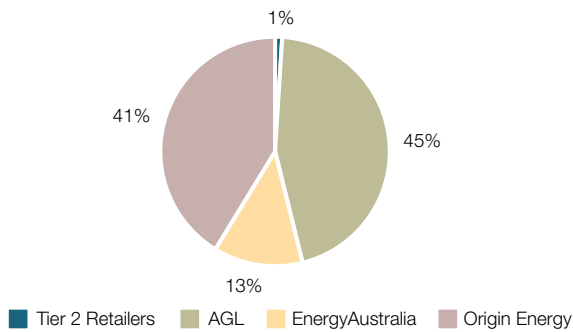


Figure 1.21: Market share of large market gas customers 2017–18

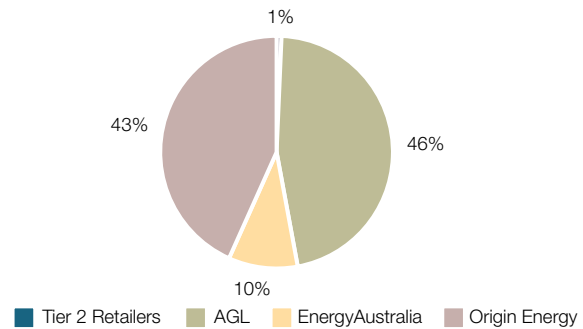


Table 1.6: Large market gas customers 2016–17 to 2017–18

Large gas	2016–17 customer numbers	% of market share 2016–17	2017–18 customer numbers	% of market share 2017–18	Variation in market share	Customer numbers % change
AGL	1628	45.15%	1833	46.41%	1.26%	12.59%
Origin	1488	41.26%	1710	43.29%	2.03%	14.92%
EnergyAustralia	454	12.59%	380	9.62%	-2.97%	-16.30%
ActewAGL Retail	33	0.92%	21	0.53%	-0.38%	-36.36%
Simply Energy	1	0.03%	5	0.13%	0.10%	400.00%
Winenergy	0	0.00%	1	0.03%	0.03%	1.00%
Lumo	2	0.06%	0	0.00%	-0.06%	-100.00%
Grand total	3606	100.00%	3950	100.00%		9.54%

1.6 Standard and market retail contracts

Key points

- Across all jurisdictions 73% of residential electricity and 83% of residential gas customers are on market contracts.
- The proportion of customers on market contracts varies between the jurisdictions.
- South Australia has the highest proportion of customers on electricity and gas market contracts.
- Although customers are moving to market contracts, in regions with price deregulation more than 1 million customers remain on standard contracts.
- The DMO will set a maximum price that retailers can charge customers who are not on a market contract.

Customers continued to switch to market contracts for both gas and electricity, across both residential and small business customer market segments this year.

Market contracts, which typically feature discounts, incentives and numerous billing and payment options, usually provide more competitive pricing options for retail customers.

Standard (or standing) contracts are provided to residential and small business customers if a customer does not otherwise accept a market offer, or when a market contract has expired. These contracts must adopt the model terms and conditions set out in accordance with the relevant framework in legislation.²⁸ In non-price regulated jurisdictions, retailers are currently free to determine the prices of their standard offers.

This year, across the jurisdictions that we regulate, an average of 73% of residential electricity customers (up from 68%) and 83% of residential gas customers (up from 79%) were on market contracts. This average is impacted by high levels of customers on standing contracts in price-regulated jurisdictions, including:

- the ACT: where 61% of customers are on a standard contract
- Tasmania: where 91% of customers are on a standard contract
- regional Queensland²⁹: where all of Ergon's 613 000 customers are on standard contracts.

Further information about the number of customers on market and standard contracts, by retailer and jurisdiction, can be found at appendix 1.

1.6.1 RESIDENTIAL STANDARD AND MARKET CONTRACTS—NATIONAL

The following charts show the percentage of residential customers on electricity and gas market and standard contracts across all jurisdictions.

Figure 1.22 Residential electricity 2017–18

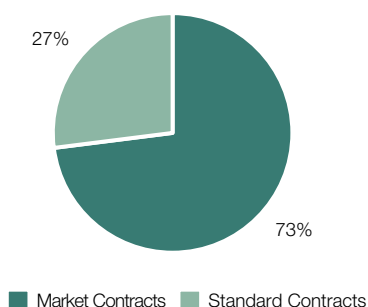
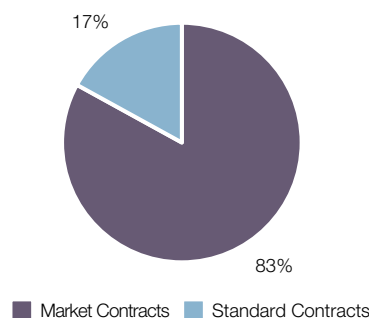


Figure 1.23 Residential gas 2017–18



²⁸ See National Energy Retail Law, s. 22 (1), s. 25 (1), s. 25(3) and National Energy Retail Rules r. 16 for more information.

²⁹ We do not currently collect contract information for individual distribution zones in Queensland.

1.6.2 SMALL BUSINESS STANDARD AND MARKET CONTRACTS—NATIONAL

In the small business segment of the market, an average of 62% (up from 58%) of electricity customers and 76% (up from 72%) of gas customers were on market contracts.

The following charts show the total percentage of small business customers on market and standard contracts across all jurisdictions.

Figure 1.24 Small business electricity 2017–18

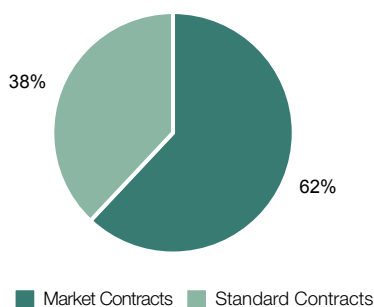
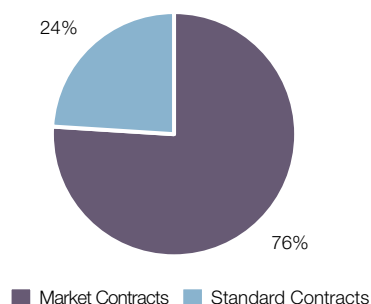


Figure 1.25 Small business gas 2017–18



Although there is a smaller percentage of small business customers on market contracts than in the residential retail segment, the size of the increase this year was in line with a corresponding increase in the residential segment.

1.6.3 JURISDICTIONAL TRENDS—STANDARD AND MARKET CONTRACTS

In some jurisdictions with regulated prices, such as the ACT, many small customers remain on standard retail contracts because there is a smaller price differential between the available standard and market contracts.

This year we have provided more detailed information on the numbers of residential and small business customers on market contracts—by jurisdiction and by retailer. The number of customers on market contracts varies between retailers.

The following figures show the total percentage of residential electricity customers on market contracts, by retailer, across the jurisdictions that we regulate for 2016–17 and 2017–18.

Figure 1.26: Residential electricity customers on market contracts, by retailer (QLD, SA, ACT, NSW and TAS) 2016–17

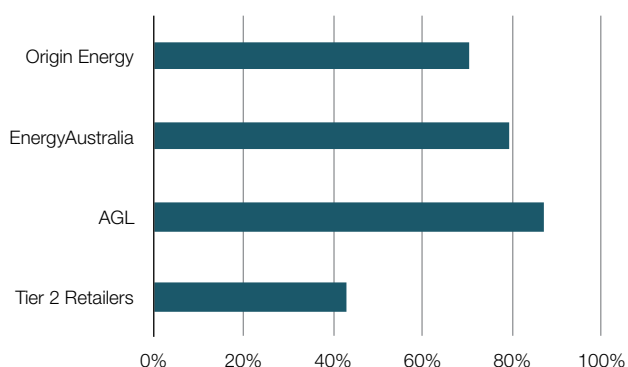
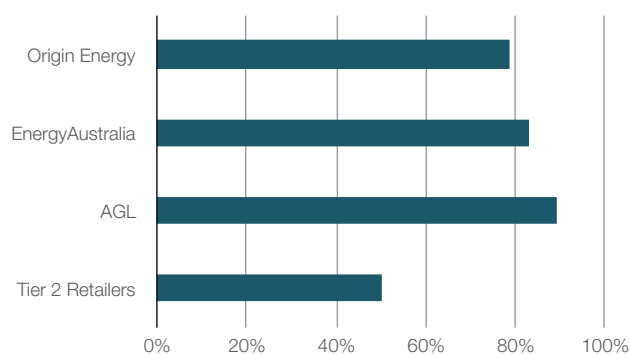


Figure 1.27: Residential electricity customers on market contracts, by retailer (QLD, SA, ACT, NSW and TAS) 2017–18



The following figures show the total percentage of small business electricity customers on market contracts, by retailer.

Figure 1.28: Small business electricity customers on market contracts, by retailer (QLD, SA, ACT, NSW and TAS) 2016–17

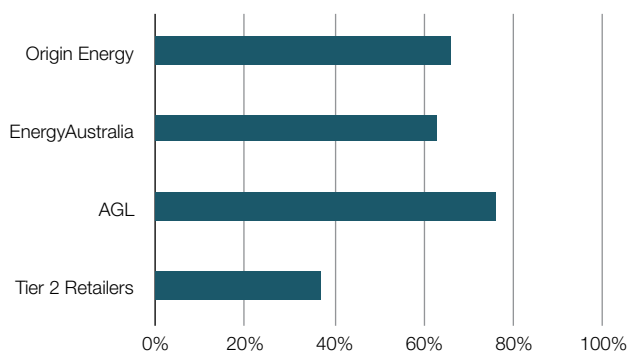
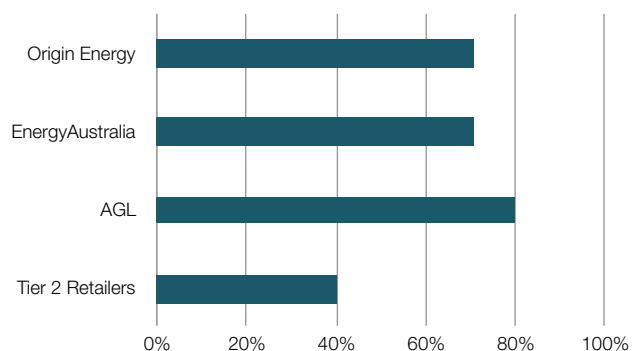


Figure 1.29: Small business electricity customers on market contracts, by retailer (QLD, SA, ACT, NSW and TAS) 2017–18



1.6.4 RESIDENTIAL ELECTRICITY MARKET CONTRACTS BY JURISDICTION AND RETAILER

Across all retailers in all jurisdictions, 73% of residential electricity customers are on market contracts. Among the jurisdictions, South Australia has the highest number of residential customers on market contracts at 91%. In the jurisdiction with the most customers, New South Wales, 15% of customers are still on standard contracts—about 470 000 residential electricity customers.

The following charts show the proportion of customers on electricity market contracts, by jurisdiction and retailer.

Residential electricity contracts by jurisdiction and retailer 2017–18

Figure 1.30: Queensland electricity contracts

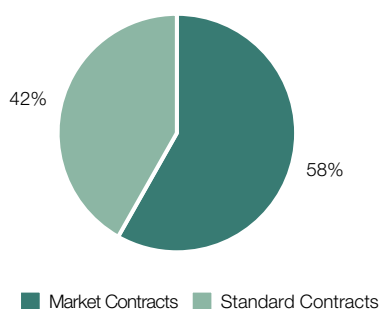


Figure 1.31: Electricity market contracts by retailer in QLD

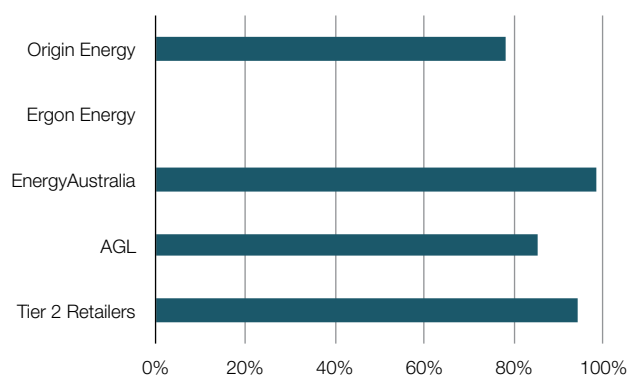


Figure 1.32: South Australia electricity contracts

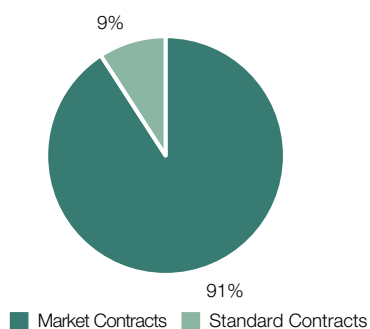


Figure 1.33: Electricity market contracts by retailer in South Australia

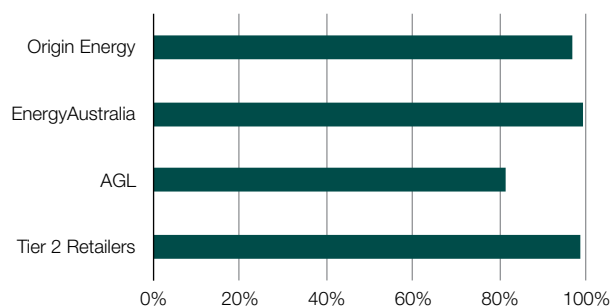


Figure 1.34: ACT electricity contracts

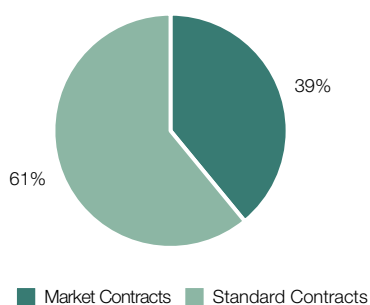


Figure 1.35: Electricity market contracts by retailer in the ACT

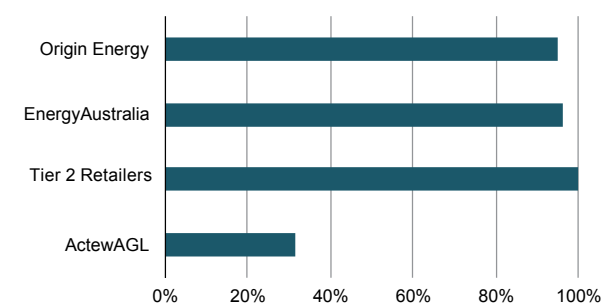


Figure 1.36: NSW electricity contracts

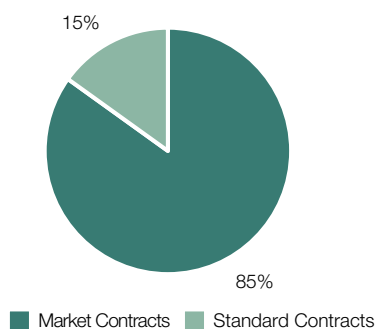


Figure 1.37: Electricity market contracts by retailer in NSW

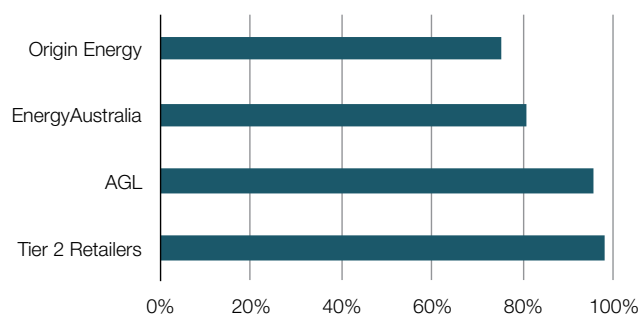


Figure 1.38: Tasmania electricity contracts

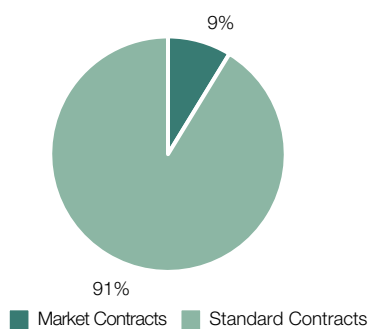
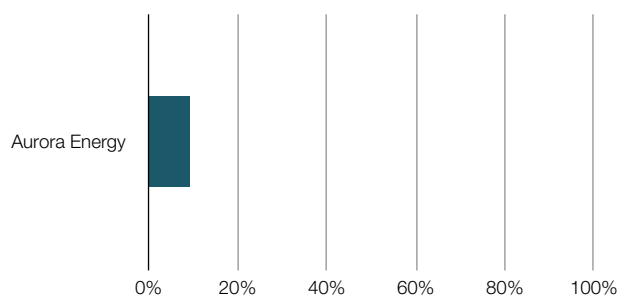


Figure 1.39: Electricity market contracts by retailer in Tasmania



1.6.5 RESIDENTIAL GAS MARKET CONTRACTS BY JURISDICTION AND RETAILER

Across all retailers in all jurisdictions, 83% of residential gas customers are on market contracts.

Among the jurisdictions, South Australia has the highest proportion of residential customers on market contracts at 89%. In the jurisdiction with the most customers, New South Wales, 13% of customers are still on standard contracts—about 180 000 gas customers.

Residential gas by jurisdiction and retailer 2017–18

Figure 1.40: Queensland gas contracts

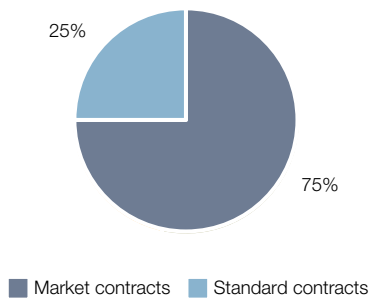


Figure 1.41: Gas market contracts by retailer in Queensland

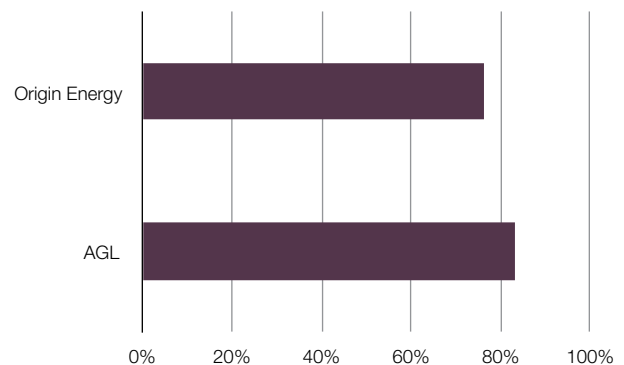


Figure 1.42: South Australia gas contracts

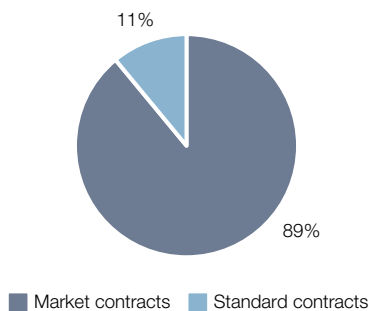


Figure 1.43: Gas market contracts by retailer in South Australia

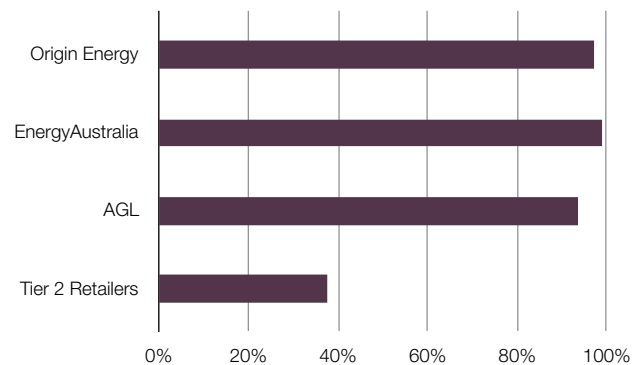


Figure 1.44: ACT gas contracts

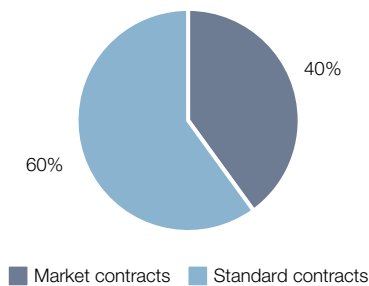


Figure 1.45: Gas market contracts by retailer in the ACT

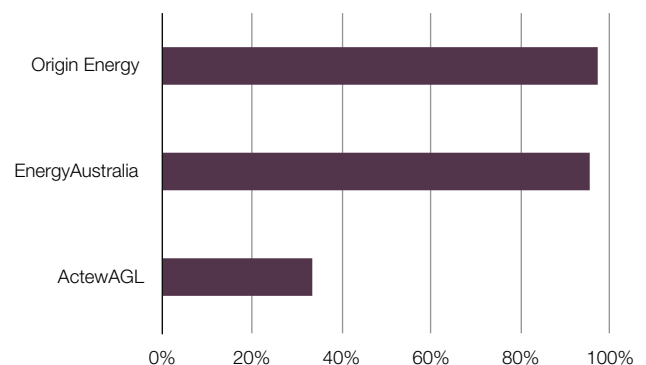


Figure 1.46: New South Wales gas contracts

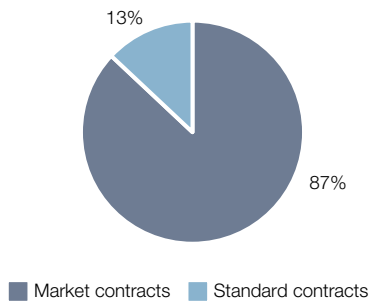
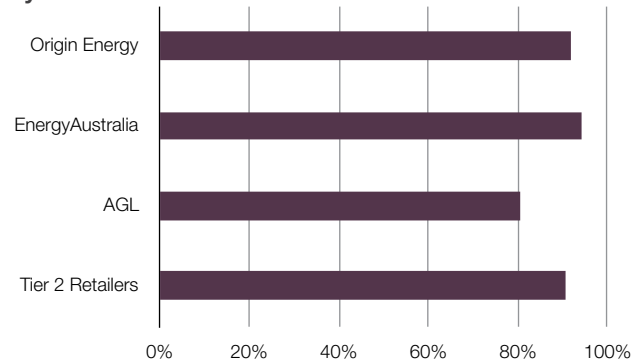


Figure 1.47: Gas market contracts by retailer in New South Wales



1.7 Retail energy offers in the market

Retailers are required to submit their generally available offers to us for publication on EME, our comparator website (www.energymadeeasy.gov.au). Every June we review the number of available contracts in EME and use this information to inform our affordability analysis (see chapter 5).

Compared with 2016–17, this year saw significant changes in the number of residential market offers available across the jurisdictions:

- 146 more electricity offers in Queensland (277 compared with 131 last year)
- 16 new dual fuel offers in Queensland
- 147 more electricity offers in NSW (1031 compared with 884 last year)
- 7 more electricity offers in South Australia (96 compared with 89 last year)
- 13 fewer gas offers in South Australia (37 compared with 50 last year)
- 18 more dual fuel offers in South Australia (38 compared with 20 last year)
- 36 more electricity offers in the ACT (88 compared with 52 last year)
- 28 more dual fuel offers in the ACT (56 compared with 28 last year).

Table 1.7 provides a snapshot of the number of generally available contracts offered by fuel type and customer segment that were available on EME at the end of June 2018. Note that the following figures are an aggregate of contracts that were available in all the gas and electricity zones in each jurisdiction, and do not capture special offers that were available to particular customers.

Table 1.7: Generally available offers in Energy Made Easy, at 30 June 2018

	QLD		SA		ACT		NSW		TAS	
Electricity	Market	Standard	Market	Standard	Market	Standard	Market	Standard	Market	Standard
Residential	277	112	96	35	88	24	1031	347	0	3
Small Business	184	94	132	79	46	22	725	320	10	10
Gas	Market	Standard	Market	Standard	Market	Standard	Market	Standard	Market	Standard
Residential	30	6	37	9	7	3	158	37	0	0
Small Business	20	6	23	9	6	3	104	30	0	0
Dual	Market	Standard	Market	Standard	Market	Standard	Market	Standard	Market	Standard
Residential	16	0	38	4	56	0	301	24	0	0
Small Business	0	0	32	2	4	0	78	0	0	0
Total	745		496		259		3155		23	

EME ENHANCEMENT

- Australia's retail energy market is rapidly transforming, with changes in the regulatory framework and advances in technology.
- Within this context, we are redeveloping our EME independent price comparison website so it remains useful and continues to help residential and small business consumers make informed energy choices.
- We have received government funding of \$8 million to enhance EME by July 2020 so that it incorporates the broader range of energy products and services now available and those likely to be developed in the immediate future.

www.energymadeeasy.gov.au

1.8 Customer switching rates

Key points

- Customer switching trends vary between the jurisdictions.
- Victorian customers continue to switch more readily between retailers.
- Customers in the ACT are unlikely to switch retailers.
- There has been no change to NSW customer switching rates.
- Switching between retailers in Queensland and South Australia has increased this year.

The rate at which customers switch between energy retailers provides some indication of how actively customers engage with the retail market. However, it does not provide a complete picture as customers might engage with the market and decide to stay with their current retailer or might change energy plans with their current retailer. This form of engagement will not be captured by switching rates.

We gather switching data from the Australian Energy Market Operator (AEMO)³⁰, which combines switching rates of residential and small business customers. The AEMC also conducts detailed analysis of switching rates, most recently in its 2018 Retail Competition Review.³¹

We review customer switching rates on a quarterly basis.

Over the past three years, the rate at which customers switched between electricity retailers remained flat in New South Wales.

Victorians tend to switch between energy retailers more readily than customers in other states. During the December 2017 quarter, around 7% of customers in Victoria switched electricity retailers. The switching rate in Victoria increased to 8% during the June 2018 quarter, and we anticipate the rate lifting further during the first half of 2018–19 since during this period Victorian households will be eligible to receive \$50 if they use the Victorian Energy Compare website to compare available energy prices.

Switching has significantly increased in Queensland and South Australia, particularly over 2017–18. In Queensland, switching increased from 3.2% of customers in the June 2017 quarter to 5.6% in the June 2018 quarter, which may in part be due to Alinta's entry into the residential and small business markets (gaining 6.3% and 3.5% market share respectively).³² In South Australia, quarterly customer switching grew from 3.7% of customers to 6.1% of customers

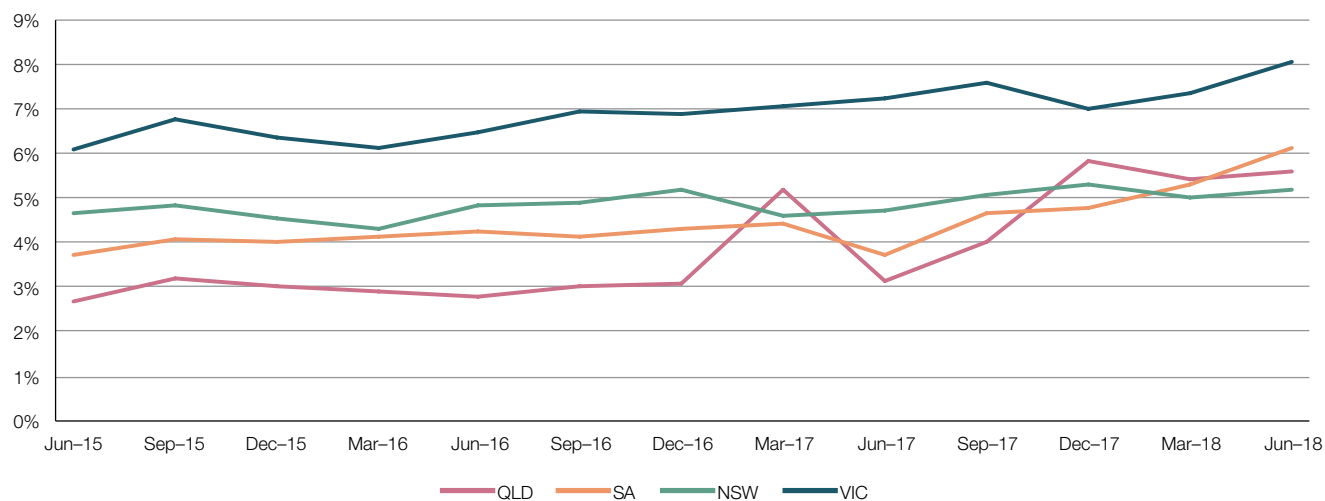
30 AEMO regularly publishes switching data. An explanation of how AEMO's switching data is calculated is available at www.aemo.com.au.

31 AEMC 2018 Retail Energy Competition Review, available at <https://www.aemc.gov.au/markets-reviews-advice/2018-retail-energy-competition-review>

32 See appendix 1 for jurisdictional market shares.

between the June 2017 and June 2018 quarters. This occurred at a time when Alinta's market presence continued to grow and Origin captured an additional 3% of the residential market.

Figure 1.48: Electricity customer switching rate—by jurisdiction



Although the rate of switching in the gas market is slightly lower than in the electricity market, similar switching trends have emerged over the past three financial years. As is the case for electricity, Victorian customers switched more readily in the gas market than customers in other jurisdictions.

Figure 1.49: Gas customer switching rate—by jurisdiction

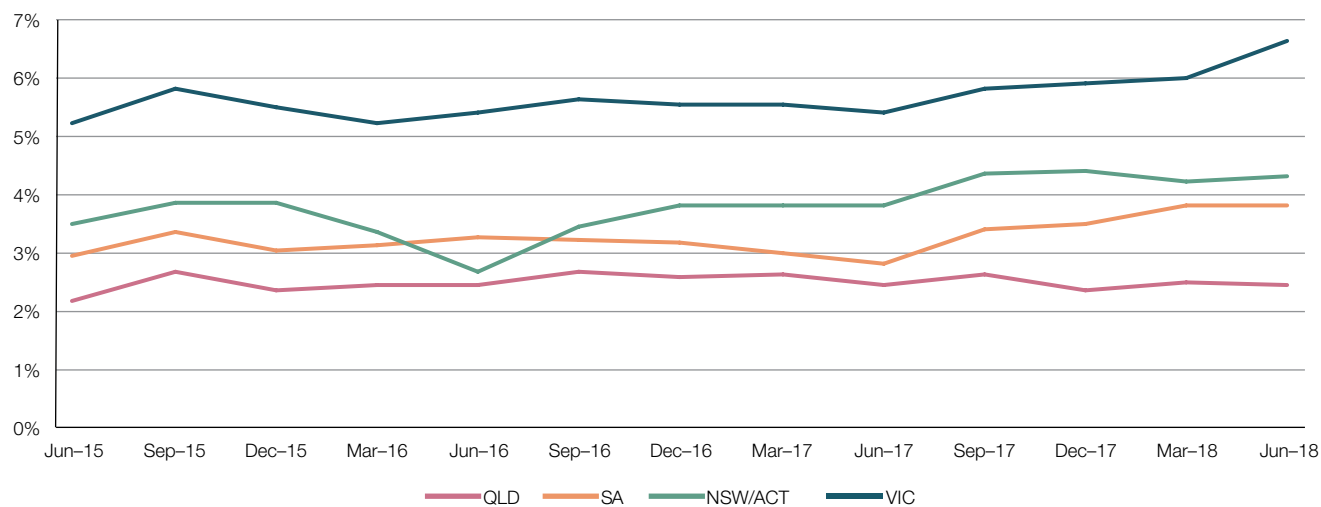


Figure 1.50 shows switching rates in the ACT over the past three years for electricity and gas. There are a limited number of active retailers in these markets aside from the incumbent ActewAGL as well as Origin and EnergyAustralia. Switching remains very low in the ACT at under 1% per quarter.

Figure 1.50: Electricity and gas customer switching rates ACT



1.9 New market developments

This year has seen a period of significant energy market transformation with the introduction of new regulatory policies and government action aimed at removing barriers to customer participation, increasing consumer protection, and improving the customer's experience of, and engagement with, the energy market. These developments are designed to help consumers better understand and make informed decisions about their energy contracts.

1.9.1 POWER OF CHOICE

A focus on the benefits of energy data, and reforms aimed at increasing customers' access to consumption data in a competitive market, have also featured prominently this year.

In 2018–19, we will report on the roll-out of smart meters in the jurisdictions that we regulate. The roll-out of smart meters became mandatory in December 2017 following the Power of Choice reforms and the introduction of metering contestability.

Power of Choice is a package of reforms designed to give consumers more options and control over how they use and manage their electricity usage. These reforms were initiated following the 2012 AEMC Power of Choice review.

The AEMC has made several rule changes to support the recommendations of the Power of Choice review, including rules to introduce competition in metering services and to reduce barriers to embedded network customers³³. These rule changes came into effect on 1 December 2017.

The Power of Choice changes enable the competitive deployment of smart meters, which give more choice to residential, small business, and embedded network customers when engaging in the retail energy market. For customers, this will mean access in the future to a wider range of services, including more frequent energy usage data, a wider range of pricing options, and the ability to access products and services enabled by smart meters, such as demand management.

³³ See <https://www.aer.gov.au/networks-pipelines/network-exemptions/embedded-network-managers> for further information.

From 1 December 2017, retailers have been required to install smart meters whenever a new or replacement meter is required or whenever a business or consumer seeks access to these advanced metering services.³⁴

THE CAPABILITIES OF SMART METERS

Customers can access a smart meter whenever they request a new product that requires one to be installed. Smart meters can also be installed to replace faulty or expired meters.

Customers pay the costs associated with a smart meter installation and these installation costs may vary between electricity retailers.³⁵ Smart meters provide a range of capabilities compared with the older meters they will replace, including:

- **more accurate information about energy consumption**, increasing consumer control over energy usage by allowing more active monitoring and adjustment of consumption behaviour to reduce energy bills³⁶
- **more detailed and timely energy use data**, since data is normally recorded in 30 minute intervals as opposed to every three months (typical meter reading interval of basic meters)
- **greater convenience for energy customers and retailers**, by enabling electricity supply to be switched on and off remotely, and power quality to be measured at a premises
- **no need for a physical meter read**, plus **notifications to the electricity distributor** whenever the power goes out, helping to minimise the number and length of electricity supply outages.³⁷

Retailers must provide affected premises with at least four business days' notice of any planned interruptions to the electricity supply resulting from the installation of a smart meter.

1.9.2 BENEFIT CHANGE NOTICE RULE—NOTIFYING CUSTOMERS ABOUT CHANGING BENEFITS

From February 2018, following changes to the National Energy Retail Rules (NERR), retailers are required to notify small customers via a benefit change notice when a benefit provided to them through their market retail contract is expiring or changing.³⁸

The aim of these new rules is to reduce the number of customers remaining on market retail contracts with expired benefits, by requiring a retailer to:

- give the customer advance notice that their benefit is changing or expiring
- prompt the customer to search for available plans on EME
- encourage the customer to switch to another plan if appropriate.

From 1 October 2018, retailers are required to comply with new obligations under the AER's Benefit Change Notice Guidelines.³⁹

We consider a benefit change notice an important tool to encourage customer engagement with the energy market.

34 For more information about metering see the AER Factsheet [Smart meters and you](https://www.aer.gov.au/system/files/Smart%20meters%20and%20you.pdf) available at <https://www.aer.gov.au/system/files/Smart%20meters%20and%20you.pdf> and AEMC information on metering available at <https://www.aemc.gov.au/energy-system/electricity/electricity-system/metering>

35 See <https://www.aer.gov.au/consumers/my-energy-service/smart-meters> for further information about smart meter costs.

36 AER *Smart meters and you*, available at <https://www.aer.gov.au/system/files/Smart%20meters%20and%20you.pdf>, 2017.

37 See <https://www.aer.gov.au/consumers/my-energy-service/smart-meters> for further information about smart meters.

38 National Energy Retail Rules, Rule 48A(1)

39 AER Benefit Change Notice Guidelines—June 2018 available at <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/benefit-change-notice-guidelines-june-2018>.

1.9.3 BASIC PLAN INFORMATION DOCUMENT—SIMPLIFYING ENERGY OFFER INFORMATION

This year we consulted broadly with stakeholders to make improvements to the Retail Pricing Information Guidelines (Guidelines). On 23 April 2018, we released the revised Version 5 of the [Guidelines and an accompanying Notice of Final Instrument](#)⁴⁰.

The revised Guidelines seek to increase customer engagement and confidence in the retail energy market and address the complexity of energy market information being a barrier to customer engagement. The key changes to the Guidelines include replacing the requirement on retailers to produce an Energy Price Fact Sheet with the requirement to produce two separate documents for each energy plan⁴¹.

MAKING IT EASIER FOR CUSTOMERS TO COMPARE ENERGY OFFERS

A key change to the Guidelines includes replacing the Energy Price Fact Sheet with two documents for each energy plan.

- **Basic Plan Information Document (BPID)**—a concise document that includes key plan information relevant to a customer assessing a plan’s suitability and comparing it against other plans
- **Detailed Plan Information Document**—a document that provides more detailed information about the fees, prices, contract details and eligibility criteria for an energy plan.
- All retailers are required to use **BPIDs generated by EME**, to ensure greater consistency and ease of comparison across retailers.
- A **comparison pricing table** is included on BPIDs for most residential plans, setting out an estimate for each plan for three consumption profiles.
- Some changes relate to **display of plan information** on websites, in advertising and marketing material.
- ‘Generally available plans’ was clarified to include all those plans available to small customers, except where specific restrictions apply.
- There are new requirements that retailer (and third party) sales and customer service agents refer to the BPID **ID number**, as generated by EME, to identify plans.
- There are new requirements for the use of **clearer and simpler language**.

In accordance with the timeline in the revised Guidelines, the new BPID obligations for all current offers commenced on 30 August 2018, and obligations relating to plans falling within the expanded definition of ‘generally available’ commenced on 1 October 2018.

40 AER Retail Pricing Information Guidelines 2018 and Notice of Final Instrument Retail Pricing Information Guidelines Version 5 April 2018 available at <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/retail-pricing-information-guidelines-2018>

41 AER Retail Pricing Information Guidelines 2018, clause 70

1.10 A changing energy market

The retail energy market continues to evolve as consumer behaviour drives market reform. This year brought significant changes to the way consumers interact with the energy market. Smart meters, falling solar and battery costs, energy management software, smart appliances, and home automation are providing new ways for consumers to have greater control over their electricity consumption and their bills.⁴²

The growth of solar power, in particular, is altering the traditional energy supply chain and driving an increase in the number of customers accessing solar feed-in tariffs.

Many factors have helped drive this boom in the solar industry, and this momentum is expected to continue due to growing interest from the commercial sector, as well as new households investing in solar. With energy costs increasing and becoming more burdensome, and solar PV system installation costs decreasing, many are turning to solar as a way of managing their overall energy costs.⁴³

In 2018–19, retailers will report to us on solar feed-in tariffs. This will enable us, for the first time, to report on the number of customers who have taken up retailer and government solar feed-in tariffs.

THE GROWTH OF SOLAR POWER

A growing number of customers are generating their own power from solar photovoltaic (PV) systems and using it, so the solar PV market has increased over the last 10 years.⁴⁴

The Clean Energy Australia Report 2018 reported that 2017 was a record-breaking year for rooftop solar, with almost 1.1 GW of rooftop PV installed in the small-scale market.⁴⁵

In 2007, Australians installed 3535 solar PV systems. In 2011, installations peaked with 360 745 systems installed, assisted by the offer of high solar feed-in tariffs in many states. In 2017, 179 457 solar PV systems were installed, bringing the total PV system installations to **1 825 641** across Australia.⁴⁶

As solar becomes cheaper for the average consumer, larger small-scale systems are being installed. The average size system installed in 2011 was 2.36 kW, and by 2017 the average size had increased to 6.27 kW.⁴⁷

There is now more than 6559 MW of installed capacity of solar PV in Australia.⁴⁸

42 AEMC 2018 Retail Energy Competition Review, p. xii

43 AEMC 2018 Retail Energy Competition Review, p. xviii

44 Clean Energy Council *Clean Energy Australia Report 2018*, available at <http://apo.org.au/system/files/173956/apo-nid173956-783606.pdf>, p. 44.

45 Clean Energy Council *Clean Energy Australia Report 2018*, p. 18.

46 Clean Energy Council *Clean Energy Australia Report 2018*, p. 44.

47 Clean Energy Council *Clean Energy Australia Report 2018*, p. 45.

48 Clean Energy Council *Clean Energy Australia Report 2018*, p. 45.

1.11 AER outreach program

During the year, we engaged directly with customers at events around Australia. Our aim is to help consumers understand the market, access information resources, and identify how to find the best energy offer on EME.

These events are also an important stakeholder communication tool and help us to understand the challenges faced by customers when engaging in the market. We use the information gathered at these events in our EME redevelopment work, to identify gaps in regulation, and to inform our policy work.

Events we participated in this year include:

- Royal Queensland Show in Brisbane (in conjunction with the Department of Energy and Water Supply), August 2017
- Adelaide home show, October 2017
- Canberra home show, October 2017
- EWON Anti-poverty week
 - Penrith, October 2017
 - Wagga Wagga, November 2017
- Sydney Royal Easter Show (in conjunction with the Energy and Water Ombudsman New South Wales), March 2018
- Financial Counselling Australia conference, Hobart, May 2018
- South Australian Council of Social Service Disability and Essential Services Conference 2018 Conference, North Adelaide May 2018
- Council on the Ageing National Policy Forum, Canberra, June 2018.
- Financial Counselling Australia conference, Hobart, May 2018
- South Australian Council of Social Service Disability & Essential Services Conference 2018 Conference, North Adelaide May 2018
- Council on the Ageing National Policy Forum, Canberra, June 2018.



2. Energy retailer performance

Key points

- Tier 1 retailers reported deteriorated **call centre responsiveness** compared with last year
 - a smaller proportion of calls were taken within 30 seconds
 - customers experienced longer wait times, and
 - a greater proportion of calls were abandoned before being answered
- 3.2% of customers raised **complaints**.
- Tasmanian customers complained the most and customers in the ACT made the fewest complaints.
- Billing issues remain the top cause of complaints.

In this chapter, we examine a range of customer service indicators to assess how well retailers service their customers, including:

- customer service and call centre responsiveness
- customer complaints between each jurisdiction and by retailer

While price is important to customers, so too is good customer service. Customers need service from retailers for a range of reasons, including to make payment or ask about their bill, to seek payment assistance, to ask for a better deal, or to make a complaint about an issue with their service. The experience that customers have when they interact with their retailer is an important factor that shapes their level of confidence in the market.

In chapter 4 we present retailer report cards for the 10 largest retailers (by market share). These report cards detail current retailer performance across a range of indicators.

2.1 Customer service



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

- percentage of calls answered within 30 seconds
- average time before a call is answered⁵¹
- percentage of calls abandoned before being answered.

This year we have used a traffic light system to indicate how quickly retailers answer customer calls:

- Calls taken within 30 seconds: Green indicates the retailer answers 80% or more of customer phone calls within 30 seconds. In the following heatmap, shades of red indicate that on average the retailer answers calls within 30 seconds less than 50% of the time.
- Average wait time: Green indicates if the retailer answers the call in 30 seconds or less. Red indicates the retailer takes a minute or more to answer a call.
- Calls abandoned before being answered: Green indicates that 5% or less of customers abandoned their call. Shades of red indicate more than 10% of customers abandoned their call to the retailer before receiving assistance.

⁵¹ Where the retailer uses an automated or IVR telephone system, the time measured from when a customer chooses to speak to an operator. In all other cases, the time commences from when the call is received by the switchboard/IVR.

Table 2.1: Retailer customer service 2016–17 to 2017–18

	Calls taken within 30 seconds (%)			Average wait time (sec)			Calls abandoned before answered (%)		
	2016–17	2017–18	% change	2016–17	2017–18	Variance	2016–17	2017–18	% change
1st Energy	72	52	-27	39	52	13	9	6	-33
ActewAGL	53	42	-21	228	215	-13	8	18	114
AGL	85	78	-8	19	37	18	1	3	100
Alinta	73	69	-5	46	42	-5	4	5	15
amaysim/Click	70	49	-30	68	194	126	5	14	181
Aurora	73	75	2	21	20	-2	3	3	10
Blue NRG	66	89	34	7	12	5	2	5	158
CovaU	96	88	-8	0	17	17	1	2	107
Diamond Energy	100	100	0	0	0	0	0	0	-
Energy Locals	93	90	-3	8	19	11	1	8	1344
EnergyAustralia	79	69	-14	43	104	62	2	14	497
Enova Energy	70	44	-38	34	39	5	13	10	-20
Ergon	43	38	-13	116	130	15	6	5	-9
ERM Power	91	73	-20	11	17	5	1	1	8
Flow Systems	-	1	-	0	13	13	-	27	-
Locality Planning Energy	-	100	-	0	2	2	-	1	-
Lumo	90	78	-14	10	29	18	1	3	396
M2 (Dodo)	89	87	-2	41	29	-12	2	2	19
Metered Energy	100	100	0	8	10	1	0	0	-
Mojo Power	47	87	87	65	10	-55	15	7	-51
Momentum Energy	73	89	22	0	10	10	3	1	-64
Next Business Energy	91	94	2	14	15	1	0	1	1670
OC Energy	0	99	-	0	0	0	1	1	-19
Origin	72	59	-18	66	108	41	6	11	86
People Energy	92	93	1	60	77	18	2	2	27
Pooled Energy	98	86	-12	9	16	7	4	11	170
Powerdirect	77	89	16	33	19	-13	3	2	-37
Powershop	78	80	2	26	25	-2	1	4	154
Genergy	95	95	0	4	4	0	5	5	6
Real Utilities	-	84	-	0	5	5	-	2	-
Red Energy	58	51	-13	73	102	29	6	8	34
Sanctuary Energy	100	100	0	8	0	-8	0	0	94
Savant Energy Power Networks	92	88	-5	9	10	1	3	4	43
Simply Energy	82	82	1	30	34	4	2	2	-23
Tango Energy	98	98	-1	8	0	-8	2	0	-100

In 2017–18, more than half of energy retailers answered at least 80% of calls within 30 seconds and had average waiting times of less than one minute.

Tier 1 retailers each reported deteriorated call centre responsiveness relative to the previous year, with a smaller proportion of calls taken within 30 seconds, longer wait times, and a greater proportion of calls abandoned before being answered. EnergyAustralia's customers waited an average of one minute longer than they did in 2016–17. Origin's customers waited 40 seconds longer than they did the year before, waiting on average 108 seconds before being assisted by a call centre member. Similarly, EnergyAustralia and Origin's customers were among the most likely customers to abandon their call.

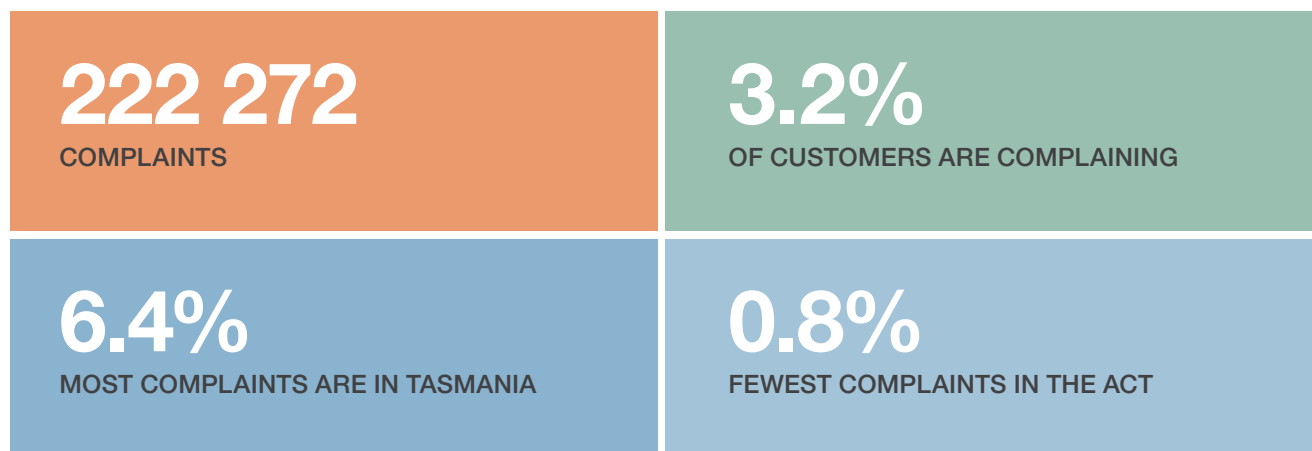
ActewAGL's customers waited an average of over three and a half minutes and, along with Ergon Energy's customers, continued to experience some of the longest call waiting times for the third year running. amaysim/Click's customers waited on average over three minutes, which is two minutes longer than the year before.

Mojo Power improved the most, with average call time decreasing by 55 seconds.

The South Australian Government requires retailers selling energy to small customers to meet minimum customer service standards (National Energy Retail (Local Provisions) Regulations).⁵² These are reported in appendix 5.

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

2.2 Complaints



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

- billing—including complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- energy marketing—including complaints about sales practices, advertising, contract terms and misleading conduct
- customer transfer—including complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- other complaints—including complaints about customer service, privacy issues, failure to respond to complaints, and health and safety issues.

From 1 January 2019 retailers will be also required to report the complaints they receive relating to smart meters.

We have included residential and small business, gas and electricity customers in our complaints analysis. In our analysis of the proportion of complaints⁵³ we have compared complaints relative to electricity households/premises only. Given nearly all gas customers also purchase electricity we do not include gas premises in our analysis.

The main cause of customer complaints across the jurisdictions is billing related issues. The next area of concern for customers is incorrect transfers or problems with transfers.

While the data in Figure 2.1 may indicate that there has been a substantial reduction in the number of complaints in Queensland, South Australia, New South Wales and the ACT in 2017–18, these trends are impacted by the changes Origin made to its complaint recording methodology late in 2016–17, to correct over-capture of complaints.

The change in Origin's complaint recording resulted in a significant reduction in the number of complaints it recorded this year relative to 2016–17, however if Origin Energy is removed from jurisdictional totals, each jurisdiction has recorded a slight increase in the proportion of customers contacting their retailer to resolve issues.

Origin's complaint recording changes do not affect trends recorded in Tasmania where Origin does not have any customers. Tasmania continued its upward trend in complaints from 2016–17 and now records the highest complaint rate across the jurisdictions. More than 6% of Tasmanian customers lodged energy related complaints in 2017–18. This upwards trend coincides with an increasing proportion of Tasmanian customers repaying debt, a main driver of customer complaints.

53 Both on a per jurisdiction basis in Figure 2.1 and on a per retailer basis in Table 2.2

Customers in the ACT lodged the fewest complaints with their retailer, at less than 1% of customers.

Figure 2.1: Complaints to retailers 2016–17 to 2017–18

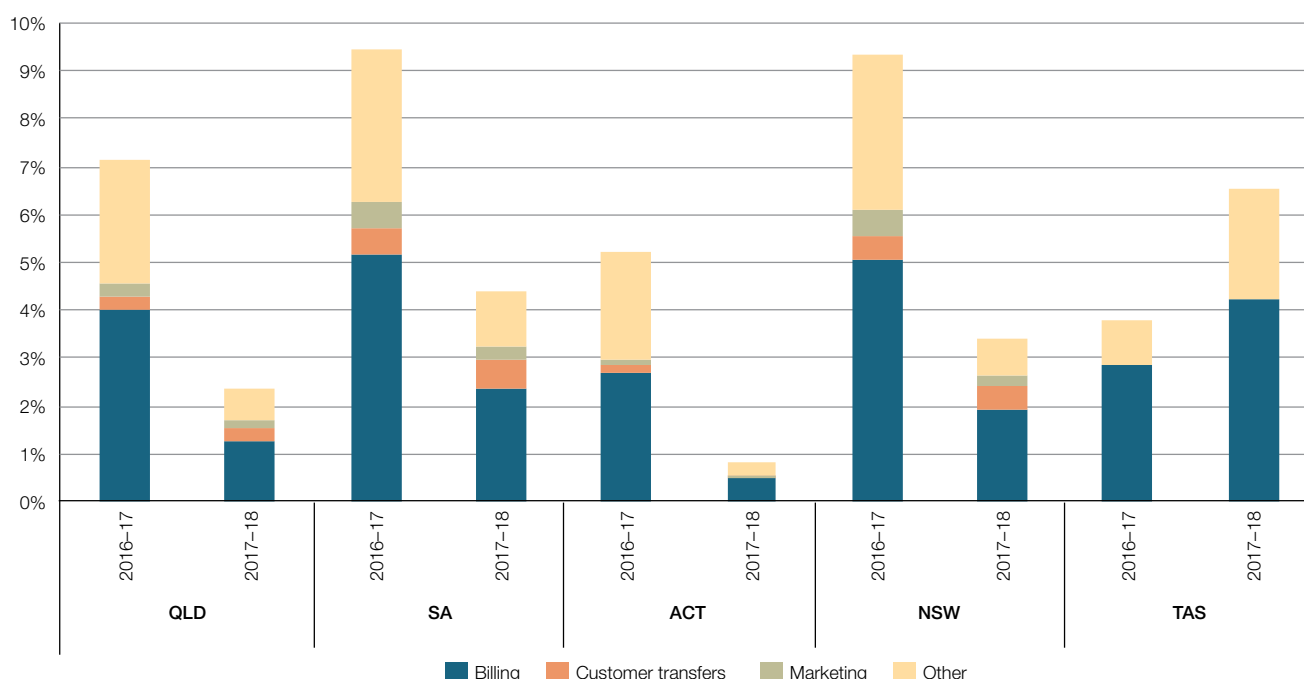


Table 2.2⁵⁴ compares the level of complaints made by customers to each retailer with complaints that escalate to each jurisdictional Ombudsman scheme. This illustrates how effectively retailers in each jurisdiction respond to customer complaints. Given the high proportion of complaints that escalate to Ombudsmen schemes for further intervention and assistance, the results indicate many retailers are inadequately resolving their customers' concerns.

We acknowledge that a range of issues may be presented by customers to energy retailers. Some of the complaints may not be directly attributable to the retailer: such as supply issues. As evidenced in chapter 3 (Payment difficulties and hardship) more customers are reaching out to retailers because of difficulty making payment. Dissatisfaction will increase when a retailer is not able to address and resolve a customer's concerns in a satisfactory and timely way.

Retailers with effective customer service should be able to promptly resolve customer complaints when they receive them. Often, such complaints do not need to be escalated or referred elsewhere to be resolved. In situations where the retailer does not resolve or satisfactorily deal with a customer's complaint, the customer can contact the energy Ombudsman in their state or territory for further assistance.

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

54 We have analysed complaints per retailer based on the retailer's residential and small business customer numbers combined.

Table 2.2: Complaints to retailers and ombudsmen 2016–17 to 2017–18

	Complaints to retailer				Complaints to Ombudsman	
	2016–17	as a % of customers	2017–18	as a % of customers	2017–18	as a % of complaints to retailer
Qld						
1st Energy	0	-	61	1.9	56	91.8
AGL	12 235	3.2	16 657	4.7	1401	8.4
Alinta	2	100.0	2543	1.9	496	19.5
amaysim/Click	614	1.0	1048	2.2	960	91.6
Diamond Energy	8	0.1	12	0.2	11	91.7
Energy Locals	0	0.0	54	3.5	9	16.7
EnergyAustralia	1875	1.6	1996	1.8	558	28
Ergon	6831	1.0	3950	0.6	863	21.8
ERM Power	0	0.0	1	0.4	0	0
Flow Systems	0	-	1	0.4	0	0
Locality Planning Energy	112	1.4	120	0.8	25	20.8
Lumo	1182	17.3	156	6.5	58	37.2
M2 (Dodo)	316	1.8	226	1.8	53	23.5
Metered Energy	2280	20.3	1269	10.7	0	0
Mojo Power	55	3.1	55	6.7	33	60
Momentum Energy	0	0.0	2	7.4	1	50
Next Business Energy	0	0.0	1	1.0	0	0
OC Energy	0	0.0	2	0.3	0	0
Origin	122 867	16.6	16 851	2.5	2094	12.4
People Energy	7	4.6	13	10.7	5	38.5
Powerdirect	1192	5.8	535	3.6	144	26.9
Powershop	14	0.4	30	0.6	29	96.7
Qenergy	101	1.7	184	3.7	37	20.1
Red Energy	388	0.8	2660	5.5	194	7.3
Sanctuary Energy	24	2.3	15	1.2	18	120
Savant Energy Power Networks	0	0.0	0	0.0	0	-
Simply Energy	376	6.7	1739	10.6	129	7.4
Total Qld	150 479	7.1	50 181	2.3	7174	14.3
SA						
AGL	12 732	3.5	15 441	4.5	2767	17.9
Alinta	1767	4.4	2302	4.0	875	38
amaysim/Click	71	1.8	153	2.6	155	101.3
Aurora	0	0.0	0	0.0	3	-
Blue NRG	0	0.0	0	0.0	6	-
Diamond Energy	6	1.0	16	0.8	33	206.3
Energy Locals	0	-	0	0.0	0	-
EnergyAustralia	2534	3.1	2484	3.4	984	39.6

ERM Power	7	1.8	2	0.7	2	100
Lumo	1155	2.7	1226	3.4	407	33.2
M2 (Dodo)	198	3.1	242	4.1	78	32.2
Momentum Energy	54	0.6	135	1.9	57	42.2
Next Business Energy	0	0.0	0	0.0	0	–
Origin	53 441	27.4	8702	3.9	1932	22.2
People Energy	0	0.0	5	31.3	4	80
Powerdirect	1128	5.4	875	3.9	310	35.4
Qenergy	11	4.2	12	4.1	6	50
Red Energy	44	1.4	228	5.1	26	11.4
Sanctuary Energy	7	1.8	6	1.7	3	50
Savant Energy Power Networks	14	1.1	24	1.5	13	54.2
Simply Energy	3989	4.9	5793	7.1	936	16.2
Tango Energy	0	0.0	0	0.0	1	–
Winenergy	0	0.0	0	0.0	0	–
Total SA	77 158	9.1	37 646	4.4	8598	22.8
ACT						
ActewAGL	5669	3.5	823	0.5	414	50.3
AGL	0	-	1	-	0	0
Alinta	1	-	2	-	0	0
EnergyAustralia	88	1.5	131	1.9	33	25.2
ERM Power	0	0.0	0	0.0	0	–
Momentum Energy	0	-	0	0.0	0	–
Next Business Energy	0	0.0	0	0.0	0	–
Origin	3569	31.0	531	3.5	69	13
Powerdirect	1	0.8	3	3.0	0	0
Red Energy	0	0.0	0	0.0	0	–
Simply Energy	2	7.4	11	21.2	0	0
Total ACT	9330	5.2	1502	0.8	516	34.4
NSW						
1st Energy	188	1.6	426	3.7	330	77.5
ActewAGL	844	2.9	306	1.0	204	66.7
AGL	42 985	5.5	45 050	5.6	3959	8.8
Alinta	791	2.3	2254	3.0	649	28.8
amaysim/Click	497	1.4	1180	2.5	1123	95.2
Blue NRG	3	0.1	6	0.1	37	616.7
CovaU	122	1.8	132	1.7	128	97
Diamond Energy	23	0.5	10	0.3	13	130
Energy Locals	0	0.0	58	1.5	8	13.8
EnergyAustralia	18 916	1.9	18 772	1.9	4965	26.4
Enova Energy	31	1.2	190	4.3	9	4.7
ERM Power	51	1.5	18	0.6	23	127.8
Locality Planning Energy	2	0.9	1	0.2	0	0
Lumo	688	18.4	148	9.8	47	31.8

M2 (Dodo)	854	2.3	649	1.9	158	24.3
Mojo Power	188	4.0	159	5.4	106	66.7
Momentum Energy	80	0.6	187	1.6	86	46
Next Business Energy	43	1.0	57	1.6	40	70.2
OC Energy	2	0.1	24	0.7	13	54.2
Origin	238 437	20.5	31 799	2.8	5277	16.6
People Energy	5	0.9	25	5.3	19	76
Pooled Energy	9	3.9	4	0.8	1	25
Powerdirect	1153	5.5	498	2.9	196	39.4
Powershop	100	0.3	105	0.3	199	189.5
Qenergy	126	2.5	285	4.7	60	21.1
Real Utilities	0	-	0	0.0	0	-
Red Energy	4616	2.7	10 539	5.2	927	8.8
Sanctuary Energy	62	2.5	36	2.0	47	130.6
Savant Energy Power Networks	0	0.0	0	0.0	0	-
Simply Energy	1900	5.6	2427	7.2	325	13.4
Winenergy	0	-	14	1.7	0	0
Total NSW	312 716	9.2	115 359	3.3	18 949	16.4
Tas						
Aurora Energy	10135	3.7	17 583	6.4	166	0.9
ERM Power	3	1.8	1	0.6	0	0
Total Tas	10 138	3.7	17 584	6.4	166	0.9



3. Payment difficulties and hardship

Key points

- **Debts** have increased for residential customers and small business customers.
- Numbers of residential customers on **payment plans** have decreased. More than half of all payment plans for residential customers were cancelled by retailers.
- Fewer small business gas customers are in debt.
- Increased numbers of small business electricity customers are in debt.
- More electricity and gas customers are being placed on **hardship programs** and electricity debt at the time of entry into hardship programs is increasing.
- Fewer people are successfully exiting hardship programs and more people are being excluded from hardship programs.
- Electricity and gas **disconnections** continue to rise.

In this chapter, we provide a detailed analysis of how retailers have managed their vulnerable customers experiencing payment difficulties this year.

We examine:

- customer debt levels
- payment plans
- hardship
- disconnections
- concessions

We include small business customers in our analysis.

Many customers may find they need short-term assistance from a retailer because they cannot pay their energy bills in full by the due date. These customers should be placed on payment plans so that they may make regular instalments towards an energy debt and ongoing bills.

Although proportionally fewer residential customers are incurring debts, we are concerned by the increasing size of debt that electricity and gas customers are bearing. We encourage customers to be proactive in seeking out assistance from retailers as soon as possible so that they may limit the accrual of energy debt and manage their ongoing energy costs.

Energy retailers are required to develop and maintain a customer hardship policy, which sets out their approach to identifying and assisting customers having trouble paying their energy bills. This is a key protection under the NERL⁵⁵.

Retailers can offer customers support through their hardship program and the assistance may extend to reviewing market contracts, applying appropriate concessions and energy rebates, tailoring payment plans, establishing Centrepay, making referrals to financial counselling, giving energy efficiency advice, and waiving late payment fees. Customers on hardship programs cannot be disconnected while they continue to meet agreed payment arrangements.

Over the last year we have seen an increasing proportion of electricity customers on hardship programs. These customers are joining hardship programs with increasing levels of debt and are increasingly being excluded from hardship programs.

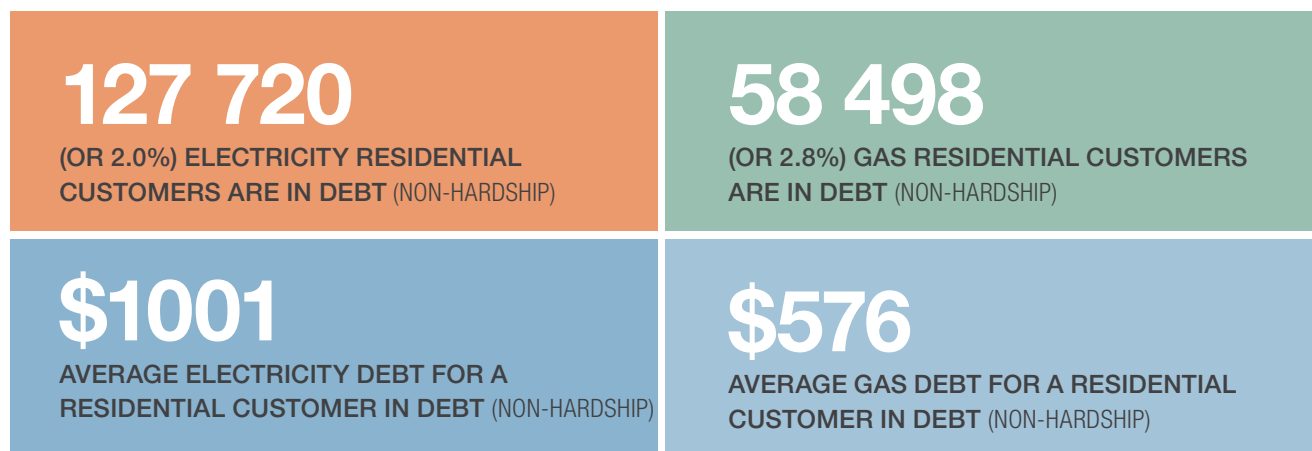
When a customer and a retailer fail to enter into and maintain a suitable payment plan or hardship program agreement, a customer may be disconnected. Disconnections are a last resort and should only be considered when all avenues to engage with a customer have been exhausted.

We have also seen a rise in disconnections in 2017–18.

As outlined in this chapter, rising debt levels, increased cancellation of payment plans by retailers, and increased disconnections evidence the ongoing challenges for customers facing payment difficulties.

55 National Energy Retail Law, s. 43.

3.1 Debt levels



Energy bill debt is defined as an amount a customer owes to a retailer, which has been outstanding for 90 days or more. This debt is an indicator of the overall affordability of energy and how quickly and effectively retailers are assisting their customers.

Although fewer customers are accessing payment plans, the amount of debt associated with customer accounts is increasing.

Accumulating and aging energy debt is a signal to a retailer that a customer is experiencing payment difficulties. Retailers can offer assistance such as payment plans to customers experiencing payment difficulties, and should also confirm whether customers are on the best available tariff and are not being disadvantaged by pay-on-time discounts not being applied to late payments. In some instances, customers may be best assisted by being placed on a hardship program that is actively managed by the retailer. Customers should always contact their retailer to discuss their options if they are having difficulty paying their bill.

3.1.1 ELECTRICITY DEBT—RESIDENTIAL

There has been a significant increase in the amount of average electricity debt residential customers are accruing (excluding hardship program customers). The amount of debt has increased steadily over the past three financial years across almost all jurisdictions.

Customers in South Australia are affected the most. The average electricity debt increased in South Australia by \$586 from 2016–17 when the average electricity debt was \$938. The average electricity debt is now \$1524.

In Tasmania, the average amount of electricity debt for customers (excluding hardship program customers) increased slightly, by 3%, from the previous financial year.

In 2015–16, non hardship customers across the all jurisdictions had average electricity debt between about \$500 and \$830. This year the average debt for customers rose significantly to between about \$730 and \$1525.

Customers experiencing ongoing payment difficulty who have been provided with assistance via a retailer's hardship program also experienced an increased average electricity debt at the time of entry to the hardship program (except for those customers in New South Wales and Tasmania where this decreased by \$92 and \$145 respectively).

Over the last year average electricity debt of customers on entry to a hardship program increased between about \$80 and \$140 for customers in the ACT, South Australia and Queensland.

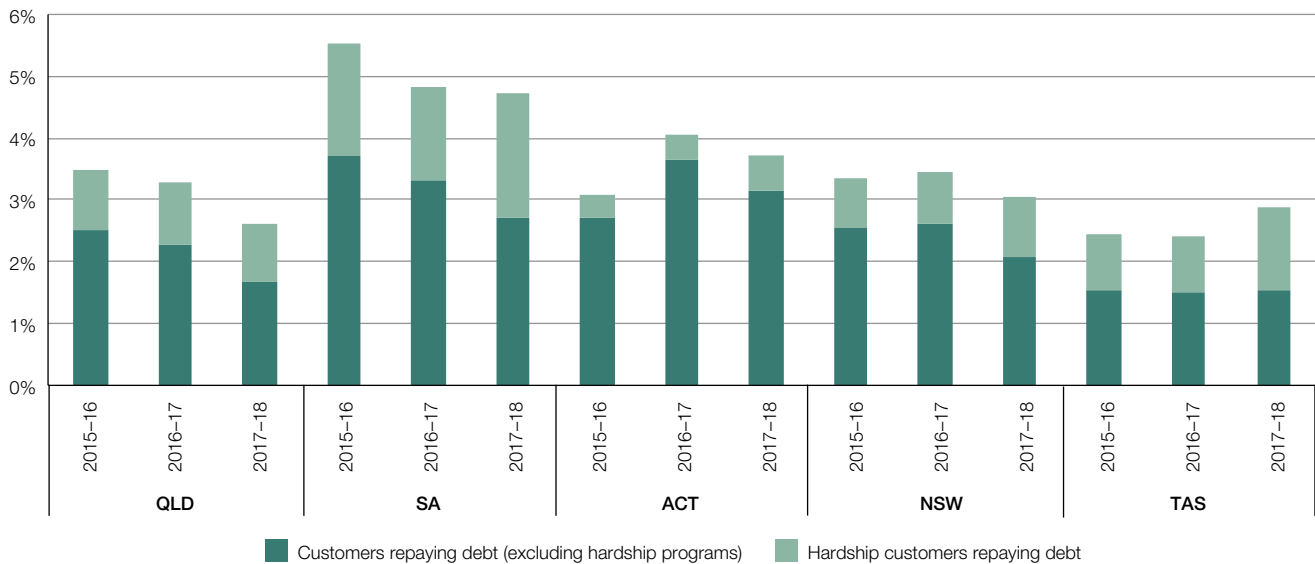
Figure 3.1: Average debt of residential electricity customers and at entry to hardship 2015–16 to 2017–18



Notably, the proportion of customers repaying electricity debt is decreasing in most jurisdictions (except for Tasmania where it remained steady). The proportion of customers repaying electricity related debt decreased in Queensland from 2.3% to 1.7%, in and New South Wales from 2.6% to 2.1%.

Across the jurisdictions the proportion of all customers in debt has decreased from 2.6% to 2.0% (excluding those in hardship).

Figure 3.2: The proportion of residential electricity customers repaying debt 2015–16 to 2017–18



While there are less customers repaying debt, the amount of debt those customers are paying is increasing, which signals that electricity is less affordable for some. Given that the average debt at time of entry to a hardship program is also increasing, retailers could do more to proactively identify customers experiencing payment difficulty and work with them to provide a range of assistance.

Table 3.1: Residential electricity customer debt 2015–16 to 2017–18

	Proportion of non hardship customers in debt			Average non hardship debt		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
QLD	2.5%	2.3%	1.7%	\$502.28	\$580.14	\$729.62
SA	3.7%	3.3%	2.7%	\$727.72	\$938.23	\$1524.40
ACT	2.7%	3.7%	3.2%	\$833.09	\$775.78	\$886.09
NSW	2.6%	2.6%	2.1%	\$553.13	\$682.10	\$992.91
TAS	1.6%	1.5%	1.5%	\$739.00	\$756.00	\$776.00
Total	2.7%	2.6%	2.0%	\$580.40	\$699.68	\$1001.47

3.1.2 GAS DEBT—RESIDENTIAL

There has been a significant increase in the average amount of gas debt residential customers are accruing (excluding hardship program customers). The amount of this debt has increased steadily over the past three financial years, across almost all jurisdictions.

South Australian customers experienced the greatest increase in average gas debt at \$149, up from \$426 to \$575 between 2016–17 and 2017–18. However, customers in the ACT had the highest amount of average gas debt at \$629.

The average amount of energy debt for ACT customers (excluding hardship program customers) remained largely steady, increasing 1% from the previous year.

In 2017–18, the average gas debt for residential customers sat between about \$400 and \$630. This is significantly higher than 2015–16, where average debt was between \$320 and \$440.

Many customers experiencing ongoing payment difficulty who have been provided with assistance via a retailer's hardship program entered the hardship program with more debt than if they had entered the program the year before (except for those customers in the ACT and New South Wales where this decreased by 19% and 8% respectively).

The average gas debt of a customer on entry to a hardship program increased about \$20 in South Australia and about \$100 in Queensland.

Across the jurisdictions, the average gas debt at entry to a hardship program is between \$528 in Queensland and \$1449 in the ACT.

Figure 3.3: Average debt of residential gas customers and at entry to hardship 2015–16 to 2017–18

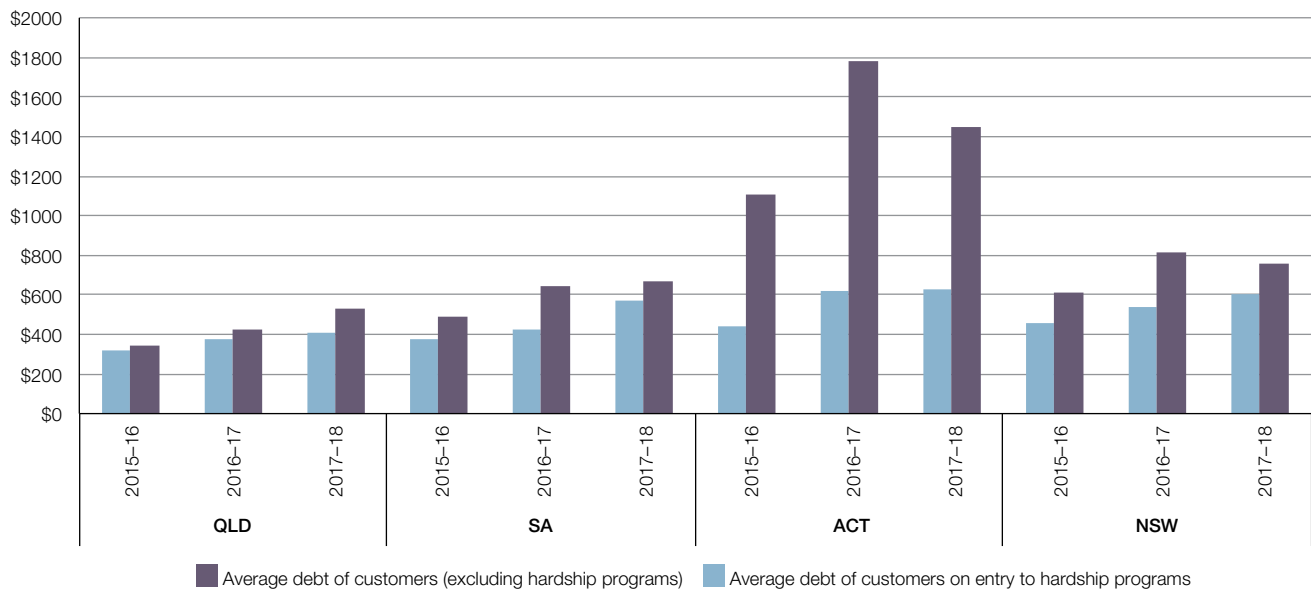
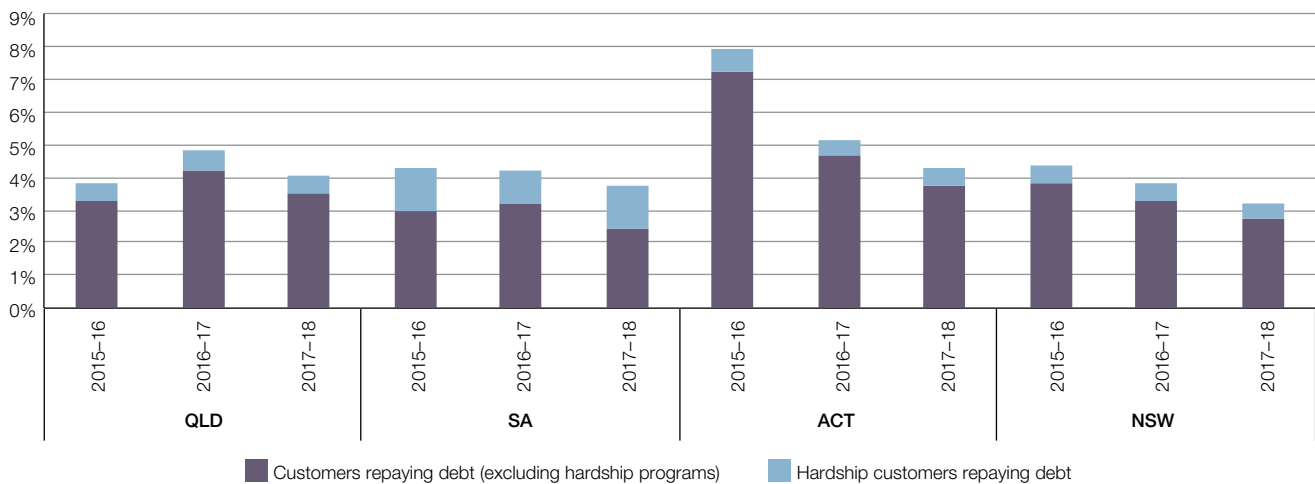


Figure 3.4: The proportion of gas customers repaying debt 2015–16 to 2017–18



The number of customers repaying gas debt is decreasing in all jurisdictions. The decreases are significant with the proportion of customers repaying debt dropping from 3.3% to 2.8% in New South Wales and from 3.2% to 2.4% in South Australia. It is reassuring to see that the number of customers repaying gas related debt (like those repaying electricity debt) has decreased significantly in all jurisdictions to between 2.4% and 3.8%.

As with electricity debt, it is possible to interpret this decrease in the number of people with debt as a positive indicator, but since the amount of debt those customers are paying is increasing, it signals that gas is continuing to be less affordable for some.

Table 3.2: Residential gas customer debt 2015–16 to 2017–18

	Proportion of non hardship customers in debt			Average non hardship debt		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
QLD	3.3%	4.2%	3.5%	\$322.54	\$372.79	\$406.47
SA	3.0%	3.2%	2.4%	\$378.20	\$425.85	\$574.73
ACT	7.2%	4.7%	3.8%	\$441.85	\$622.86	\$628.75
NSW	3.8%	3.3%	2.8%	\$453.44	\$535.75	\$600.52
Total	3.8%	3.4%	2.8%	\$429.62	\$502.98	\$576.24

3.1.3 SMALL BUSINESS DEBT

Small businesses also carry energy debt. The overall number of small businesses experiencing electricity debt has increased but has decreased for gas. Consistent with the trend in the residential market segment, fewer small businesses are in gas debt, although average gas debt tends to be higher than electricity debt.

When compared with last year across all jurisdictions the experience of small businesses with energy debt has varied:

- Electricity debt has increased by as much as about \$270 in Queensland and decreased by as much as \$450 in Tasmania.
- Gas debt has increased by as much as \$470 in South Australia and decreased by as much as \$260 in New South Wales.
- In Tasmania, electricity debt has more than halved, dropping from an average of \$867 to \$416.
- In New South Wales, gas debt has decreased from \$2553 to \$2291 but more small businesses are in debt in New South Wales than anywhere else (3.8% of electricity customers and 5.8% of gas customers).
- Queensland small businesses have seen a 16% increase in the average electricity debt to \$1996 and a 35% increase in average gas debt to \$1258.

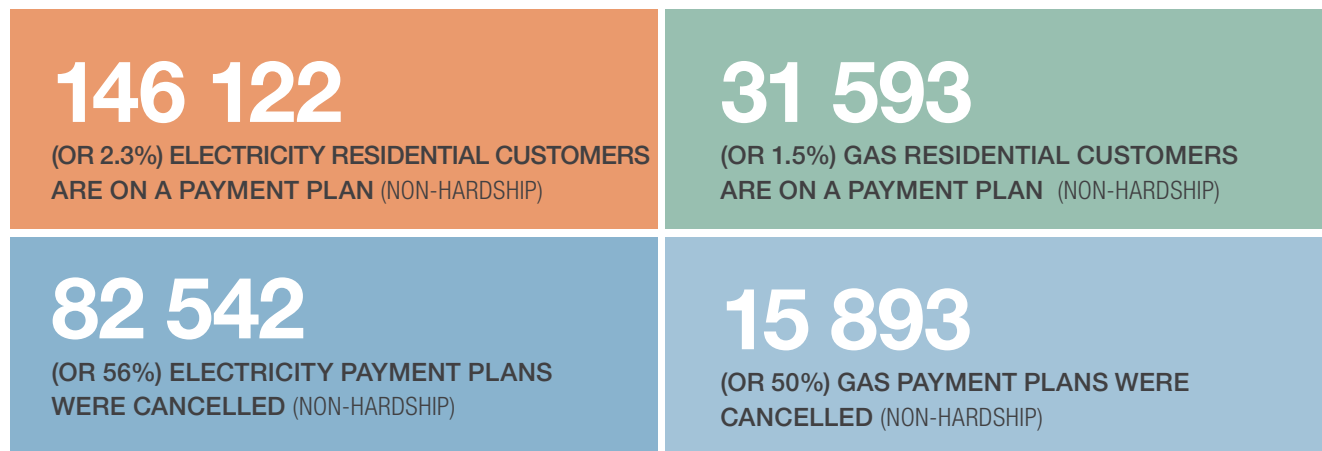
Table 3.3: Small business electricity customer debt 2015–16 to 2016–17

	Proportion of small business customers in debt			Average debt		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
QLD	2.1%	1.8%	1.5%	\$1639.03	\$1721.30	\$1995.57
SA	3.4%	3.3%	3.6%	\$1441.15	\$1595.48	\$1634.61
ACT	3.0%	3.7%	3.0%	\$1157.53	\$1199.50	\$1129.88
NSW	3.3%	3.0%	3.8%	\$1666.69	\$1966.71	\$1809.39
TAS	0.5%	0.5%	0.5%	\$885.00	\$867.36	\$416.43
Total	2.8%	2.5%	2.9%	\$1603.14	\$1815.32	\$1781.53

Table 3.4: Small business gas customer debt 2015–16 to 2016–17

	Proportion of small business customers in debt			Average debt		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
QLD	4.1%	5.0%	3.0%	\$833.96	\$933.15	\$1258.21
SA	4.7%	4.8%	3.7%	\$1586.20	\$1251.85	\$1727.39
ACT	6.5%	7.1%	4.0%	\$3724.05	\$3193.37	\$3505.60
NSW	6.6%	7.6%	5.8%	\$2099.60	\$2552.70	\$2290.82
Total	5.8%	6.6%	4.9%	\$1939.53	\$2195.33	\$2129.62

3.2 Payment plans



Often, as customers experience payment difficulties they are placed on a payment plan to manage their energy debt. With fewer customers accruing energy debt, fewer customers accessed payment plans this year, and the overall number of customers on a payment plan decreased from 2.5% to 2.3% for electricity and from 1.6% to 1.5% for gas.

We do not collect data from retailers about why a payment plan is cancelled but the most likely reason a retailer will cancel a payment plan is that the customer fails to make the required payments in the required timeframes. When a payment plan is cancelled the customer returns to a normal billing and debt collection cycle, which may lead to disconnection. The customer may be provided with a further opportunity to re-establish a payment plan or potentially engage with a hardship program.

Table 3.5 demonstrates that, although there are still 2.3% of residential electricity customers on payment plans overall, about 56% of payment plans were cancelled during the year. This compares with 37% of payments plans cancelled the previous year. This highlights an area warranting further attention.

Among residential gas customers, 1.5% of customers were on a payment plan this financial year, a decrease from 1.6% on the previous year. About half of those customers had their payment plans cancelled, which is a significant increase from 27% of cancelled payment plans in the previous year.

Table 3.5: Residential electricity customers and payment plans 2016–17 to 2017–18

Electricity	2016–17			2017–18			Change in payment plans from 2016–17 to 2017–2018	Change in cancelled payment plans from 2016–17 to 2017–18
	Payment plans	% of customers on payment plans	% of payment plans cancelled	Payment plans	% of customers on payment plans	% of payment plans cancelled		
QLD	43 273	2.2%	61.6%	38 843	2.0%	85.4%	-12.4%	38.7%
SA	19 459	2.6%	31.2%	20 721	2.7%	50.3%	5.1%	61.2%
ACT	1172	0.7%	56.8%	1473	0.9%	91.9%	22.7%	61.8%
NSW	88 483	2.9%	25.5%	82 288	2.6%	44.6%	-8.7%	74.9%
TAS	2419	1.0%	34.0%	2797	1.2%	30.3%	14.3%	-11.0%
TOTAL	154 806	2.5%	36.7%	146 122	2.3%	56.5%	-7.4%	53.9%

Table 3.6: Residential gas customers and payment plans 2016–17 to 2017–18

Gas	2016–17			2017–18			Change in payment plans from 2016–17 to 2017–18	Change in cancelled payment plans from 2017–18 to 2017–18
	Payment plans	% of customers on payment plans	% of payment plans cancelled	Payment plans	% of customers on payment plans	% of payment plans cancelled		
QLD	2465	1.3%	33.9%	3728	2.0%	44.4%	48.8%	31.0%
SA	7496	1.8%	33.5%	7154	1.7%	52.3%	-6.1%	55.8%
ACT	844	0.7%	37.3%	919	0.8%	101.1%	5.3%	170.9%
NSW	21 619	1.7%	23.7%	19 792	1.5%	48.3%	-11.8%	104.4%
TOTAL	32 424	1.6%	27.1%	31 593	1.5%	50.3%	-5.5%	85.8%

Many retailers have signed up to the Sustainable Payment Plans Framework (SPPF), which is intended to improve the quality of capacity-to-pay conversations while still allowing flexibility and encouraging retailers to offer extra assistance to customers. It aims to achieve better outcomes by helping customers and retailers agree to payment plans that are affordable and sustainable.⁵⁶

This year saw fewer customers on payment plans, energy debt increasing for those customers, and an increase in customers on formal hardship programs. This data indicates that retailers may be assessing customers as requiring hardship assistance rather than placing them on payment plans, as had been the trend in previous years.

3.2.1 PAYMENT METHODS

Customers in hardship may make payments via a range of different methods. By establishing an automated payment, such as Centrelink's Centrepay system, many customers find making regular payments easier to manage.

Table 3.7: Payment methods for customers in hardship in 2017–18

	Electricity			Gas		
	Payment plans	Centrepay	Other	Payment plans	Centrepay	Other
QLD	71.8%	20.8%	7.4%	74.6%	21.8%	3.6%
SA	71.4%	26.5%	2.1%	64.5%	27.7%	7.9%
ACT	62.9%	36.7%	0.4%	69.3%	30.4%	0.3%
NSW	67.3%	30.9%	1.9%	67.0%	28.7%	4.4%
TAS	54.0%	46.0%	0.0%			
Total	68.8%	27.8%	3.4%	66.7%	27.8%	5.6%

⁵⁶ In 2017–18 three new retailers (Energy Locals, Alinta Energy, and amaysim (trading as Click Energy)) adopted the SPPF, bringing the total number of retailers who have signed up to the framework to 17 retailers.

3.2.2 RETAILER INNOVATION AND NEW TECHNOLOGIES TO ASSIST CUSTOMERS

As new technologies are introduced to the market, there are increasing opportunities for retailers to be innovative in the services they offer their customers.

While the NERL requires retailers to have a hardship policy, most retailers offer options beyond their legal obligations. As well as bill smoothing (averaging bill payments over weekly or fortnightly payments) and a wide range of payment options, some retailers are broadening their payment options to incorporate other payment platforms as they rise in popularity. Simply Energy offers payments through PayPal⁵⁷ and AGL provides an option to pay via response to an SMS prompt.⁵⁸

As the expansion of smart and digital metering options continues, retailers will be able to offer more services to respond to usage monitoring and enhance customer understanding and behaviours relating to energy efficiency. These retailers have taken innovative steps to assist customers:

- ActewAGL has held free energy saving workshops, to help customers lower their bills by being more energy efficient.⁵⁹
- COzero Energy⁶⁰, Ergon Energy⁶¹, and Next Business Energy⁶² make use of cloud-based and other online systems providing detailed data analytics on usage, budgeting options with usage alerts, or real-time usage and cost information.
- AGL⁶³, ERM Power Retail⁶⁴, and Mojo Power⁶⁵ use mobile phone applications with usage monitoring and alerts, bill projections and spend monitoring, or demand management options.

Other innovations in the market include Aurora Energy's trials and planned upgrades to its existing prepaid metering to incorporate usage monitoring and online functionality⁶⁶, as well as Mojo Power's EnergyPass plan to give customers access to rates with 0% retail mark-up for a flat fee⁶⁷.

57 Simply Energy, Payment options, available at <https://www.simplyenergy.com.au/home/billing-payments/payment-options/>.

58 AGL, Billing and payment options, available at <https://www.agl.com.au/help/payments-billing/bill-payment-options>.

59 ActewAGL, Energy saving workshops, available at <https://www.actewagl.com.au/save-energy/energy-saving-tips-and-checklists/workshops.aspx>.

60 <https://www.cozero.com.au/products-services/>

61 Ergon Energy, HomeSmart savvy, available at <https://www.ergon.com.au/retail/residential/account-options/digital-meters/get-homesmart-savvy>.

62 Next Business Energy, Control over your energy management, available at <https://nextbusinessenergy.com.au/next-connect/>.

63 AGL, Wondering about your energy usage, available at <https://www.agl.com.au/help/managing-my-account/agl-energy-app>.

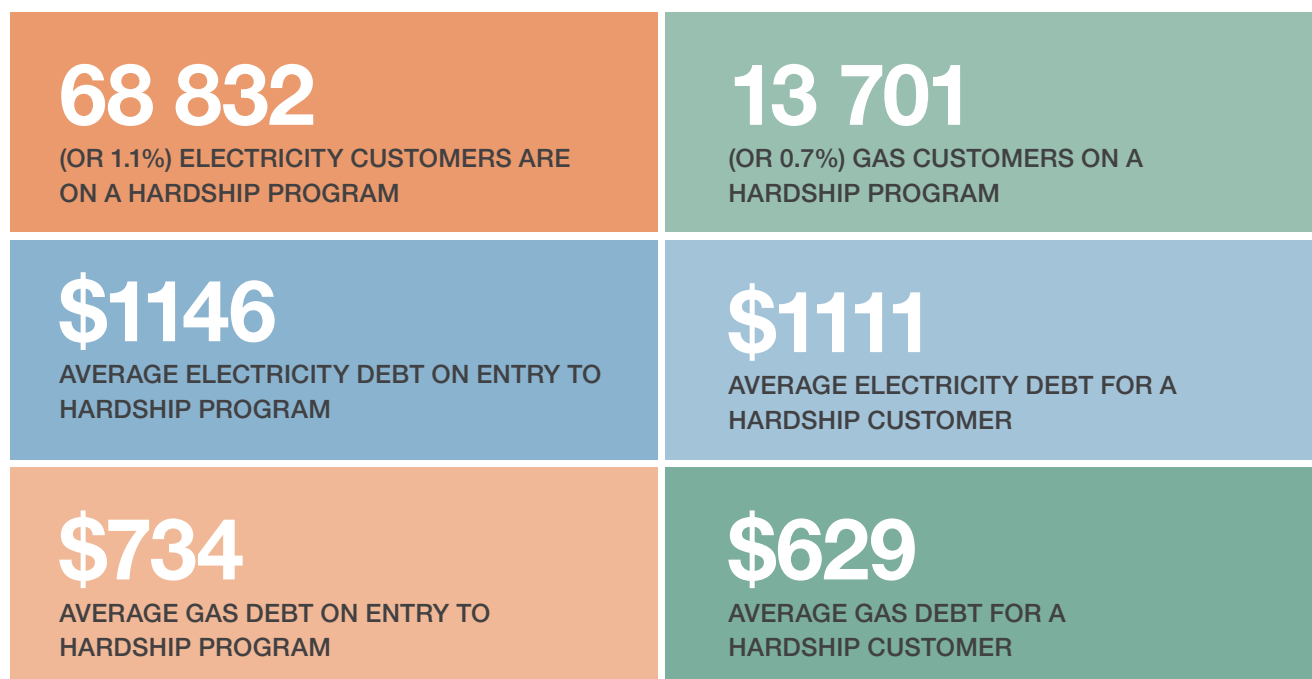
64 ERM Power, ERM Power app, available at https://ermpower.com.au/wp-content/uploads/2018/07/erm_power_Mobile_App.pdf.

65 Mojo Power, How to use Mojo's mobile app, available at <https://www.mojopower.com.au/faq/how-to-use-mojos-mobile-app/>.

66 Aurora Energy, Media release, available at <https://www.auroraenergy.com.au/Aurora/media/pdf/media-release/Aurora-Energy-moves-to-limit-Aurora-PAY-AS-YOU-GO-price-increases.pdf>.

67 Mojo Power, Search results, available at <https://www.mojopower.com.au/faq/what-is-an-energypass-2/>.

3.3 Hardship



Hardship programs provide the most appropriate form of assistance to eligible customers when they find themselves overwhelmed by payment obligations—that is, they cannot meet a standard payment plan arrangement because they lack the capacity to pay an energy debt in addition to ongoing bills. These customer circumstances may be short or long term.

Hardship programs offered by retailers mostly include a range of assistance options in line with the NERR but many offer a range of other forms of assistance. Some retailers have advised us that they are working on early identification of hardship customers, which means these retailers are better placed to offer hardship assistance to customers when they have a lower amount of debt accrued and the debt has not aged significantly. This gives the customer the best opportunity to manage their energy debt.

Not all retailers require a customer to provide personal or financial information to enter them into a payment plan. This year, some retailers told us that they are encouraging participation in their credit and hardship program without requiring the customer to share their personal (and potentially invasive) information. This may lead to more customers engaging with retailer hardship programs.

From 1 January 2019, our retail performance reporting will include an expanded set of hardship related indicators to help us understand how customers are moving through retailer hardship programs. We will then be able to report on the impact of debt on customers in a more comprehensive way.

3.3.1 IDENTIFYING CUSTOMERS IN HARDSHIP

Retailers are required to identify customers who may need assistance via a hardship program and the following circumstances are key to recognising who might benefit from tailored support:

- a prolonged change in personal circumstances, like a loss or decrease in employment
- difficulty meeting payments, irregular or sporadic payments, or partial payments
- a history of broken payment arrangements
- a relationship breakdown or change of home circumstances
- a death in the family
- an unexpected one-off expense

- repeated reminder or multiple disconnection warning notices
- receipt of a higher than expected bill
- being contacted by a financial counsellor or a representative acting on behalf of the customer
- self-identification from a customer requesting assistance from the retailer.

3.3.2 ASSISTANCE OFFERED VIA A HARDSHIP PROGRAM

Once a customer can access the hardship program, the retailer can offer a range of assistance, including:

- reviewing the customer's contract to see whether there is a better or lower offer available
- applying appropriate concessions and energy rebates
- tailoring a payment plan depending on the customer's capacity to make payments
- establishing Centrepay as a payment method
- referring the customer to a financial counselling service
- offering energy efficiency advice over the phone, an on-site energy audit, or the use of a 'plug-in' energy monitoring device
- accessing appliance replacement programs to help reduce usage caused by a high energy appliance
- waiving late payment fees
- offering incentive payments where the retailer matches a number of customer payments. For example, for every three consecutive fortnightly payments, the retailer may credit the customer's account to the same value.

Customers on hardship programs will not be disconnected while they continue to meet agreed payment arrangements. These payment arrangements are often calculated by spreading the payment of arrears over one to 24 months and then adding in ongoing usage costs. However, this can be difficult for a customer to maintain if the arrears or usage is particularly high. In some circumstances, retailers may allow a customer to make payments that are less than their ongoing costs (or do not take into account arrears).

Regular reviews, often every three months, help both the retailer and the customer determine and reassess appropriate payment plans. Some retailers use online 'live chat' to encourage communication if the customer prefers this. Other retailers may offer a single point of contact for the customer, to help them communicate with the retailer. The aim is for customers to remain engaged with the retailer, work towards reducing debt, and ultimately successfully transition out of a formal hardship program to a regular bill cycle.

STRENGTHENING PROTECTIONS FOR CUSTOMERS IN FINANCIAL HARDSHIP⁶⁸

Energy affordability is a significant issue for many Australian households. Customers are entitled to assistance from a retailer if they are having trouble with their energy bills and we are working to ensure this happens.

Under the NERL, a retailer must maintain and implement a customer hardship policy to protect its residential customers.

We continue to monitor retailers' compliance with their hardship obligations to ensure they are meeting their obligation to hardship customers.

Customers adhering to agreed repayment plans or participating in hardship programs cannot be disconnected.

In November 2017, we took action against Origin Energy for allegedly wrongfully de-energising the premises of a vulnerable customer after failing to offer him hardship assistance. Origin Energy paid [penalties of \\$40 000](#).

In 2018, we audited the hardship policies of selected retailers and investigated potential breaches of hardship and disconnection requirements. We also proposed a rule change request to the AEMC that will ensure the hardship protections in law are applied consistently across the industry.

⁶⁸ AER, Strengthening protections for customers in financial hardship, available at <https://www.aer.gov.au/news-release/strengthening-protections-for-customers-in-financial-hardship>.

3.3.3 CUSTOMERS ON HARDSHIP

This year, 1.1% of electricity customers and 0.7% of gas customers were on a formal hardship program.

Table 3.8: Proportion of customers on a hardship program 2015–16 to 2017–18

	Electricity			Gas		
	2015–16	2016–17	2017–18	2015–16	2016–17	2017–18
QLD	1.0%	1.0%	0.9%	0.6%	0.6%	0.6%
SA	1.8%	1.5%	2.0%	1.4%	1.0%	1.3%
ACT	0.4%	0.4%	0.6%	0.7%	0.5%	0.5%
NSW	0.8%	0.8%	1.0%	0.6%	0.5%	0.5%
TAS	0.9%	0.9%	1.3%	-	-	-
Total	1.0%	1.0%	1.1%	0.7%	0.6%	0.7%

Twice as many South Australian electricity customers are on hardship programs than Queensland electricity customers, and almost four times as many as are on the hardship program in the ACT.

All jurisdictions saw an increase in the number of customers on a formal hardship program this financial year, except for Queensland electricity customers and New South Wales gas customers.

There were almost 30 000 more electricity customers who entered the hardship program in comparison with last year, totalling just over 100 000 electricity customers. Table 3.9 found below in this section contains the number of hardship customers and levels of hardship debt.

The following charts contain the proportion of electricity and gas customers on a hardship program for the last three years.

Figure 3.5: The proportion of electricity customers on a hardship program 2015–16 to 2017–18

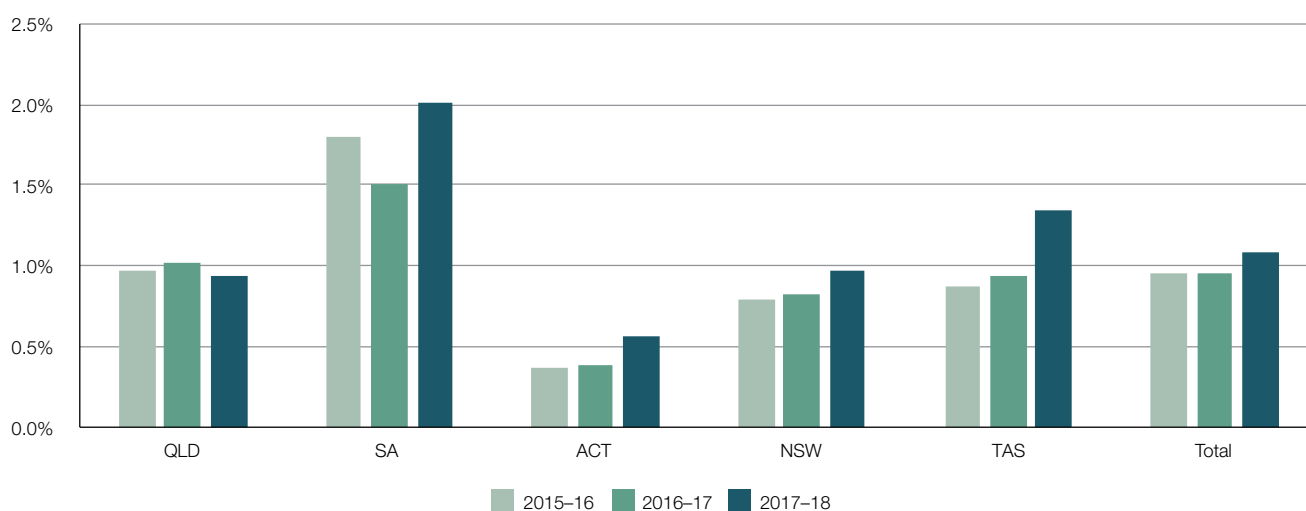
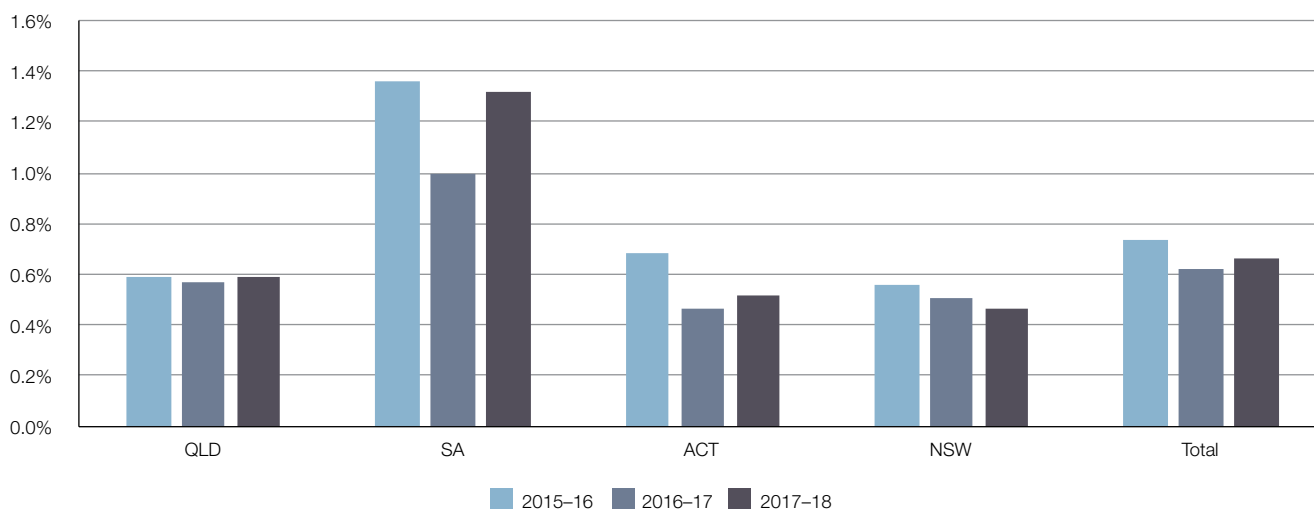


Figure 3.6: The proportion of gas customers on a hardship program 2015–16 to 2017–18



ABS HARDSHIP DATA

The latest ABS General Social Survey involved interviewing residents of almost 13 000 dwellings. The results show that since the last survey, people who are unable to raise \$2000 within a week for something important has more than doubled from 1 million households to 2.4 million. Those unable to pay their utilities bills on time increased from 1.2 million to 2.2 million households, and those who were unable to heat their homes has more than tripled from 100 000 to 320 000 households. The ABS is currently collecting data for the next survey.

3.3.4 DEBT HELD BY HARDSHIP CUSTOMERS ENTERING HARDSHIP PROGRAMS

We asked retailers about the debt held by customers when they entered a hardship program.

The average debt at the time of entry to an electricity hardship program rose nationally, but fell for electricity customers in NSW and Tasmania. In contrast, the national average debt on entry to gas hardship programs fell nationally, but rose for gas customers in South Australia.

Customers are entering a hardship program with a greater amount of electricity debt and an increased proportion of customers had significant debt at over \$2500. This year a total of 10% of all hardship customers had electricity debt over \$2500: this is 4257 more customers with high debt than last year.

Table 3.9: Levels of debt for electricity customers entering hardship programs 2016–17 to 2017–18

	2016–17	2016–17	2017–18	2017–18
Debt between \$0 and \$500	42 651	60%	57591	57%
Debt between \$500 and \$1500	16 446	23%	23 863	24%
Debt between \$1500 and \$2500	6049	9%	9432	9%
Debt over \$2500	5693	8%	9950	10%
Total customers	70 839	100%	100 836	100%

69 Data used from 4159.0—General Social Survey 2014, available at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4159.0>, and 4159.0—General Social Survey 2010, available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4159.2010>

As previously described, more gas customers entered a retailer's hardship program. Over 4300 more gas customers obtained hardship assistance for their gas accounts and over 200 more customers had accrued high debts of over \$2500 at the time of entry into the hardship program.

Table 3.10: Levels of debt for gas customers entering hardship programs 2016-17 to 2017-18

	2016-17	2016-17	2017-18	2017-18
Debt between \$0 and \$500	8934	68%	11 610	66%
Debt between \$500 and \$1500	3062	24%	4179	24%
Debt between \$1500 and \$2500	681	5%	1029	6%
Debt over \$2500	429	3%	635	4%
Total customers	13 106	100%	17 453	100%

Retailers have reported that more customers are requiring tailored special assistance via a hardship program for both electricity and gas. Debt at time of entry into hardship programs is increasing suggesting that retailers could be doing more to identify customers in hardship and provide assistance earlier.

Table 3.11: Average energy debt at time of entry to a hardship program 2016-17 to 2017-18

	Electricity				Gas			
	Average debt on entry		Average debt		Average debt on entry		Average debt	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
QLD	\$776.39	\$889.62	\$1011.83	\$918.60	\$424.34	\$527.80	\$426.47	\$443.03
SA	\$1406.96	\$1547.89	\$1495.51	\$1694.28	\$647.94	\$670.33	\$520.91	\$584.80
ACT	\$1537.64	\$1617.33	\$1544.59	\$940.22	\$1783.68	\$1448.53	\$2157.44	\$942.59
NSW	\$1126.38	\$1034.23	\$1006.01	\$916.01	\$816.69	\$755.16	\$682.08	\$668.70
TAS	\$1750.00	\$1605.00	\$1339.00	\$1304.00	-	-	-	-
Total	\$1092.44	\$1146.20	\$1120.43	\$1110.88	\$769.26	\$733.99	\$671.53	\$628.58

3.3.5 CUSTOMERS EXITING HARDSHIP PROGRAMS

As more customers entered hardship programs across the jurisdictions, fewer electricity customers successfully exited the hardship program. A successful exit of a hardship program is defined as where a customer has completed the hardship program and, with the agreement of the retailer, returned to the normal billing and collection cycles. This includes where the customer agrees to a new payment plan or flexible payment arrangement.

The number of customers who exited a hardship program because they 'transferred' has increased in comparison with last year. These customers are defined as no longer being a customer of this retailer. They may have transferred to another retailer or ended their account with the existing retailer.

Table 3.12: Reasons electricity customers exited hardship programs 2016-17 to 2017-18

	2016-17	2016-17	2017-18	2017-18
Successful	23 077	27%	22 268	22%
Transferred	13 342	16%	14 443	14%
Excluded	49 041	57%	65 000	64%
Total	85 460	100%	101 711	100%

There was a significant increase in the number and percentage of overall electricity customers who were excluded from participating in a retailer's hardship program. Exclusions usually occur at the behest of the retailer because the customer fails to make contact with the retailer or make agreed payments toward their energy account. This increased by almost 16 000 customers and from 57% to 64% of customers exiting hardship programs. These customers are most susceptible to being disconnected at a later point in time.

Table 3.13: Reasons gas customers exited hardship programs 2016-17 to 2017-18

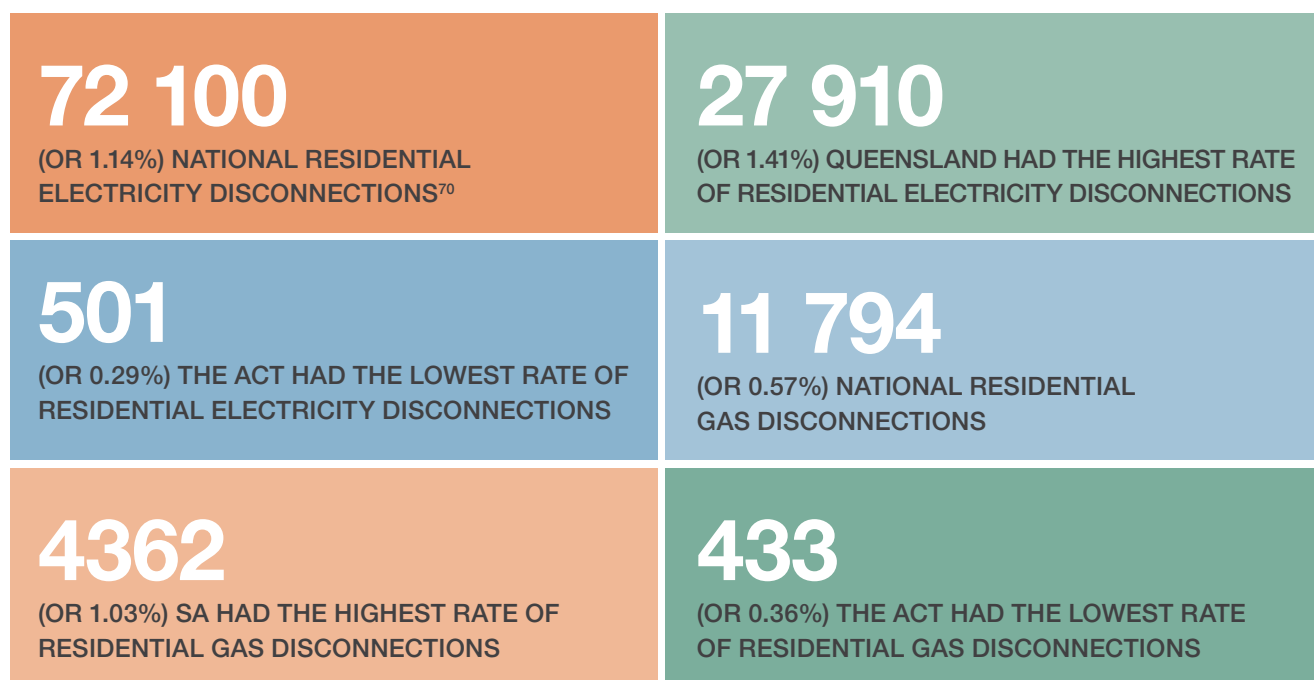
	2016-17	2016-17	2017-18	2017-18
Successful	3084	18%	3525	17%
Transferred	2901	16%	2241	11%
Excluded	11 188	66%	14 898	72%
Total	17 073	100%	20 664	100%

The reported data illustrates a similar experience for gas customers on hardship programs. Compared to 2016-17 about 21 000 customers exited hardship programs and of these about 15 000 (or 72%) were excluded from participating in the program at the direction of the retailer.

This year 17% of customers successfully exited hardship programs compared to 18% last year, and the proportion of gas customers who transferred away dropped from 16% to 11%.

See appendix 3 for more information about how individual retailers perform in relation to their hardship program. Some retailers have more success engaging with their customers on an ongoing basis than others. We encourage retailers to apply their hardship programs and to tailor assistance appropriate to the customer's unique set of circumstances.

3.4 Disconnections



Energy is an essential service. Disconnection for non-payment of bills should be viewed as a last resort after payment plans and hardship programs have been attempted. We regard the rate of disconnections an important indicator of how retailers meet their obligations to customers managing debt while ensuring that customers continue to receive energy supply. The rate of disconnections can also be an indicator of how affordable energy is to customers, given that non-

⁷⁰ This section of the chapter uses data to two decimal places due to the smaller shifts in numbers and percentage points.

payment, and subsequent disconnection for non-payment, is the outcome of being unable to make payments towards supply costs.

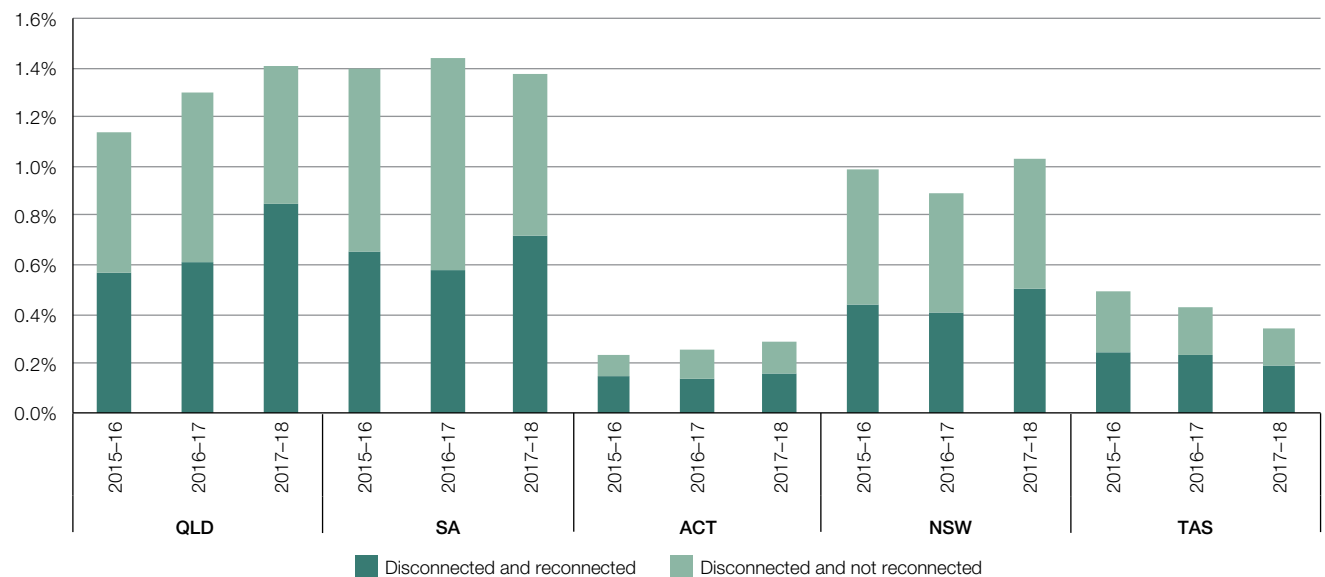
3.4.1 ELECTRICITY DISCONNECTIONS—RESIDENTIAL

A reconnection that is arranged within seven days of the energy supply being disconnected indicates that a retailer is able to resolve their payment issues with the customer. In 2017–18, retailers improved the rate of reconnecting customers within seven days, when compared with 2016–17.

Table 3.14: The number and proportion of residential electricity customers disconnected⁷¹ 2012–13 to 2017–18

Year	Proportion of customers disconnected						Number of customers disconnected					
	QLD	SA	ACT	NSW	TAS	Total	QLD	SA	ACT	NSW	TAS	TOTAL
2012–13	-	0.73%	0.05%	-	0.46%	0.58%	-	5333	73	-	1057	6463
2013–14	-	1.37%	0.17%	1.09%	0.68%	1.08%	-	10 148	269	32 940	1555	44 912
2014–15	-	1.36%	0.22%	1.06%	0.45%	1.05%	-	10 179	346	31 979	1046	43 550
2015–16	1.14%	1.39%	0.24%	0.99%	0.50%	1.05%	21 672	10 546	388	30 065	1172	63 843
2016–17	1.30%	1.43%	0.25%	0.89%	0.43%	1.05%	25 201	10 902	427	27 382	1016	64 928
2017–18	1.41%	1.37%	0.29%	1.03%	0.34%	1.14%	27 910	10 556	501	32 315	818	72 100

Figure 3.7: Residential electricity disconnections and reconnections 2015–16 to 2017–18



In 2017–18, more than 70 000 households were disconnected from their electricity supply. This represents 1.14% of all electricity customers and an increase of more than 7000 customers from the previous year.

Queensland had the highest rate of electricity disconnections, with 1.41% of all customers disconnected.

⁷¹ AGL has indicated that disconnection numbers reported in the previous year may be inaccurate. This should be taken into consideration when drawing conclusions about any trends in the rate of disconnections.

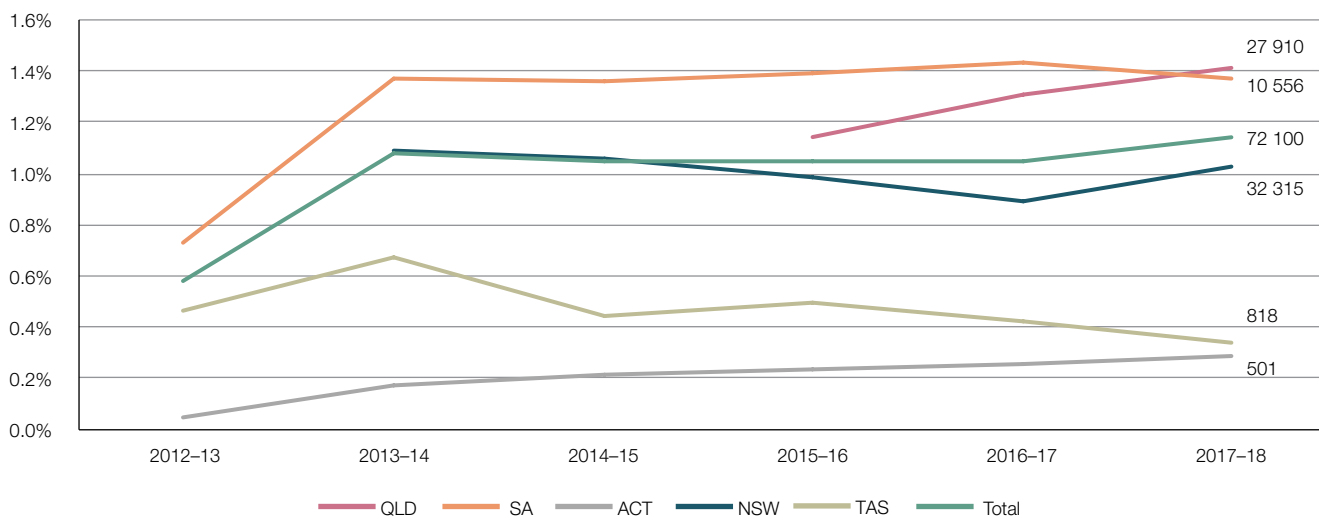
South Australia and New South Wales both experienced high rates of disconnection, with 1.37% and 1.03% of all customers disconnected respectively.

The ACT continued to have fewer electricity disconnections at 0.29%.

These rates of disconnection do not mirror the proportion of customers on hardship programs, suggesting that in the jurisdictions where more customers are accessing hardship assistance, fewer are disconnected. For example, Queensland had a low proportion of electricity customers receiving hardship assistance, at 0.94%, but had a high rate of disconnections at 1.41%. In Tasmania, a high number of customers were accessing hardship, at 1.35%, and this jurisdiction had a low level of electricity disconnections at 0.34%.

We encourage all retailers to try to engage with customers through their hardship programs and to offer tailored assistance appropriate to each individual set of circumstances. This may help customers to manage their energy debts and bills and avoid disconnection.

Figure 3.8: Residential electricity disconnections and as a percentage of customers 2012-13 to 2017-18



3.4.2 GAS DISCONNECTIONS

Table 3.15: The number and proportion of gas customers disconnected 2012-13 to 2017-18

Year	Proportion of customers disconnected					Number of customers disconnected				
	QLD	SA	ACT	NSW	Total	QLD	SA	ACT	NSW	Total
2012-13	-	0.44%	1.44%	-	0.65%	-	1764	1572	-	3336
2013-14	-	0.86%	0.94%	0.41%	0.55%	-	3418	1066	4921	9405
2014-15	-	1.12%	1.20%	0.62%	0.77%	-	4575	1404	7555	13 534
2015-16	0.79%	1.23%	1.19%	0.51%	0.73%	1410	5081	1403	6389	14 283
2016-17	0.55%	0.87%	0.36%	0.43%	0.53%	1029	3626	423	5536	10 614
2017-18	0.92%	1.03%	0.36%	0.39%	0.57%	1749	4362	433	5250	11 794

Figure 3:9: Residential gas disconnections and reconnections 2015–16 to 2017–18



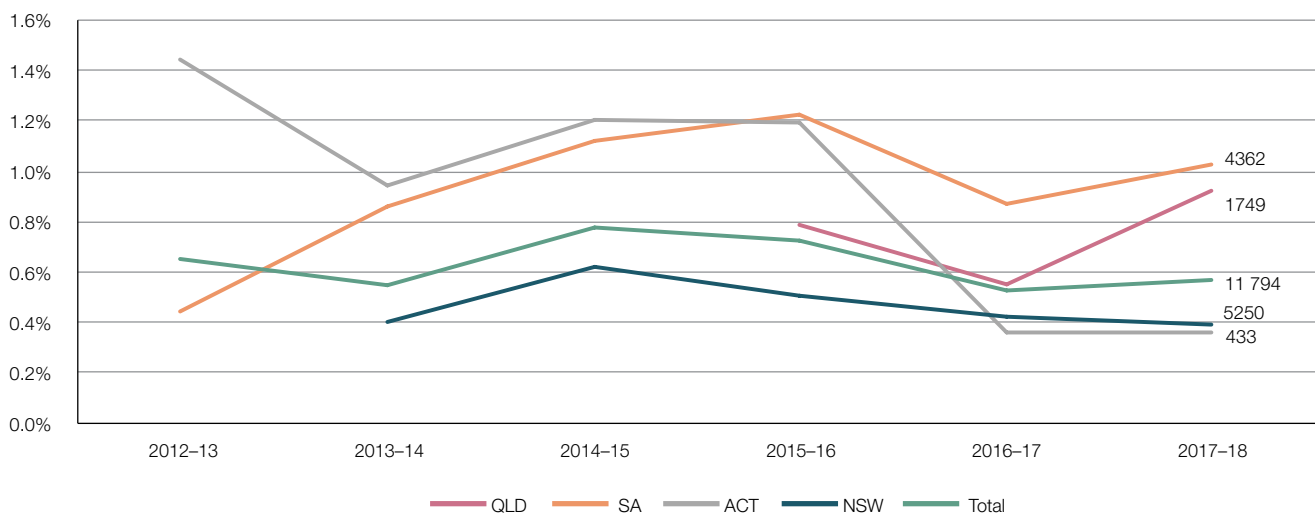
This financial year, gas disconnections increased slightly from the previous financial year going from 0.53% to 0.57%.

About 1100 more customers experienced a gas disconnection in comparison with the previous financial year, and South Australia had the highest rate of disconnections at 1.03%.

In the ACT, gas disconnections remained stable at 0.36%. In New South Wales, about 290 fewer gas customers were disconnected and the rate decreased from 0.43% to 0.39%.

In Queensland, more than 700 additional households experienced a gas disconnection, resulting in a 70% increase from the previous year and increasing the rate of disconnection from 0.55% to 0.92% - this is the highest rate for Queensland yet.

Figure 3:10: Residential gas disconnections and as a percentage of customers 2012-13 to 2017-18



3.4.3 RESIDENTIAL DISCONNECTION CUSTOMER PROFILE

Importantly, many customers were on a payment plan in the 12 months prior to disconnection. Almost 40% of electricity customers and about 33% of gas customers who were disconnected were previously on a payment plan. The reported data indicates that more than half of all payment plans are eventually cancelled (56% for electricity and 50% for gas). Without assistance from a retailer (via a payment plan or hardship program) this can lead to extreme consequences such as a spiral of disconnections for some customers (with almost 16% of electricity customers and 14% of gas customers being disconnected on at least one other occasion in the previous 24 months).

About a third of these customers are receiving an electricity concession and 20% are receiving a gas concession, but this on its own does not seem enough to prevent disconnection.

We investigate the circumstances in which hardship customers are disconnected by a retailer and may consider taking enforcement action where the disconnection is a breach of the relevant law.

Table 3.16: Residential customer disconnections in 2017–18

	Electricity disconnections		Gas disconnections	
	%	Change from 2016–17 (%)	%	Change from 2016–17 (%)
Customer had been on a payment plan in the previous 12 months	38.7	6.5	32.8	6.8
Customer had been disconnected on more than one occasion in the previous 24 months	15.9	8.3	14.0	0.2
Customer was receiving an energy concession	30.3	11.7	19.7	8.5
Customer was on a hardship program	0.1	–67.1	0.0	10.0

3.4.4 PREPAYMENT METERS

A small number of residential customers in Tasmania have electricity prepayment meters (PAYG) installed. Table 3.17 shows the number of customers using PAYG (as at the end of June each year), as well as the number and length of self-disconnections⁷² that occurred over the past few years. The time customers are disconnected has remained somewhat consistent over recent years.

Table 3.17: Disconnection of customers using prepayment (PAYG) meters in Tasmania 2012–13 to 2017–18

	Customers with PAYG	PAYG systems capable of detecting and reporting self-disconnections	Self-disconnection events	Average duration of self-disconnections (minutes)
2012–13	33 158	4662	1068	237
2013–14	30 640	7194	2069	290
2014–15	29 612	8902	2632	327
2015–16	26 670	10 854	3098	246
2016–17	23 641	10 911	3232	262
2017–18	21 076	10 841	2915	252

⁷² Self-disconnection means an interruption to the supply of energy because a prepayment meter system has no credit (including emergency credit) available.

3.4.5 SMALL BUSINESS DISCONNECTIONS

4722

(OR 0.72%) SMALL BUSINESS
ELECTRICITY DISCONNECTIONS

522

(OR 0.71%) SMALL BUSINESS
GAS DISCONNECTIONS

Small business disconnections have generally plateaued over the past few years but there were still almost 200 more electricity and gas disconnections when compared with 2016–17.

Retailers reported that gas debt was increasing for small businesses this financial year. Gas disconnections have also increased from a proportion of 0.56% to 0.71% of small business gas customers—this represents an additional 142 small businesses that had their gas disconnected this year.

The SPPF includes provisions for retailers to include small businesses in the way in which they tailor payment plans to their customers to ensure that small businesses are accessing increased assistance where appropriate.

Table 3.18: Small business electricity disconnections 2012–13 to 2017–18

	QLD	SA	ACT	NSW	TAS	Total	QLD	SA	ACT	NSW	TAS	Total
2012–13	-	0.74%	0.11%	-	0.15%	0.53%	-	671	14	-	53	738
2013–14	-	1.26%	0.48%	1.23%	0.35%	1.15%	-	1124	60	3861	125	5170
2014–15	-	0.94%	0.40%	0.90%	0.19%	0.84%	20	860	50	2806	68	3804
2015–16	0.69%	0.74%	0.59%	0.99%	0.23%	0.82%	1404	678	75	3107	84	5348
2016–17	0.84%	0.82%	0.59%	0.68%	0.23%	0.72%	1641	727	74	2131	83	4656
2017–18	0.71%	0.62%	0.61%	0.83%	0.12%	0.72%	1379	566	81	2654	42	4722

Figure 3.11: Small business electricity disconnections and as a percentage of customers 2012–13 to 2017–18

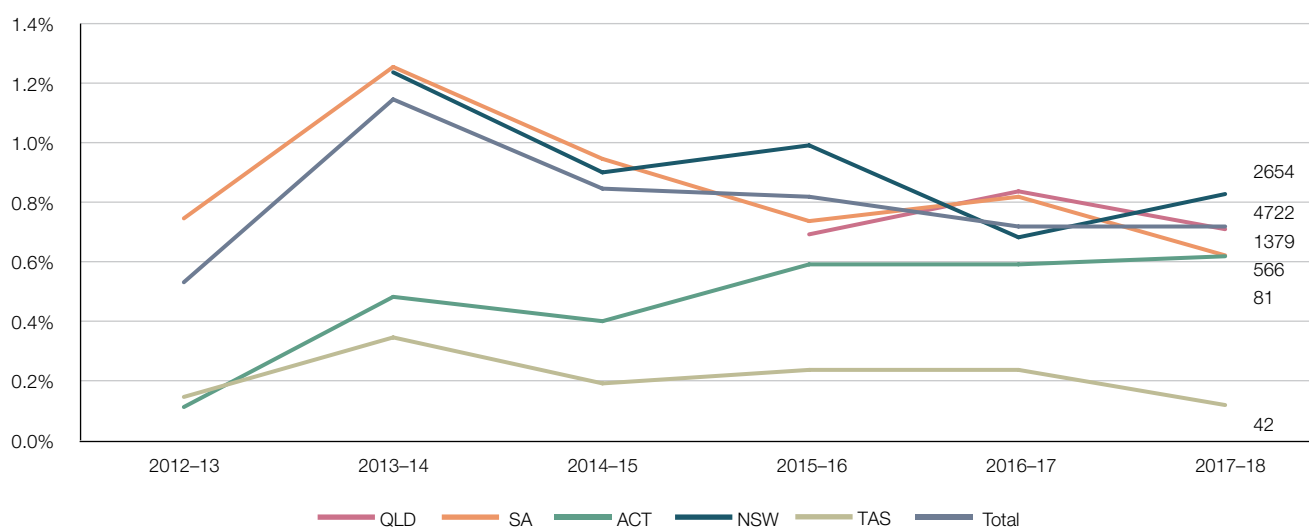
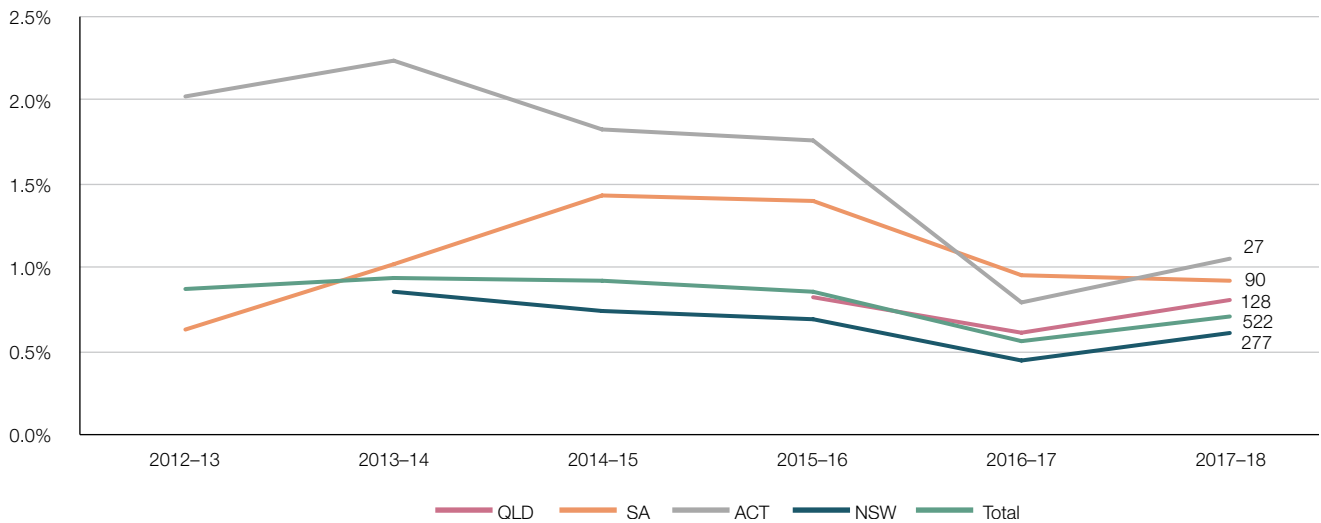


Table 3.19: Small business gas disconnections 2012–13 to 2017–18

	QLD	SA	ACT	NSW	Total	QLD	SA	ACT	NSW	Total
2012–13	-	0.63%	2.02%	-	0.87%	-	56	37	-	93
2013–14	-	1.01%	2.24%	0.86%	0.94%	-	90	46	328	464
2014–15	-	1.44%	1.82%	0.73%	0.91%	-	129	45	288	462
2015–16	0.82%	1.39%	1.76%	0.69%	0.86%	101	133	45	273	552
2016–17	0.61%	0.95%	0.79%	0.44%	0.56%	85	91	21	183	380
2017–18	0.81%	0.92%	1.06%	0.61%	0.71%	128	90	27	277	522

Figure 3.12: Small business gas disconnections and as a percentage of customers 2012–13 to 2017–18



3.5 Concessions

State and territory governments administer concessions to provide financial assistance to individuals, including people who are elderly, have a disability, low income earners, and people experiencing disadvantage.⁷³

Energy concessions differ across the jurisdictions. Energy retailers must apply concessions to a customer's account when applicable. Other credits that can be applied towards energy accounts can be called a reduction, discount, subsidy, waiver, exemption, or rebate, and are not included in this analysis.

Energy concessions vary and eligibility depends on a customer's concession and energy type.

⁷³ Australian Government, Government concessions—states and territories, available at <https://www.australia.gov.au/content/government-concessions-states-and-territories>

Table 3.20: Energy concessions in 2017–18

2017–18	Electricity	Gas
QLD	\$340.85	\$71.30
NSW	\$323.50	\$131.00
SA	\$210.30	\$210.30
TAS	\$549.85	NA
ACT	\$302.00	\$302.00
VIC	Calculated based on 17.5% discount after the first \$171.60 \$242.64 for median market offer \$333.84 for median standing offer	Calculated based on 17.5% discount after the first \$62.40 \$247.74 for median market offer \$301.00 for a median standing offer

Our analysis of typical concessions available to most concession card holders has found:

- The region with the highest electricity concession is Tasmania⁷⁴ (\$549.85), and the lowest is South Australia (\$210.30).
- Compared with 2016–17, both South Australia and the ACT experienced an increase of more than \$100.00 to their electricity concessions. In all other jurisdictions, increases to concessions were less than \$100.00. Queensland was the only jurisdiction that experienced no change to the electricity concession from the previous year.
- Both South Australia and the ACT increased gas concessions in excess of \$100.00. Queensland experienced no change to the gas concession from the previous year, which remained stable at \$71.30.
- Victorian energy concessions are dependent on usage.⁷⁵

The **ACCC Retail Electricity Pricing Inquiry** final report was published in July 2018. It focused primarily on bringing down energy prices and how this will increase affordability.

Recommendations were made about how to improve the assistance offered to vulnerable customers. The ACCC emphasised the need for additional protections within the market for vulnerable customers, because they often paid the most for their electricity. Additional protections include concessions, payment plans, hardship programs and other customer focused support to help with high bills.

The ACCC recommended improving access to and implementing concession schemes. Customer access to concession schemes needs to be improved by raising awareness of schemes, streamlining the application process, and minimising the need to reapply for concessions. The report recommends that concessions include a fixed dollar amount for daily supply charges and a percentage off usage charges, to ensure high and low usage customers are not disadvantaged, and that all concessions should be means tested and targeted at those who need the most assistance to be consistent across the NEM⁷⁶.

⁷⁴ Very few Tasmanian customers have gas and there are no gas concessions available. Most Tasmanian households use only electricity within the household.

⁷⁵ We calculate Victorian concession on the median standing and median market offer for a household.

⁷⁶ Retail Electricity Pricing Inquiry Report available at, <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/final-report>

3.5.1 MEDICAL CONCESSIONS

Energy concessions are not restricted to consumers experiencing financial hardship. Concessions also exist to help customers with certain medical conditions⁷⁷ who require greater energy consumption to help with their overall health and quality of life. These concessions vary according to the medical condition and the life support equipment:

- In Queensland, a \$340.85 Medical Cooling and Heating Electricity Concession Scheme is available to eligible customers, in addition to an electricity life support concession, depending on a customer's life support equipment.
- In New South Wales, a life support rebate is available, ranging between \$0.30 and \$3.48 a day, depending on the medical equipment.
- South Australia offers \$165.00 a year as a home dialysis electricity concession, in addition to a medical heating and cooling concession of \$217.90 a year.
- In Tasmania, a life support concession ranges between \$0.36 and \$1.93 a day, depending on life support equipment, as well as a medical cooling/heating concession of \$0.41 a day.
- The ACT offers eligible customers a flat Life Support rebate of \$121.87.

⁷⁷ This report has not included concessions related to medical issues in the review of rates for low income households that receive concessions.



4. Retailer report cards

This year we profile the performance of the 10 largest retailers (by market share) in our retailer report cards.

Together these retailers supply:

6 092 797

RESIDENTIAL ELECTRICITY CUSTOMERS

2 059 601

RESIDENTIAL GAS CUSTOMERS

The report cards provide a snapshot of each retailer's performance against national benchmarks across a range of indicators including:

- customer numbers and market share
- call waiting times and complaints
- debt and hardship⁷⁸
- disconnections

See chapter 1 for further information on market shares, chapter 2 for further information on customer service and chapter 3 for further information on customers' experience with debt, hardship and disconnections.

⁷⁸ amaysim/Click has recently advised that its figures reported for average gas debt held by non-hardship customers are inaccurate.

ActewAGL

National customers

NSW and ACT

RESIDENTIAL

180 579
Electricity

3%
Market share

128 194
Gas

6%
Market share

SMALL BUSINESS

12 220
Electricity

2%
Market share

2446
Gas

3%
Market share

Customer service

AVERAGE CALL WAIT TIME

215
seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

0.6%
of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

3.6%
of electricity customers in debt
National average 2.0%

\$868
average electricity debt
National average \$1001

GAS

4.2%
of gas customers in debt
National average 2.8%

\$596
average gas debt
National average \$576

Hardship

CUSTOMERS ON HARDSHIP

0.7%
Electricity
National average 1.1%

0.5%
Gas
National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$1830
Electricity
National average \$1146

\$1532
Gas
National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$1027
Electricity
National average \$1111

\$964
Gas
National average \$629

RATE OF SUCCESS

24%
Electricity
National average 22%

31%
Gas
National average 17%

Disconnections

RESIDENTIAL

0.24%
Electricity
National average: 1.14%

0.41%
Gas
National average: 0.57%

SMALL BUSINESS

0.38%
Electricity
National average: 0.71%

0.65%
Gas
National average: 0.71%

AGL

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

1 378 777

Electricity

22%

Market share

826 589

Gas

40%

Market share

SMALL BUSINESS

115 706

Electricity

18%

Market share

23 099

Gas

31%

Market share

Customer service

AVERAGE CALL WAIT TIME

37

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

5.2%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

2.4%

of electricity customers in debt

National average 2.0%

\$1324

average electricity debt

National average \$1001

GAS

3.0%

of gas customers in debt

National average 2.8%

\$690

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

1.1%

Electricity

National average 1.1%

0.7%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$2103

Electricity

National average \$1146

\$906

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$2269

Electricity

National average \$1111

\$885

Gas

National average \$629

RATE OF SUCCESS

9%

Electricity

National average 22%

10%

Gas

National average 17%

Disconnections

RESIDENTIAL

1.30%

Electricity

National average: 1.14%

0.47%

Gas

National average: 0.57%

SMALL BUSINESS

1.13%

Electricity

National average: 0.71%

0.73%

Gas

National average: 0.71%

Alinta

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

240 936

Electricity

4%

Market share

38 489

Gas

2%

Market share

SMALL BUSINESS

24 231

Electricity

4%

Market share

41

Gas

>1%

Market share

Customer service

AVERAGE CALL WAIT TIME

42

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

2.7%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

1.6%

of electricity customers in debt

National average 2.0%

\$991

average electricity debt

National average \$1001

GAS

2.0%

of gas customers in debt

National average 2.8%

\$373

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

0.6%

Electricity

National average 1.1%

0.5%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$990

Electricity

National average \$1146

\$638

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$2001

Electricity

National average \$1111

\$683

Gas

National average \$629

RATE OF SUCCESS

51%

Electricity

National average 22%

66%

Gas

National average 17%

Disconnections

RESIDENTIAL

0.79%

Electricity

National average: 1.14%

1.91%

Gas

National average: 0.57%

SMALL BUSINESS

0.97%

Electricity

National average: 0.71%

0.00%

Gas

National average: 0.71%

amaysim/Click Energy

National customers

QLD, NSW and SA

RESIDENTIAL

97 198

Electricity

2%

Market share

14 103

Gas

1%

Market share

SMALL BUSINESS

2777

Electricity

0%

Market share

166

Gas

>1%

Market share

Customer service

AVERAGE CALL WAIT TIME

194

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

2.4%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

2.3%

of electricity customers in debt

National average 2.0%

\$692

average electricity debt

National average \$1001

GAS

0.1%

of gas customers in debt

National average 2.8%

\$35

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

0.7%

Electricity

National average 1.1%

0.1%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$1851

Electricity

National average \$1146

\$539

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$2015

Electricity

National average \$1111

\$507

Gas

National average \$629

RATE OF SUCCESS

76%

Electricity

National average 22%

64%

Gas

National average 17%

Disconnections

RESIDENTIAL

0.78%

Electricity

National average: 1.14%

0.19%

Gas

National average: 0.57%

SMALL BUSINESS

1.08%

Electricity

National average: 0.71%

1.20%

Gas

National average: 0.71%

Aurora

National customers

TAS

RESIDENTIAL

241 125

Electricity

4%

Market share

SMALL BUSINESS

35 468

Electricity

5%

Market share

Customer service

AVERAGE CALL WAIT TIME

19.5

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

6.4%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

1.5%

of electricity customers in debt

National average 2.0%

\$776

average electricity debt

National average \$1001

Hardship

CUSTOMERS ON HARDSHIP

1.3%

Electricity

National average 1.1%

AVERAGE CUSTOMER DEBT ON ENTRY

\$1605

Electricity

National average \$1146

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$1304

Electricity

National average \$1111

RATE OF SUCCESS

26%

Electricity

National average 22%

Disconnections

RESIDENTIAL

0.34%

Electricity

National average: 1.14%

SMALL BUSINESS

0.12%

Electricity

National average: 0.71%

Energy Australia

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

1 062 092

Electricity

17%

Market share

400 342

Gas

19%

Market share

SMALL BUSINESS

100 607

Electricity

15%

Market share

6175

Gas

8%

Market share

Customer service

AVERAGE CALL WAIT TIME

104

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

2%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

2.2%

of electricity customers in debt

National average 2.0%

\$1440

average electricity debt

National average \$1001

GAS

2.3%

of gas customers in debt

National average 2.8%

\$833

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

0.8%

Electricity

National average 1.1%

0.3%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$1330

Electricity

National average \$1146

\$1119

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$1093

Electricity

National average \$1111

\$812

Gas

National average \$629

RATE OF SUCCESS

17%

Electricity

National average 22%

17%

Gas

National average 17%

Disconnections

RESIDENTIAL

0.49%

Electricity

National average: 1.14%

0.28%

Gas

National average: 0.57%

SMALL BUSINESS

0.46%

Electricity

National average: 0.71%

0.92%

Gas

National average: 0.71%

Ergon

National customers

QLD

RESIDENTIAL

613 300

Electricity

10%

Market share

SMALL BUSINESS

88 873

Electricity

14%

Market share

Customer service

AVERAGE CALL WAIT TIME

130

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

0.6%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

1.4%

of electricity customers in debt

National average 2.0%

\$539

average electricity debt

National average \$1001

Hardship

CUSTOMERS ON HARDSHIP

0.7%

Electricity

National average 1.1%

AVERAGE CUSTOMER DEBT ON ENTRY

\$783

Electricity

National average \$1146

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$930

Electricity

National average \$1111

RATE OF SUCCESS

53%

Electricity

National average 22%

Disconnections

RESIDENTIAL

2.11%

Electricity

National average: 1.14%

SMALL BUSINESS

0.48%

Electricity

National average: 0.71%

Origin

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

1 869 626

Electricity

30%

Market share

565 486

Gas

27%

Market share

SMALL BUSINESS

198 443

Electricity

30%

Market share

38 950

Gas

53%

Market share

Customer service

AVERAGE CALL WAIT TIME

108

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

2.8%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

1.5%

of electricity customers in debt

National average 2.0%

\$590

average electricity debt

National average \$1001

GAS

3.0%

of gas customers in debt

National average 2.8%

\$320

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

1.5%

Electricity

National average 1.1%

0.9%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$550

Electricity

National average \$1146

\$415

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$457

Electricity

National average \$1111

\$296

Gas

National average \$629

RATE OF SUCCESS

18%

Electricity

National average 22%

18%

Gas

National average 17%

Disconnections

RESIDENTIAL

1.21%

Electricity

National average: 1.14%

0.84%

Gas

National average: 0.57%

SMALL BUSINESS

0.69%

Electricity

National average: 0.71%

0.66%

Gas

National average: 0.71%

Red

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

248 176

Electricity

4%

Market share

42 969

Gas

2%

Market share

SMALL BUSINESS

6085

Electricity

1%

Market share

30

Gas

>1%

Market share

Customer service

AVERAGE CALL WAIT TIME

102

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

5.3%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

1.6%

of electricity customers in debt

National average 2.0%

\$346

average electricity debt

National average \$1001

GAS

2.4%

of gas customers in debt

National average 2.8%

\$130

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

0.4%

Electricity

National average 1.1%

0.2%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$196

Electricity

National average \$1146

\$117

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$114

Electricity

National average \$1111

\$71

Gas

National average \$629

RATE OF SUCCESS

21%

Electricity

National average 22%

21%

Gas

National average 17%

Disconnections

RESIDENTIAL

1.15%

Electricity

National average: 1.14%

0.23%

Gas

National average: 0.57%

SMALL BUSINESS

0.81%

Electricity

National average: 0.71%

0%

Gas

National average: 0.71%

Simply

National customers

QLD, NSW, ACT and SA

RESIDENTIAL

125 240

Electricity

2%

Market share

43 429

Gas

2%

Market share

SMALL BUSINESS

6770

Electricity

1%

Market share

328

Gas

>1%

Market share

Customer service

AVERAGE CALL WAIT TIME

34

seconds

National average: 44 seconds

COMPLAINTS TO RETAILER

7.6%

of customers

National average: 3.2% of customers

Residential debt (non-hardship)

ELECTRICITY

2.3%

of electricity customers in debt

National average 2.0%

\$625

average electricity debt

National average \$1001

GAS

1.7%

of gas customers in debt

National average 2.8%

\$197

average gas debt

National average \$576

Hardship

CUSTOMERS ON HARDSHIP

2.3%

Electricity

National average 1.1%

2.1%

Gas

National average 0.7%

AVERAGE CUSTOMER DEBT ON ENTRY

\$1137

Electricity

National average \$1146

\$438

Gas

National average \$734

AVERAGE DEBT OF HARDSHIP PARTICIPANTS

\$1138

Electricity

National average \$1111

\$446

Gas

National average \$629

RATE OF SUCCESS

19%

Electricity

National average 22%

20%

Gas

National average 17%

Disconnections

RESIDENTIAL

1.86%

Electricity

National average: 1.14%

1.45%

Gas

National average: 0.57%

SMALL BUSINESS

2.36%

Electricity

National average: 0.71%

1.22%

Gas

National average: 0.71%



5. Energy affordability

Key points

- Energy bills have increased and are less affordable for customers.
- Standing offers are generally more expensive than market offer contracts.
- Electricity prices for customers on a median standing offer have risen in each jurisdiction except for Tasmania.
- Electricity prices for median market offers have risen in each jurisdiction except for Queensland.
- Electricity is the most affordable in the ACT and the least affordable in South Australia.
- Gas prices for customers have increased.
- Gas is most affordable in Queensland and the least affordable in Victoria.
- Customers can access concessions and rebates to assist with energy affordability.

Energy affordability remains a key and persistent concern for customers.

In this chapter we discuss affordability trends between 2015-16 and 2017-18 and provide:

1. A **national** analysis based on a national constant consumption to allow an easier comparison of prices between the jurisdictions (found at section 5.4)
2. A **jurisdictional** analysis that indicates actual average consumption in each jurisdiction, which is more representative of energy bills in typical household in that jurisdiction (found at section 5.5); and
3. **Jurisdictional dashboards** which provide a snapshot of each jurisdiction's need-to-know information, including prices, income, and annual bill costs (section 5.8).

All of our analysis uses the same ABS disposable income data (income after tax).⁷⁹ We also provide:

- an explanation of what energy affordability means and the impact of rising prices on households
- an outline of the methodology we use in determining the trends in affordability across each jurisdiction
- the different prices across the jurisdictions by holding consumption levels constant
- a comparison of how the financial burden of energy costs has changed over the previous three years across each jurisdiction
- a summary of the composition of energy bills including daily supply charges
- an explanation of pay on time discounts and recent policy changes.

We present 2018-19 national energy prices in each capital city in chapter 1 (using prices offered by retailers on 1 August 2018).

In this chapter we use the term 'offer' to describe the type of product available to customers, in the context of a market contract.

5.1 What is energy 'affordability'?

Energy bills reflect the cost of energy and how much electricity or gas the customer uses. Customers pay different energy prices depending on where they live, how much network infrastructure is required to supply energy to them, how much competition there is among retailers in their area, what contract they are on, and whether they are eligible for a concession or rebate to offset the cost.

Customers use different amounts of energy depending on a range of factors, for example:

- how many people live in their home
- how the local climate impacts their heating and cooling needs

⁷⁹ We use the ABS definition of disposable income. The definition is available here: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/1287.0Chapter302010>

- the energy efficiency of their home
- their lifestyle and whether they have access to gas or only electricity
- what appliances they have and how they use these appliances within the home.

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

We determine how 'affordable' energy is by calculating the percentage a household spends of their income on an annual energy bill.

We present an overview of how electricity and gas bills are trending around the country, with a particular focus on low income households that receive concessions and middle income households. Although we acknowledge vulnerable customers are impacted by affordability issues, rising household energy costs affect all energy users across all incomes.

We consider each of the jurisdictions within the NEM: Queensland, New South Wales, Victoria, South Australia, Tasmania and the ACT. We have included Victoria in our analysis of affordability despite it being regulated by the Essential Services Commission. We have not considered energy affordability for customers in Western Australia and the Northern Territory.

5.2 Our methodology for analysis

The key inputs into our analysis include:

- prices contained in retail electricity and gas offers in each jurisdiction;
- average annual electricity and gas consumption levels in each jurisdiction; and
- household disposable income data.
- To determine prices, we have extracted electricity and gas bill offer information from Energy Made Easy (EME) at a point in time. Data is selected from 1 June 2016, 1 June 2017 and 1 June 2018 to use for our comparisons in this chapter. For Victorian bill offer information we obtain data from the Victorian Energy Compare website, www.compare.switchon.vic.gov.au.

For low income households, we applied the relevant energy concessions to determine what a low income household would pay towards their energy costs after any applicable discounts (see section 3.5 for more information about concessions). We also consider the impact of supply (service to property) charges and concessions⁸⁰ as a bill component.

To determine consumption, we have used average electricity and gas consumption amounts derived from data submitted to us by distribution businesses.⁸¹

To determine household income, we have applied new income data obtained from the ABS for low and middle income households. The ABS defines disposable income as household income after tax.⁸²

The key changes to our methodology this year are:

- we have used equivalised⁸³ incomes as defined by the ABS
- we no longer use ACIL Allen data for our electricity consumption benchmarks (although we continue to use it for our gas consumption benchmarks)
- we no longer assume that households of different incomes use different amounts of energy consumption because we are now using average residential consumption levels reported to us in each jurisdiction.

⁸⁰ We have considered concessions that are likely to be applicable to the majority of concession card holders in each jurisdiction. Concessions included in this report do not include all concessions available to all people. For example, we have not included Life Support Rebates or Medical Energy Rebates since these are available to groups of concession card holders that meet specialised criteria.

⁸¹ 6523.0 - Household Income and Wealth, Australia, 2015–16 is available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16?OpenDocument>

⁸² The ABS definition of income is found at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/1287.0Chapter302010>

⁸³ Further information about equivalised income see <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/1287.0Chapter302010>

Due to the changes in methodology readers will not be able to compare our affordability analysis with previous reports. To address this, we have used our new methodology to adjust the last two years of data in order to present a three year trend analysis.

Table 5.1: Annual electricity and gas consumption levels and disposable income levels in 2017–18

Jurisdiction	Annual electricity consumption (kWh) ⁸⁴	Annual gas consumption (MJ) ⁸⁵	Annual low income disposable income (\$) ⁸⁶	Annual middle income disposable income (\$) ⁸⁷	Annual high income disposable income (\$) ⁸⁸
Queensland	5947	7873	22 891	51 598	98 619
South Australia	5104	17 501	21 527	49 291	95 545
ACT	7009	42 078	30 216	62 832	109 246
NSW	6132	22 855	23 267	58 033	119 645
Tasmania	7982	NA	22 505	44 084	78 796
Victoria	4811	57 064	22 613	53 836	107 781
National	5 689	38 311	-	-	-

See appendix 7 for a more detailed explanation of our energy affordability methodology.

5.3 The impact of rising energy costs on households

We reflect on what percentage of disposable income is impacted by the annual cost of energy.

Our analysis demonstrates that rising energy costs have had a significant impact on low income households, when compared with middle income households, and this continues to worsen over time.

While middle and high income households may have greater capacity to make choices within the home to mitigate overall energy consumption, the combined impact of stagnant wages, cost of living expenses, and increasing energy costs has resulted in energy consumers spending a greater portion of their disposable income on energy.

For vulnerable low income households, spending more on energy means spending less on other living costs. The contribution of concessions to low income households is significant, but the application of concessions across the jurisdictions is varied and often difficult to understand.

Retailers have an obligation to ensure that customers are provided with concessions where appropriate. For hardship customers, retailers should be working with customers to identify those requiring hardship assistance, confirm that they are on the best tariff available and accessing concessions so that they are able to manage their ongoing billing and charges and spend less of their disposable income on energy costs.

Customers need to be vigilant in ensuring that they are accessing the best possible energy rates. We recommend customers regularly check the government's Energy Made Easy website to see how their current retail contract compares to those available.

⁸⁴ Annual electricity consumption is calculated using actual electricity consumption data that distribution network businesses in the NEM are required to provide us every year in response to Regulatory Information Notices (RIN) issued by the AER.

⁸⁵ Electricity and gas bill benchmarks for residential customers 2017 are available at www.aer.gov.au/retail-markets/retail-guidelines-reviews/electricity-and-gas-bill-benchmarks-for-residential-customers-2017.

⁸⁶ ABS disposable income data has been adjusted by CPI for inflation. The original data, 6523.0 – Household income and wealth, Australia, 2015–16, is available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16?OpenDocument>.

⁸⁷ ABS disposable income data has been adjusted by CPI for inflation. The original data, 6523.0 – Household income and wealth, Australia, 2015–16, is available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16?OpenDocument>.

⁸⁸ ABS disposable income data has been adjusted by CPI for inflation. The original data, 6523.0 – Household income and wealth, Australia, 2015–16, is available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16?OpenDocument>.

5.4 National energy costs comparison

There are variations in consumption, pricing and income throughout the NEM. In order to provide a more practical analysis of the impact of energy costs on consumers nationally, we have completed a review of bills using a static consumption figure but allowed for price and income variation in each jurisdiction. This allows us to see the effect of different prices that retailers set in each jurisdiction.

This section details the amount low and middle income households spend on electricity and gas consumption each year and how much of their disposable income they spend on energy costs. For this comparison we used static energy consumption figures of 5 689 kWh per year and 38 311 MJ per year to consider median market and standing offers.

By using the same consumption figures, we can see that for both market and standing offers, South Australian customers pay the most for electricity and Queensland customers pay the most for gas. Customers in the ACT pay the least for electricity and Victorian customers pay the least for gas.

5.4.1 ELECTRICITY—NATIONAL BILL COSTS

For our national electricity bill cost analysis, we used the static energy consumption figure of 5 689 kWh per year to consider how prices in each state or territory trended over the past three years for low income and middle income households.

Overall, electricity prices are highest in South Australia.

Electricity generally continues to be the cheapest in the ACT. Customers tend to pay the least for electricity on market contracts irrespective of whether they are a low or middle income household. Middle income customers on standing offers in the ACT experience the lowest prices, with low income households in Tasmania having slightly cheaper electricity prices than those in the ACT.

This year relative to last year, low and middle income households in Queensland on a median market offer paid less for electricity, and Tasmanian customers on a median standing offer also paid less for electricity.

In section 5.5 our affordability analysis reflects the differing consumption by customers in each jurisdiction. Even when using jurisdictional consumption levels, we find a similar theme that customers in South Australia generally pay the highest electricity bills and these reflect the largest portion of disposable income. Customers in the ACT, although using a high amount of electricity, still pay the cheapest standing offer bills in the country and it represents the smallest proportion of their income.

Electricity bill cost analysis for low income households

Low income households

- In 2017–18, median market offers ranged \$1058. South Australia recorded the highest median market offer bill at \$2289 or 10.6% of disposable income and the ACT recorded the lowest at \$1231 or 4.1% of disposable income.
- In 2017–18, median standing offers ranged \$1415. South Australia recorded the highest median bill at \$2677 or 12.4% of disposable income and Tasmania recorded the lowest at \$1262 or 5.6% of disposable income. Customers in the ACT paid the lowest portion of their disposable income on their bills, at 4.4%
- South Australia experienced the greatest increase in both median annual market and standing offers compared with all other jurisdictions, with the median annual market offer increasing \$393 and the median standing offer increasing \$503.
- Queensland was the only jurisdiction that experienced a drop in market offers for low income households, with median annual bills decreasing \$32.
- Tasmania was the only jurisdiction that experienced a drop in standing offers for low income households, with median annual bills decreasing \$8.

Figure 5.1: National analysis—Annual electricity bills for low income households on a median market offer 2015–16 to 2017–18 (5 689 kWh)

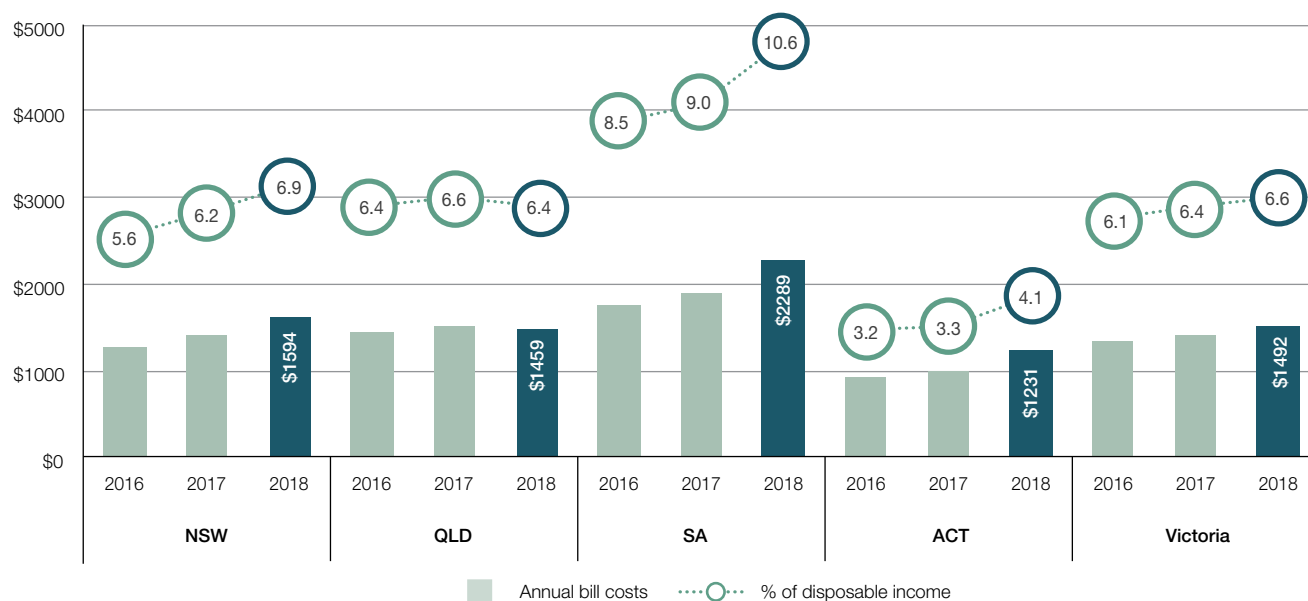
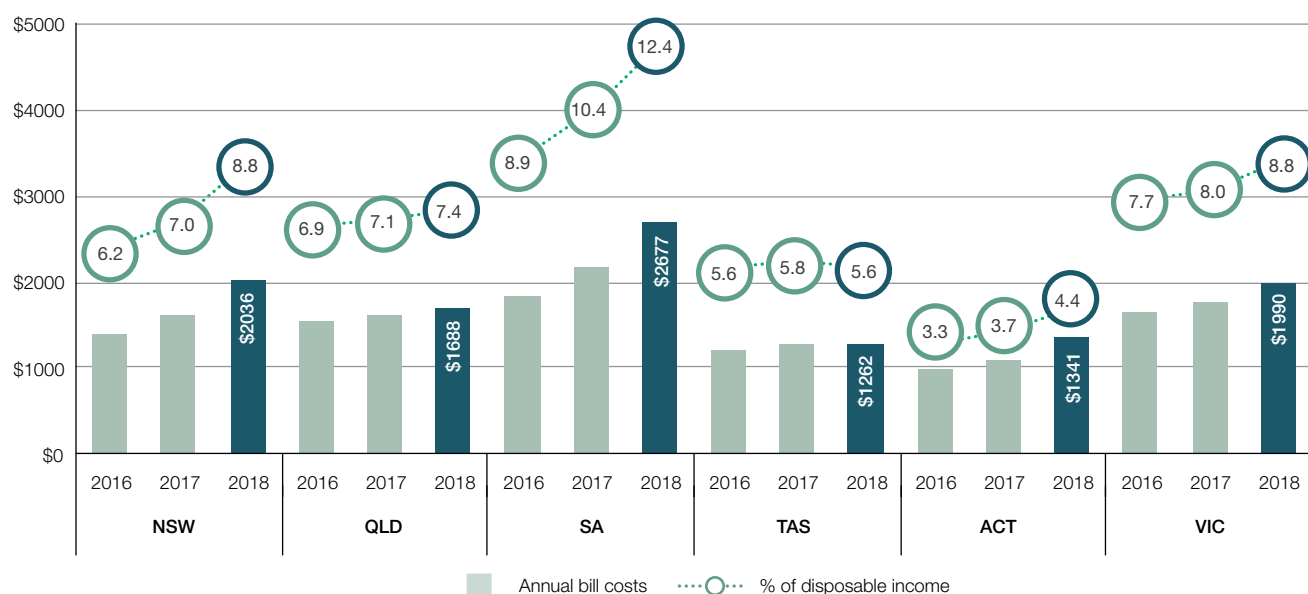


Figure 5.2: National analysis—Annual electricity bills for low income households on a median standing offer 2015–16 to 2017–18 (5 689 kWh)



Electricity bill cost analysis for middle income households

Middle income households

- All jurisdictions experienced an increase in median market offer electricity bills since 2015–16, except for Queensland where bills decreased \$32 between 2016–17 and 2017–18 (but were still higher than 2015–16).
- All jurisdictions experienced an increase in standing offer electricity bills since 2015–16, except for Tasmania where bills decreased \$8 between 2016–17 and 2017–18 (but were still higher than 2015–16).
- In 2017–18, median market offer electricity bills varied by \$967. South Australia recorded the highest median annual bill at \$2499 or 5.1% of disposable income and the ACT recorded the lowest at \$1533 or 2.4% of disposable income.

- In 2017–18, median standing offer electricity bills varied by \$1244. South Australia recorded the highest median annual bill at \$2887 or 5.9% of disposable income and the ACT recorded the lowest at \$1643 or 2.6% of disposable income.
- South Australia experienced the greatest increase in both standing and market offers from the previous year (\$393 and \$503 respectively) and consistently has been the jurisdiction with the highest proportion of disposable income spent on electricity bills.

Figure 5.3: National analysis—Annual electricity bills for middle income households on a median market offer 2015–16 to 2017–18 (5 689 kWh)

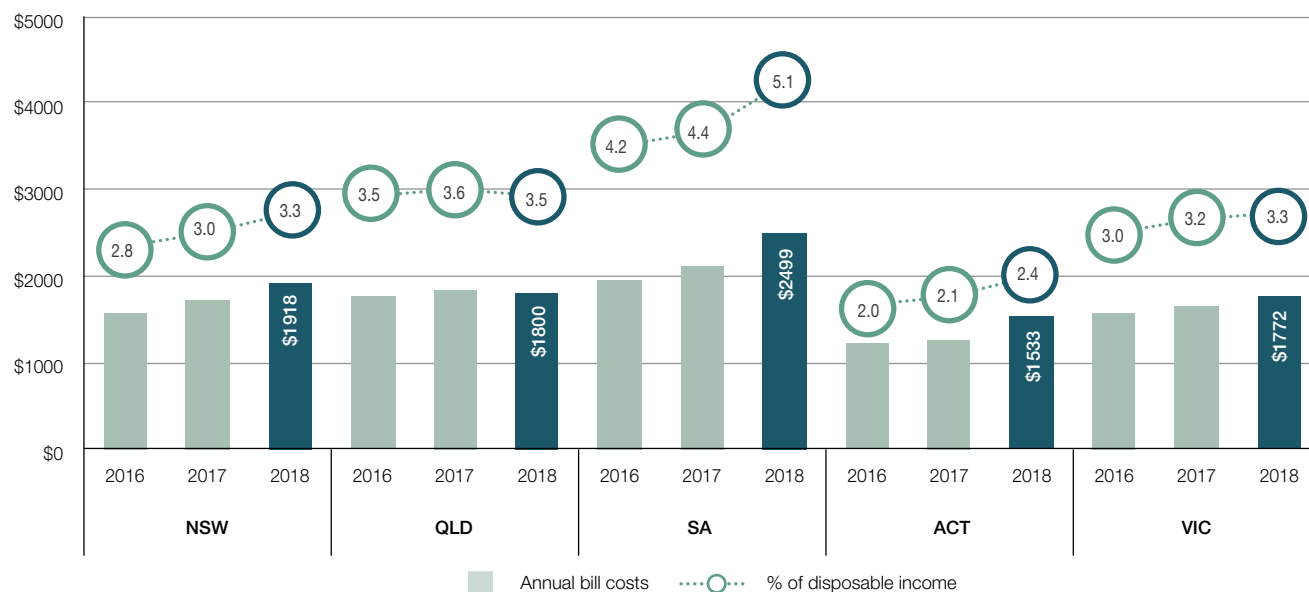
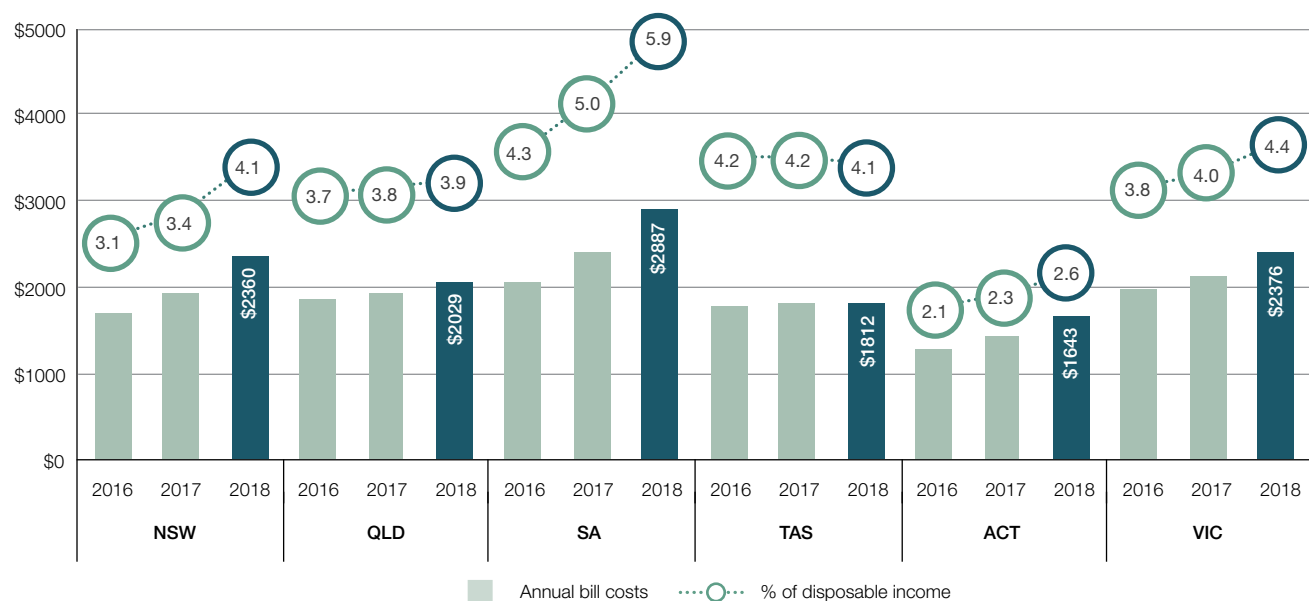


Figure 5.4: National analysis—Annual electricity bills for middle income households on a median standing offer 2015–16 to 2017–18 (5 689 kWh)



5.4.2 GAS—NATIONAL BILL COSTS

For our national gas analysis, we used the static energy consumption figure of 38 311 Mj per year to consider price trends in each state or territory over the past three financial years for low income and middle income households. This enabled the comparison to focus on variation in energy prices and income levels across the jurisdictions.

Gas is cheapest in Victoria. Customers pay the least for gas on standing and market offer contracts irrespective of whether they are a low or middle income household.

Overall gas is more expensive in Queensland. It costs customers more and they spend a higher proportion of their disposable income on gas costs irrespective of whether they are on a market or standing offer. This is true for low and middle income households.

In section 5.5 we reflect the unique consumption in each jurisdiction and a different pattern emerges. Customers in Queensland use much less gas than customers in other states and their annual bills reflect this. Victorian customers consume the most gas and pay the largest annual gas bills, alongside customers in the ACT.

Gas bill cost analysis for low income households

Low income households

- In 2017–18, all standing and market offer customers across the jurisdictions experienced an increase in their median annual gas bills from the previous year. Median market and standing offer customers in the ACT experienced the biggest increase from the previous year (\$212 and \$237 respectively) but they also paid the lowest percentage of their disposable income to their gas bills, at 3.9% and 4.2%.
- Queensland customers on a market offer paid the most for gas in 2017–18 at \$1513 and 6.6% of disposable income and Victorians paid the lowest at \$937 and 4.1% of their disposable income.
- Queensland standing offer customers also paid the highest median annual bill for gas in 2018 at \$1563 and 6.8% of disposable income and Victorians paid the lowest at \$1117 and 4.9% of disposable income.
- Since 2015–16, Queensland customers have consistently paid the greatest proportion of disposable income for both market and standing gas offers.

Figure 5.5: National analysis—Annual gas bills for low income households on a median market offer 2015–16 to 2017–18 (38 311 Mj)

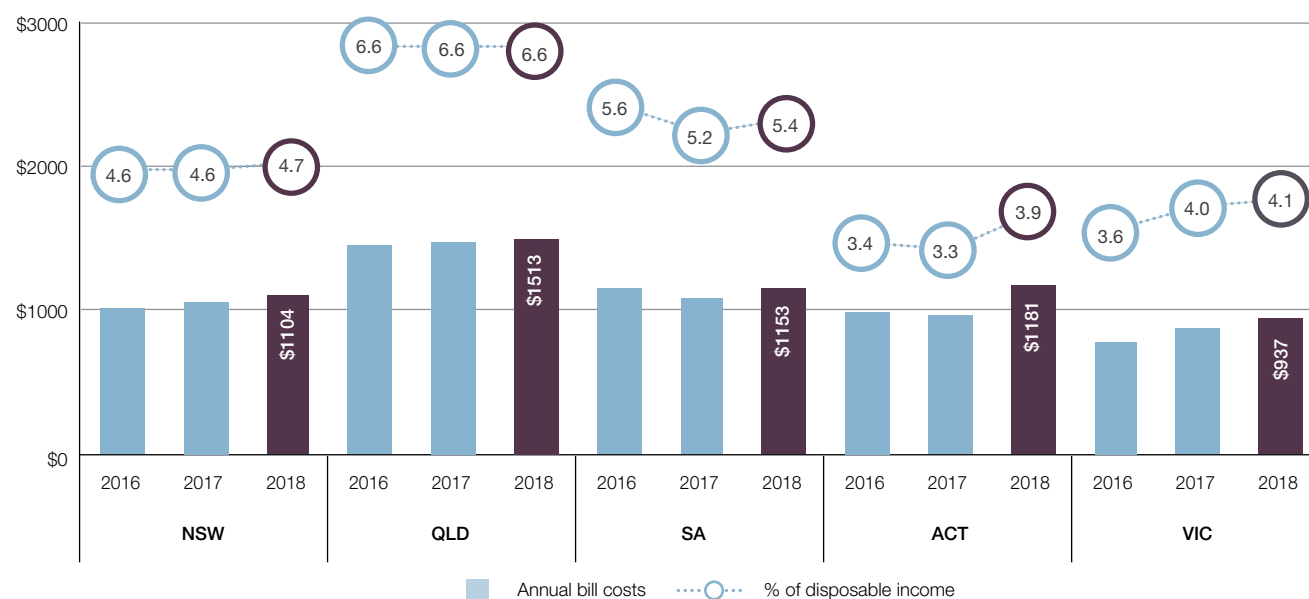
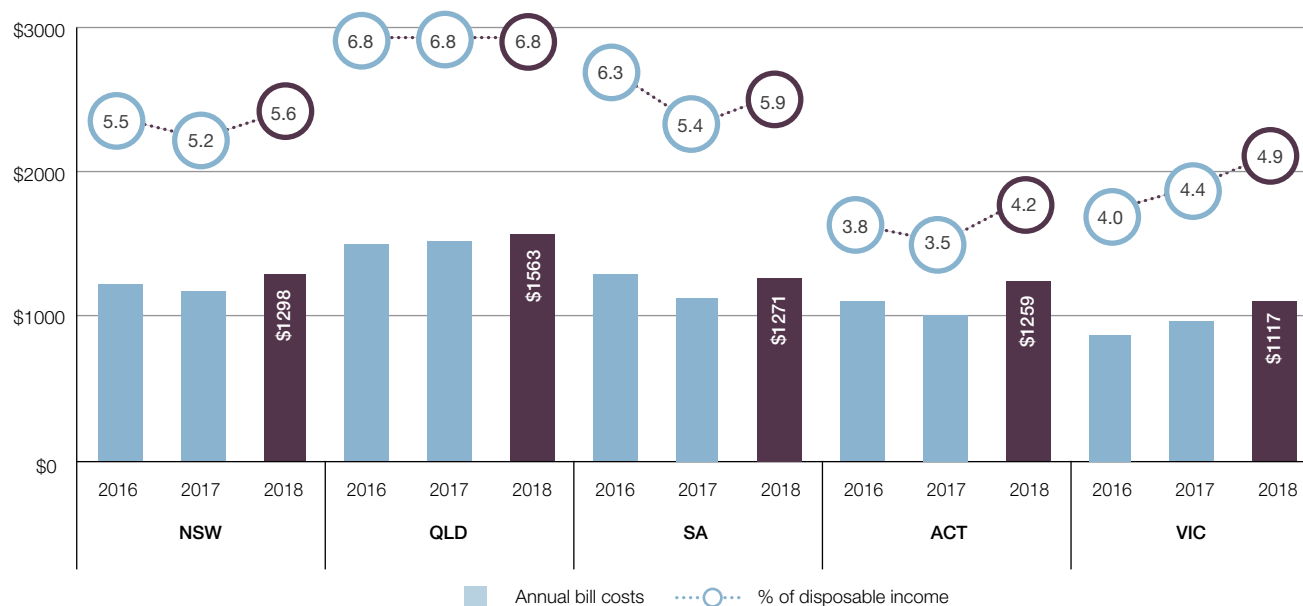


Figure 5.6: National analysis—Annual gas bills for low income households on a median standing offer 2015–16 to 2017–18 (38 311 Mj)



Gas bill cost analysis for middle income households

Middle income households

- In 2017–18, all standing and market offer customers across the jurisdictions experienced an increase in their median annual gas bills from the previous year. Customers in the ACT experienced the greatest increase from the previous year (\$237 for standing offers; \$212 for market offers), and Queensland customers experienced the smallest increase (\$40 for standing offers; \$31 for market offers).
- In 2017–18, median gas market offer annual bills ranged \$462. The highest amount paid was in Queensland at \$1585 and 3.1% of disposable income and the lowest amount paid was in Victoria at \$1123 and 2.1% of disposable income.
- Since 2015–16, Queensland middle income customers have consistently paid the highest amount for gas as a proportion of disposable income across market and standing offers. Conversely, Victorian customers have consistently paid the lowest amount as a proportion of disposable income, but in this year New South Wales and the ACT are now level with Victoria.
- In 2017–18, standing gas offers varied by \$294. Queensland had the highest median annual offer at \$1635 and 3.2% of disposable income and Victoria recorded the lowest at \$1341 and 2.5% of disposable income.

Figure 5.7: National analysis—Annual gas bills for middle income households on a median market offer 2015–16 to 2017–18 (38 311 Mj)

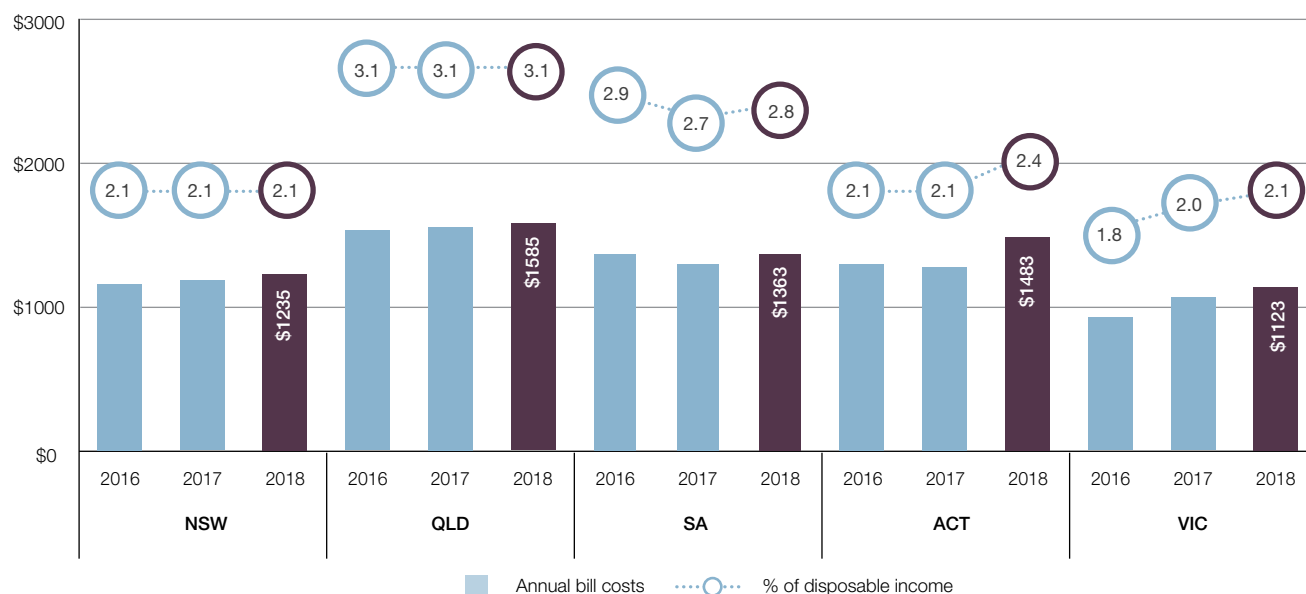
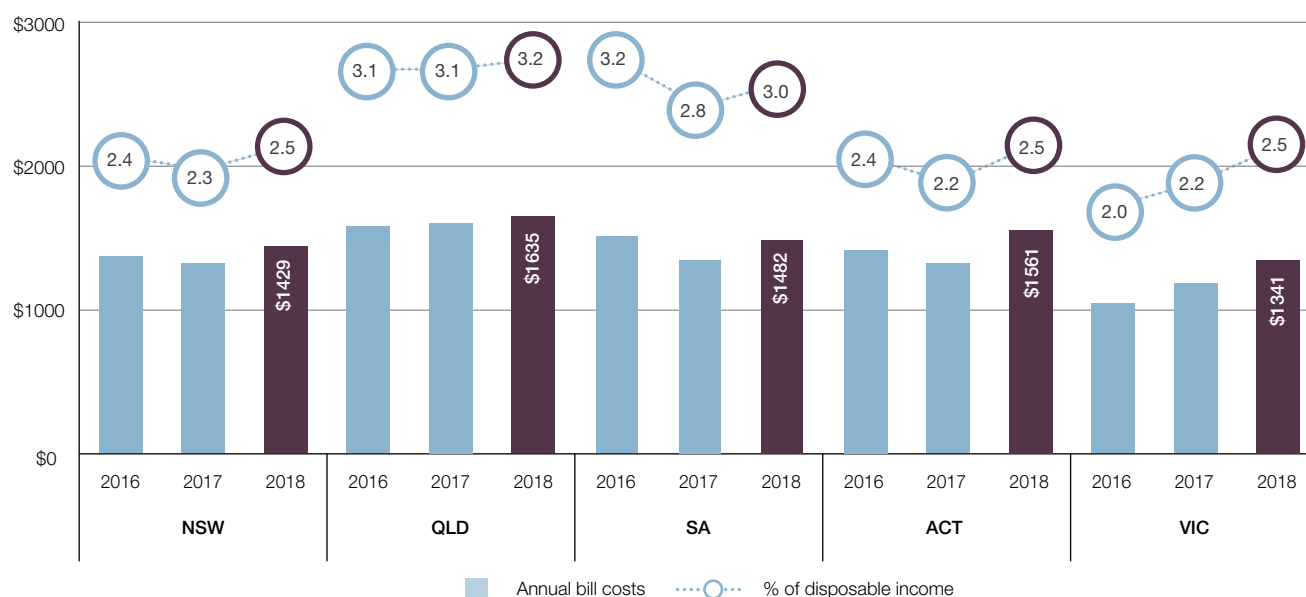


Figure 5.8: National analysis—Annual gas bills for middle income households on a median standing offer 2015–16 to 2017–18 (38 311 Mj)



5.5 Jurisdictional energy costs and affordability comparison

The previous section provided a comparison of energy bill costs by referencing the same consumption across the jurisdictions.

For this jurisdictional review, we considered the average electricity and gas consumption unique to each jurisdiction. These consumption figures vary significantly across each state and territory, and households were deemed to be billed based on the jurisdiction's unique average usage regardless of household income. We provide the consumption levels for each jurisdiction in section 5.2 and more information about our methodology in appendix 7.

When looking at the last three years of pricing information, energy costs for both electricity and gas median market and standing offers continue to increase, with a few exceptions. Between 2016–17 and 2017–18 electricity customers in Queensland on a median market offer have seen their bills reduce by \$31 and Tasmanian customers on a standing electricity offer have seen their annual billing costs reduce by \$12.

Electricity prices have increased by up to 22.6% for customers in the ACT on a median market offer or 21.1% if they are on a median standing offer. Gas prices are also up in the ACT, rising 16.8% for customers on a median market offer or 17.9% if they are on a median standing offer.

The effect on customers is that they are paying more of their disposable income year on year towards their energy bills. The hardest hit are low income households, which pay between 4.7% and 11.2% of their disposable income on electricity bills and between 2.6% and 6.5% of their disposable income on gas bills. In contrast, a middle income household might spend between 2.0% and 5.5% of their disposable income on electricity bills and between 1.3% and 3.3% of their disposable income on gas bills.

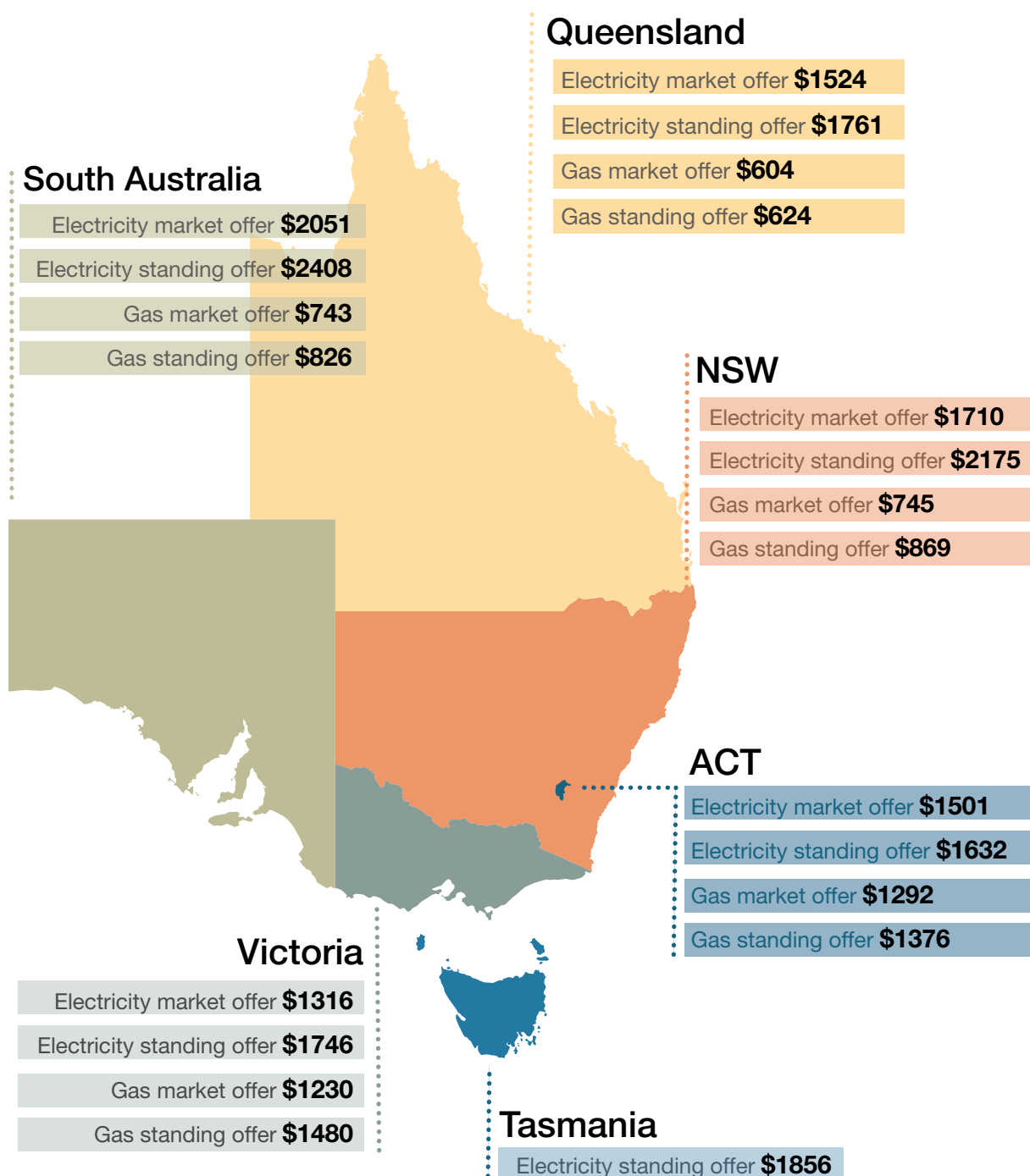
The following table depicts the changes in annual energy bills between 2015–16 and 2017–18 across the jurisdictions from offers taken from EME in the relevant period:

Table 5.2: Energy price movements from 2015–16 to 2017–18

	Electricity median market offer bills		Electricity median standing offer bills		Gas median market offer bills		Gas median standing offer bills	
	2015-16 to 2016-17	2016-17 to 2017-18	2015-16 to 2016-17	2016-17 to 2017-18	2015-16 to 2016-17	2016-17 to 2017-18	2015-16 to 2016-17	2016-17 to 2017-18
NSW	10.03%	11.46%	13.66%	21.75%	1.55%	5.09%	-4.44%	10.03%
QLD	4.12%	-1.61%	4.34%	4.83%	1.35%	1.92%	0.39%	3.59%
SA	7.54%	18.66%	15.25%	22.14%	-4.65%	2.77%	-9.86%	7.60%
TAS			3.43%	-0.50%				
ACT	5.95%	22.57%	7.36%	21.13%	-1.20%	16.77%	-6.21%	17.86%
VIC	6.25%	6.18%	6.52%	12.34%	12.59%	7.25%	12.40%	16.01%

Figure 5.9 Energy bill costs for low income households

Energy bill costs for low income households 2017–18



5.5.1 ELECTRICITY—ANNUAL BILL COSTS AND AFFORDABILITY

Generally electricity prices have increased across the jurisdictions. Our analysis shows that South Australian customers pay more than other customers for electricity on both median market and standing offers. It costs customers more and they spend a higher proportion of their disposable income on electricity costs irrespective of whether they are on a median market or standing offer. This is in spite of being some of the lowest electricity consumers in the NEM. This is true for low and middle income households.

When it comes to market offers, Victorian customers pay the lowest electricity bills. This correlates with the relatively low electricity use of Victorian customers.

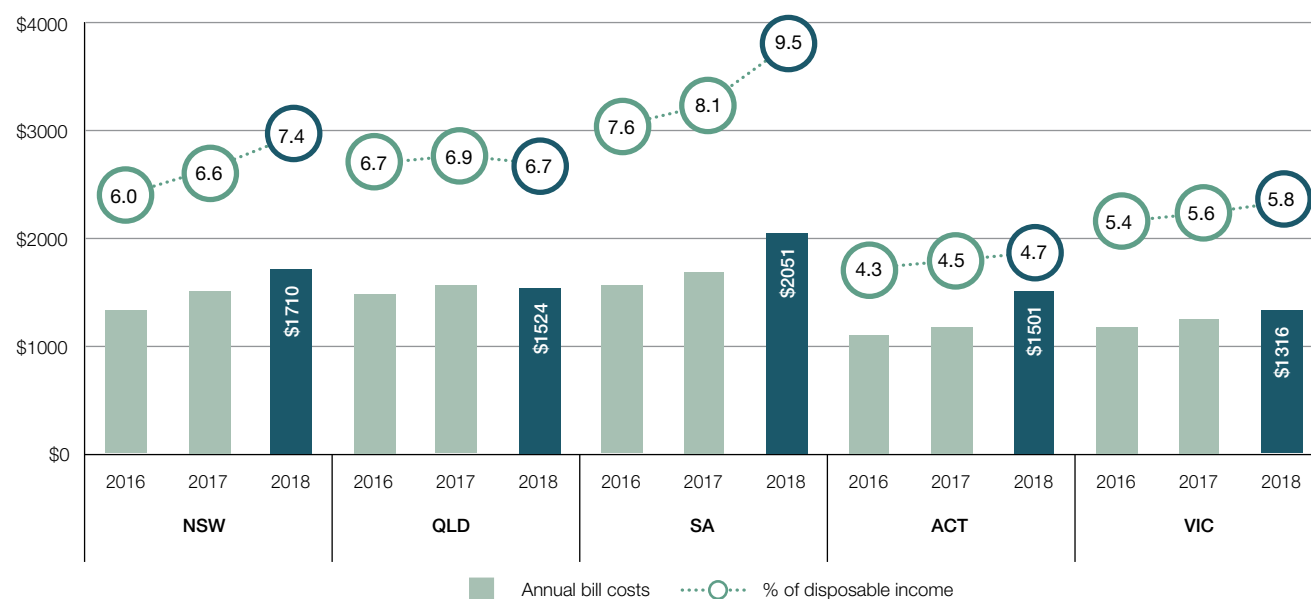
Customers in the ACT use some of the greatest amounts of electricity, yet those who are on standing offers pay the smallest electricity bills. Their bills represent the smallest portion of their income, regardless of whether the bill is a market or standard contract.

Electricity bill costs and affordability for low income households

Low income households

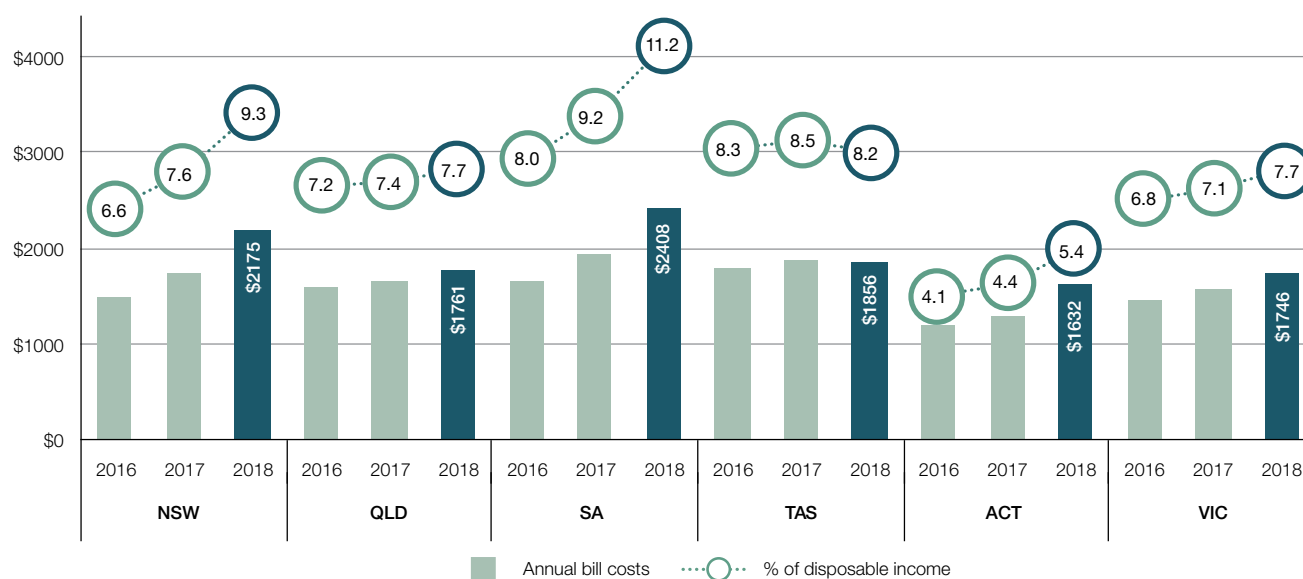
- In 2017–18, median market offers ranged \$735. South Australia recorded the highest median market offer bill at \$2051 or 9.5% of disposable income and the ACT recorded the most affordable electricity at \$1501 or 4.7% of disposable income.
- In 2017–18, median standing offers ranged \$776. South Australia recorded the highest median bill at \$2408 or 11.2% of disposable income and the ACT recorded the lowest at \$1632 or 5.4% of disposable income.
- The ACT experienced the greatest increase in both median annual market and standing offers compared with all other jurisdictions, with the median annual market offer increasing \$332 and the median standing offer increasing \$337.
- Queensland was the only jurisdiction that experienced a drop in market offers for low income households, with median annual bills decreasing \$31.
- Tasmania was the only jurisdiction that experienced a drop in standing offers for low income households, with median annual bills decreasing \$12

Figure 5.10: Jurisdictional analysis—Annual electricity bills for low income households on a median market offer⁸⁹ 2015–16 to 2017–18



⁸⁹ There are no market offers available in Tasmania

Figure 5.11: Jurisdictional analysis—Annual electricity bills for low income households on a median standing offer 2015–16 to 2017–18



Electricity bill costs and affordability for middle income households

Middle income households

- In 2017–18, median market offers ranged \$703. South Australia recorded the highest median market offer bill at \$2261 or 4.6% of disposable income and Victoria recorded the lowest at \$1559 or 2.9% of disposable income.
- In 2017–18, median standing offers ranged \$685. South Australia recorded the highest median bill at \$2619 or 5.3% of disposable income and the ACT recorded the lowest at \$1934 or 3.1% of disposable income. Customers in Tasmania paid the highest portion of their disposable income on their bills, at 5.5%
- South Australia experienced the greatest increase in both median annual market and standing offer bill costs compared with all other jurisdictions, with the median annual market offer increasing \$356 and the median standing offer increasing \$475.
- Queensland was the only jurisdiction that experienced a drop in market offers for middle income households, with median annual bills decreasing \$31.
- Tasmania was the only jurisdiction that experienced a drop in standing offers for middle income households, with median annual bills decreasing \$12.

Figure 5.12: Jurisdictional analysis—Annual electricity bills for middle income households on a median market offer⁹⁰ 2015–16 to 2017–18

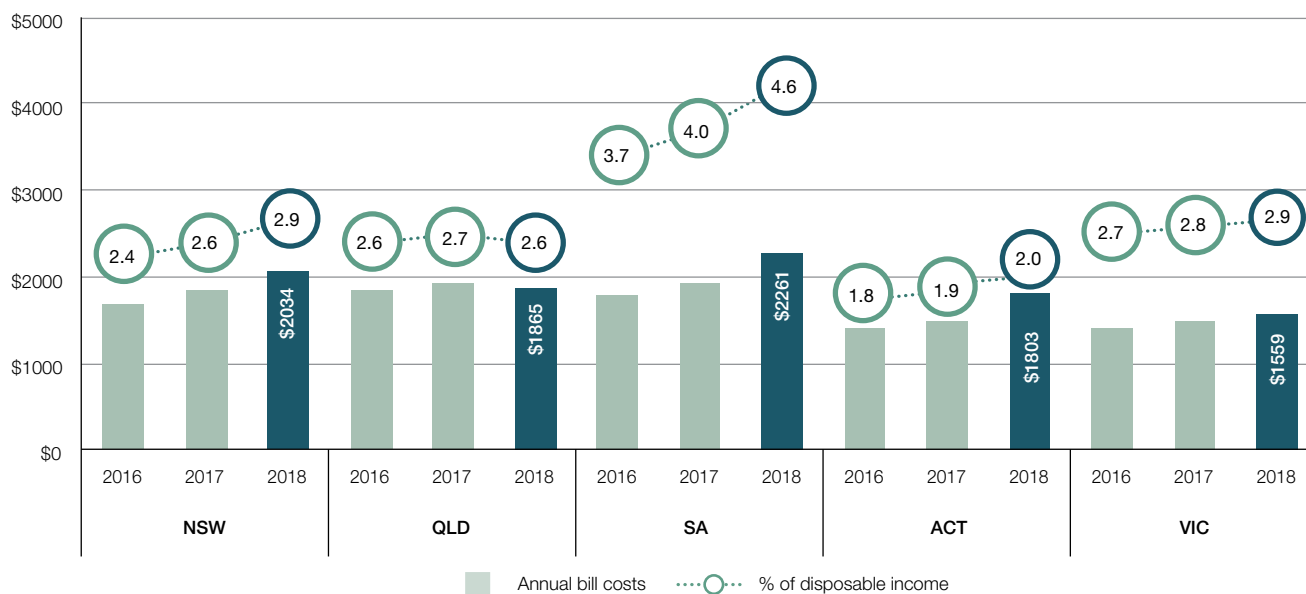
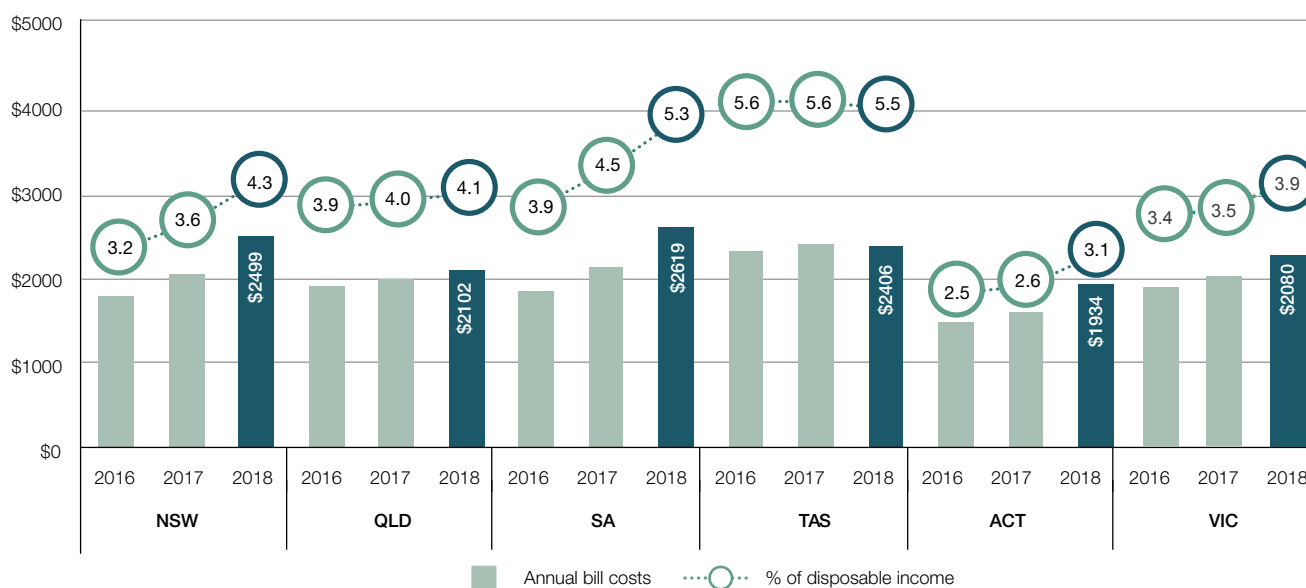


Figure 5.13: Jurisdictional analysis—Annual electricity bills for middle income households on a median standing offer



90 There are no market offers available in Tasmania

5.5.2 GAS—ANNUAL BILL PRICES AND AFFORDABILITY

Victorian customers on a median standing offer and customers from the ACT on a median market offer tend to pay more for gas. Victorian customers spend more of their disposable income on gas costs and almost double that of some other jurisdictions, but this is partly because Victorian households typically use significantly more gas than consumers in other jurisdictions.

Customers on gas market offers pay more if they reside in the ACT. Like Victorians, residents of the ACT use more gas than those in other jurisdictions.

Customers in Queensland use significantly less gas than customers in other jurisdictions. This flows through to annual bills that customers pay in Queensland and represents a lower portion of their disposable income.

Gas bill costs and affordability for low income households

Low income households

- In 2017–18, median market offers ranged \$688. The ACT recorded the highest median market offer bill at \$1292 or 4.3% of disposable income and Queensland recorded the lowest at \$604 or 2.6% of disposable income. At 5.4%, Victorian customers paid the highest portion of their income on \$1230 bills.
- In 2017–18, median standing offers ranged \$857. Victoria recorded the highest median bill at \$1480 or 6.5% of disposable income and Queensland recorded the lowest at \$624 or 2.7% of disposable income.
- The ACT experienced the greatest increase in both median annual market and standing offer annual bill costs compared with all other jurisdictions, with the median annual market offer increasing \$229 and the median standing offer increasing \$254.
- No jurisdiction experienced a drop in market or standing offers for low income households.

Figure 5.14: Jurisdictional analysis—Annual gas bills for low income households on a median market offer 2015–16 to 2017–18

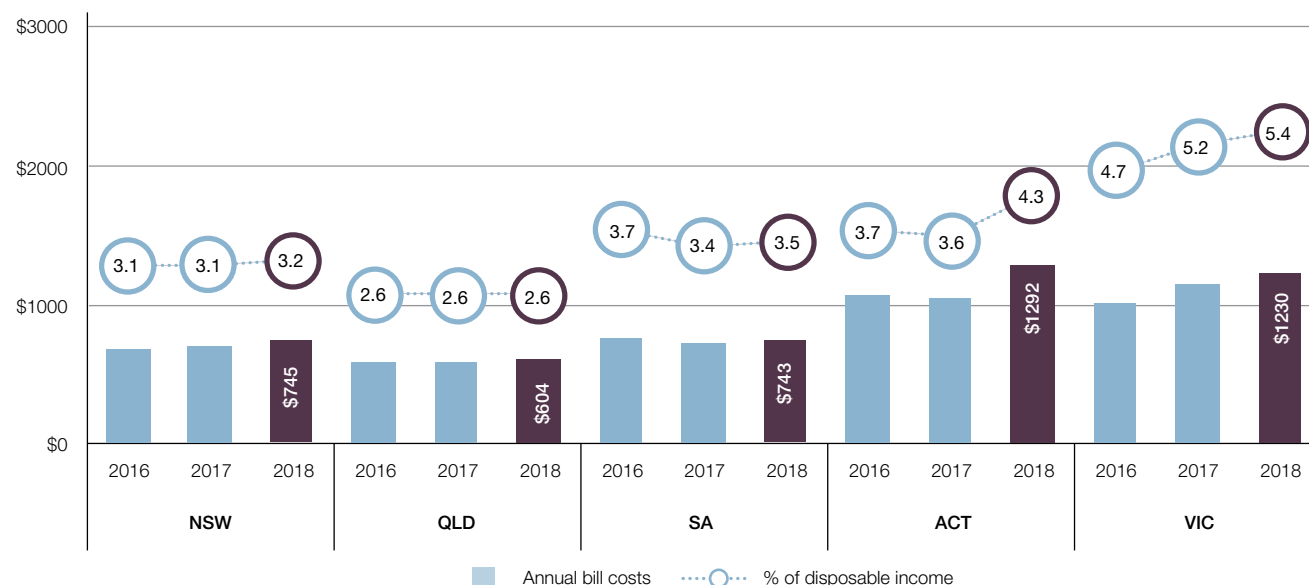
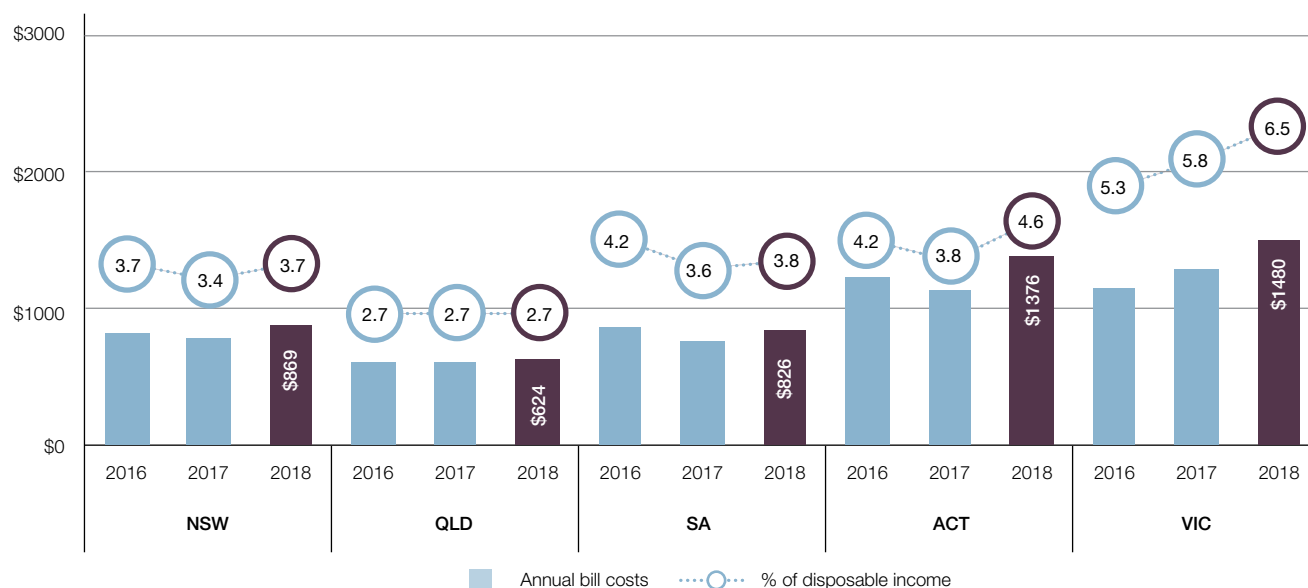


Figure 5.15: Jurisdictional analysis—Annual gas bills for low income households on a median standing offer 2015–16 to 2017–18



Gas bill costs and affordability for middle income households

Middle income households

- In 2017–18, median market offers ranged \$919. The ACT recorded the highest median market offer bill at \$1594 or 2.5% of disposable income and Queensland recorded the lowest at \$676 or 1.3% of disposable income. Customers in Victoria paid the highest portion of their disposable income on their bills, at 2.7%
- In 2017–18, median standing offers ranged \$1086. Victoria recorded the highest median bill at \$1781 or 3.3% of disposable income and Queensland recorded the lowest at \$695 or 1.3% of disposable income.
- The ACT experienced the greatest increase in both median annual market and standing offers compared with all other jurisdictions, with the median annual market offer increasing \$229 and the median standing offer increasing \$254.
- No jurisdiction experienced a drop in market or standing offers for middle income households.

Figure 5.16: Jurisdictional analysis—Annual gas bills for middle income households on a median market offer 2015–16 to 2017–18

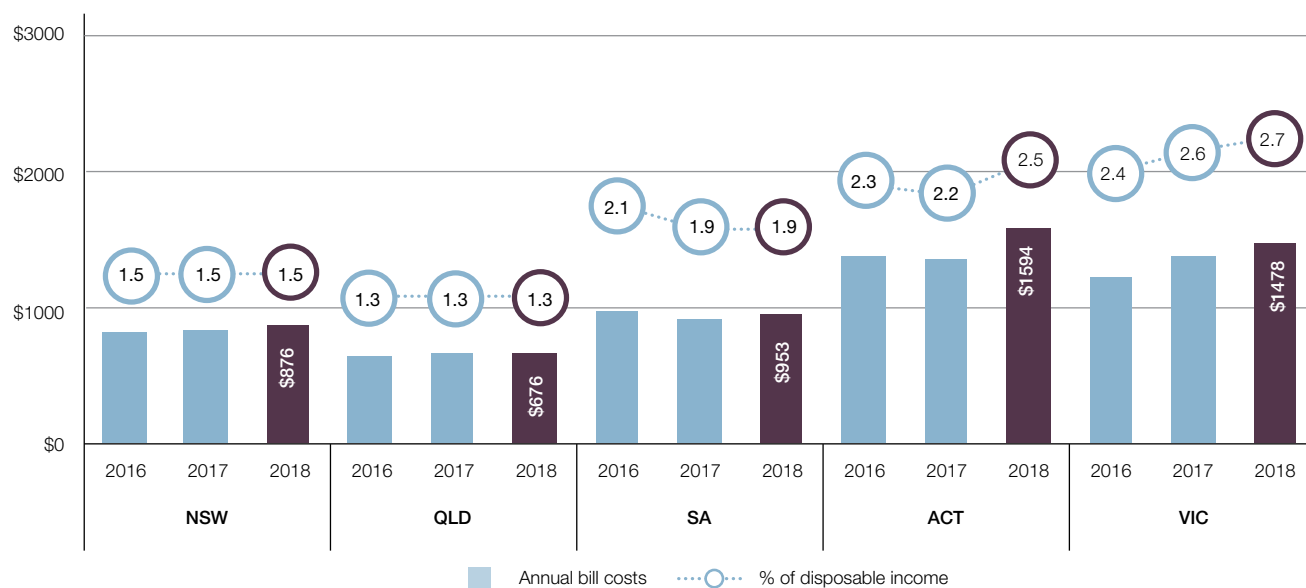
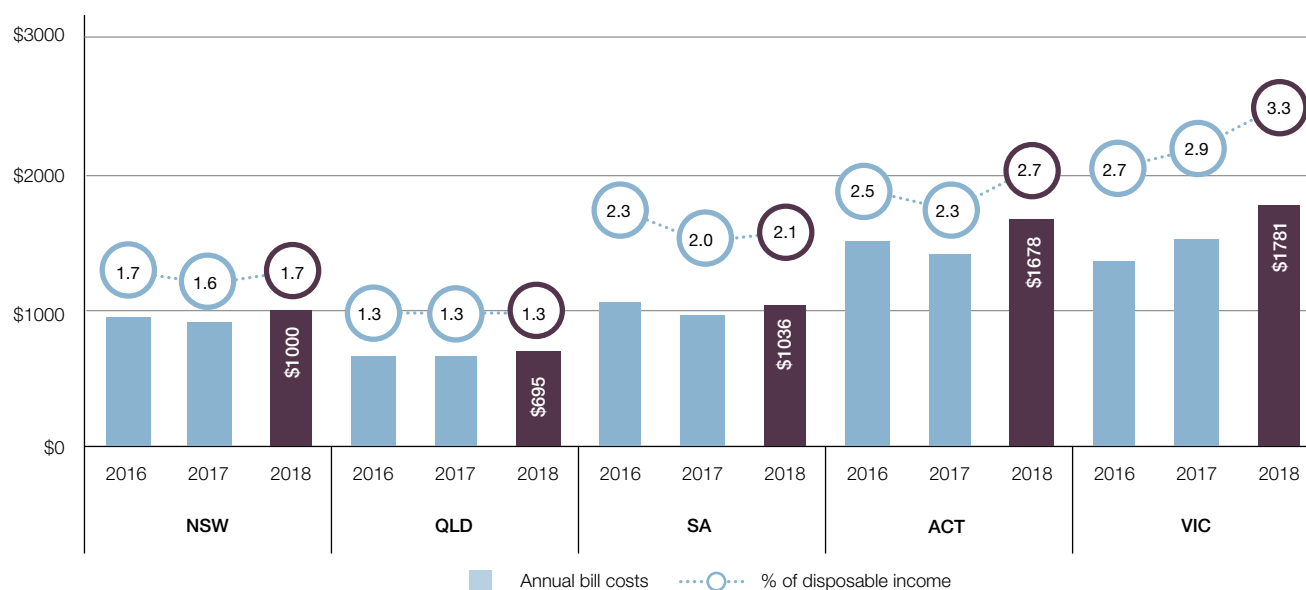


Figure 5.17: Jurisdictional analysis—Annual gas bills for middle income households on a median standing offer 2015–16 to 2017–18





Sam and Trevor manage their energy costs

Sam and Trevor are a middle-aged couple living on the outskirts of Brisbane. They have had some trouble staying on top of their finances after changes at work left the pair unemployed. The couple have started to worry about their ability to continue to pay their energy bills. Sam and Trevor don't want to fall into debt, so they decide to investigate how to stay on top of things.

Since the pair both lost their jobs recently, they are able to access support through Centrelink and they can opt into Centrepay.⁹¹ This is a free bill paying service that allows Centrelink payment recipients to arrange regular deductions to pay energy bills. Trevor also checks their retailer's website and discovers some useful resources, including a section on customer hardship, concessions, payment extensions and financial assistance.

They call their energy retailer to discuss setting up a Centrepay arrangement so there is one less bill to worry about. Their retailer asks whether they are eligible to receive an energy concession. The retailer explains that concessions are available to customers who satisfy a range of criteria determined by state and territory jurisdictions, including earning a low income or having a medical condition that requires greater energy consumption. Their retailer advises the couple that they are eligible to receive a Queensland energy concession⁹² on their energy account and that Sam and Trevor will be able to access concessions of about \$340 for electricity and \$70 for gas over the next 12 months. The retailer reviews the rates and tariffs that Sam and Trevor are currently receiving and finds a new contract that offers lower peak and off-peak rates.

Sam and Trevor visit their online customer account. The online customer portal allows the couple to manage their energy account details and view their energy charges and daily usage. They review their daily usage and realise they can reduce their energy costs by making some simple changes at home. They agree to turn the washing machine and dishwasher on at night or on the weekend when they can access lower off-peak prices.

By being active energy consumers, Sam and Trevor have explored a range of options to better manage their circumstances and keep on top of their energy spending.

91 More information about energy and gas rebates is available at <https://www.qld.gov.au/community/cost-of-living-support/concessions/energy-concessions/electricity-gas-rebates>

92 More information about energy and gas rebates is available at <https://www.qld.gov.au/community/cost-of-living-support/concessions/energy-concessions/electricity-gas-rebates>

5.6 Composition of bills: daily supply charges and energy usage charges

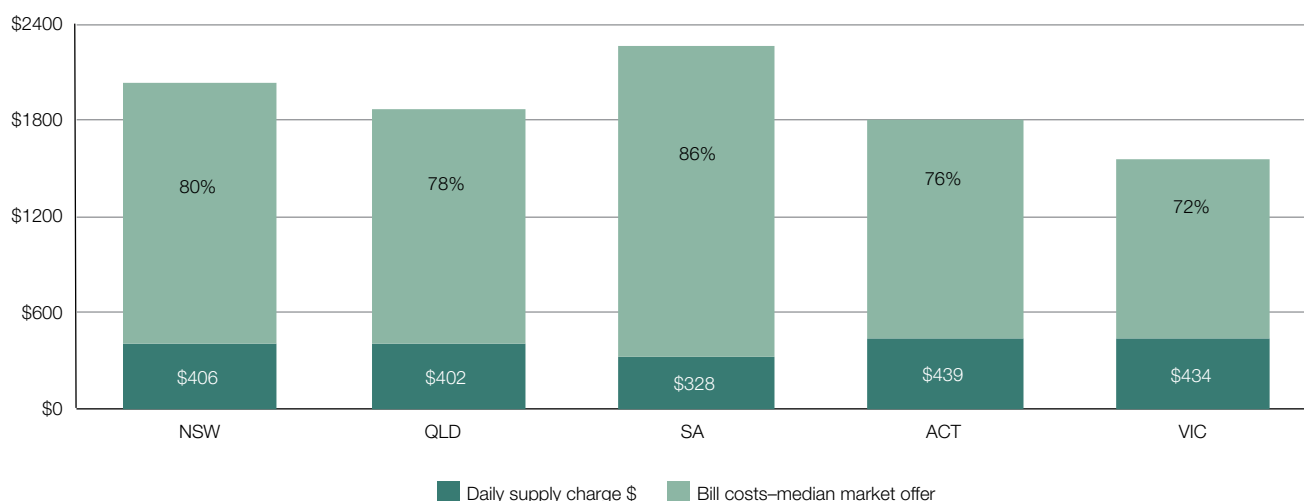
Energy bills are made up of fixed and variable charges. For residential and small business customers, the fixed charge is the supply charge representing the network and wholesale costs which are regulated and typically billed as a daily charge, and the variable charge is the retailer's usage charge typically billed per unit of electricity or gas.

5.6.1 ELECTRICITY SUPPLY CHARGES

Supply charges tend to be applied on a per day basis, whereas usage charges depend on the amount of energy consumed on site. Even where usage decreases in a household, the supply charge will remain the same.

The figure below shows that the supply component of bills ranges from \$328 to \$439 per year in each jurisdiction which, for the retail component of a bill, represents between 72% and 86% of an annual bill for a middle income household on a median market offer.

Figure 5.18: Supply charges—Annual electricity supply charges for middle income households on a median market offer

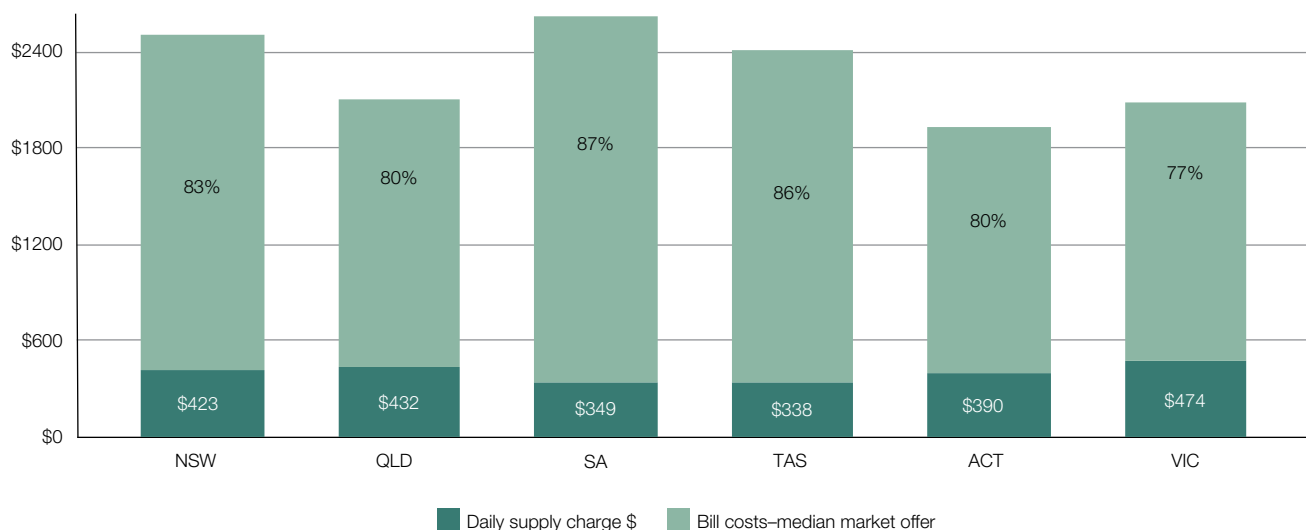


Customers in Victoria are paying the greatest percentage of supply charges for electricity median standing and market contracts, but they also pay the least in total annual bill charges for electricity median market offers.

Electricity customers in South Australia pay the lowest amount and percentage of supply charges for electricity median market and standing contracts, at \$328 or 14.5% for a median market offer and \$349 or 13.3% for a median standing offer.

The range of supply charges for customers on a market offer varied by up to \$111, and up to \$125 for customers on a median standing offer.

Figure 5.19: Supply charges—Annual electricity supply charges for middle income households on a median standing offer



5.6.2 GAS SUPPLY CHARGES

Customers in Queensland pay the greatest percentage of supply charges for gas median market and standing offers. Queensland gas customers also pay the least amount because they use the least amount of gas. Conversely, Victorian customers pay more on their gas bills because they typically consume a lot more gas.

New South Wales gas customers pay the lowest amount of supply charges for gas median market and standing offer contracts, at \$271 and \$254 respectively. Customers in the ACT pay the lowest percentage of their bills for supply charges, at 18.1% for median market offers and 17.2% for median standing offers.

Figure 5.20: Supply charges—Annual gas supply charges for middle income households on a median market offer

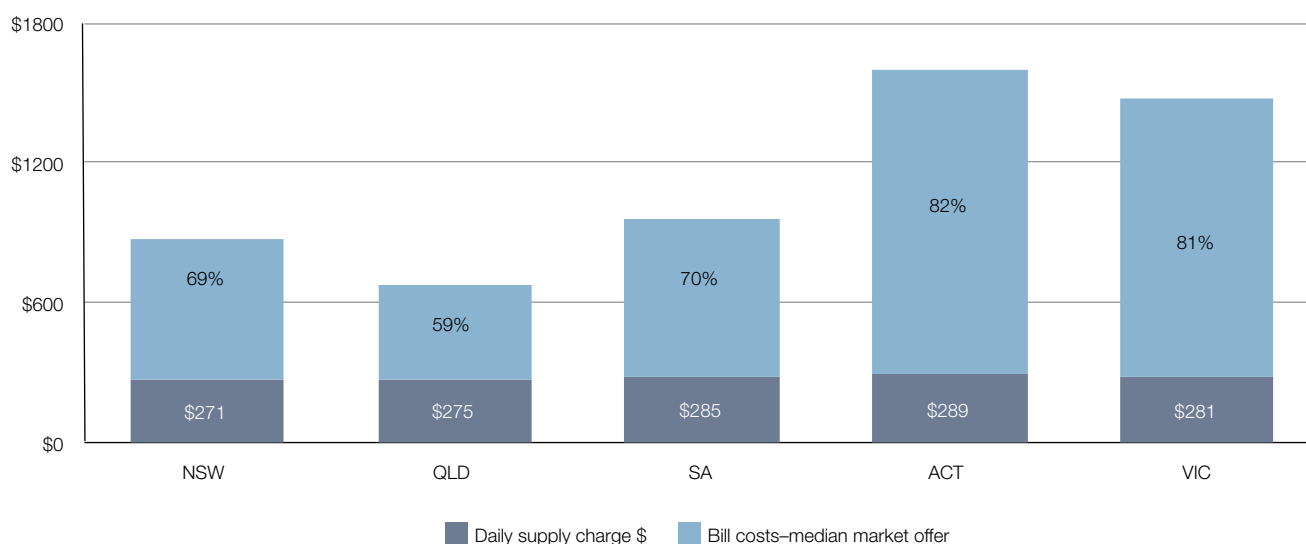
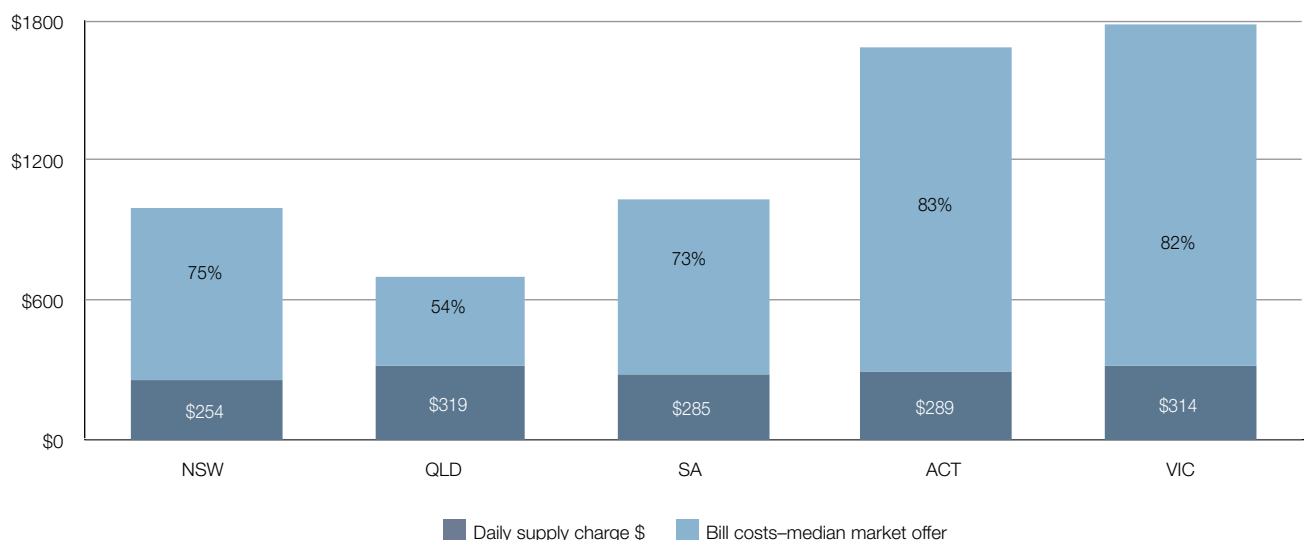


Figure 5.21: Supply charges—Annual gas supply charges for middle income households on a median standing offer



5.7 Pay on time discounts

Energy offers often contain different payment incentives. Most retailers offer customers ‘pay on time’ discounts for either usage charges or usage and supply charges. These can be unconditional or conditional on customers making a payment on time. Discounts vary from 5% to 47% across the jurisdictions and can allow customers to access lower charges.

For customers who are in hardship (temporary or long term), it may be more difficult to pay an energy bill on time. They could face paying much higher bills if they are not able to access their discount by paying on time. We encourage customers who are experiencing payment difficulties to find an offer with a lower usage rate, or a guaranteed discount, so they are not penalised for adopting payment plans or failing to make a bill payment on time.

Retailers also need to ensure that customers can access clear and transparent information about available rates and tariffs, and understand the terms and conditions of these offers, specifically in relation to pay on time discounts. Customers need to remember that some retailers may offer a discount that results in higher annual charges than another retailer offers with a lower discount.



The Donovan family uses Energy Made Easy to save

The Donovan family of Wollongong loved travelling but times were tough. They thought they should explore whether they could make any savings on bills to put towards their annual family holiday.

The family had been on their current market offer for several years and the discount they received when they signed up had expired after the initial 12 months ended. They had never actively researched other energy offers.

The Donovan family was determined to try and save on their energy bills and visited private energy comparator websites they had seen advertised on TV and social media. These sites were not suited to the family's needs because they did not always include all available energy offers in the market. A friend told the family about the government comparator website called Energy Made Easy (EME).

EME is a tool that helps residents compare energy offers across all retailers so that they can find the best offer available. On EME, the Donovans discovered a range of other useful facts and resources, including that on 1 July each year, energy prices rise and that they might see an increase in their own energy bill. They also learnt how to read their electricity and gas bills in more detail and discovered that bills were composed of two parts: a daily supply charge and a usage charge.

The Donovans entered their bill details into EME and were able to find a cheaper gas and electricity offer provided by a different retailer. EME suggested they could save up to \$250. The couple recorded the offer name and ID, and then contacted the new retailer. After speaking to the retailer about the new offer, the family decided to switch.

Their existing retailer called to confirm that the switch was being processed but offered new rates and a higher discount which meant their overall bill could be even lower than it would be with the new offer found on EME. The family agreed to stay with their existing retailer based on the new offer and discounts. They will put the savings towards their next family holiday.

5.8 Jurisdictional dashboards

The following are summaries (or ‘dashboards’) of key data for each jurisdiction. We have included information about the market, such as:

- number of customers across all segments of the market
- number of retailers
- number of distributors
- number of energy offers available to customers (dual fuel offers are counted here as electricity offers); and
- the average electricity consumption and benchmarked gas consumption.

The dashboards show the trends in median market offer bill costs and affordability for low income and middle income households. We have also detailed trends in supply costs for low income customers on median market offers.

For each jurisdictional dashboard, we have detailed bills costs at 1 June 2018, to reflect the financial year 2017–18. The charts provide analysis by distribution business to indicate the bill costs by region in each jurisdiction. These bill cost charts provide information about:

- the price range of market offers within each distribution business
- the mean market offer; and
- the mean standing offer.

NSW—Electricity 2017–18



3
Distributors



37
Retailers



2826
Retail offers



3 489 158
Customers



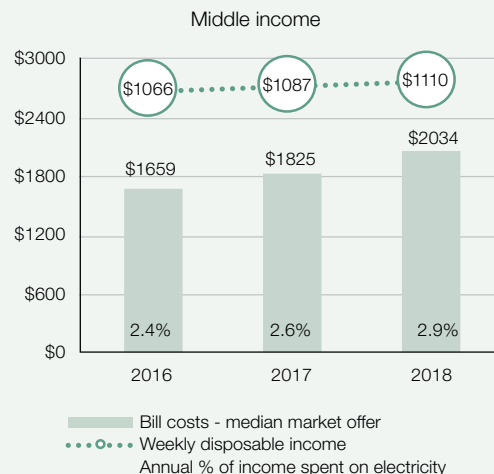
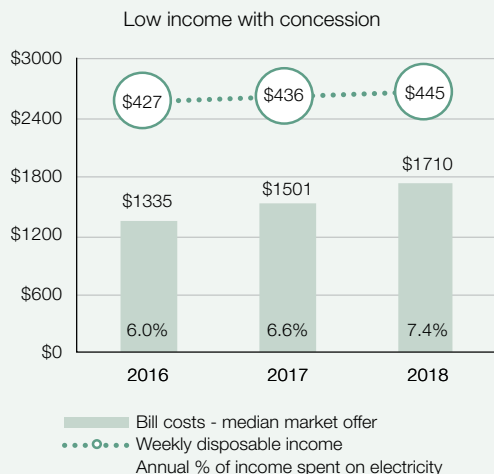
6132
Average usage
kwh



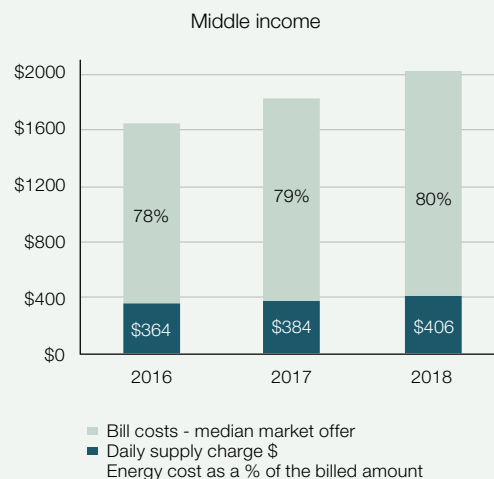
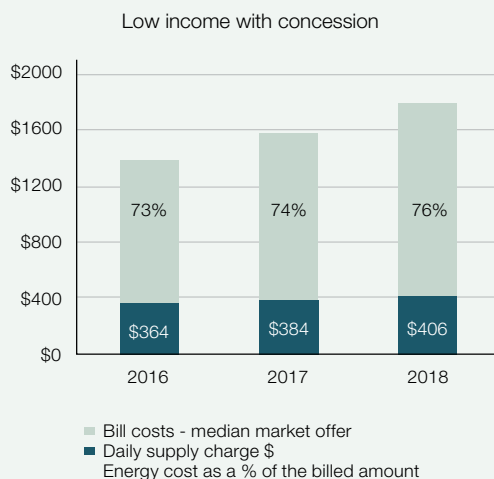
\$1710
Annual bill
Low income

\$2034
Annual bill
Middle income

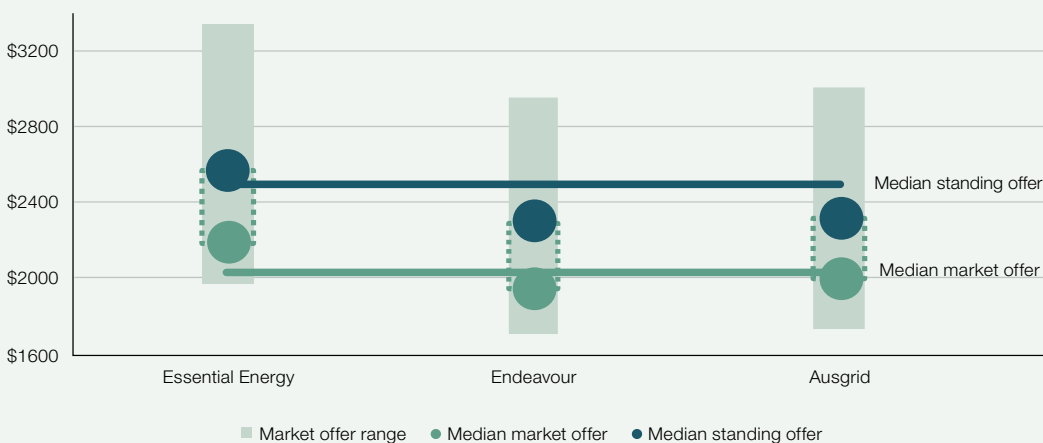
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributors 1 June 2018



NSW—Gas 2017–18



4
Distributors



11
Retailers



329
Retail offers



1 393 519
Customers



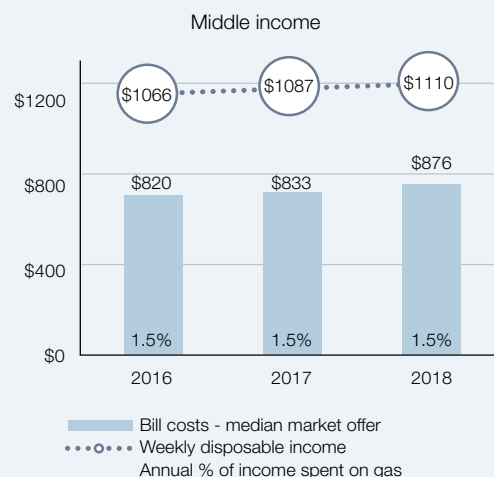
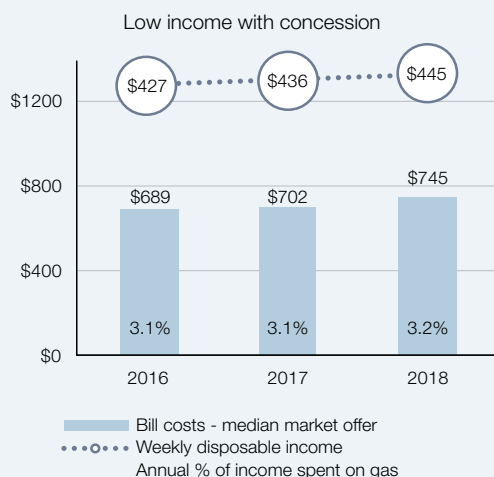
22 855
Average usage
Mj



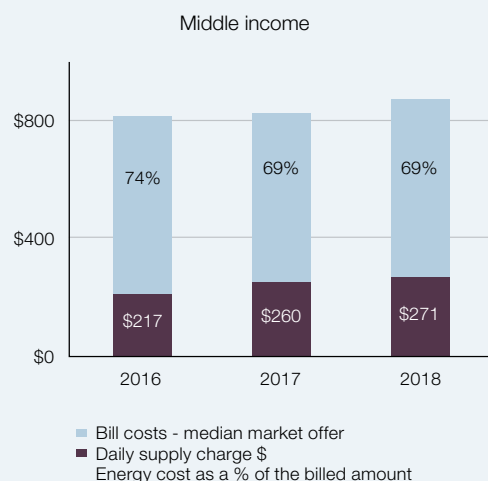
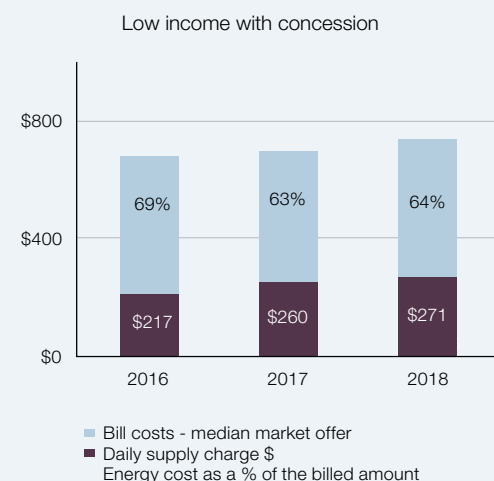
\$745
Annual bill
Low income

\$876
Annual bill
Middle income

Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributors 1 June 2018



QLD — Electricity 2017–18



2
Distributors



34
Retailers



683
Retail offers



2 187 842
Customers



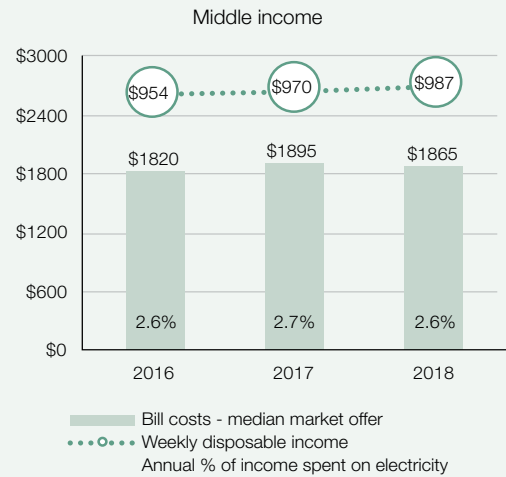
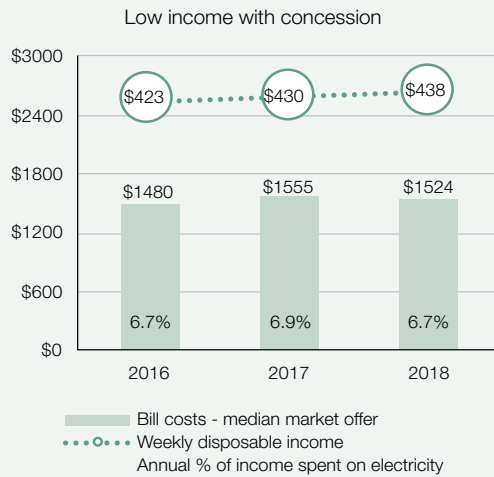
5947
Average usage
kwh



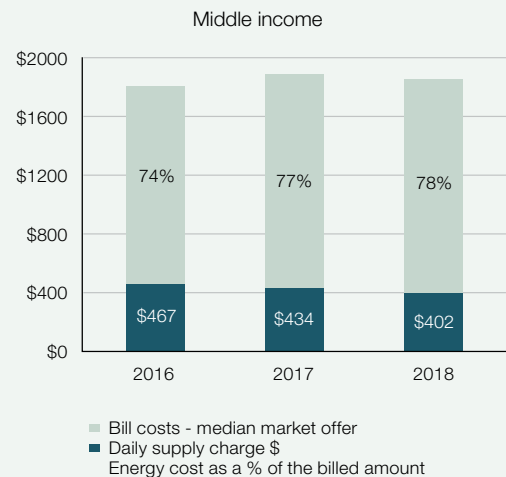
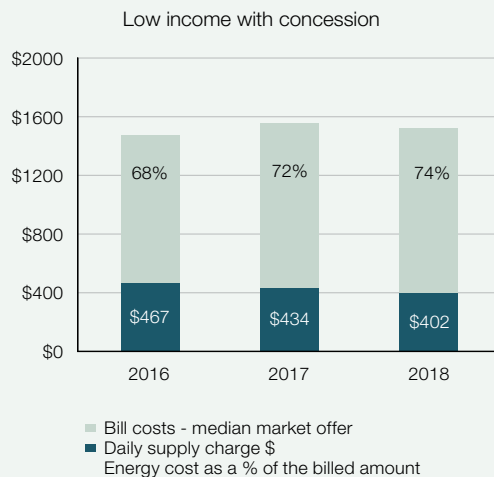
\$1524
Annual bill
Low income

\$1865
Annual bill
Middle income

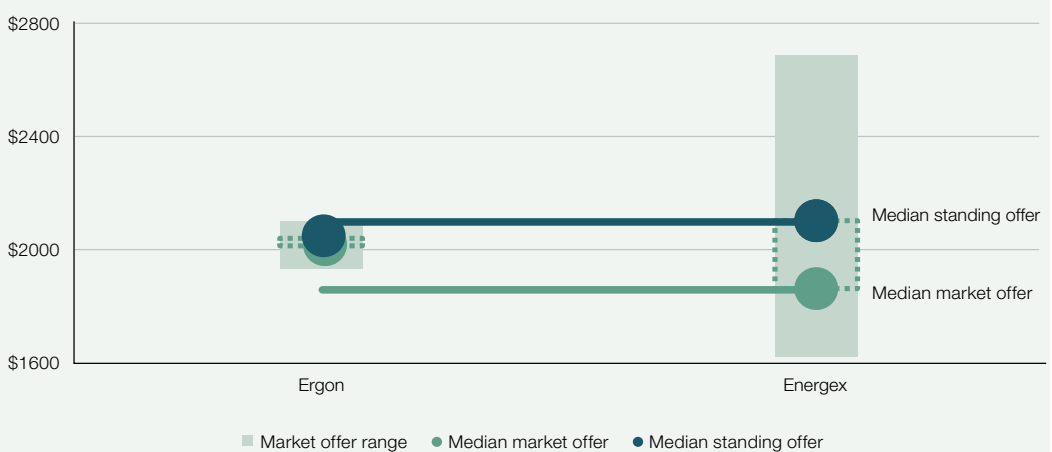
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributors 1 June 2018



QLD — Gas 2017–18



1
Distributor



3
Retailers



62
Retail offers



205 926
Customers



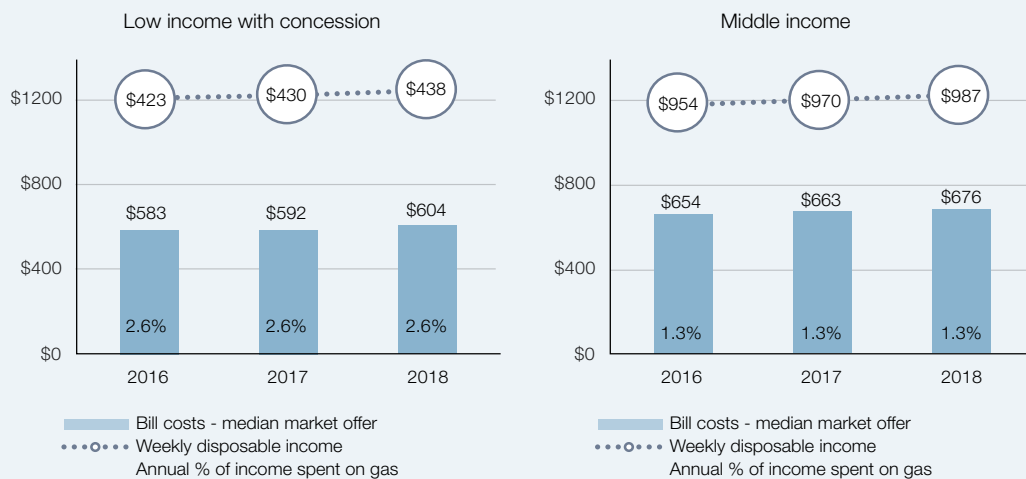
7873
Average usage
Mj



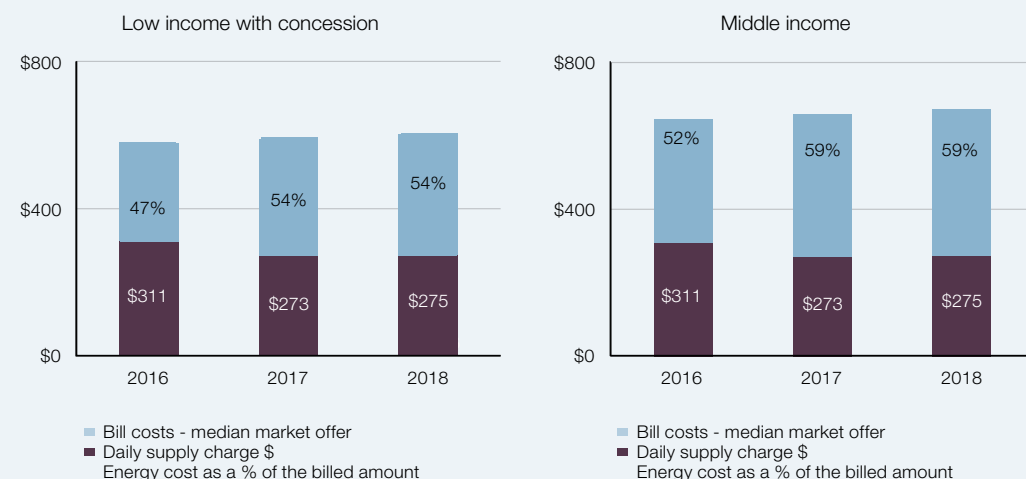
\$604
Annual bill
Low income

\$676
Annual bill
Middle income

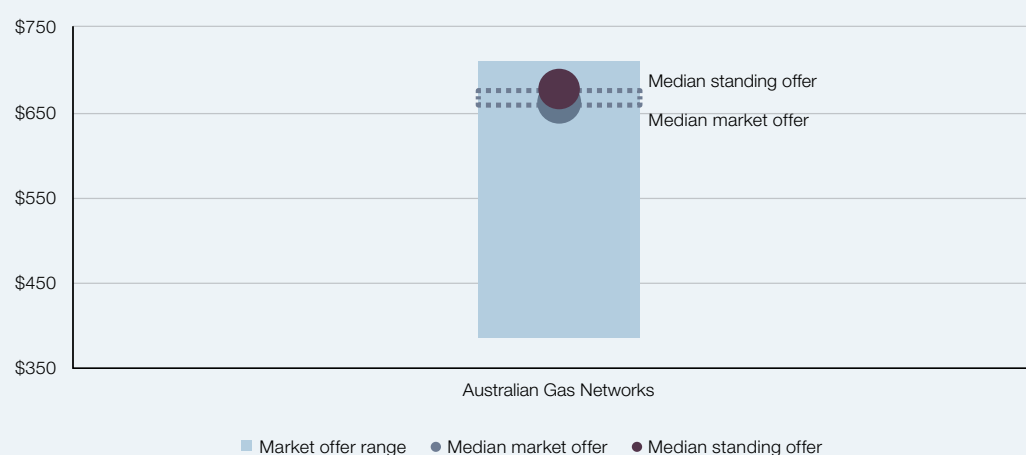
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributor 1 June 2018



SA — Electricity 2017–18



1

Distributor



26

Retailers



418

Retail offers



866 998

Customers



5104

Average usage
kwh



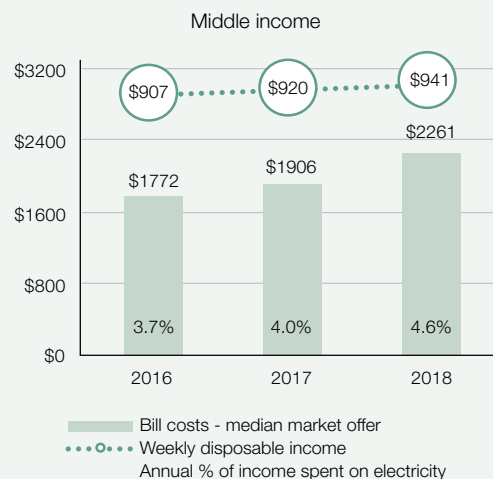
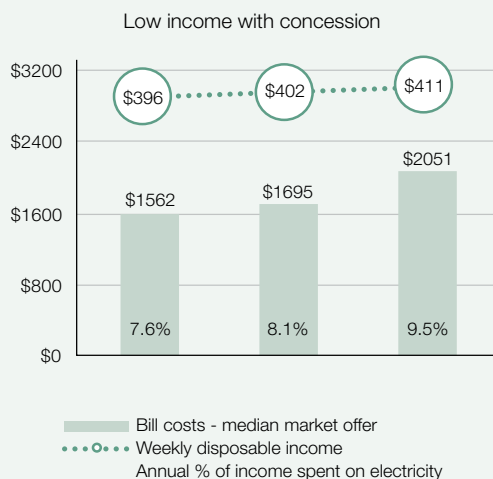
\$2051

Annual bill
Low income

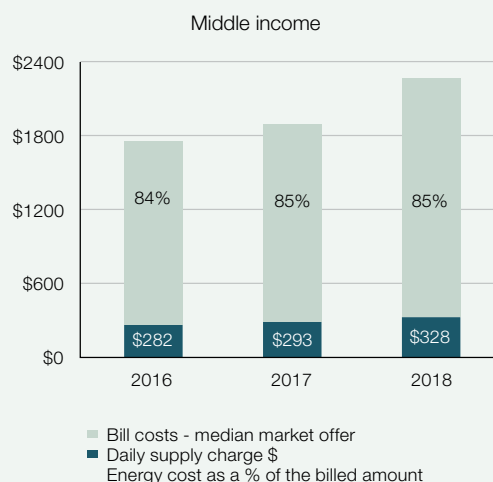
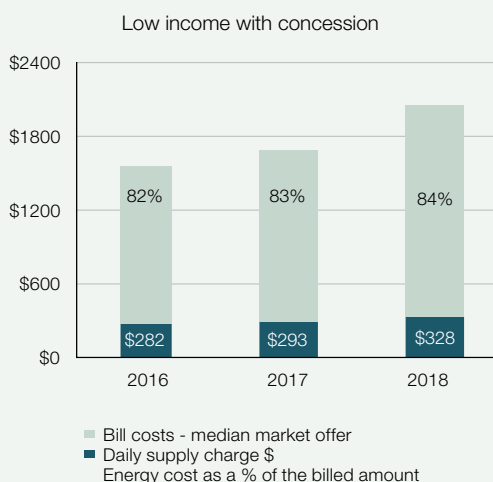
\$2261

Annual bill
Middle income

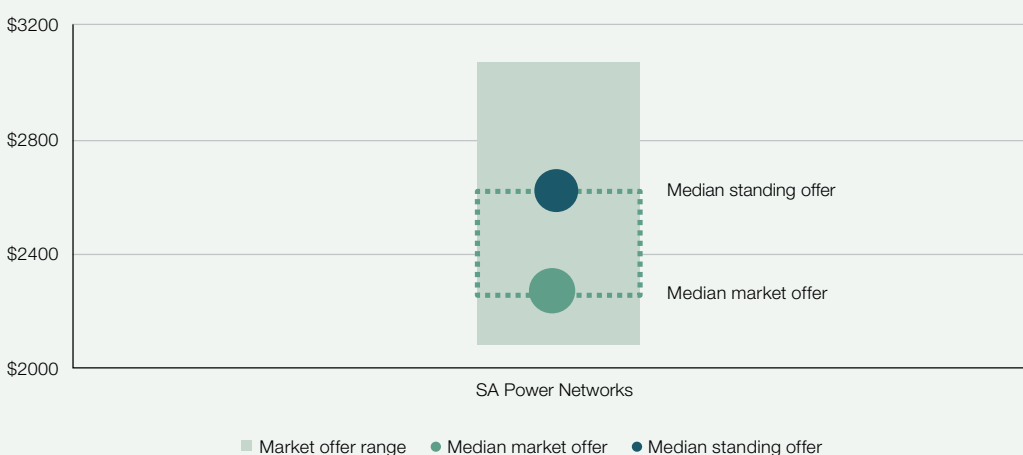
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributor 1 June 2018



SA — Gas 2017–18



1
Distributor



9
Retailers



78
Retail offers



435 685
Customers



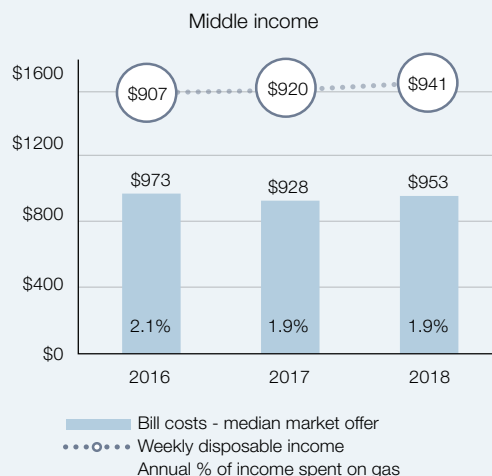
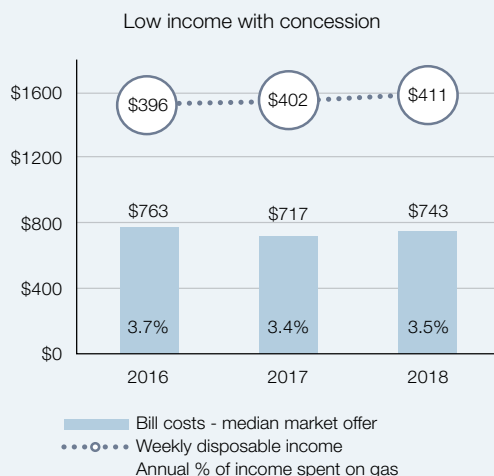
17 501
Average usage
Mj



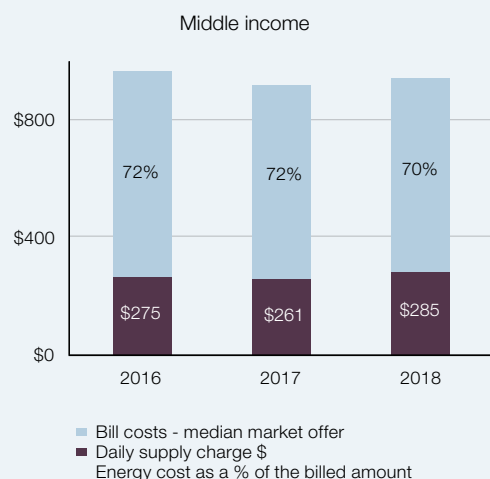
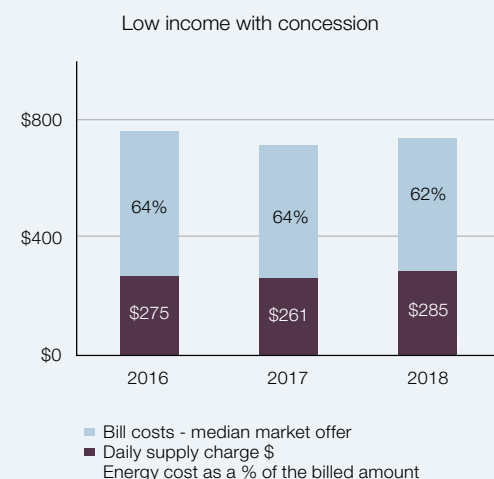
\$743
Annual bill
Low income

\$953
Annual bill
Middle income

Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributor 1 June 2018



ACT — Electricity 2017–18



1
Distributor



14
Retailers



240
Retail offers



187 113
Customers



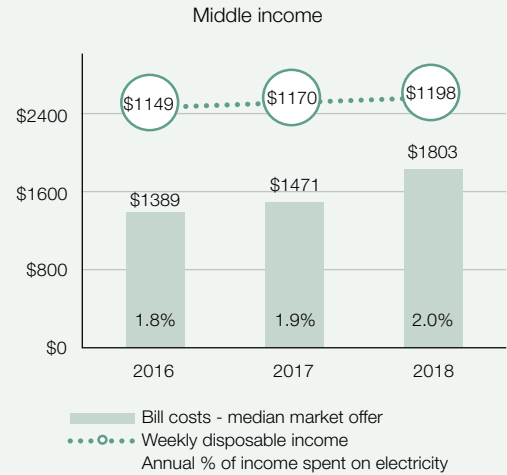
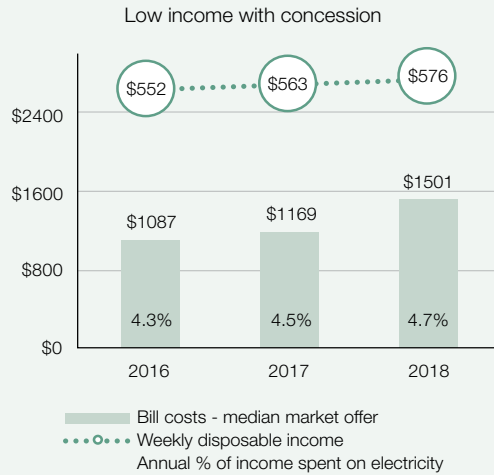
7009
Average usage
kwh



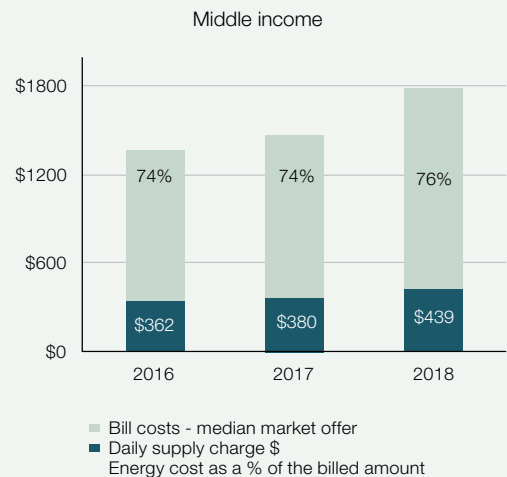
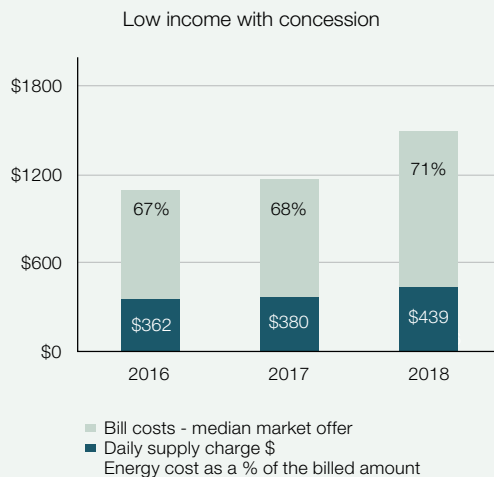
\$1501
Annual bill
Low income

\$1803
Annual bill
Middle income

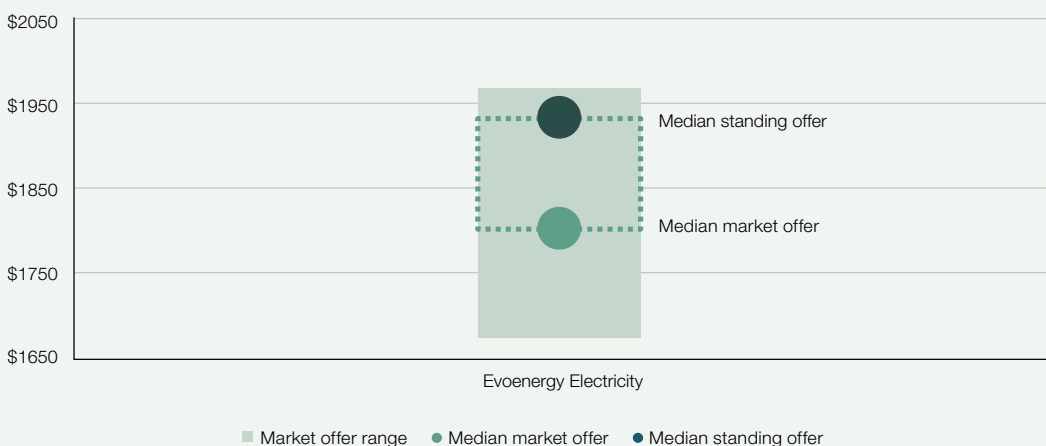
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributor 1 June 2018



ACT — Gas 2017–18



1
Distributor



3
Retailers



19
Retail offers



124 186
Customers



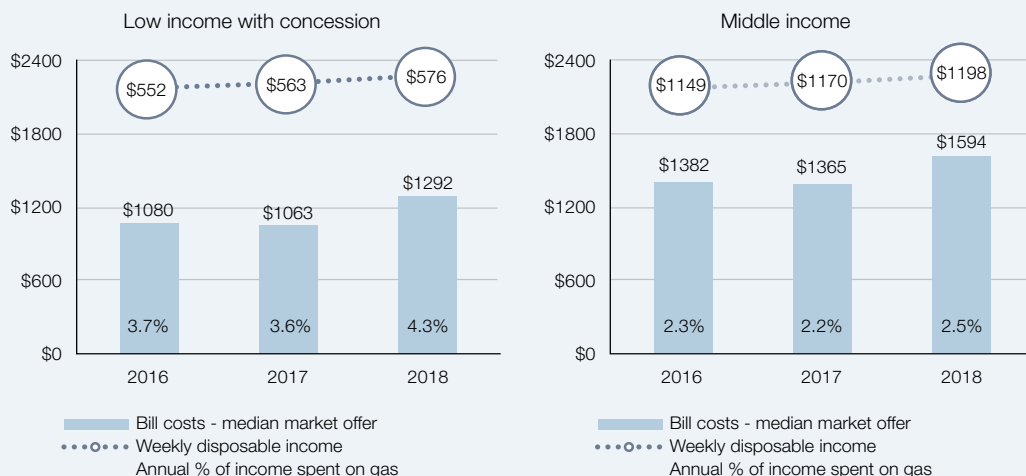
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Average usage
Mj



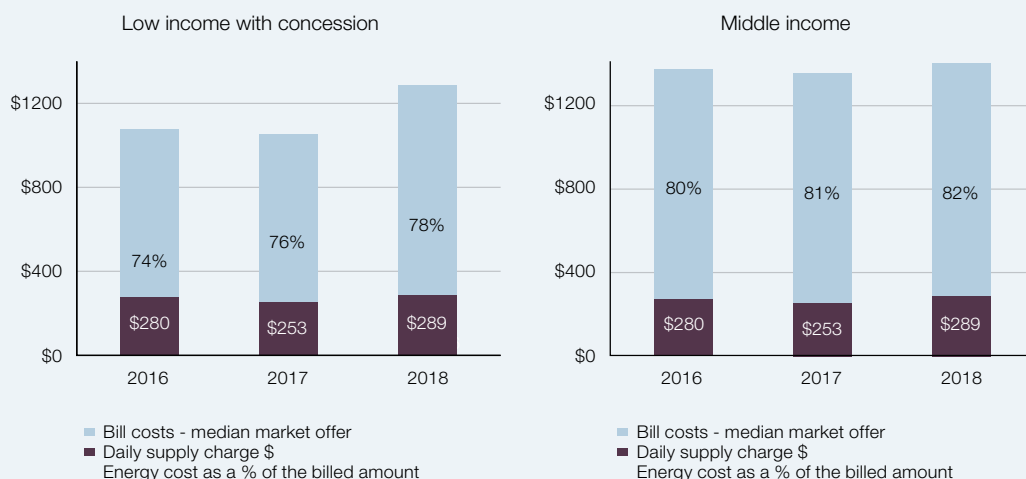
\$1292
Annual bill
Low income

\$1594
Annual bill
Middle income

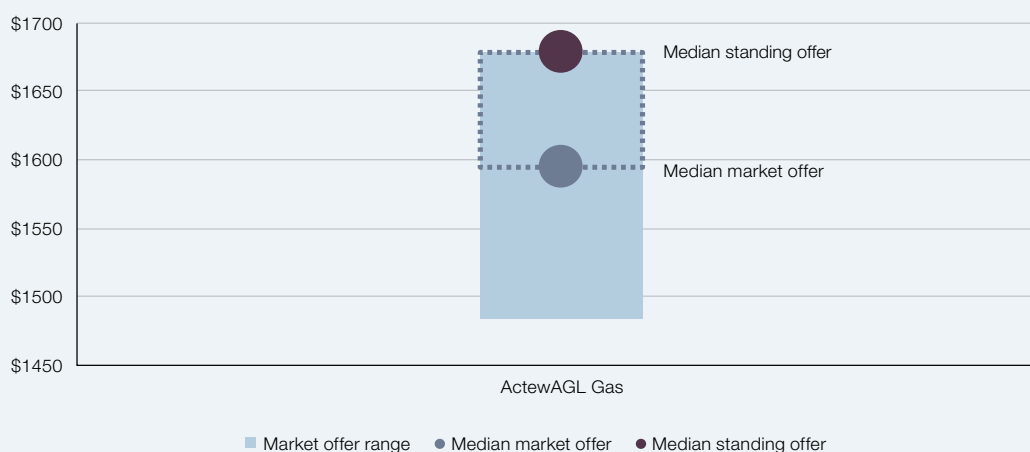
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributor 1 June 2018



VIC — Electricity 2017–18



5
Distributors



26
Retailers



451
Retail offers



2 742 146
Customers



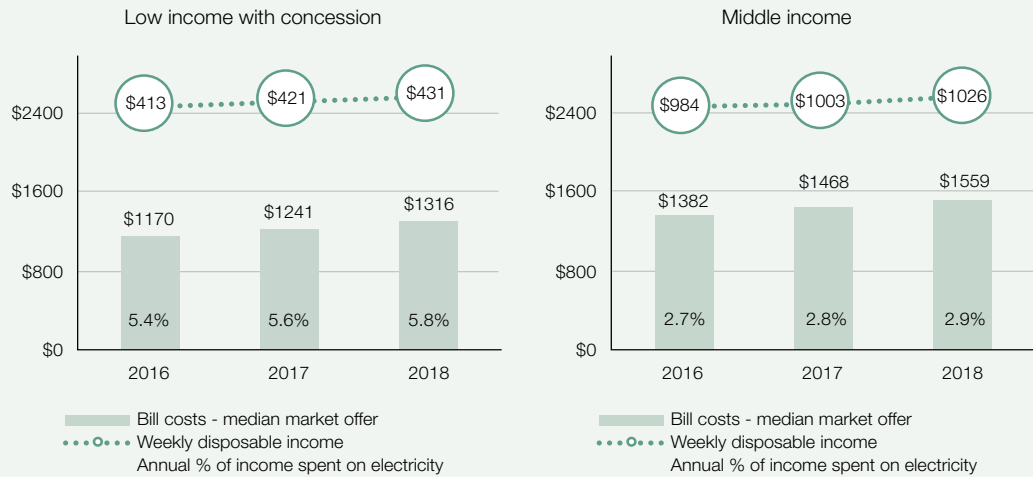
4811
Average usage
kwh



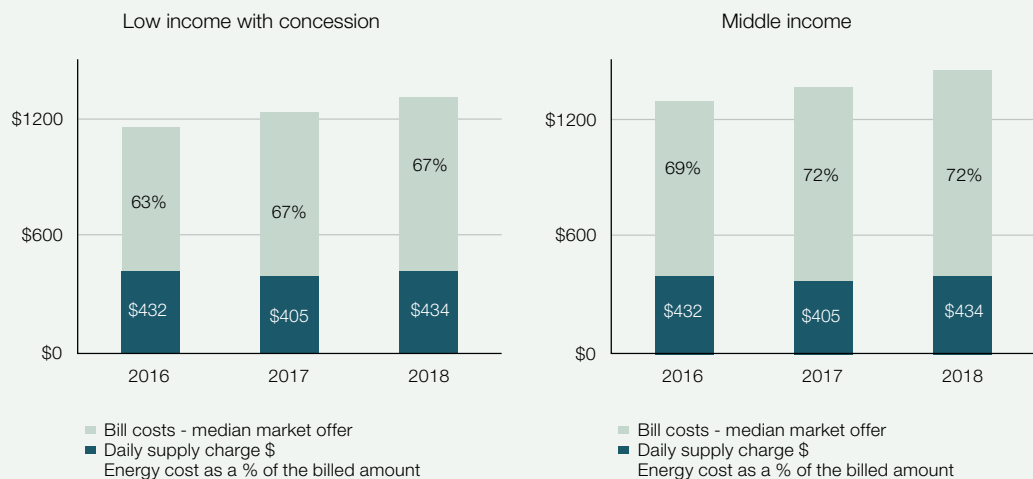
\$1316
Annual bill
Low income

\$1559
Annual bill
Middle income

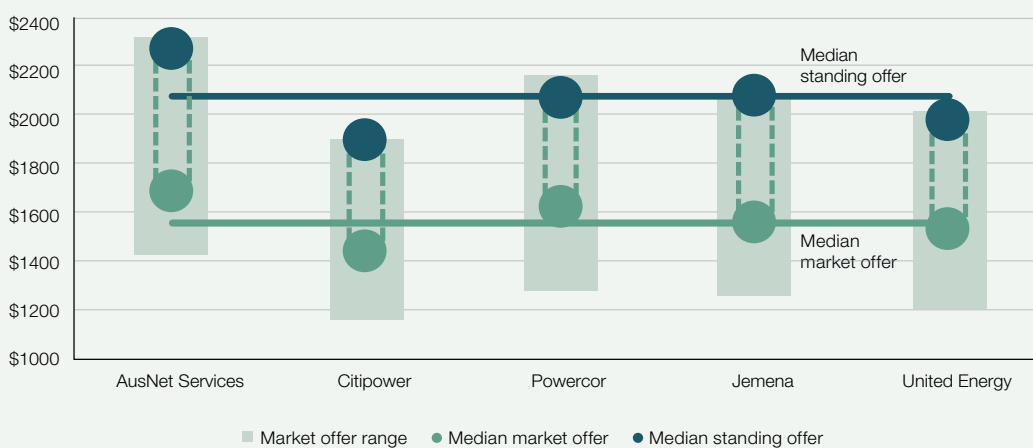
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributors 1 June 2018



VIC — Gas 2017–18



3
Distributors



13
Retailers



583
Retail offers



2 036 747
Customers



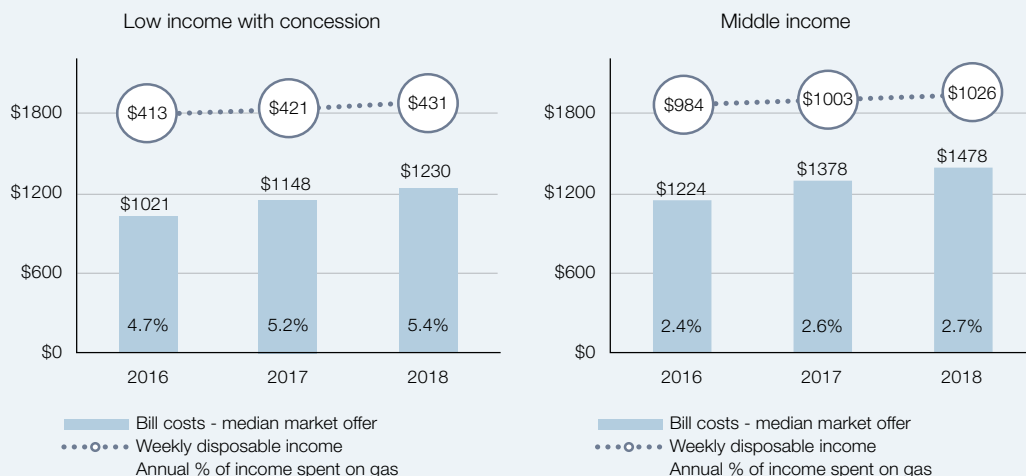
57 064
Average usage
Mj



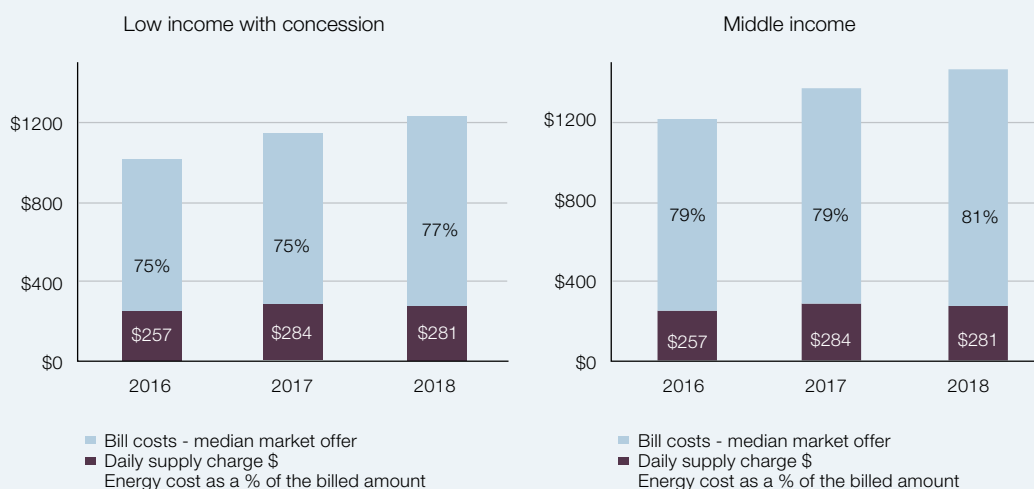
\$1230
Annual bill
Low income

\$1478
Annual bill
Middle income

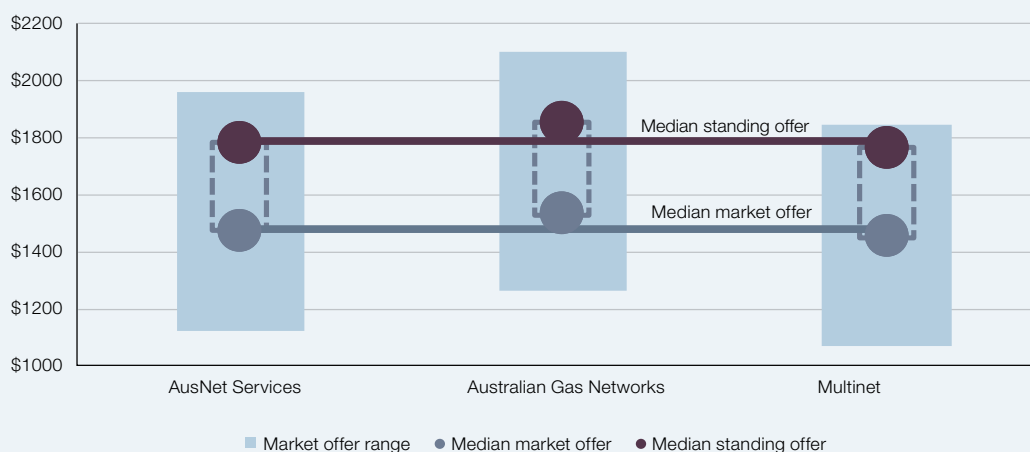
Annual bill cost and disposal weekly income



Daily supply charges vs energy costs



Annual bill costs by distributors 1 June 2018



TAS — Electricity 2017–18



1

Distributor



4

Retailers



23

Retail offers



279 073

Customers



7982

Average usage
kwh



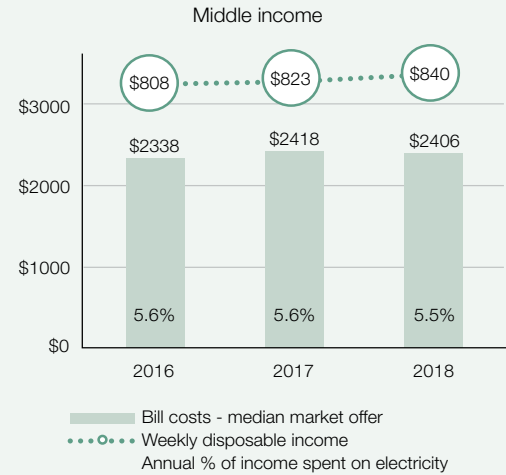
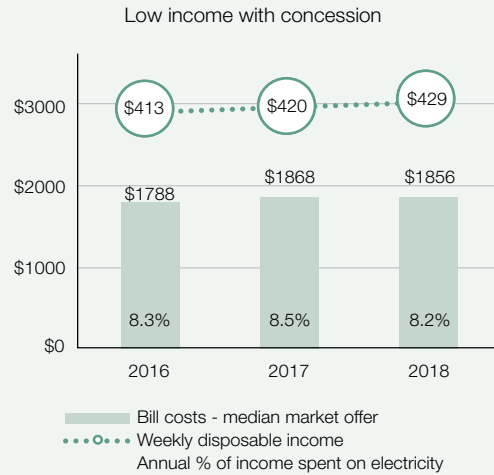
\$1856

Annual bill
Low income

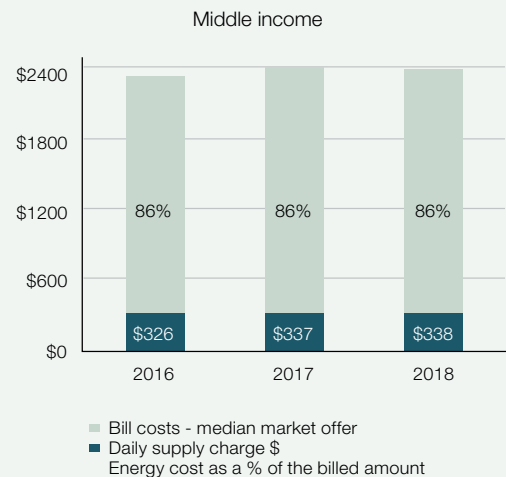
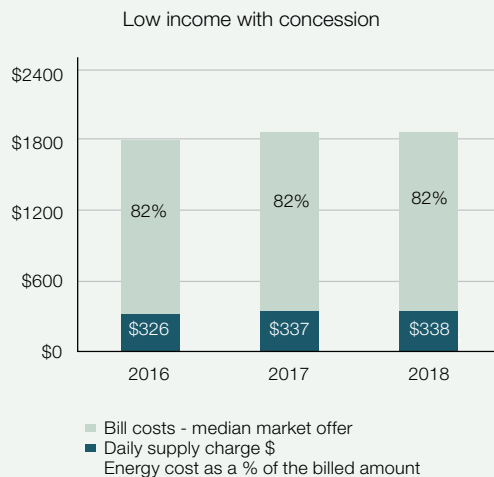
\$2406

Annual bill
Middle income

Annual bill cost and disposal weekly income



Daily supply charges vs energy costs





6. Compliance and enforcement

6.1 Highlights of 2017–18

Our primary objective in the retail energy market is to increase customer engagement and confidence in the retail energy market and ensure businesses comply with their obligations under the Retail Law and Retail Rules. To achieve this, in 2017–18 we focused our compliance and enforcement work on four key areas:

- ensuring life support customers were protected
- ensuring customers were able to access retailer hardship programs and payment plans (and associated obligations)
- ensuring retailers understood and were ready for new requirements around offer presentation and marketing to customers, as well as requirements to obtain explicit informed consent
- ensuring retailers met their obligations to customers with the commencement of new rules for competition in metering.

We used a range of activities to meet these focus areas, including:

- enforcement tools (such as infringement notices and undertakings)
- monitoring industry practices and conducting targeted compliance activities
- engaging and educating stakeholders
- updating guidelines.

In total we issued 17 infringement notices, resulting in \$340 000 paid by businesses for alleged breaches of the Retail Law and Retail Rules.

We conducted a major review of retailer hardship policies. This review showed a wide variation in retailers' policies and in the practical assistance offered to customers. In response to these findings, we submitted a rule change request to the AEMC. The new rule creates a binding customer hardship policy guideline, to ensure retailers consistently apply hardship assistance, and customers understand their rights and entitlements.

We continued our work to ensure life support customers are protected. We focused on business readiness for new life support rules that commence in February 2019, which included developing guidance for industry to help with the smooth implementation of, and transition to, these rules.

We issued two compliance checks: one relating to explicit informed consent in embedded networks and the other for customer transfers without consent.

6.2 Focus for 2018–19

In the coming year we will continue to ensure businesses comply with the Retail Law and Retail Rules. In 2018–19 our focus will be on ensuring:

- retailers comply with the requirements for assisting customers in financial difficulties, including by providing appropriate access to hardship programs
- retailers and distributors comply with their life support and metering contestability obligations and understand our approach to enforcing the rules where they do not meet these requirements
- customers facing barriers to accessing competitive markets in embedded networks are protected
- retailers display offers on Energy Made Easy in a clear and accurate manner that meets the requirements of the Retail Pricing Information Guidelines
- retailers provide timely and accurate market performance data.

We will also conduct targeted compliance audits on retailers and distributors, focused on customer protections under the Retail Law and Retail Rules. Likely focus areas are explicit informed consent obligations and new rules for life support customers.

6.3 Enforcement outcomes

We engage extensively with energy businesses about compliance issues and contraventions of the legislation we administer. In considering how to resolve matters, we look at a range of regulatory responses and in some cases we take targeted enforcement action, such as issuing infringement notices to businesses.

6.3.1 INFRINGEMENT NOTICES

17

INFRINGEMENT NOTICES

\$340 000

PENALTIES PAID BY BUSINESSES FOR
ALLEGED BREACHES OF THE RETAIL LAW
OR RETAIL RULES.

Table 6.1 summarises the infringement notices issued and paid.

Rule/Law	Description	No.	Business
r.125(2)(d)—Retail Rules	Failure by a distributor to provide a registered life support customer with four business days' notice of a planned interruption	9	Ausgrid (\$20 000)
r.125(2)(f)—Retail Rules			TasNetworks (\$60 000)
			Energex (\$60 000)
			Evoenergy (formerly ActewAGL) (\$40 000)
s.88—Retail Law	Sale of electricity without valid authorisation	3	Taplin (\$60 000)
r.48—Retail Rules	Failure to notify customers on fixed term retail contract that their contract was due to end	3	AGL SA (\$20 000)
			AGL Sales (\$20 000)
			AGL Retail (\$20 000)
s.43(2)(e)—Retail Law	Failure to offer hardship assistance	2	Origin Energy Electricity (\$40 000)
r.107(2)—Retail Rules	Wrong de-energisation of the premises of a vulnerable customer		

More detail on the reported breaches and subsequent infringement notices is set out below.

Life support

Any failure to provide life support customers with the required four days' notice of any planned interruption to their supply can have serious consequences. It is critical that businesses have robust processes and systems in place to manage these important obligations. Electricity distribution businesses Evoenergy (formerly ActewAGL Distribution), Ausgrid, Energex, and TasNetworks paid a total of \$180 000 in penalties for alleged breaches of their obligations to life support customers. In addition to the penalties, Energex and TasNetworks offered administrative undertakings that commit them to improving their procedures and processes for life support customers.

Sale of electricity without valid authorisation or exemption

It is important that any party wishing to sell energy has either an authorisation or an exemption, since these provide important protections to customers.

South Australia's Taplin Management Pty Ltd, Taplin Properties Pty Ltd and Taplin Realty Pty Ltd (Taplin) were penalised a total of \$60 000 for allegedly selling electricity at three Adelaide shopping centres without having met its obligations under the Retail Law.

End of fixed term contract

During the year, AGL South Australia Pty Limited, AGL Sales Pty Limited, and AGL Retail Energy Limited (collectively, AGL) paid penalties totalling \$60 000. We alleged that between 2013 and 2017, AGL failed to notify more than 1000 customers across New South Wales, South Australia and Queensland that their fixed term retail contracts were due to end. Recent changes to the Retail Rules mean customers signing up to an ongoing contract with a specified benefit period must also receive notification when that benefit is ending or changing.

Hardship—de-energisation

Origin Energy Electricity Limited paid penalties of \$40 000 for allegedly failing to offer hardship assistance to a residential customer and its alleged wrongful disconnection of the customer's premises. The Retail Rules require a retailer to follow several steps before they can disconnect a customer's energy service for non-payment of a bill. In this case, Origin did not consider the customer's efforts to settle their debt, failed to offer the customer a payment plan arrangement, and failed to use its best endeavours to contact the customer before disconnection.

6.4 Compliance activities



Throughout the year, we undertook a range of compliance activities to monitor retailer and distributor compliance with the Retail Law and Retail Rules and to ensure they understand their legislative obligations.

COMPLIANCE CHECKS

We use compliance checks to focus on emerging issues and to set out our expectations.

This year we issued two compliance checks: one was to outline obligations on retailers where customers are transferred in error, and the other was to set the requirements on retailers in embedded network for obtaining a customer's explicit informed consent before a transfer.

HARDSHIP REVIEW

Over recent years we have been observing higher debt levels, more customers receiving hardship assistance, and fewer customers successfully completing hardship programs.

With this concerning trend in mind, we escalated our work in this area and undertook a review of the retailer hardship policies of 16 retailers. We conducted the review because we were concerned about whether retailers' hardship policies were adequate and whether customers experiencing payment difficulties were receiving the protections they are entitled to under the Retail Law.

We sought to understand how retailers were identifying, engaging with, and assisting customers on their hardship program. Many retailers had deficiencies in at least one element of our assessment. Good practices included comprehensive staff training and using various strategies to facilitate early identification of customers experiencing payment difficulties.

We observed deficiencies in some retailers' systems and processes for capturing information about the operation of their policy. This made it challenging to assess whether these retailers were maintaining and implementing their policies in accordance with the Retail Law. We also found a wide variation in practices across retailers and a disconnect between each retailer's policy and the practical assistance they offered their customers.

As a result of this review, we identified elements of the existing legislative framework that needed to be clarified, to ensure the obligations on retailers are clear and to strengthen consumer protections.

RULE CHANGE PROPOSALS/DETERMINATIONS

Strengthening protections for hardship customers

Given the issues identified in our hardship review, in March 2018 we submitted a rule change request to the AEMC. The rule change proposal resulted in the development of a binding customer hardship policy guideline, to give industry a single point of reference on how the hardship obligations need to be applied and to give customers a clear understanding of their rights and entitlements.

The binding customer hardship policy guideline will include standardised statements that retailers must include in their hardship policies. The statements will provide greater consistency in the hardship policies across retailers and ensure the minimum requirements are being met.

The AEMC released the final determination and new rule on 15 November 2018.

Strengthening protections for life support customers

In December 2017, the AEMC published a final rule determination relating to strengthening protections for customers who have a person requiring life support equipment residing at their premises.

We are developing guidance for industry on the implementation of the new rules, which come into effect on 1 February 2019. The new rules are designed to allocate clear responsibilities between retailers and distributors to ensure the life support registers are accurate and up-to-date.

AUDITS—DISCONNECTIONS AND HARDSHIP

Our audit program complements the suite of tools available to ensure businesses comply with their obligations under the Retail Law and Retail Rules. Our audits target areas we identify as high risk and where non-compliance will have a significant customer impact, particularly on vulnerable customers.

The compliance audits assess the adequacy of a retailer or distributor's compliance systems to manage its obligations under the Retail Law and Retail Rules. Where we identify deficiencies, businesses provide a corrective action plan.

Disconnections audits

Given the potential impact disconnections can have on consumer confidence and the efficient operation of the energy market, we audited retailers' compliance systems for managing disconnection and reporting obligations to the AER.

We audited five retailers—AGL, Simply Energy, Lumo Energy, Alinta and Ergon Energy. The results showed a variety of deficiencies in retailers' compliance systems.

Where auditors detected inadequacies, we required retailers to implement the auditors' recommendations to improve their processes and systems. All retailers have remediated deficiencies identified in their compliance systems.

Hardship audits

The second audit program focused on hardship and reporting obligations under the Retail Rules and Retail Law. Four retailers—Aurora, ActewAGL, M2 and Origin—were audited.

RETAIL PRICING INFORMATION REVIEW

The Retail Pricing Information Guidelines play an important role in educating and empowering consumers to make more informed decisions.

The Guidelines are the main regulatory instrument setting out how retailers must present information about their energy plans to customers. The Guidelines also give direction to retailers about providing data and information to us for the purposes of publication on our energy price comparison website, Energy Made Easy.

This year we reviewed 10 retailers in relation to several recurring areas of non-compliance. The most significant issues related to:

- the publication of inconsistent or obsolete retail pricing information on Energy Made Easy and retailer websites
- the formatting and content of retailers' energy price fact sheets.

After this review, we began consultation on changes to the Guidelines in line with the commitments coming out of the Prime Minister's roundtable meetings with energy retailers in August 2017. The resulting changes we made to the Guidelines aim to address the issues identified in this review, as well as the complexity of energy market information being a barrier to consumer engagement.

RETAILER PERFORMANCE REPORTING

One of our key roles is to collect and report on information and data from energy retailers. This data plays an important role in informing stakeholders and promoting confidence in the retail energy market.

We have experienced an escalation in retailers submitting inaccurate data. When retailers provide inaccurate data, it has a material impact on all stakeholders who use the data in evidence-based policymaking. Over the past two years, we have issued infringement notices to Origin, EnergyAustralia and Alinta for submitting incorrect data.

Several retailers made reporting errors in the 2017–18 year. These issues significantly delayed progress of this report. We are investigating the cause of these inaccuracies and considering whether further action is required. This area will be an enforcement priority for 2018–19.

6.5 Monitoring activities

The self-reporting framework requires retailers and distributors to report possible breaches of the Retail Law and Retail Rules. The AER Compliance Procedures and Guidelines (December 2017) set the frequency of reporting. The three levels of reporting reflect the level of potential harm or risk to customers. The higher the risk, the greater the frequency of reporting.

Immediate	Obligations on retailers and distributors to customers requiring life support equipment Obligations on retailers and distributors prior to de-energising a customer
Quarterly	Obligations on retailers and distributors prior to de-energising a customer Obligations on retailers and distributors regarding re-energising a customer
Half yearly	Obligations on retailers relating to explicit informed consent, energy marketing pre-contractual procedures, customer hardship, payment plans, deploying new meters and retailer interruption to supply Obligations on distributors relating to interruption to supply

IMMEDIATE REPORTS (RETAIL RULES, PARTS 6–8)

This category is the most detrimental to customers if breached and must be reported immediately. This category includes breaches of obligations relating to customers relying on life support protections, and prohibited disconnections such as customers with a billing dispute or adhering to a payment plan.

Table 6.2: Immediate reporting obligations—retailers and distributors

Retailers	2016–17	2017–18
Rule 116(1)—Restrictions on de-energisation	2	34
Rule 124 and 124A—Retailer obligations around life support	0	5
Distributors		
Rule 120(1)—Restrictions on de-energisation	4	11
Rule 125—Distributor obligations around life support	38	20

We observed a significant increase in retailers reporting potential breaches of de-energisation obligations. This followed the conclusion of our disconnections audits. While these audits were confined to five retailers, the awareness the audit program created may have resulted in other businesses reviewing and reporting these additional potential breaches. We continue to focus our work in this area.

Conversely, distributors reported almost 50% fewer breaches relating to their obligation to provide life support customers with four business days' written notice of any planned interruptions to their energy supply. Our continued campaign about the importance of complying with life support obligations may have caused this result.

QUARTERLY REPORTS

Most quarterly breaches related to obligations on both retailers and distributors around actions that need to be taken prior to de-energising a customer. Due to the nature of these breaches, which often involve systems and processes, a reporting breach may affect many customers. In deciding which matters to pursue, we look at the matters that have the most significant impact on customers.

Retailer reports (Retail Rules, Part 6)

This year, the key issues retailers reported related to de-energisation for non-notification by move-in or carry-over customers (Retail Rule 115) and de-energisation for not paying a bill (Retail Rule 111).

Many of these breaches related to de-energisation of hardship customers or customers experiencing payment difficulties. This is an area of concern for us and we continue our work to lift retailer compliance in these areas.

Distributor reports (Retail Rules, Part 6)

There were fewer reports of distributors wrongfully de-energising customers this year. It is likely that improved compliance systems and processes have resulted in fewer reports of breaches.

HALF YEARLY REPORTS

Most reports by retailers of breaches against half yearly obligations concerned failures to meet explicit informed consent (EIC) and billing obligations.

Retailers must comply with a number of obligations relating to:

- EIC, which is a critical protection to ensure customers fully understand their energy plan before signing up
- billing, including obligations around bill content and the frequency with which bills need to be issued to a customer.

The level of reports across these two indicators remains consistent.

EIC requirements are key consumer protections and integral to ensuring customers are confident in engaging in the retail market—as such, we take breaches in this area seriously. This year we amended the AER Compliance Procedures and Guidelines to require retailers to report breaches of EIC obligations every quarter from 1 April 2019, rather than every six months.

6.6 Industry engagement

We continue to work closely with stakeholders on various industry issues. During 2017–18, we focused on the implementation of metering contestability and the new life support rules (coming into effect on 1 February 2019).

METERING CONTESTABILITY

On 1 December 2017, new rules in the National Electricity Rules and the Retail Rules introduced a competitive framework for the delivery of metering services to customers. We worked extensively with industry to facilitate this important market transition.

In support of this change, in September 2017, we hosted two major industry forums (one in Melbourne and another Sydney) to set out the retailer and distributor metering obligations. We also worked directly with energy ombudsman schemes to deliver tailored guidance and conduct information sessions with staff.

We observed issues with the new rules, including delays for new connections and meter upgrades (for example, for works such as solar panel installation). We worked with retailers, metering coordinators, electrical contractors, ombudsman schemes, government, AEMO and the AEMC to address these issues.

In response to delays in new meter installations, the AEMC has consulted on new rules that will prescribe clear and actionable timeframes. The new rules are expected to come into effect at the start of 2019.

We support the introduction of clear timeframes for new meter connections and greater flexibility in notification requirements to customers for metering works and we provided advice to the AEMC on the drafting of the new rules.

LIFE SUPPORT

New life support rules will commence in February 2019. We outlined with industry our expectations about these important customer protections, including by:

- holding two forums in February 2018 and an industry roundtable in June 2018 to discuss practical scenarios regarding the rules and to give stakeholders the opportunity to raise questions
- providing guidance on the transitional arrangements and the protections provided to customers during this period. We will soon publish a life support guide, to set out our expectations for compliance with the new rules and ensure retailers understand their responsibilities to life support customers.