Annual retail markets report 2020–21

November 2021

AUSTRALIAN ENERGY REGULATOR

Australian Government

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Executive summary

The AER reports on the performance of the retail energy market and energy businesses, including energy affordability and outcomes for consumers including those on hardship programs. Our *Annual retail markets report* helps guide us, as the regulator, in understanding trends in the issues that matter most to consumers. It also informs the public, policy makers and industry on how the market is delivering for consumers.

Additional protections for consumers during the pandemic

This year's report continues to highlight the importance of consumer protections, particularly in difficult times such as those arising from COVID-19. Our COVID-19 dataset has allowed us to track key indicators across the market as the pandemic has progressed. We thank retailers for continuing to provide this data on a voluntary basis.

With the effects of the COVID-19 pandemic continuing to be felt throughout 2020–21, the AER's Statement of Expectations set out extra protections that energy retailers should offer to residential and small business consumers facing payment difficulties. The Statement of Expectations applied across the energy retail market throughout 2020–21. From July 2021, it only applies to local government areas subject to stay-at-home orders that last for 7 days or more (and remains in effect for 14 days after stay-at-home orders are lifted).

A key protection applied through the Statement of Expectations was the limit on retailers disconnecting consumers for non-payment. Initially a blanket ban on disconnection was implemented, but since August 2020 retailers were able to disconnect customers for non-payment if they did not engage with their retailer. In 2020–21 approximately 29,700 fewer customers were disconnected for non-payment than in the previous year but disconnection rates rose across the year as less jurisdictions were subject to stay-at-home orders.

Although the reduction in disconnections was positive, our data highlighted an increasing number of residential customers in debt, and greater average levels of debt, in 2020–21 compared with the previous year. These trends reflect broader financial difficulties faced by consumers due to the pandemic. At the end of 2020–21 approximately 183,000 residential customers were in debt, with an average of $1,000 of debt per customer, up from 174,000 customers with average debt levels of $897 in 2019–20.

The rising value of debt may also reflect a change in retailer approach to debt management, stemming from informal debt management arrangements offered to consumers in response to the COVID-19 pandemic. Restrictions on disconnections may also have reduced consumers' incentives to engage with their retailer to manage their debt levels. A concerning outcome that has evolved across 2020–21 is a decreasing proportion of residential electricity customers on hardship programs, with 8,000 less customers on programs than in 2019–20.

Effective hardship policies are more important than ever

As consumer impacts from the pandemic begin to ease, the AER is focused on ensuring retailers engage with consumers in debt and move them onto payment plans or hardship programs that consider their capacity to pay. Effective hardship policies are more important than ever – customers entering these programs in 2020–21 held around 20% more debt on average than in 2019–20.

A key challenge for retailers is developing hardship programs that are effective in supporting consumers facing more severe financial challenges. In 2020–21 around half of all customers on hardship programs were on payment arrangements that did not cover their ongoing usage costs.

Looking ahead to an improved approach to consumer vulnerability

Ongoing work by the AER to engage with retailers on their hardship policies is part of a broader focus on consumer vulnerability. The AER is developing a Consumer Vulnerability Strategy, which will set out

4 outcomes for the energy market that can be achieved through the sector working together to improve the situation for energy consumers:

- barriers to consumers engaging in the market are reduced and consumers can access the products and services that best meet their needs
- consumers facing payment difficulty receive effective, tailored assistance
- the transitioning and future energy market meets the needs of consumers
- energy affordability is improved, including by reducing the cost to serve where possible.

The AER is currently undertaking extensive stakeholder engagement and consultation to inform our Consumer Vulnerability Strategy. We anticipate publishing the strategy in 2022.

Small retailer market share remains buoyant as the market continues to attract new entrants

While the COVID-19 pandemic cast a shadow over the retail energy market, other market developments in 2020–21 were encouraging for consumers. Smaller retailers maintained their overall market share across the year despite AGL acquiring Amaysim Energy. This followed a period of strong growth in market share for smaller retailers since 2016–17, particularly for residential customers (increasing from 12% to 19% of residential electricity customers by 2020–21 and from 5% to 12% of residential gas customers).

The retail market continued to attract new entry, with more electricity and gas retailers active in nearly every jurisdiction in 2020–21 compared with the previous year. The AER also authorised 15 new retailers across electricity and gas markets, indicating that market activity will continue to expand.

Consumers continue to increase their adoption of market contracts

Measures of consumer engagement with the market also showed improvement over the year. The proportion of residential and small business customers on market contracts continued to steadily increase in 2020–21. By the end of the year, 77% of residential electricity customers and 88% of residential gas customers were on market contracts. For small business customers it was 66% for electricity and 78% for gas. Customer switching rates also increased across the year from the 5-year low that was observed in Q4 2019–20.

Affordability is improving and significant savings are available to those who shop around

Subdued wholesale market conditions over the past few years flowed through to retail prices. Retail price reductions continued a trend of improving energy affordability since 2017–18 for both residential electricity and gas consumers. Up to 0.5% less disposable income was required to meet typical household electricity costs in 2020–21 compared with the previous year. For gas, up to 0.3% less disposable income was required to meet typical costs.

Significant savings remain available for residential consumers who engage in the market. The difference in annual electricity cost between the median market and median standing offer was typically $100 to $400 across distribution areas. Potential savings were lower for gas customers, but still substantial at around $50 to $200 in most jurisdictions and around $350 in Victoria.

Price dispersion across market offers highlights the importance of residential consumers being able to identify offers that provide the lowest cost for their energy use. The difference in annual cost between the lowest and highest market offer in 2020–21 was between $95 and $605 for electricity and between $81 and $797 for gas.

EnergyMadeEasy – our independent and free price comparison website – provides key information for consumers to compare the various offers. The AER is also developing a ‘better bills’ guideline to arm consumers with tools to better engage with the market. The guideline, to be in place by April 2022, will

ensure energy bills are simpler and easier for consumers to understand and use while enabling industry innovation.

The continued downward trend in energy prices has provided some respite for consumers. Combined with potential savings in the market for engaged consumers, these conditions provide an opportunity to address rising consumer debt levels. The AER is committed to working with retailers and consumer advocates to implement reforms that assist consumers who are experiencing vulnerability, now and in the future.

1 Market overview

Key findings

- Increased choice of retailers and more customers on market contracts is a positive result for consumers.
- NSW, south-east Queensland and South Australia continue to have greater levels of retail competition, but the ACT is also transitioning towards a more competitive market.
- The majority of Tier 1 retailers and primary regional retailers continue to lose market share to other retailers; however, they still maintain more than 75% of each jurisdiction's overall market share.
- The number of authorised retailers continues to grow but this does not immediately result in greater choice for consumers.
- The AER is working on a number of policies to assist consumers to better understand energy bills and provide mechanisms to help identify consumers facing vulnerability.
- A number of national and jurisdictional policies and schemes were implemented in 2020–21 that provide additional protections to consumers and provide incentives for the uptake of solar PV and/or batteries for residential and small business customers.

In this chapter we report on:

- market structure and competition in the retail energy sector
- the proportion of residential and small business customers on market and standing offer contracts
- customers switching between retailers (includes Victorian data)
- market developments, policies and work the AER is doing to assist consumers.

We use this information to inform our views in other chapters on consumer outcomes in the retail market resulting from overall changes to competition and market trends.

1.1 Market share and customer numbers

Throughout our analysis, we categorise retailers as Tier 1 retailers, primary regional retailers or Tier 2 retailers.

- Tier 1 retailers comprise Origin Energy, AGL and EnergyAustralia, which collectively service the majority of retail customers in NSW, South Australia and south-east Queensland.[1] Between them, these retailers acquired the initial customer base in each jurisdiction when retail energy markets were deregulated.
- Primary regional retailers comprise Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania. These government-owned retailers each largely operate within only one distribution area where they hold the highest market share and are subject to differing forms of price regulation.[2]
- Tier 2 retailers are all other retailers. These range from small operators with few customers to larger operators such as Alinta Energy and Red Energy.

Other groupings of small, medium and large retailers have also been used in section 1.1.2 to further assess changes to market share and customer numbers in the residential electricity and gas markets.

Analysis on market share and customer numbers presents outcomes from NSW, Queensland, South Australia, the ACT and Tasmania.

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1 Victorian data is not included, because the National energy customer framework is not adopted in Victoria.

2 ActewAGL is a 50:50 joint venture between Icon Water Limited (ACT Government owned corporation), and AGL Energy Ltd.

Residential electricity and gas

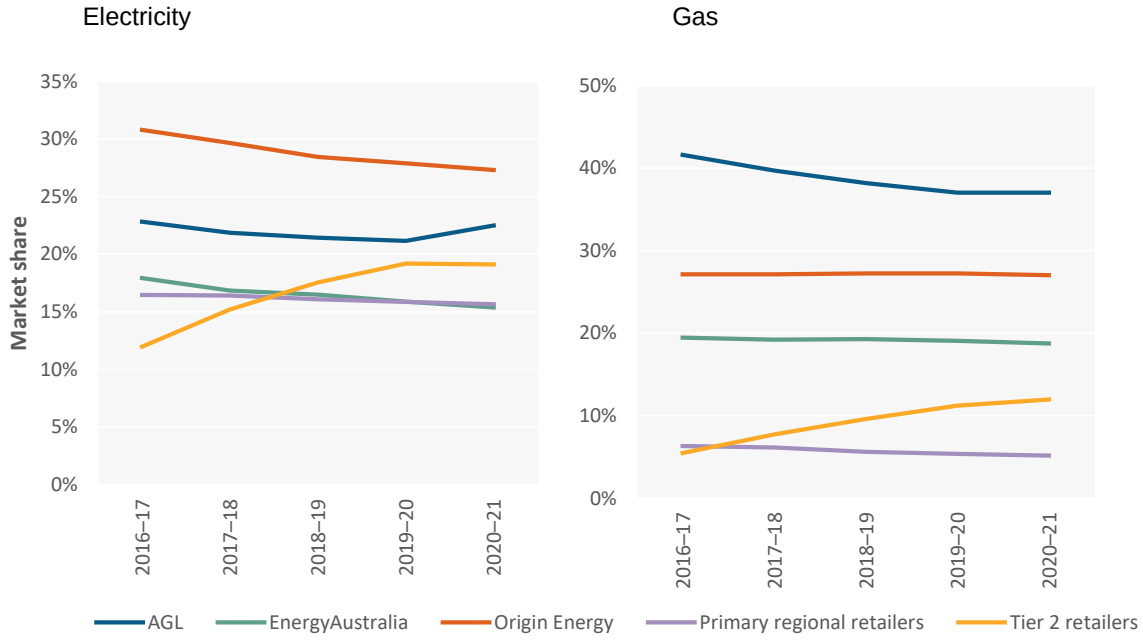
In 2020–21, 55 retailers supplied electricity to 6,662,723 residential customers.

Growth in Tier 2 retailers market share stabilised in 2020–21 while AGL was able to increase its market share (figure 1.1). The primary driver of AGL's growth was its acquisition of Amaysim Energy, which had approximately 95,000 residential customers across NSW, Queensland and South Australia.[3] All other Tier 1 retailers and primary regional retailers lost market share in 2020–21.

In the residential gas market, 19 retailers supplied 2,243,651 residential customers in 2020–21.

The residential gas market recorded similar trends to electricity. In 2020–21 Energy Australia, Origin Energy and ActewAGL saw a slight decrease in market share, and AGL had a slight increase due to the Amaysim Energy acquisition. Tier 2 retailers gained market share by 0.8%, reaching 12% overall.

Figure 1.1: Residential market share by retailer category



Note: ActewAGL is the only primary regional retailer in the gas market. Data as at 30 June each year.

Source: AER.

Small business electricity and gas

In 2020–21, 54 retailers supplied electricity to 670,280 small business customers. AGL was the only Tier 1 or primary regional retailer to gain market share (0.1% increase) in 2020–21, mainly due to its acquisition of Amaysim Energy. Tier 2 retailers increased market share by 1% (serving 18.7% of customers), which was spread across multiple retailers (figure 1.2).

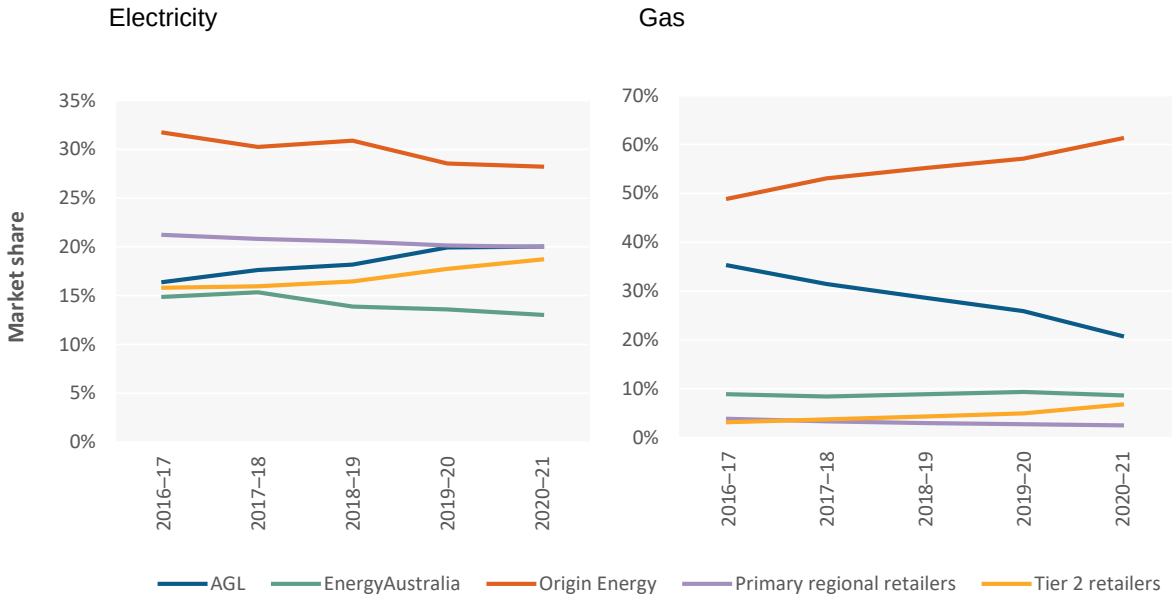
There are smaller movements in market share in the small business market compared with residential. This indicates small business customers have been less likely to change retailers than residential customers.

In the small business gas market, 15 retailers supplied gas to 84,199 customers in 2020–21.

Origin Energy's market share continued to increase, reaching 61% of customers in 2020–21, which was a 4% increase from the previous year. AGL's decreasing market share trend over the previous 3 years continued (figure 1.2). As other retailers' market share remained relatively flat, this indicates that Origin Energy is likely acquiring the majority of customers who are choosing to leave AGL.

[3] Click Energy formed a part of Amaysim Energy.

Figure 1.2: Small business market share by retailer category



Note: ActewAGL is the only primary regional retailer in the gas market. Data as at 30 June each year.

Source: AER.

Large customers electricity and gas

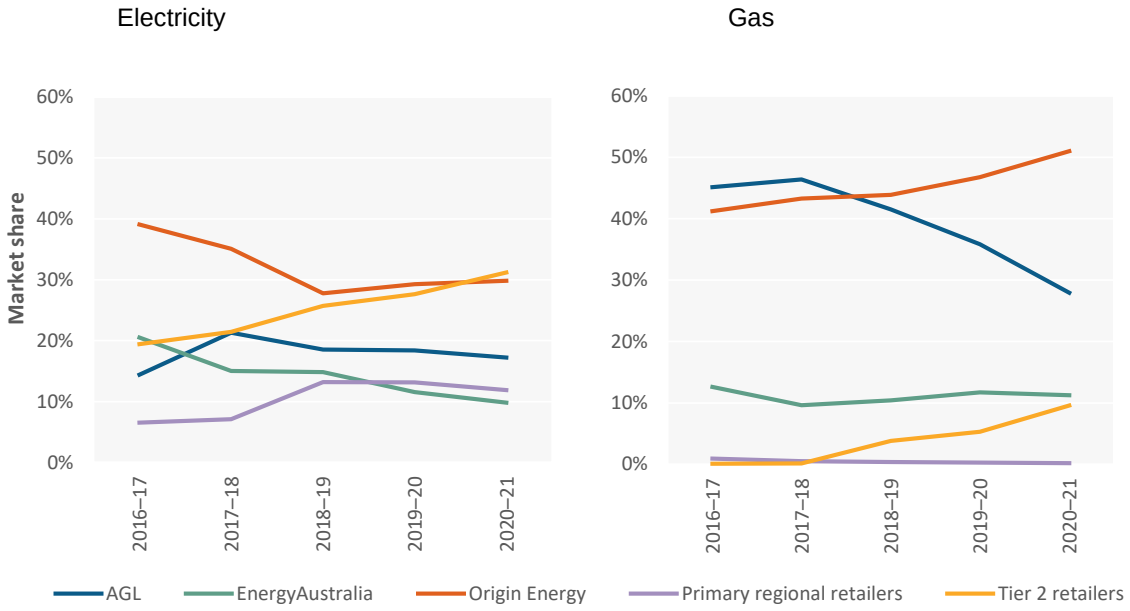
In 2020–21, 50 retailers supplied electricity to 61,375 large customers.

Following a trend since 2018–19, AGL and EnergyAustralia continued to lose market share in 2020–21. Primary regional retailers also experienced a modest decrease in 2020–21, but Origin Energy and Tier 2 retailers gained market share.

Tier 2 retailers were able to increase their market share by 3.5% in 2020–21 (31.2% overall), which saw them exceed all individual Tier 1 retailers' market share. The gains were spread across multiple retailers.

In the gas market, 9 retailers supplied gas to 4,351 large customers in 2020–21. AGL had a substantial 7.9% decline in market share, which followed a decreasing trend over the previous 3 years. Tier 2 retailers and Origin Energy increased their market share by 4.3% and 4.2%, respectively.

Figure 1.3: Large customers market share by retailer category



Note: ActewAGL is the only primary regional retailer in the gas market. Data as at 30 June each year.

Source: AER.

1.1.1 Residential electricity and gas market – detailed market analysis

In this section we analyse residential customer numbers and growth rates from 2016–17 to 2020–21. To provide further insights, retailers have been grouped into small, medium and large categories based on their number of customers at the end of 2020–21. The groupings are:

- small retailers – less than 10,000 customers
- medium retailers – between 10,000 and 100,000 customers
- large retailers – more than 100,000 customers.

Due to the majority market share that Tier 1 retailers hold, changes in customer growth being experienced by small and medium retailers are often overshadowed by the minimal impact they have in the overall market share figures. These alternative groupings allow us to better explore outcomes for smaller retailers or new entrants and the growth they have experienced from 2016–17.

Across both electricity and gas, we have seen small and medium retailers increase their overall customer numbers and market share. This highlights that these types of retailers, which are often relatively new to the market, are able to continue to establish themselves and provide greater choice to consumers and is a positive sign of competition. For large retailers, substantial growth from current levels has only occurred by acquisition of established small or medium retailers.

Residential electricity

From 2016–17 to 2020–21, the market share of small electricity retailers increased from 0.5% to 1.2%. In comparison, medium retailers' market share increased from 5.1% to 6% and large retailers' share decreased from 94.4% to 92.8%. Overall customer numbers increased by approximately 480,000 across this time.

Growth in small retailer customer numbers has been accelerating since 2016–17, with a substantial 51% increase in 2020–21 from the previous year. This growth in customer numbers is due to new retailers and a

number of emerging retailers such as Tango Energy, Discover Energy and Winconnect experiencing significant increases in customer numbers.

Medium retailers saw steady increases in customer numbers from 2017–18 to 2019–20, until 2020–21 when their customer numbers shrank by 4% compared with the previous year. This decrease in customer numbers is attributed to AGL's acquisition of Amaysim Energy. Without the acquisition, an estimated 29% increase from 2019–20 for medium retailers would have occurred. Medium retailers that increased their electricity customer numbers by more than 90% in 2020–21 include Flow Systems, GloBird Energy, Nectre Energy, ReAmped Energy and Sumo Energy.

Although large retailers lost 1.6% of market share from 2016–17 to 2020–21, they still held 93% of market share in 2020–21 and had a steady 1–2% year-on-year increase in customer numbers between 2016–17 and 2020–21. In the absence of the AGL acquisition of Amaysim Energy, customer numbers were estimated to decline by 0.1% in 2020–21. In 2020–21 AGL had the largest increase of 109,533 customers, followed by Simply Energy (17,284 customers), Red Energy (12,331 customers) and Ergon Energy (5,039 customers). All other large retailers had a decline in customer numbers. Alinta Energy had the largest reduction of around 26,000 customers.

Residential gas

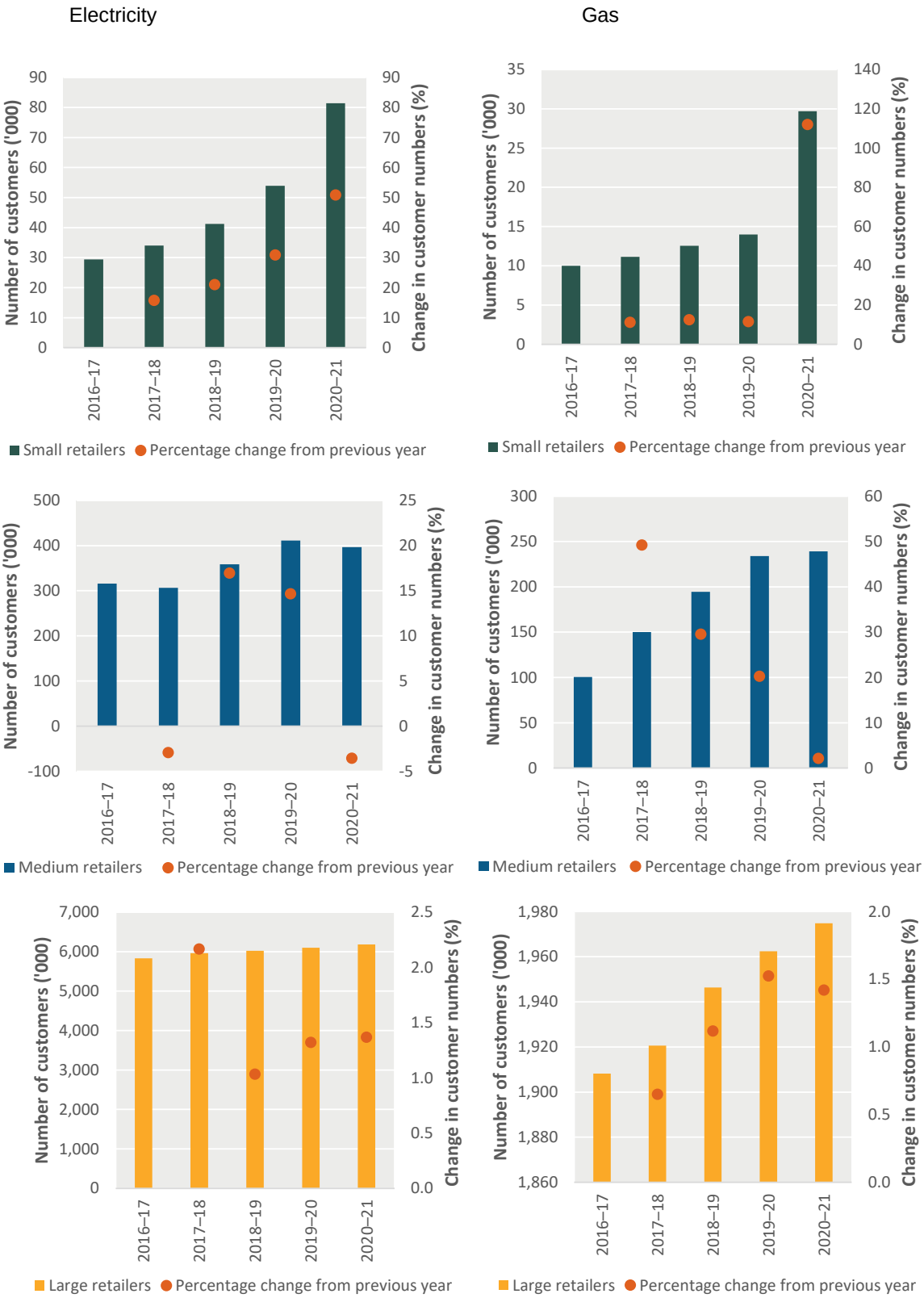
The residential gas market saw similar trends to electricity – market share for small gas retailers increased from 0.5% to 1.3%, for medium retailers increased from 5% to 10.7% and for large retailers decreased from 94.5% to 88%. Overall customer numbers increased by approximately 225,000 across this time.

Small retailers had a steady 13% increase in customer numbers between 2016–17 and 2019–20, followed by a significant 112% growth in 2020–21. This was largely due to relatively new retailers accumulating customers, including Sumo Power, Discover Energy and GloBird Energy.

Medium retailers had 10.7% market share in 2020–21. Despite consistent increases in customers each year, the size of the increase is slowing. AGL's acquisition of Amaysim Energy (24,000 residential customers) in 2020–21 also significantly reduced the percentage increase in customer numbers from the previous year to 2%. In the absence of the takeover, medium retailers would have seen a 12% increase in 2020–21.

Although large retailers lost 6.5% of market share from 2016–17 to 2020–21, they still held 88% market share in 2020–21 and had 1–2% increases in customer numbers over the 2016–17 to 2020–21 period. In the absence of the AGL takeover, large retailers' market share was estimated to decline by 1% in 2020–21. The 3 retailers with the greatest increase in customer numbers were AGL (12,561 customers), Simply Energy (12,256 customers) and Red Energy (9,832 customers).

Figure 1.4: Growth of residential electricity and gas retailers



Note: Data as at 30 June each year.

Source: AER.

1.1.2 Market concentration

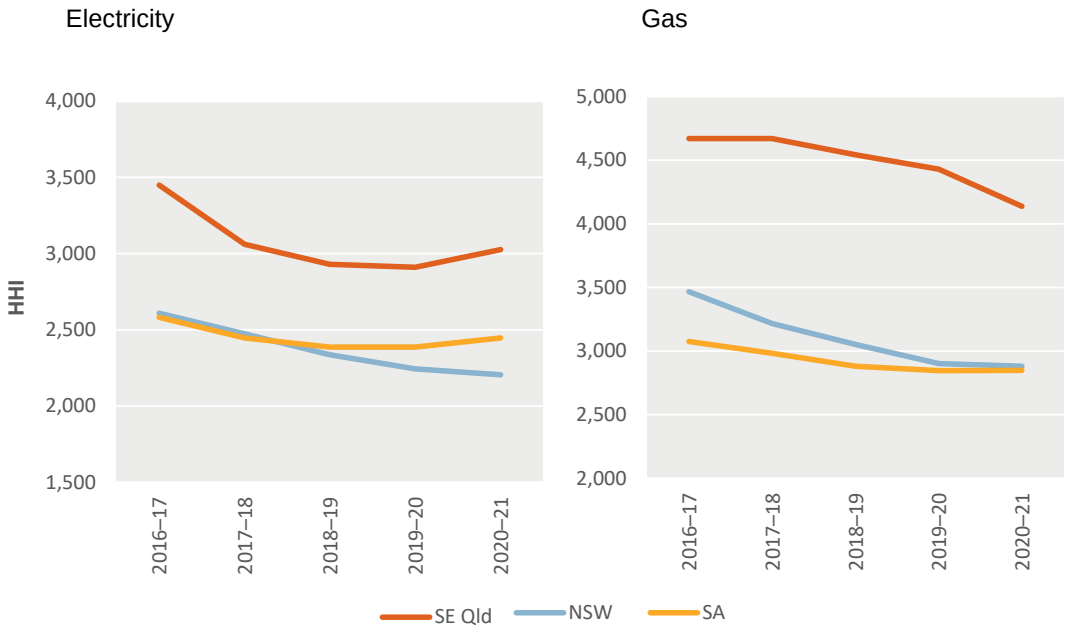
The Herfindahl-Hirschman Index (HHI) is a measure of market concentration. The HHI is calculated by summing the squares of the market share of all retailers competing in the market. A decrease in the HHI over time indicates a decrease in market concentration and may indicate a more competitive market.

Figure 1.5 shows the electricity and gas residential market concentration in NSW, south-east Queensland and South Australia. Electricity residential customers in regional Queensland are largely supplied by Ergon Energy – as a result, the HHI assessment in Queensland is focused on the south-east region.

The concentration in both gas and electricity followed similar decreasing trends over time up until 2019–20, resulting in greater retail contestability. Electricity market concentration in south-east Queensland and South Australia increased in 2020–21, when AGL and Origin Energy had an increase in market share.

The gas retail market is notably more concentrated than the electricity retail market, mainly due to fewer retailers.

Figure 1.5: HHI for the electricity and gas residential markets



Note: The ACT and Tasmania's HHI are not shown because these values were significantly higher and would distort the scale.

ACT electricity residential market HHI values steadily declined from 8,273 in 2016–17 to 6,034 in 2020–21 and Tasmania electricity HHI values decreased from 10,000 in 2016–17 to 9,440 in 2020–21.

ACT gas residential market HHI values declined from 8,336 in 2016–17 to 6,211 in 2020–21.

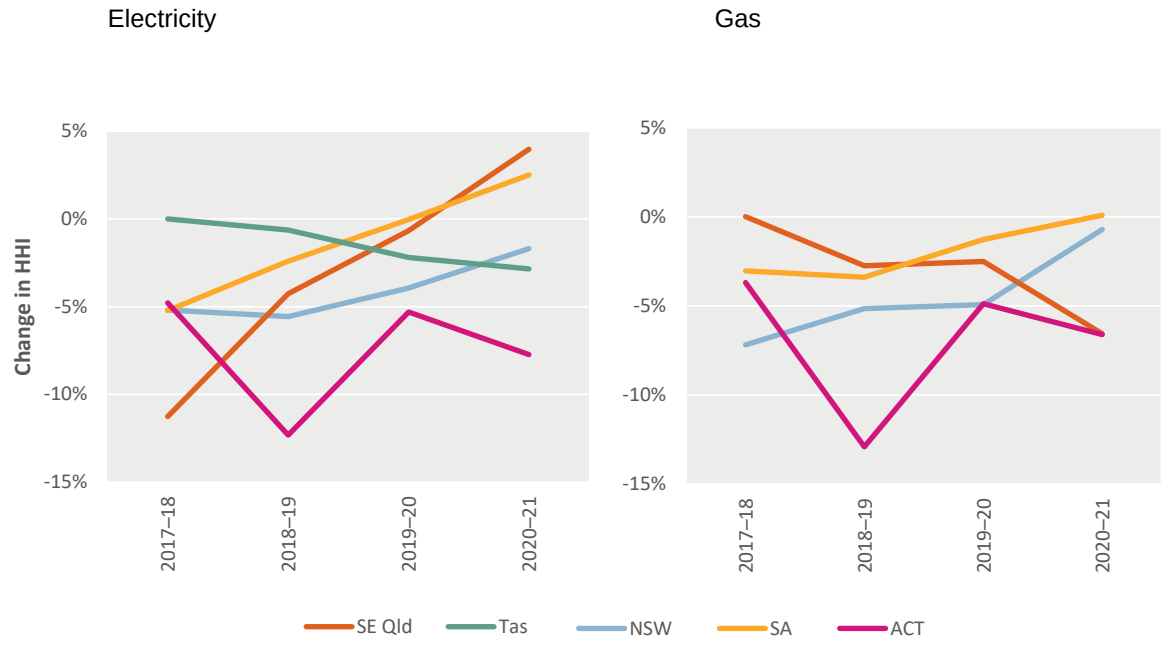
Data as at 30 June each year.

Source: AER.

Figure 1.6 shows the rate of change in HHI. In both the residential electricity and gas markets, from 2017–18 to 2020–21, all regions had a zero or negative rate of change, indicating that market concentration either remained the same or decreased. In electricity the upward trend for NSW, south-east Queensland and South Australia indicates that the reduction in concentration of these jurisdictions has slowed over time. This was the same for the NSW and South Australian gas markets.

In 2020–21 market concentration in South Australia and south-east Queensland electricity markets increased for the first time in 4 years, as AGL acquired Amaysim's 43,500 customers across both regions and Origin Energy's market share increased by 0.6% in South Australia. In contrast, there was a downward trend in Tasmania and the ACT, due to an increase in the number of retailers and their ability to acquire customers.

Figure 1.6: Annual change in HHI



Note: Data as at 30 June each year.

Source: AER.

1.1.3 Jurisdictional residential energy markets

The retail market landscape differs across jurisdictions. NSW, south-east Queensland and South Australia all have characteristics of a competitive market, including a large number of retailers and diversity among offers from retailers. However, Tasmania, the ACT and regional Queensland are still largely dominated by their primary regional retailers Aurora Energy, ActewAGL and Ergon Energy, respectively.

A common national framework also applies across all of Queensland, NSW, the ACT, South Australia and Tasmania, but price regulation has been consistently applied across the ACT, Tasmania and regional Queensland. Regulated price caps apply to standing offers for ActewAGL in the ACT and Aurora Energy in Tasmania, while in regional Queensland Ergon Energy offers a regulated price that all other retailers can compete below. Ergon Energy also receives a government subsidy, which assists it in making offers similar to those seen in south-east Queensland. This subsidy is not available to other retailers. Recently, other forms of price regulation have been applied in NSW, south-east Queensland and South Australia, such as the default market offer.

Tables 1.1 and 1.2 show the largest 3 retailers (based on national customer numbers), primary regional retailers' percentage change in customer numbers from 2016–17 to 2020–21 and their respective market share in each jurisdiction as at June 2021, for both residential electricity and gas markets.

From 2016–17 to 2020–21, movement in residential electricity customer numbers differed across jurisdictions for these retailers (table 1.1). No single retailer was able to increase its customer numbers across every jurisdiction in which it operates. However, EnergyAustralia experienced a decrease in customer numbers across 3 of the 4 jurisdictions it operates in. As noted above, AGL's increase in market share is partly driven by the acquisition of Amaysim Energy.

As observed in section 1.1, while the majority of these large retailers lost market share nationally, the decline was gradual. Due to the size of these retailers, this has not had a large impact. Across NSW, Queensland and South Australia, the top 3 residential electricity retailers still accounted for over 75% of

total market share in 2020–21. In Tasmania and the ACT, the respective primary regional retailers still hold more than 75% individually.[4]

Table 1.1: Residential electricity customers – 2016–17 to 2020–21 percentage change in customer numbers and 2020–21 market share

	NSW	Qld	ACT	SA	Tas
AGL	12% (24.3%)	6% (18.3%)	-	-5% (38.4%)	-
EnergyAustralia	-6% (25.7%)	-7% (4.9%)	80% (5.4%)	-32% (6.8%)	-
Origin Energy	-5% (29.6%)	-15% (27.8%)	220% (17.3%)	28% (27.6%)	-
Primary regional retailers	-	6% (30.2%)	-8% (75.5%)	-	2% (97.1%)

Note: Figures in brackets are market share as at 30 June 2020–21.

Source: AER.

In the residential gas market, Origin Energy was the only retailer of the 3 largest retailers that did not experience a decline in customer numbers in one of the jurisdictions it operates in from 2016–17 to 2020–21. It had particularly strong growth in the ACT across this time and held nearly 17% of market share in 2020–21 (table 1.2).

Table 1.2: Residential gas customers – 2016–17 to 2020–21 percentage change in customer numbers and 2020–21 market share

	NSW	Qld	ACT	SA
AGL	-2% (42.3%)	5% (40.3%)	-	2% (29.1%)
EnergyAustralia	12% (25.5%)	-	58% (5.3%)	-28% (8.9%)
Origin Energy	13% (20.1%)	0% (49.9%)	247% (16.7%)	5% (42.2%)
Primary regional retailers	-	-	-8% (76.8%)	-

Note: Figures in brackets are market share as at 30 June 2020–21.

Source: AER.

NSW residential

This section focuses on changes to the NSW residential energy markets over from 2016–17 to 2020–21. NSW has been used as an example but similar results were observed in the south-east Queensland and South Australian residential electricity markets. All 3 markets are considered more competitive than Tasmania or the ACT.

Electricity

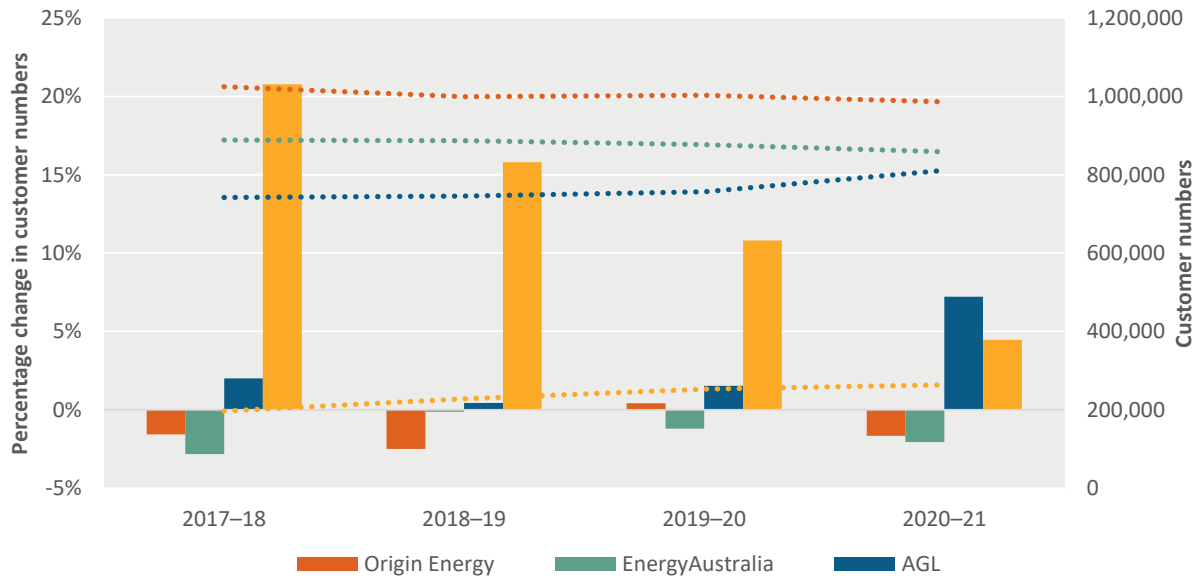
The NSW residential electricity market has grown in both customers and retailers over the past 5 years. In 2016–17 the market contained 28 active retailers supplying 3,083,475 customers, while at the end of June 2021 47 active retailers supplied 3,335,647 customers.

The NSW residential electricity market has 4 large electricity retailers, each of which had more than 250,000 customers in 2020–21. AGL and Red Energy were the only large retailers able to consistently increase the size of their customer base across the past 5 years (figure 1.7).

As noted above, AGL's large increase in 2020–21 was mainly driven by its acquisition of Amaysim Energy. This is also represented in the drop in all other retailers in figure 1.8. Red Energy's year-on-year growth across this period slowed but it held 7.9% market share in 2020–21.

[4] In South Australia Simply Energy is larger than EnergyAustralia and replaces it in this calculation.

Figure 1.7: NSW residential electricity large retailers



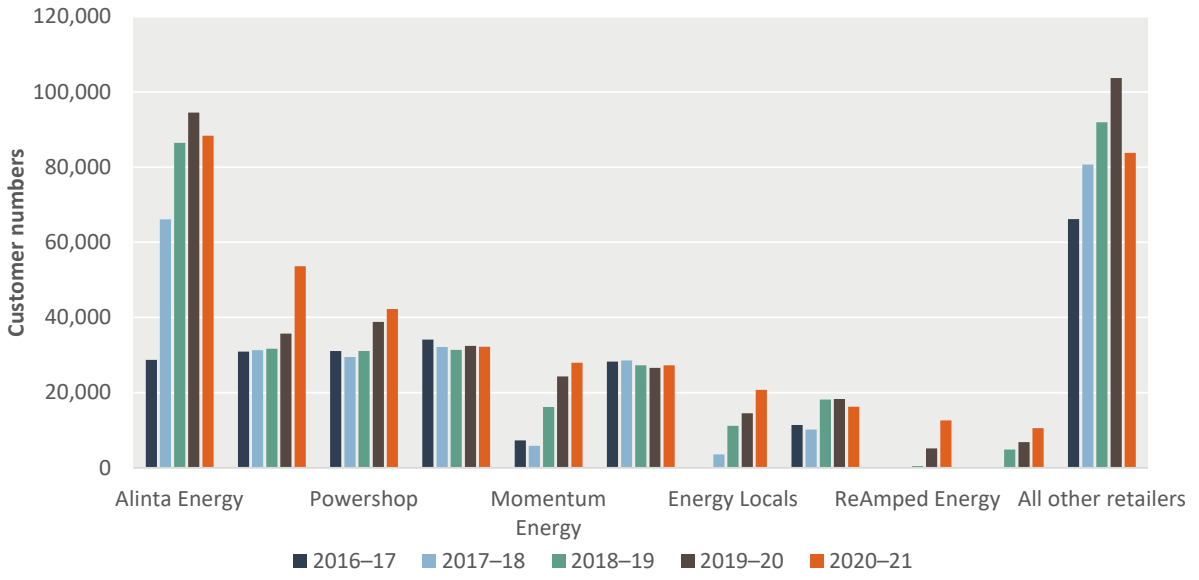
Note: Data as at 30 June each year.

Source: AER.

The majority of other retailers in the NSW residential electricity market experienced consistent growth or maintained customer numbers across the period. As highlighted in the HHI analysis, this has resulted in a decrease in market concentration in NSW and is a positive sign for increases in competition within this market.

Alinta Energy was able to increase its customer base from around 29,000 customers in 2016–17 to 88,000 in 2020–21 and now holds approximately 2.6% of total market share. Smaller retailers such as Momentum Energy and Energy Locals were able to grow their customer bases substantially and had more than 20,000 customers each in 2020–21 (figure 1.8).

Figure 1.8: NSW residential electricity – other retailers' customer numbers



Note: Data as at 30 June each year.

Source: AER.

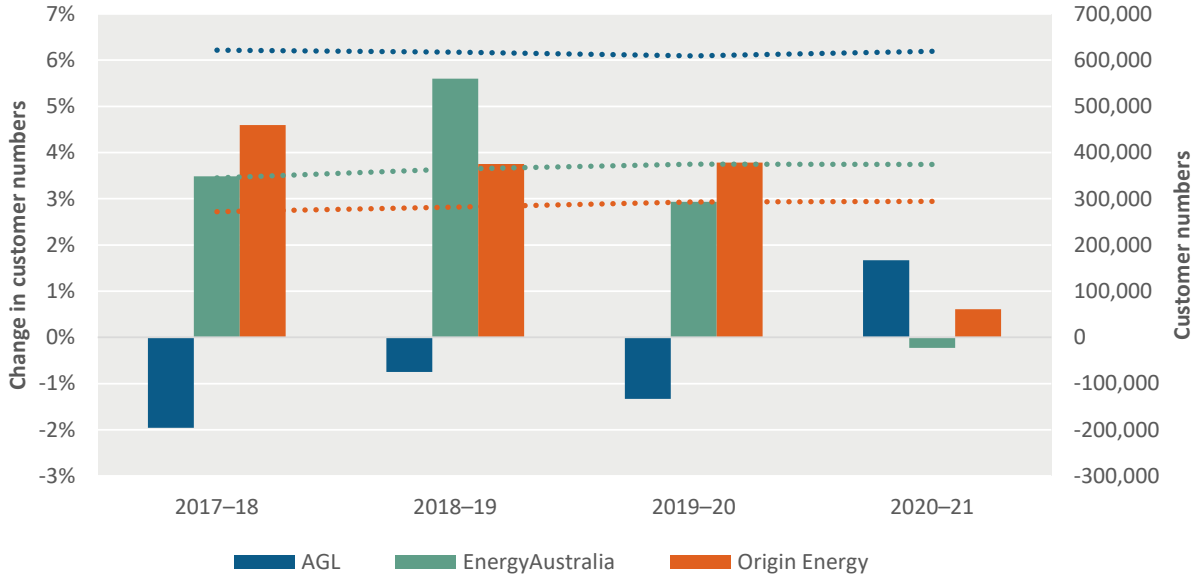
Gas

The gas market in NSW is significantly smaller than the electricity market, but it too has grown in terms of both customer numbers and active retailers. In 2016–17, 11 active retailers supplied 1,296,547 customers. This grew to 14 active retailers supplying 1,464,479 customers in 2020–21.

The 3 largest retailers (AGL, EnergyAustralia and Origin Energy) combined made up 88% of the market in 2021, which has decreased from 95% in 2016–17. Both EnergyAustralia and Origin Energy have experienced fairly consistent growth in their customer bases across this time, but the increase in new customers and growth of smaller retailers has seen their market share remain relatively flat.

Across this period AGL lost customers each year until 2020–21, when it saw a small rise due to the takeover of approximately 24,000 customers from Amaysim Energy.

Figure 1.9: NSW residential gas large retailers

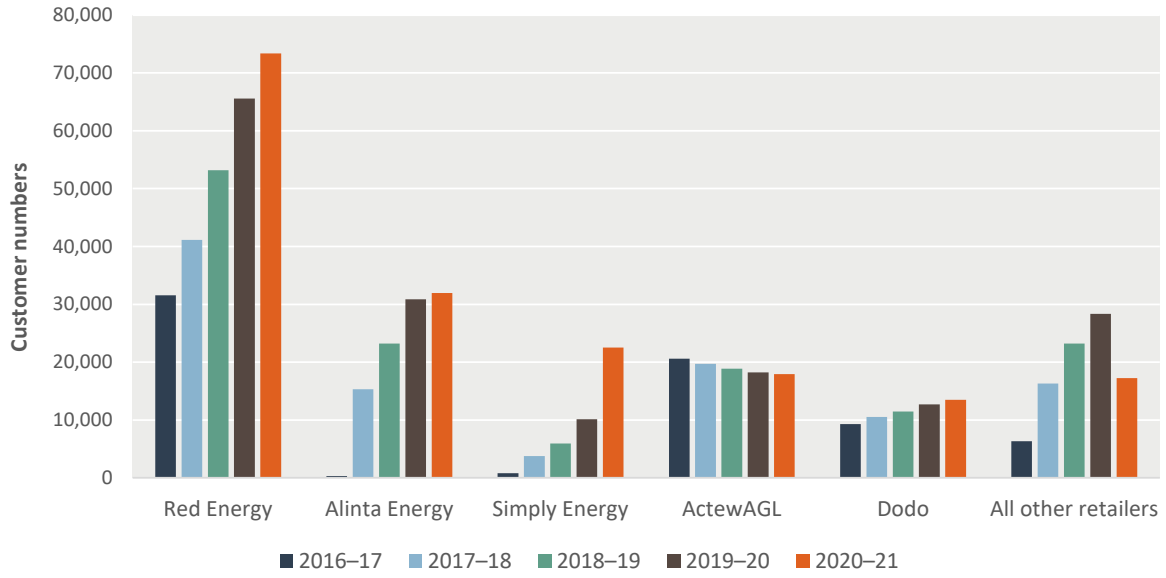


Note: Data as at 30 June each year.

Source: AER.

Similar to the residential electricity market in NSW, the majority of smaller retailers have been able to grow their customer base consistently across the previous 5 years. Due to Red Energy and Alinta Energy's consistent growth, they made up 5% and 2% of the gas market, respectively as at June 2021. This growth in smaller retailers has contributed to the decrease in market concentration in NSW shown in section 1.1.2.

Figure 1.10: NSW residential gas – other retailers' customer numbers



Note: Data as at 30 June each year.

Source: AER.

ACT residential

This section focuses on changes to the ACT residential energy markets from 2016–17 to 2020–21. As discussed above, the ACT and Tasmania residential markets have less competitive aspects compared with south-east Queensland, NSW and South Australia. Due to additional price regulations and the size of the ACT and Tasmanian markets, historically there have been very few new entrants which has seen primary regional retailers hold a dominant share. However, in recent years both markets have seen increases in the number of retailers offering contracts to customers. We have focused on the ACT as it has transitioned more towards a competitive market than Tasmania.

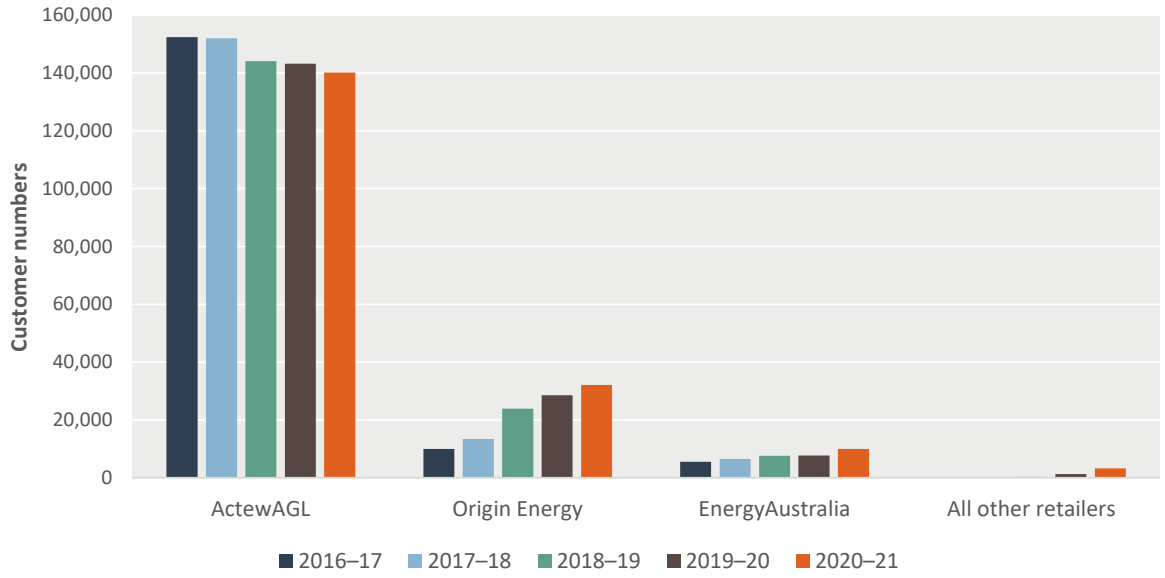
Electricity

The ACT residential electricity market is the smallest jurisdictional market. Primary regional retailer ActewAGL is by far the largest retailer in the region but it has continued to lose customers to other retailers over the previous 5 years (figure 1.11).

In 2016–17 ActewAGL held 91% market share, which decreased to 76% in 2020–21. Across this same period the number of active retailers increased from 5 to 12. Origin Energy has been able to consistently grow their customer base and had 17% market share in 2020–21.

As discussed in the HHI analysis (section 1.1.2), the increase in number of retailers and growth in their customer numbers is a positive sign for competition in the ACT residential electricity market.

Figure 1.11: ACT residential electricity customers



Note: Data as at 30 June each year

Source: AER.

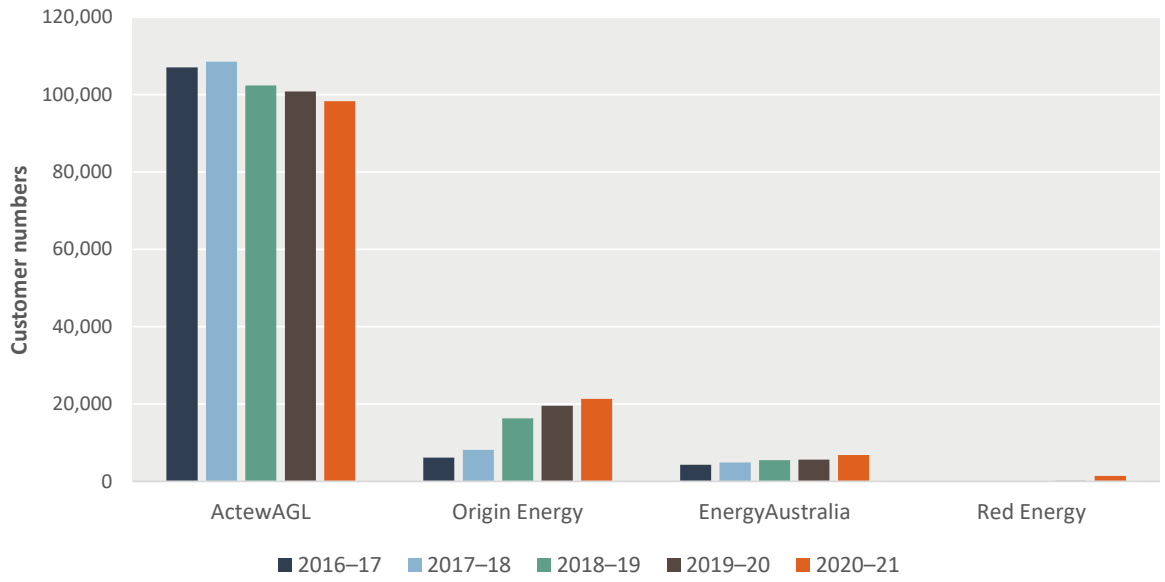
Gas

Similar to the ACT residential electricity market, the gas market is also the smallest jurisdictional market with only 4 retailers actively participating in 2020–21.[5] It has also been becoming more competitive over the past 4 years.

In 2016–17 ActewAGL supplied over 90% of customers but market share decreased to 77% in 2020–21. Origin Energy has grown its market share from 5% in 2016–17 to 17% in 2020–21.

5 The AER does not regulate the Tasmanian gas market.

Figure 1.12: ACT residential gas customer numbers



Note: Data as at 30 June each year.

Source: AER.

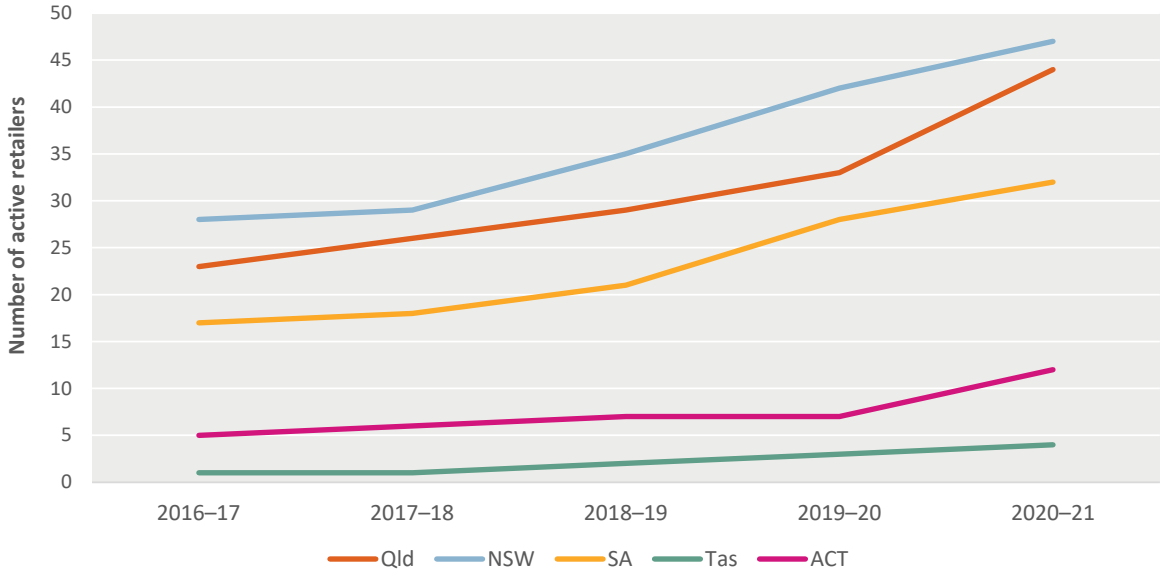
1.1.4 New energy retailers

The AER is responsible for authorising new retailers into the energy market. In 2020–21 we authorised 15 new retailers to participate in electricity and gas markets. Of these retailers, 2 were authorised in both electricity and gas markets while 8 were registered solely in the electricity market and 3 in the gas market. This is a slight decrease from the previous year, in which 18 new retailers were authorised to participate in the energy market.

Authorisations do not necessarily result in an immediate greater choice for consumers, with retailers often varying which market segments they target or not actively attempting to grow their customer base in the early years of the business. When looking at active retailers (retailers with customers), of the 15 new retailers who were authorised to participate in 2020–21 only 2 (Social Energy and Smart Energy) are recorded as having customers. Five of these new retailers only acquired their authorisation in the second half of the year and therefore may not have been actively trying to gain customers by the end of June 2021.

The number of active retailers varies significantly across each jurisdiction. The ACT and Tasmania, which historically lacked competition, have very low numbers of active retailers. More competitive markets such as NSW, Queensland and South Australia are substantially higher. However, all jurisdictions are experiencing an increasing trend in the number of active retailers, with increases between 35% to 50% from 2017–18 to 2020–21 in NSW, Queensland, South Australia and the ACT.

Figure 1.13: Number of active residential electricity retailers, by jurisdiction



Note: Data as at 30 June each year.

Source: AER.

1.2 Market and standing contracts

Before price deregulation was introduced in the National Electricity Market, governments set retail energy prices. Following deregulation, while retailers introduced market offers, governments required incumbent retailers to retain standing offers as a transitional measure to allow time to adjust to a competitive market. As the market evolved, governments continued to retain standing offers as a safety net. Prices in standing offers are typically higher than market offers.

A default market offer (DMO) was introduced from 1 July 2019. The AER determines the DMO as a cap on standing offer electricity prices in south-east Queensland, NSW and South Australia. The maximum price is not intended to mirror the lowest price in the market. Rather, it strikes a balance between reducing unjustifiably high prices, allowing retailers to recover costs in servicing customers, and providing customers and retailers with incentives to participate in the market. An update on the DMO and Victorian default offer (VDO) is set out in section 1.4.1.

Market and standing contracts – electricity

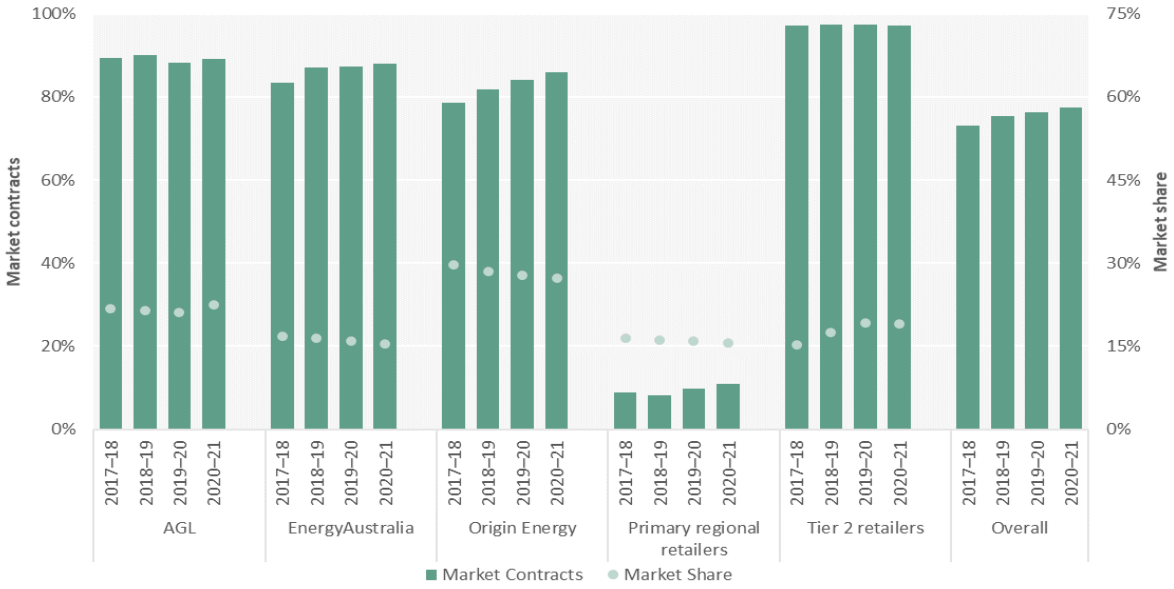
Overall, the number of customers on electricity and gas market contracts continues to increase year on year, which should result in savings to customers across retailers and jurisdictions (figure 1.14).

The proportion of Tier 1 customers on market contracts is lower on average than for Tier 2 retailers. This could reflect the position of Tier 1 retailers as incumbents from the time that retail contestability was introduced, allowing them to retain customers that never took up a market contract. Primary regional retailers operate in areas with limited retail competition, so most of their customers remain on standing offers.

The proportion of Tier 2 retailers' customers on market contracts remained at 97% in 2020–21. However, of the Tier 1 retailers:

- Origin Energy was able to continue its increases from the previous 5 years and now has 86% of customers on market contracts
- AGL has maintained between 88% to 90% across this time
- EnergyAustralia has increased from 83% in 2016–17 to 88% in 2020–21.

Figure 1.14: Residential electricity customers on market contracts



Note: Data as at 30 June each year.

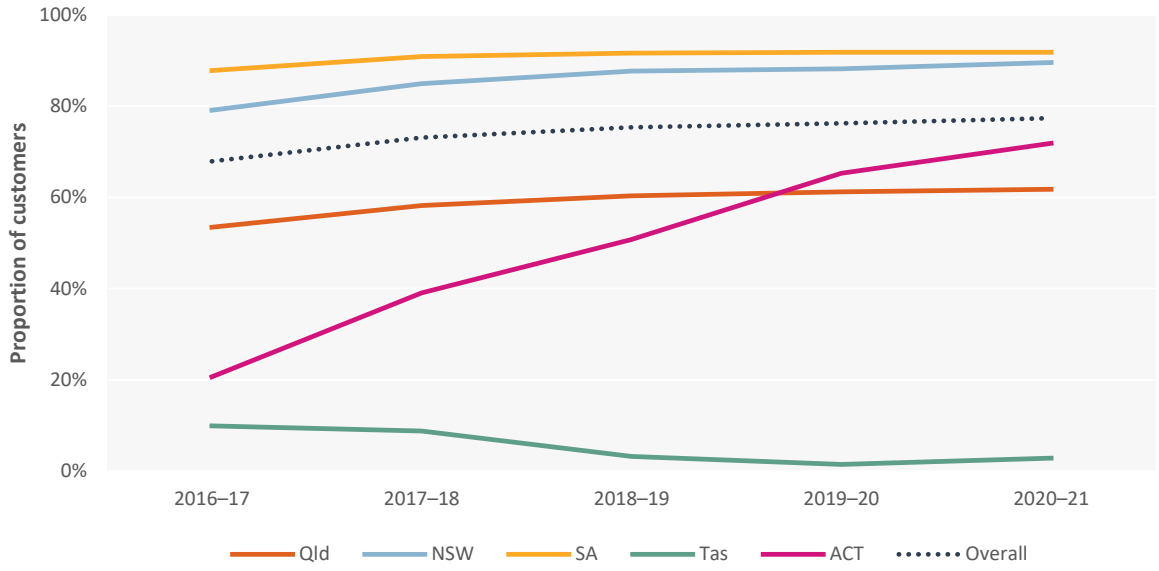
Source: AER.

When comparing residential customers on market contracts across jurisdictions, NSW and South Australia have consistently had over 80% of customers on market contacts. Queensland figures are impacted by Ergon Energy, which only offers standard contracts. If Ergon Energy is removed from the calculation, Queensland's proportion of customers on market contracts increases to 89%, which is at similar levels to NSW (90%) and South Australia (91%), in 2020–21. As discussed above, all 3 jurisdictions' markets are considered more competitive than the ACT or Tasmania – a large number of customers on market contracts supports this.

The significant increase in customers on market contracts in the ACT over the previous 5 years, along with the increase in the number of retailers and greater choice of retailers, indicates a move towards a more competitive market (figure 1.15).

For small business customers, the proportion of customers on market contracts continued to change in line with trends over the previous 5 years. Origin Energy had the largest increase in 2020–21 (4%) while EnergyAustralia continued its gradual decrease that has been underway since 2018–19 (figure 1.16).

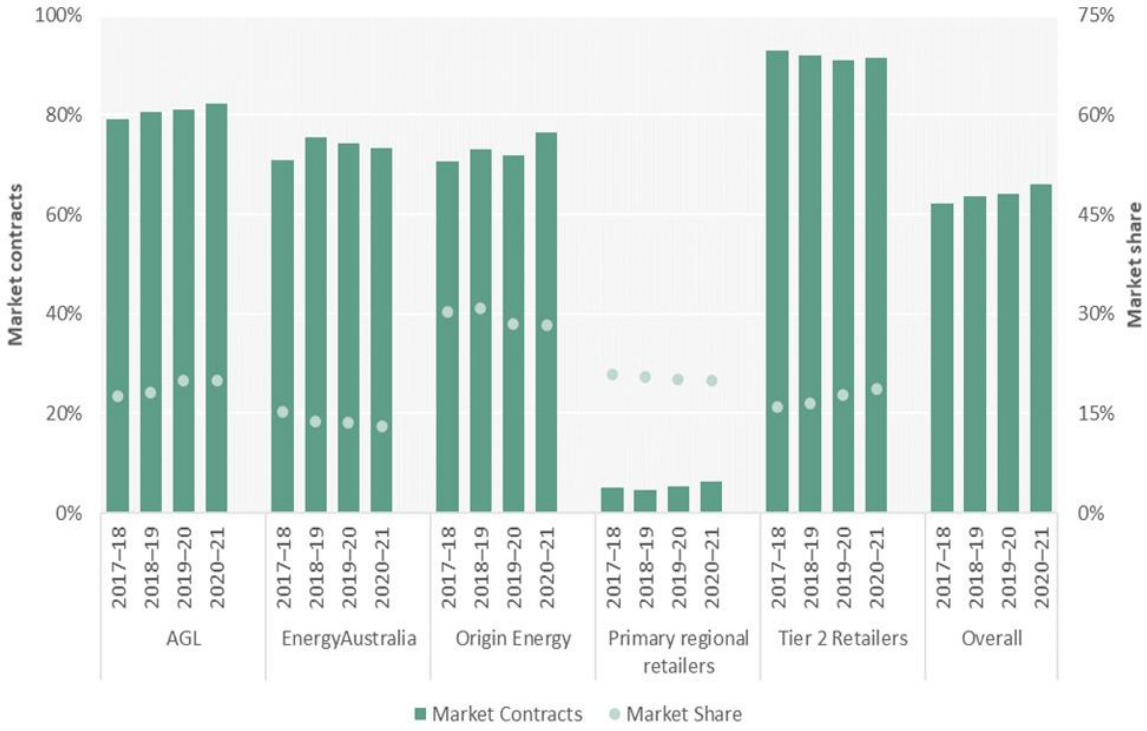
Figure 1.15: Residential electricity customers on market contracts by jurisdiction



Note: Data as at 30 June each year.

Source: AER.

Figure 1.16: Small business electricity customers on market contracts



Note: Data as at 30 June each year.

Source: AER.

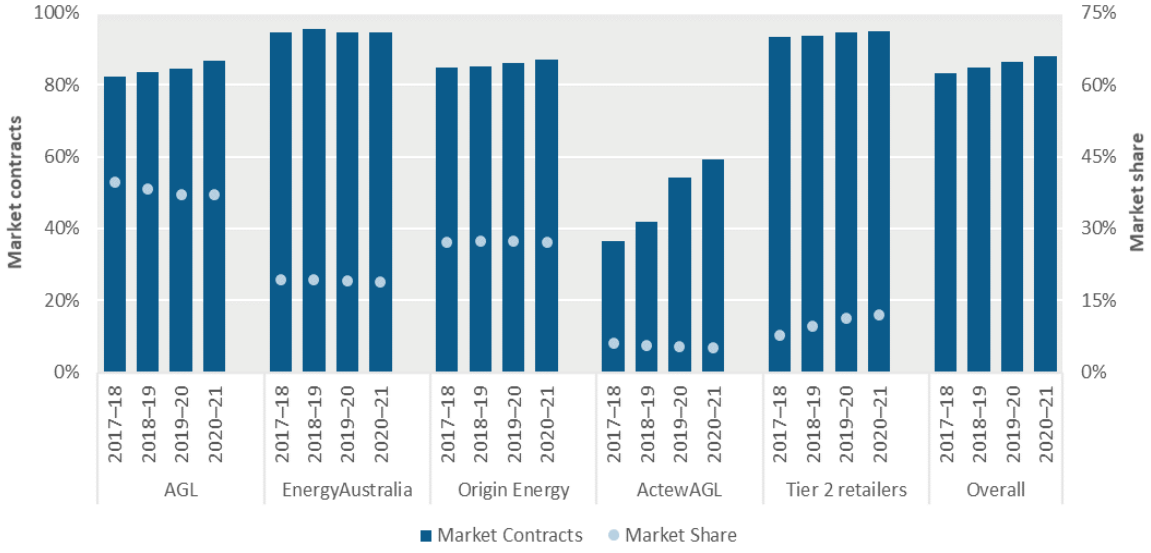
Market and standing contracts – gas

In residential gas, AGL, Origin Energy, ActewAGL and Tier 2 retailers continued the increasing trend of higher proportions of customers on market contracts, which has been occurring in previous years. EnergyAustralia's proportion of customers on market contracts remained steady but it is markedly higher than the other Tier 1 retailers (figure 1.17).

For small business gas customers, the proportion of customers on market contracts decreased for AGL in 2020–21 but increased for Origin Energy and EnergyAustralia.

The average proportion of small business gas customers on market contracts across Tier 2 retailers is markedly higher than Tier 1 retailers. The proportion for Tier 2 retailers also increased again this year, following a drop in 2018–19.

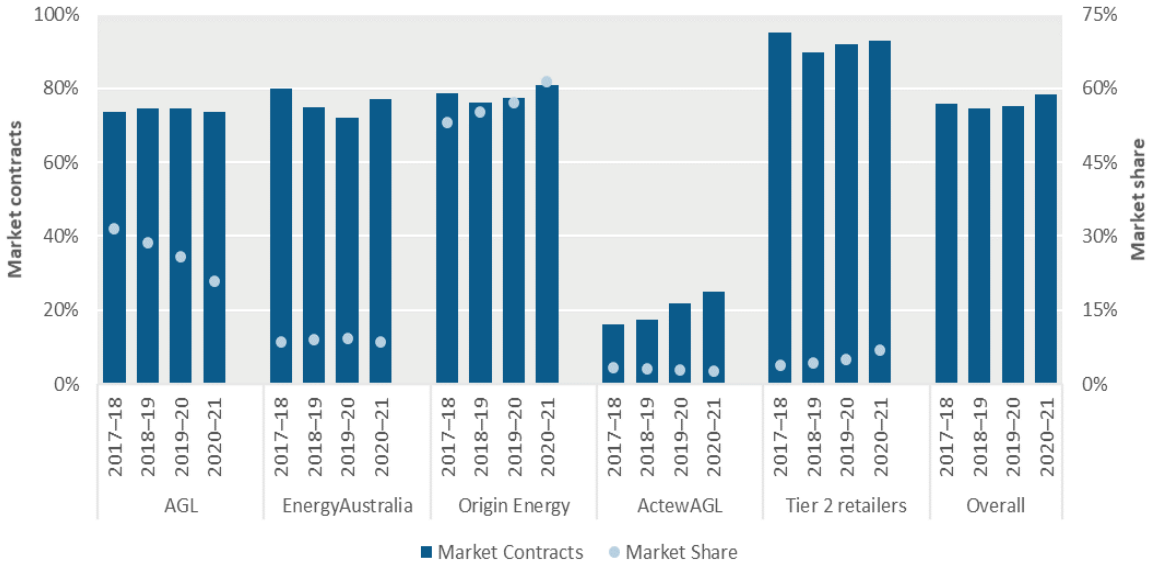
Figure 1.17: Residential gas customers on market contracts



Note: Data as at 30 June each year.

Source: AER.

Figure 1.18: Small business gas customers on market contracts



Note: Data as at 30 June each year

Source: AER.

1.3 Customer switching

The rate at which customers switch between energy retailers provides one indicator of how actively customers engage with the retail market.[6] However, switching rates do not provide a complete picture of engagement within the energy market. For example, switching may be low in a competitive market if retailers deliver good-quality, low-priced services that give customers no reason to change. Customers might engage with the market and decide to stay with their current plan or might change energy plans with the same retailer. This data does not capture movement from one offer to another while staying at the same retailer.

Switching rates

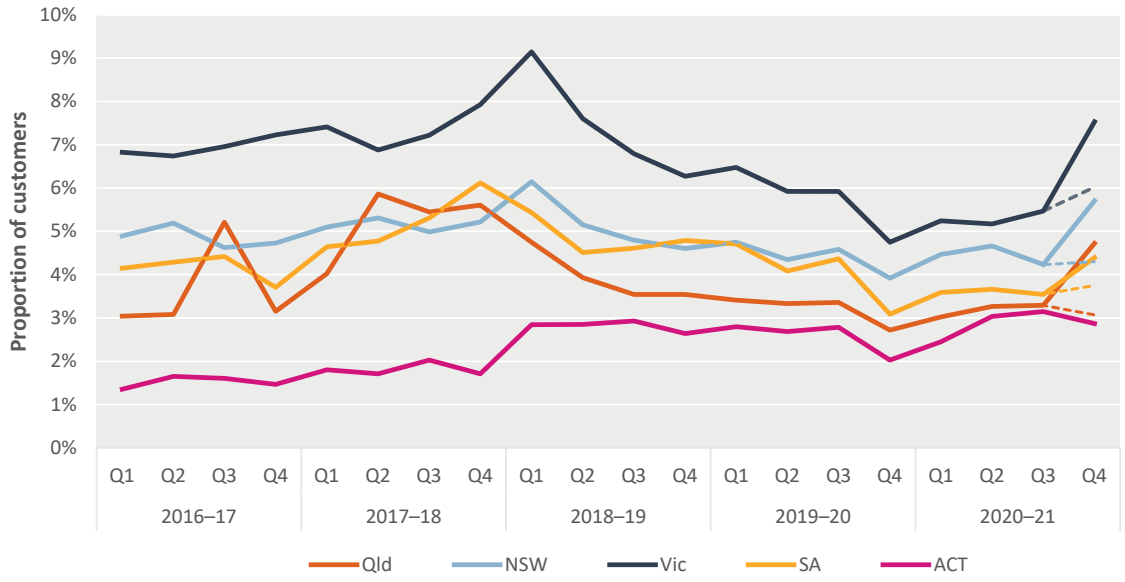
For electricity, switching between retailers peaked in most jurisdictions in Q4 2017–18 and Q1 2018–19. This coincided with the implementation of consumer engagement programs in some jurisdictions in 2018, which aimed to help consumers navigate the energy market and get a better deal. This was the case in NSW and Victoria with their respective Energy Switch programs and the Victorian Government's $50 Power Saving Bonus. There was considerable media coverage of high energy prices in mid-2018. Increased awareness of high prices may have led more customers to seek a better energy plan.

For electricity, switching rates across jurisdictions trended down from the peak until Q4 2019–20. The sharp drop in this quarter may be associated with impacts from the start of the COVID-19 pandemic. Across 2020–21 switching rates have slowly started to increase across all jurisdictions. The spike in Q4 2020–21 was driven by AGL's acquisition of Amaysim Energy. The alternative dashed lines in Q4 2020–21 show what the rate would have been if the acquisition did not occur. Switching rates are generally higher in jurisdictions considered more competitive, such as Victoria, NSW, south-east Queensland and South Australia. However, the ACT is now approaching similar levels at the end of 2020–21.

Gas switching generally mirrored the trends seen in electricity, with the spike in Victoria in Q4 2020–21 driven by AGL's acquisition of Amaysim Energy.

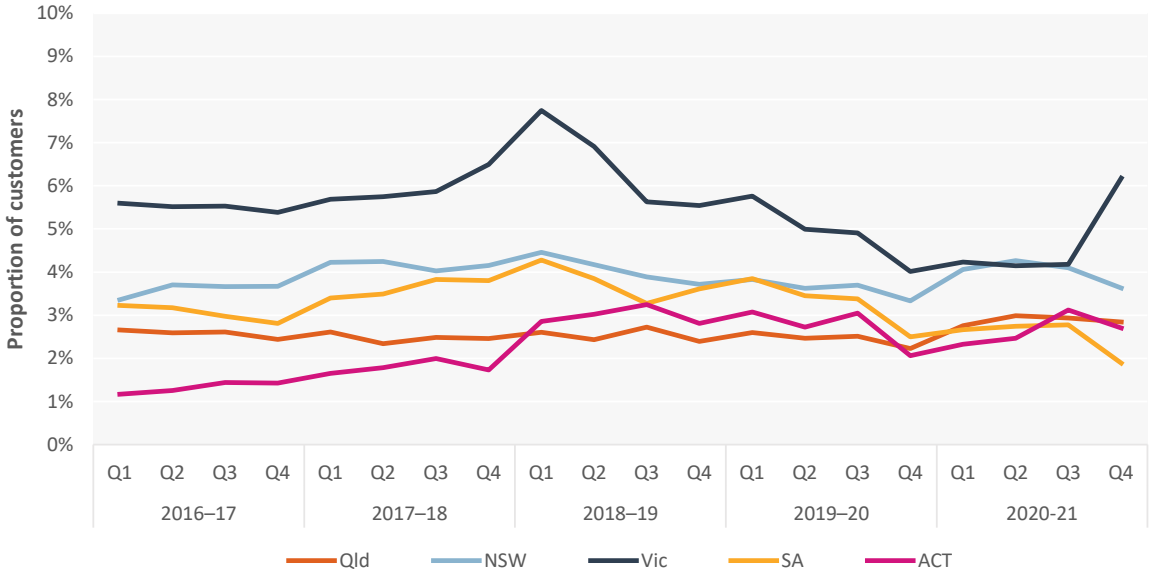
[6] Switching data comes from the Australian Energy Market Operator (AEMO) and is a combination of residential and small business customers. Tasmanian data is not available.

Figure 1.19: Electricity switching rate between retailers



Source: AEMO; AER.

Figure 1.20: Gas switching rate between retailers



Source: AEMO; AER.

1.4 New market developments

1.4.1 AER's work to assist consumers

Consumer Vulnerability Project

The AER's Strategic Plan 2020–2025 commits to developing our first Consumer Vulnerability Strategy. Informed by research conducted for us by the Consumer Policy Research Centre (*Exploring regulatory approaches to consumer vulnerability – A report for the Australian Energy Regulator*), the AER understands that experiences of vulnerability are diverse, transient or permanent, and multi-faceted. We

also understand that energy businesses face challenges, risks and costs in supporting consumers experiencing vulnerability, and that these risks are not spread evenly across the sector.

Our Consumer Vulnerability Strategy envisages 4 outcomes for the energy market as a consequence of the sector working together to improve the situation for energy consumers and the sector more broadly:

- barriers to consumers engaging in the market are reduced and consumers can access the products and services that best meet their needs
- consumers facing payment difficulty receive effective, tailored assistance
- the transitioning and future energy market meets the needs of consumers
- energy affordability is improved, including by reducing the cost to serve where possible

The AER is currently undertaking extensive stakeholder engagement and consultation to inform our Consumer Vulnerability Strategy. This work will also be considered as part of our review of the AER Retail Performance Reporting Procedures and Guidelines. We anticipate publishing the strategy and consulting on the guidelines in 2022.

Better Bills Guideline

On 18 March 2021, the Australian Energy Market Commission (AEMC) made a final rule requiring the AER to publish a Better Bills Guideline (the Guideline) by 1 April 2022.

The Guideline will require retailers to provide bills that meet the needs of consumers, now and into the future, in an efficient way that minimises cost and enables industry innovation, and that energy bills are simplified and easier for consumers to understand and use.

The development of the Guideline aligns with the AER Strategic Plan 2020–2025 commitment to improve consumer outcomes while reducing costs to serve, by boosting consumer and behavioural insights and applying them across our initiatives.

The development of the Guideline is informed by a range of sources including:

- submissions to the AEMC rule determination process
- new consumer and behavioural insights research commissioned by the AER through a strategic partnership with the Behavioural Economics Team of the Australian Government, which included a literature review, online surveys and focus groups
- public consultation undertaken through the ACCC Consultation Hub and Better Bills Working Group (comprising a range of industry stakeholders) and targeted consultation as required
- submissions on the draft Guideline once published (December 2021).

Final research findings were published in October 2021 and the Guideline must be published by 1 April 2022, with changes appearing on consumers' bills from August 2022.

The Default Market Offer and Victorian Default Offer

The AER released its third Default Market Offer (DMO 3) determination in April 2021. Consistent with previous determinations, the DMO prices continued to target objectives of protecting customers from unjustifiably high standing offer prices, while allowing retailers to recover the efficient costs of providing services and incentivising market participation by consumers and retailers.

Compared with 2020–21, DMO 3 prices were lower for customers in all regions, resulting in decreases for electricity customers on a standing offer from 1 July 2021 of up to $116 for households and $441 for small businesses. The main factor driving the decreases were forecast wholesale cost reductions due to lower forward contract prices and changing electricity load profiles due to continued investments in renewable generation.

The DMO 3 used the same approach as the previous determination, updating prices to reflect forecast changes in retailers' costs, including environmental, wholesale electricity and network costs, and indexing retail costs by the Consumer Price Index.

As part of the DMO 3 release, the AER indicated to stakeholders that a review of the methodology used to develop the DMO would occur in the second half of 2021.

In October 2021 the AER released an options paper on the 2022–23 DMO for consultation, with submissions due by 19 November. The AER is reviewing its approach to ensure the DMO continues to meet the policy objectives. The options paper sought views on a number of aspects of the methodology including how the AER:

- considers retail costs and how they change from year to year
- approaches forecasting wholesale electricity costs
- should treat costs to serve customers with advanced meters or customers on time-of-use tariffs
- models annual usage, including ensuring our residential and small business annual usage benchmarks are 'broadly representative'.

The AER will consider issues raised in submissions in its draft determination, which it intends to publish in early 2022.

The Essential Services Commission of Victoria's (ESCV) November 2020 decision for the 2021 VDO price determination led to an average annual bill reduction for customers on standing offers of 10% for residential customers and 14% for small business customers (when compared with the prices for the 2020 Victorian Default Offer). The savings were mainly due to forecast decreases in wholesale electricity and network costs.

On 15 June 2021 the AER approved the Victorian distribution network businesses' network prices applying from 1 July 2021. As a result, in July 2021 the ESCV amended the VDO 2021 price determination to reflect increased network prices from 1 September 2021.

Despite the increase in flat network tariffs for the second half of 2021, the annual electricity bills under the amended VDO 2021 price determination remained lower than under the 2020 default offer prices for domestic customers on the flat default offer.

1.4.2 AEMC rule changes

Changes to protect consumers who miss pay-on-time discounts

Conditional discounts allow consumers to receive lower energy rates when a payment condition is met. Until recently, the majority of offers in the market included conditional pay-on-time discounts set above 20% of bill savings. In these cases, missing a payment resulted in a considerable financial burden to small consumers, with customers experiencing financial difficulty being disproportionately affected. In 2018 the Australian Competition and Consumer Commission (ACCC) found that 27% of residential consumers failed to realise their pay-on-time conditional discount and subsequently recommended that conditional discounting be restricted.

On 27 February 2020 the Australian Energy Market Commission (AEMC) made a rule that protects consumers from large penalties when they miss pay-on-time conditions by capping the level of conditional discounts and fees to 'reasonable costs' likely to be incurred by the retailer when a consumer fails to satisfy a payment condition. The rule change:

- applies to gas and electricity retail contracts entered into after 1 July 2020
- does not set a specific level for 'reasonable costs' because these will vary by payment condition and retailer

- only applies to conditional discounts and fees related to payment timing or method.

The rule change came into effect on 1 July 2020.[7]

Access, pricing and incentive arrangements for DER

The AEMC's decision of 12 August 2021 on access, pricing and incentive arrangements for distributed energy resources (DER) is aimed at assisting solar, batteries and electric vehicles to continue to connect to the electricity network. The decision recognised the significant uptake of solar PV and other DER by consumers and set a long-term plan to introduce more solar into the grid and reduce solar wastage.

The AEMC's changes include new protections such as a requirement for a 'basic free service' that will set a level below which consumers can export power into the grid without being charged. Other consumers may opt for 'paid plans', which are likely to offer consumers the ability to earn more for exporting solar energy at times when it is helpful to the system and less at times when there is more unused solar being exported than the system needs or can handle (such as during the middle of the day).[8]

Under the AEMC's changes, customers who either are already connected to the grid and able to export or have an open or accepted connection offer will not need to change their pricing plan until 1 July 2025.

The AEMC's package of reforms consists of 3 key components:

- Clear obligations on electricity distributors to support energy flowing both ways. The AER will be required to ensure distributors' expenditure to provide export services is efficient.
- Enabling distribution businesses to offer a range of options to encourage solar owners to limit solar waste, save money and benefit the grid. To help facilitate this, changes have been made to relevant rules to introduce new customer safeguards.
- Strengthening customer protections and regulatory oversight by the AER.

This is a significant reform for consumers and the electricity system. It will take some years to have full effect, but consumer outcomes of the new arrangements will be considered in AER reports.

1.4.3 Jurisdictional based incentive schemes

A number of different programs aimed at increasing the uptake of solar PV and/or batteries for residential and small business customers have been rolled out across different jurisdictions.

After being rolled out in 2019, the NSW 'Solar for Low Income Households' program was expanded in 2020–21 and offers eligible households the choice to receive a free fully installed solar system in place of a low-income household rebate. Both NSW and South Australia have also previously rolled out schemes whereby eligible households can access interest-free loans to install a battery and solar PV systems. The ACT has a similar scheme, which offers rebates on battery installations.

The SA Government's Retailer Energy Productivity Scheme (REPS) commenced in January 2021 and provides incentives for South Australian households and businesses to save energy. The objective of the REPS is to improve energy productivity for households, businesses and the broader energy system, with a focus on low-income households.

The REPS aims to achieve its objectives through setting energy productivity targets to be met by electricity and gas retailers. To achieve their targets, obligated retailers offer incentives to households and businesses to deliver energy productivity activities in homes and business premises. Retailers also have the flexibility to design and offer individual incentive programs to customers. Energy productivity activities may include a discount on services, free products or products up to a certain value.[9]

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7 https://www.aemc.gov.au/rule-changes/regulating-conditional-discounting

8 https://energyconsumersaustralia.com.au/news/new-reforms-will-allow-millions-more-to-benefit-from-australias-rooftop-solar-revolution

9 https://www.escosa.sa.gov.au/industry/reps/overview

The ACT Government has a similar scheme, called the Energy Efficiency Improvement Scheme (EEIS). The ACT scheme places a requirement on electricity retailers to achieve energy savings in households and small-to-medium businesses. A target has also been placed on them to ensure a proportion of the savings are delivered to low-income households. The installation of products such as LED lighting, standby power controllers, draught sealers and energy efficient appliances has helped reduce energy use and greenhouse gas emissions. The ACT Government has extended the EEIS for another 10 years, from 2021 to the end of 2030.[10]

[10] https://www.environment.act.gov.au/energy/smarter-use-of-energy/energy-efficiency-improvement-scheme/how-the-scheme-works

2 Pricing and affordability

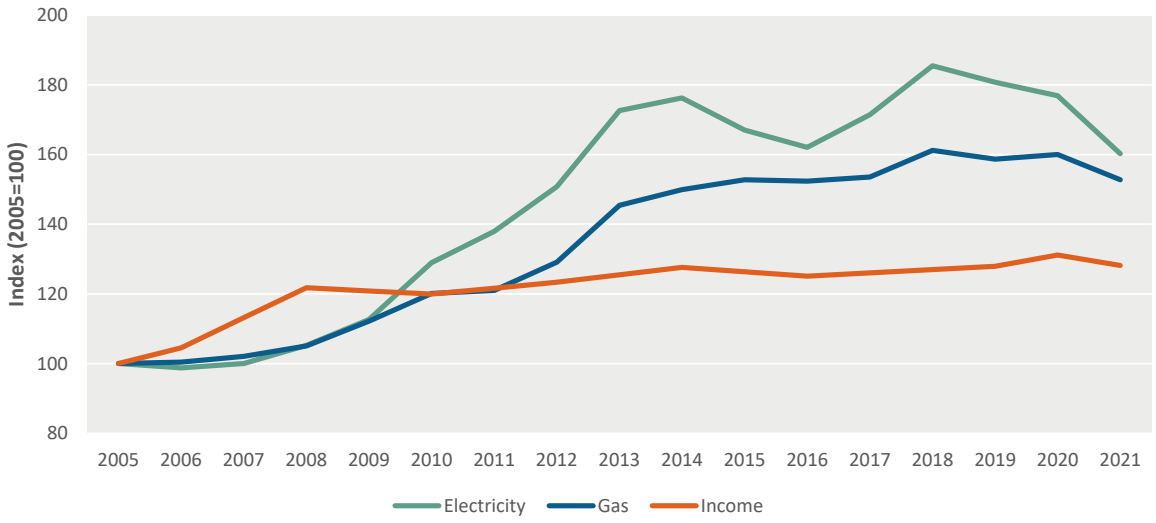
Key findings

- Electricity has become more affordable for households in all jurisdictions since 2019–20. The 2020–21 median offers marked a 5-year low as a proportion of income in all jurisdictions, except the ACT.
- Since 2017–18 gas has become more affordable for households and the proportion of income allocated to gas bills has fallen in most distribution areas.
- Low-income households typically spent double the percentage of their disposable income on electricity and gas as average-income households.
- Median market offers remain cheaper than standing offers in most distribution areas. The gap between median market and standing offers has narrowed since 2019–20 in all jurisdictions except for Victoria and regional Queensland.
- Price offers vary significantly across energy retailers. We encourage customers to use Energy Made Easy and Victorian Energy Compare to check if they are on the best available contract.

This chapter explores residential energy affordability in the 5 years to 2020–21 in Queensland, NSW, the ACT, South Australia, Tasmania and Victoria, particularly focusing on the affordability of energy for low-income households. It also indicates where energy affordability might head in 2021–22 by looking at prices as at September 2021. Information on our methodology can be found in appendix 2.

Energy prices peaked in 2018, following a decade of price rises that significantly exceeded changes to household income (figure 2.1). An easing of market conditions, along with reforms aimed at improving energy affordability, have contributed to improved price outcomes in recent years. Despite this, energy ranks below other services in perceived value for money.[11]

Figure 2.1: Long-term trends in energy prices and income (inflation adjusted)



Source: Electricity and gas index – ABS, Consumer Price Index, various years; income index – ABS, Household Income and Wealth, Australia, various years.

People's lived experience of energy prices differs markedly. Customers pay different prices for energy depending on where they live, what network infrastructure is required to supply them and the intensity of competition among retailers in their local area. Our analysis looks at outcomes across distribution areas to capture those differences. Customers' engagement in the market also contributes to the prices they pay. There remains significant price dispersion across offers in all distribution areas, indicating that customers

[11] Energy Consumers Australia, *Sentiment survey June 2021,* ECA website, accessed 1 November 2021.

can save on energy costs if they can effectively navigate the market. Customers' ability to pay bills on time can further affect their energy costs, although conditional discounts for on-time payment have been less prominent in the market in recent years. We encourage households to seek out the best possible energy deal for their circumstances. Energy Made Easy – our independent and free price comparison website – provides the information customers need to compare the various offers in their area to see if they would be better off under a different deal.[12]

The amount of energy customers use is another key factor in energy bill costs. Our analysis is based on energy use by an average customer in each distribution area, and so does not represent all customers. Households consume different amounts of energy depending on how many people live in their home, the local climate, the energy efficiency of their home and appliances (and how they use them), access to rooftop solar and whether they use gas as well as electricity. Because of these factors, some households may incur significantly higher or lower energy costs than presented in this report. For example, customers on hardship programs in 2020 consumed on average over 60% more electricity than a typical customer (2,129 kWh per quarter compared with 1,310 kWh).[13] This is likely in part due to these households being unable to afford (or otherwise restricted from accessing) more efficient housing and appliances, including solar. Initiatives to overcome barriers to access the benefits of DER and energy efficiency should form part of any policy targeting affordability for those households.

2.1 Summary of findings

Electricity affordability improved moderately over the previous year in all jurisdictions, with up to 0.5% less of household disposable income required to meet typical electricity costs. Gas affordability also slightly improved in NSW, the ACT, Victoria and South Australia (with up to 0.3% less of household disposable income required to meet typical gas costs) and was unchanged in Queensland. These results continue a general trend of improving energy affordability since 2017–18.

In 2020–21 low-income households with average energy use and on a typical market offer spent between 2.4% and 5.6% of their disposable income on electricity and between 1.5% and 3.0% on gas. For average income households the proportion of income spent on energy was around half that of low-income households.

Customers on standing offers typically paid more for their energy than customers on market offers. In 2020–21 the difference in annual electricity cost between the median market and median standing offer was typically $100 to $400. Since the introduction of the DMO and Victorian Default Offer (VDO) the gap between annual electricity bills for customers on market and standing offers has reduced significantly. However, this gap increased in 2020–21 in all jurisdictions except Victoria. The difference in annual gas cost between the median market and median standing offer was around $50 to $200 in most jurisdictions and around $350 in Victoria.

Being on a market offer does not guarantee that a customer will receive the lowest possible energy prices. There is a significant spread between these offers. The difference between the lowest and highest market offer in 2020–21 was between $95 and $605 for electricity and between $81 and $797 for gas. A low-income customer on the highest priced market offer would have spent up to 5.8% of their disposable income on electricity and 4.6% on gas.

Electricity was more affordable in Victoria than elsewhere and least affordable in Tasmania and South Australia. Gas affordability largely varies with household usage, with Victorian households spending the highest proportion of their disposable income on gas.

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[12] The Energy Made Easy website www.energymadeeasy.gov.au is available for customers in Queensland, NSW, South Australia, Tasmania and the ACT. Victorian customers can use the Victorian Energy Compare website – compare.energy.vic.gov.au, maintained by the Victorian Department of Environment, Land, Water and Planning (DELWP).

[13] ACCC, *Inquiry into the National Electricity Market*, May 2021 report, June 2021.

2.2 Energy cost update

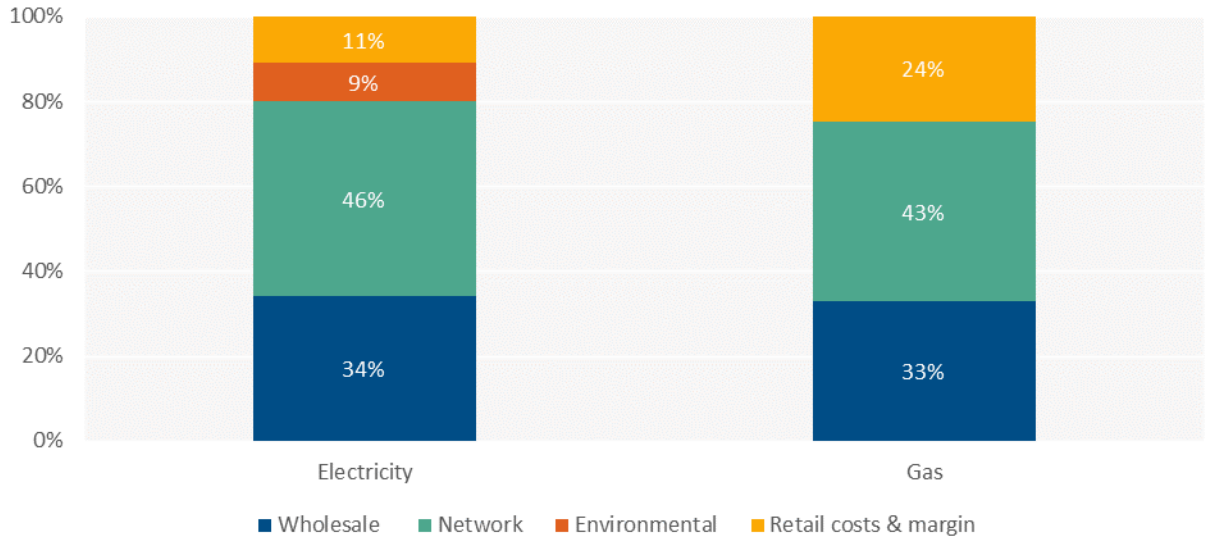
Retail energy bills largely reflect the underlying costs of producing and supplying energy. Retailers face costs in:

- purchasing energy from wholesale markets (including managing risk of wholesale price volatility and varying prices across jurisdictions)
- transporting that energy through electricity and gas networks (including charges that differ in each distribution area)
- complying with environmental schemes to fund renewable energy targets, feed-in tariffs for solar photovoltaic (PV) installations, and energy efficiency measures
- serving their customers (for example, providing billing and customer service)
- competing in contestable markets (for example, campaigns to attract and retain customers).

Retail bills also include a profit margin for retailers. Figure 2.2 sets out this cost allocation for electricity and gas. As highlighted above, the contribution of each component varies by jurisdiction and distribution area.

Retail costs and margins reflect factors including economies of scale, the level of competition and regulatory costs. Gas retail markets are generally less competitive than electricity retail markets, reflecting the smaller number of customers buying gas services.

Figure 2.2: Composition of residential electricity and gas bills



Note: Average data across jurisdictions. Data may not add to 100% due to rounding.

Source: Electricity – AEMC, *Residential electricity price trends 2020*, Final report, December 2020; Gas – Oakley Greenwood, *Gas price trends review 2017*, March 2018.

Data in sections 2.2.1 and 2.2.2 provides an indication of energy costs per household, based on average energy use for residential customers on single rate tariffs. It examines electricity costs over time in each major distribution area and highlights the median and range of standing and market offer prices.

We base bill costs on available offers displayed over time on government price comparison websites Energy Made Easy and Victorian Energy Compare. Pricing data is aggregated across multiple pricing areas within some distribution areas. Bill estimates across areas are not directly comparable because each is based on average consumption in the relevant area.

2.2.1 Residential electricity prices

Figure 2.3 shows median electricity costs in each major distribution area[14] on a cents per kWh basis in 2020–21. Standing offer prices are typically higher than those for market offers.[15] Electricity prices are highest per unit in South Australia, where network costs are above the NEM average. Wholesale costs have also typically been higher in South Australia. Although wholesale costs in South Australia fell below some other jurisdictions in 2020–21, these cost reductions were unlikely to be immediately reflected in retail prices.[16] In jurisdictions with multiple distribution areas, electricity prices are typically higher in those networks servicing rural customers.

Figure 2.3: Residential electricity median market and standing offer prices

Note: Offer data as at September 2021. Based on single rate offers for residential customers and average consumption in each distribution area for 2020–21.

Source: AER analysis using offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption based on Economic benchmarking regulatory information notice (RIN) responses.

Electricity prices in most distribution areas reached historically high levels in 2018 and 2019, following successive increases in market and standing offers over the previous decade. Prices have since eased, with median market offer prices in 2020–21 falling from the previous year in all distribution areas. Price reductions ranged from 1% in Tasmania to an average of almost 10% in Victoria (figure 2.4).

These reductions in retail prices largely reflect falls in wholesale costs since 2019, driven by a range of factors including the commissioning of low-cost renewable generators, moderate weather conditions limiting demand and lower coal and gas fuel costs across this time.

Market offer prices have continued to fall in 2021–22. As at September 2021, prices in most jurisdictions were the lowest they have been over the past 5 years. The ACT was an exception to this trend – market offer prices rose by 8% largely as a result of higher costs for the ACT Government's feed-in tariff scheme for large-scale solar developments.[17]

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[14] There are 5 electricity distribution areas in Victoria, 3 in NSW and 2 in Queensland. South Australia, the ACT and Tasmania each have one electricity distribution area. Appendix 5 includes a map of electricity distribution areas.

[15] The median standing offer is higher than the median market offer in all jurisdictions other than Ergon Energy's regional Queensland distribution zone. Outcomes in the Ergon Energy zone reflect a subsidy paid to Ergon Energy to reduce costs for standing offer customers through the Queensland Government's Uniform Tariff Policy (which other retailers are not able to access).

[16] Changes in wholesale costs can take some time to flow through to retail prices, as retailers typically lock in the wholesale price for much of their expected customer demand 1–2 years in advance.

[17] ICRC, 'Retail electricity prices to increase from 1 July 2021', media release, 7 June 2021

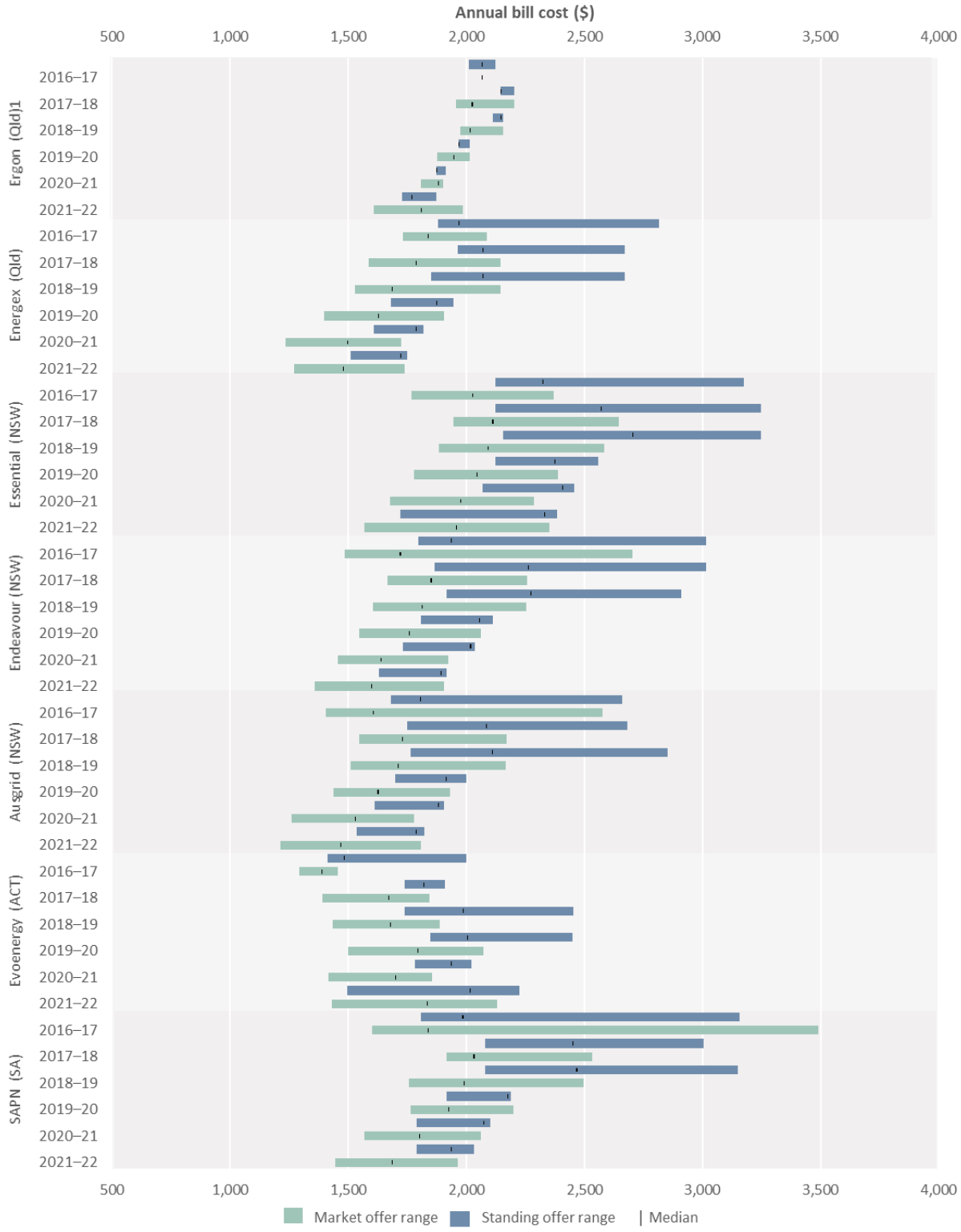
The difference between median market and standing offers has reduced over the past 3 years in all regions except Tasmania. This was most pronounced in those regions that imposed new price caps on standing offers from July 2019 through the Default Market Offer – south-east Queensland, NSW, South Australia and Victoria. Those price caps resulted in a much narrower range of standing offer prices (particularly in Victoria) because the most expensive offers were removed from the market.

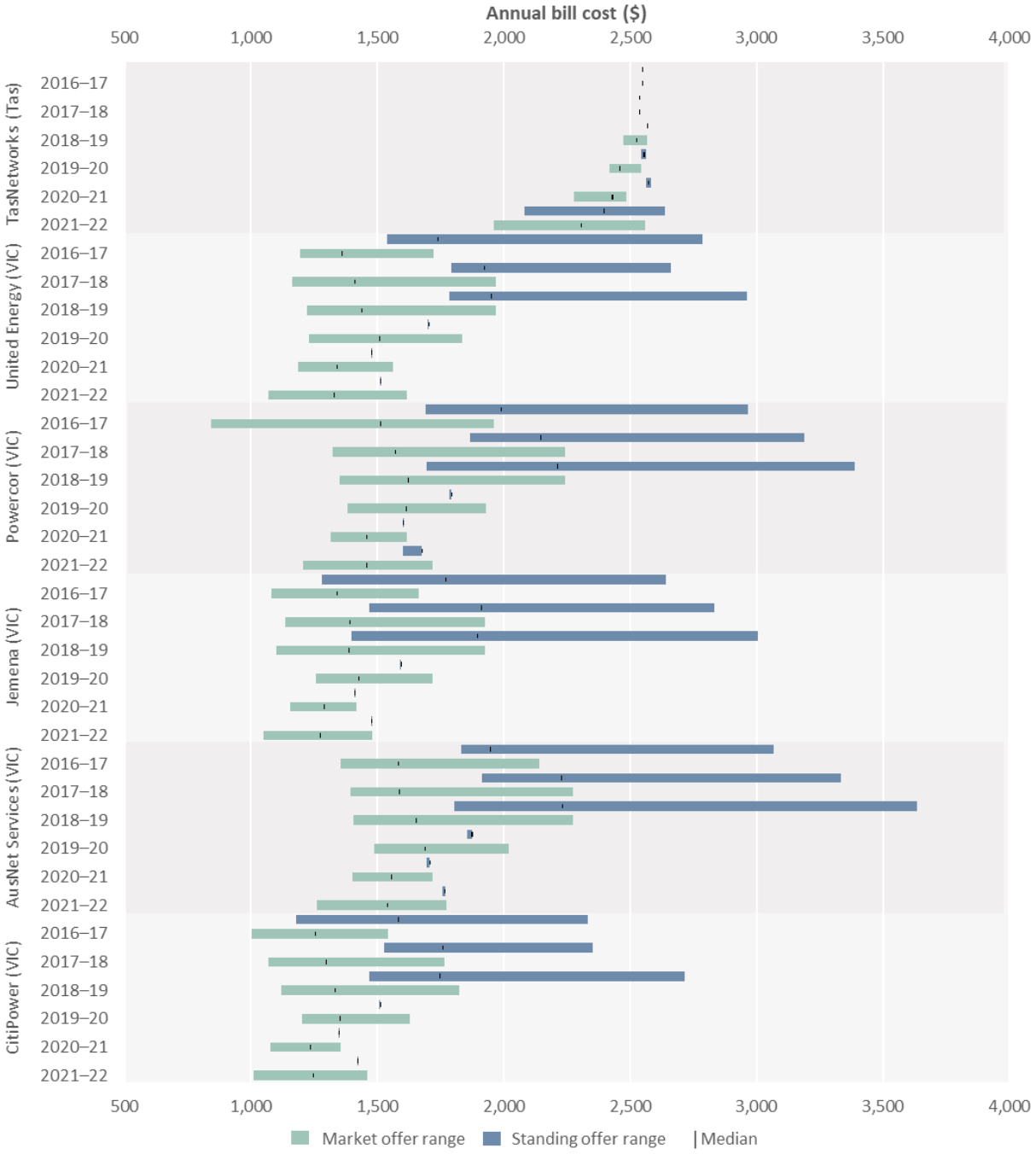
Despite the contraction in offers, significant savings are still available for customers who move from a standing to a market offer. A customer moving from the median standing offer to the median market offer in September 2021 could have reduced their annual electricity costs by around 16% ($330) in NSW, 14% ($240) in south-east Queensland, 13% ($250) in South Australia, 13% ($200) in Victoria and 9% ($180) in the ACT.

Potential savings were lower in the less competitive markets of Tasmania (4% or $90) and regional Queensland (where the median standing offer was around $40 below the median market offer). Most customers in those 2 markets remain on standing offers.

Savings are available for customers who take up a market offer, but customers must be able to identify the market offer that provides the lowest cost for their electricity use. A typical customer could pay 35% to 50% ($400 to $800) more for electricity if they are on the highest cost market offer compared with the lowest cost market offer. Prices for the most expensive market offers are often close to (and sometimes higher than) standing offer prices.

Figure 2.4: Residential electricity market and standing offers





Note: In Ergon Energy there are few market offers available and some offers are restricted to specific geographic areas.

Based on single rate offers for residential customers and average consumption in each distribution area. Average consumption for 2020–21 has been applied to all periods. Some offers listed may not be available to all customers in a distribution area.

Source: AER analysis using offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption based on Economic benchmarking regulatory information notice (RIN) responses.

2.2.2 Residential gas prices

Figure 2.5 shows median gas costs in each major distribution area[18] on a cents per megajoule (MJ) basis in 2020–21. Gas costs are lowest per unit in Victoria, partly because of Victoria's relatively high number of gas users creating savings due to economies of scale in pipeline network costs. Victoria also has high

[18] There are 3 major gas distribution areas in Victoria and 2 in Queensland. NSW, South Australia and the ACT each have one major gas distribution area. Gas is not available to the majority of residential customers in Tasmania and regional Queensland, and so those jurisdictions are excluded from our analysis. Appendix 6 includes a map of gas distribution areas.

household usage, meaning that fixed supply charges are spread over a greater base when assessing costs on a per unit of usage basis. However, this higher gas usage means that annual gas costs are higher in Victoria than other jurisdictions despite the lower cost per unit (figure 2.6). Costs per unit of consumption are highest in Queensland. This reflects both low gas penetration and low average household gas use (due to low heating requirements, which account for the majority of gas use in other jurisdictions).

Figure 2.5: Residential gas median market and standing offer prices

Note: Offer data as at September 2021. Based on offers for residential customers and estimated consumption in each jurisdiction.

Source: AER analysis using offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption based on Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

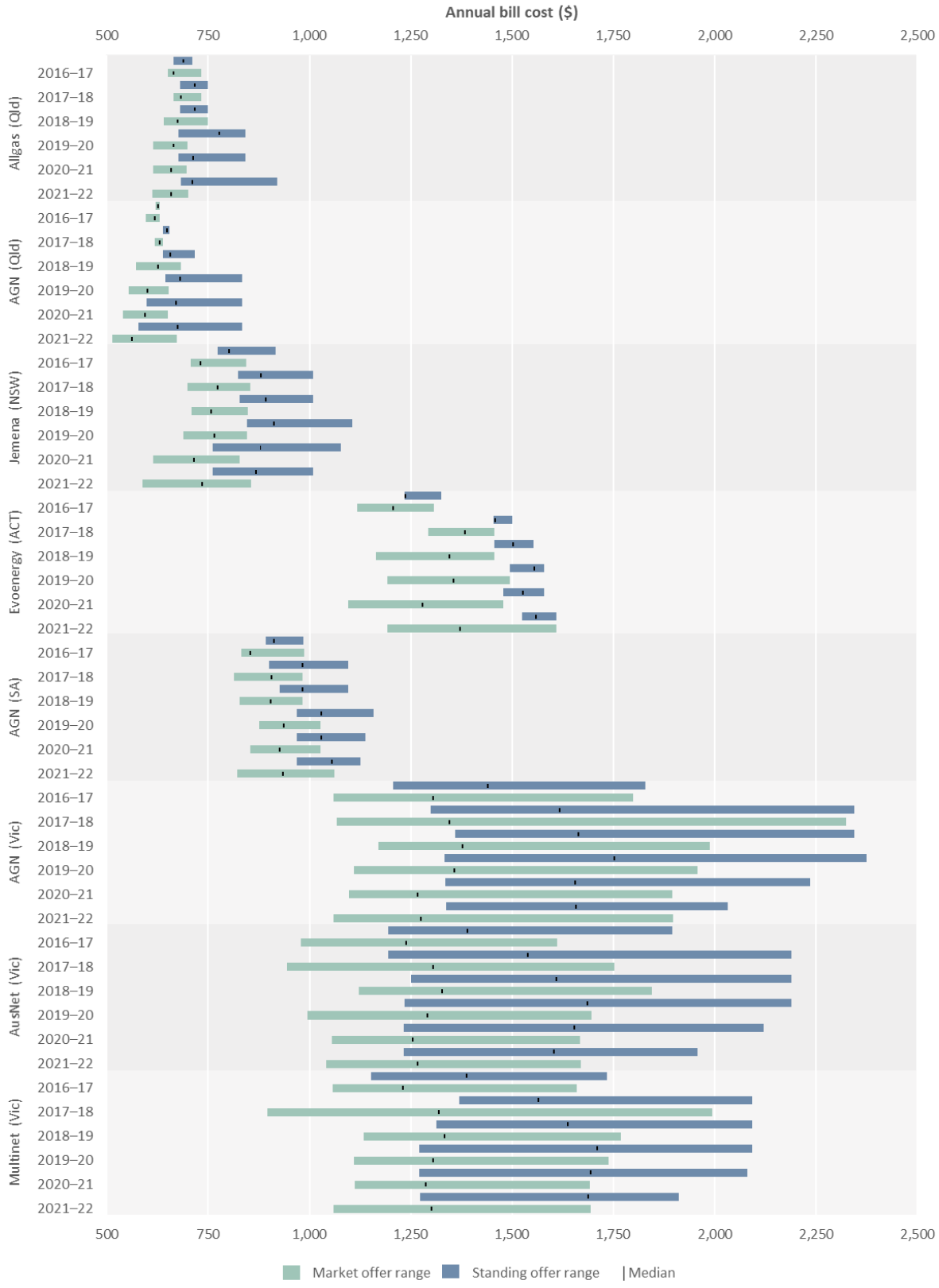
Gas offer prices have recently reduced from historically high levels. Retail gas prices peaked in most regions between 2017–18 and 2019–20 (figure 2.6). Market offer prices eased in 2020–21 in all regions, ranging from 1% falls in Queensland and South Australia through to 7% falls in NSW's Jemena distribution area and Victoria's Australian Gas Networks distribution area. Standing offer prices also fell, but typically by a smaller amount (except in Queensland).

Retail gas prices rebounded by September 2021 in all regions except Queensland. NSW (up 3%) and the ACT (up 7%) recorded the largest price increases. Movements in wholesale gas prices have been the primary driver of recent retail price changes.

Significant savings are available for customers who move from a standing to a market offer. A typical customer moving from the median standing offer to the median market offer at September 2021 could have reduced their annual gas costs by 7% to 17% ($50 to $190) in NSW, Queensland, South Australia and the ACT. Potential savings were higher in Victoria, up to 23% ($390).

Similar to electricity offers, customers taking up a market offer need to identify the offer that provides the lowest cost for their gas use. A typical customer could pay 30% to 80% ($240 to $840) more for gas if they are on the highest cost market offer compared with the lowest cost market offer. Prices for the most expensive market offers are often close to (and sometimes higher than) standing offer prices.

Figure 2.6: Residential gas market and standing offers



Note: Based on offers for residential customers and estimated consumption in each jurisdiction.

Source: AER analysis using offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption based on Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

2.2.3 Discounting practices

Energy retailers use headline discounts as a method to promote energy offers. These discounts can provide a simple comparison point for customers to identify the relative value of different energy offers. Some discounts are conditional on customers meeting certain requirements, such as paying bills on time or paying via direct debit. Conditional discounts are a way for retailers to encourage prompt payment of bills, but in effect they operate as late payment penalties and can contribute to financial stress of customers who are unable to meet the conditions.

The ACCC reported that, for residential customers on electricity contracts with conditional discounts in 2020, around 11% did not meet the conditions required to receive the discounted price.[19] Customers in financial difficulty were more likely to miss out on the discounts, with 18% of hardship customers and 17% of customers on payment plans not meeting the required conditions.

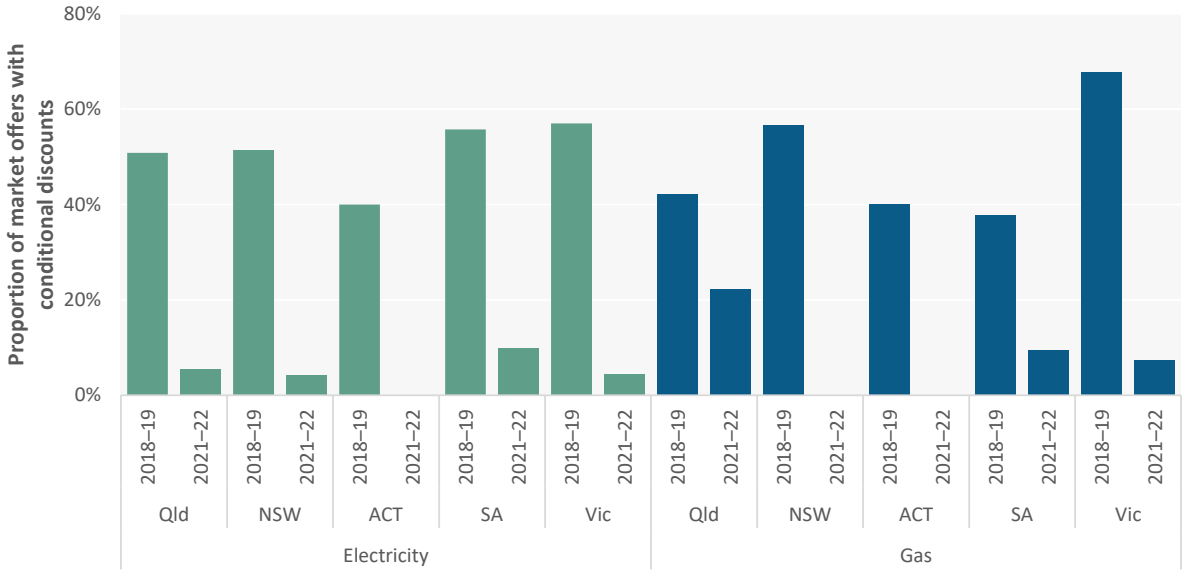
Rules introduced since 2019 do not prevent conditional discounting but seek to manage the risk to consumers of onerous conditional discounts.[20] These changes have influenced retailers' approach to discounting, with a general shift away from the use of conditional discounts. Where conditional discounts are still used, the value of these discounts has significantly reduced.

In electricity, the proportion of advertised offers with a conditional discount declined significantly from 2019–20 following new rules limiting how conditional discounts can be advertised (figure 2.7). Of the more than 40 retailers with market offers as at September 2021, only 4 included conditional discounts in any offers. These offers represented less than 10% of market offers across all regions.

The size of conditional discounts has also decreased. In 2018–19 the value of conditional discounts (or effective penalty) was up to $500 a year on electricity offers (representing more than 40% of the entire bill) (figure 2.8). By September 2021 the value of conditional discounts had eased across all jurisdictions, with the maximum discount on offer around $150 (10% of the annual bill).

Gas offers have followed a similar trend. Only one retailer included conditional discounts in their gas offers in September 2021, with the conditional discount equivalent to around 1% of the annual bill.

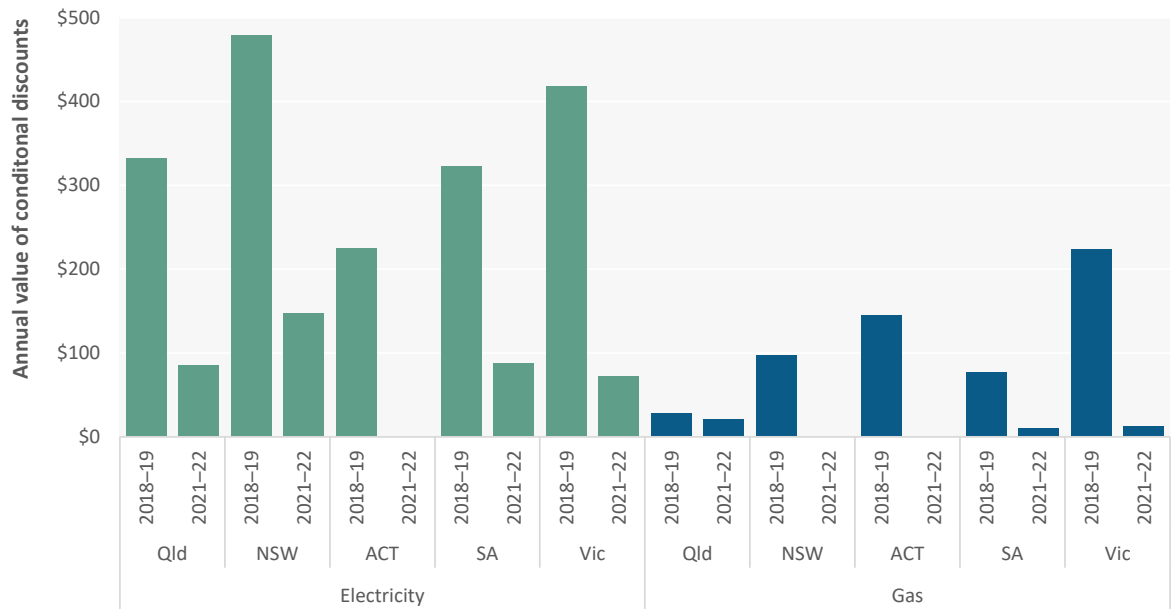
Figure 2.7: Proportion of market offers that have conditional discounts



[19] ACCC, *Inquiry into the National Electricity Market*, May 2020 report, June 2020.

[20] For example, restrictions on how retailers can advertise conditional discounts on electricity offers came into effect in south-east Queensland, South Australia, NSW and Victoria on 1 July 2019 under the DMO and VDO rules. From 1 July 2020, the AEMC's Regulating conditional discounting rule change capped the level of payment related conditional discounts and fees in energy offers to reasonable costs (in Victoria, a similar rule caps pay on time discounts by reference to a retailer's cost of debt).

Figure 2.8: Average value of conditional discounts for market offers



Note (figures 2.7 and 2.8): Based on single rate offers for residential customers and average consumption in each distribution area.

Source (figures 2.7 and 2.8): AER analysis using offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption based on Economic benchmarking regulatory information notice (RIN) responses.

2.3 Energy affordability

Electricity bills are a significant cost-of-living issue for households. Recent reforms to improve affordability focus on price competition at the retail level, including the DMO and VDO which limit standing offer prices and rules on conditional discounting. Further actions that could improve energy affordability include:

- reducing costs across the energy supply chain and increasing the effectiveness of competition
- easier access to concession arrangements relevant to energy customers
- easier access to sustainable payment plans and effective hardship program arrangements for customers facing difficulties meeting their energy costs
- improving access to energy efficiency programs and solar photovoltaic systems for customers experiencing vulnerability.

Implementation of these reforms would require coordinated action by governments and the energy industry. Complementary reforms are being progressed to address barriers to consumers engaging with their retailer and accessing the market, including addressing market-based complexities (such as inaccessible information, information asymmetry or a lack of easy comparability of offers). Significant progress has been made in some of these areas in recent years. The AER's work on the Consumer Vulnerability Strategy and Better Bills Guideline are part of this package of reforms.

2.3.1 How we assess energy affordability

We measure energy affordability based on how much disposable income households spend on energy bills. The 3 key inputs into our analysis are:

- average energy use in each jurisdiction or distribution area
- energy charges, represented as annual bills (based on average usage)
- disposable income for low-income and average-income households in each jurisdiction.

The affordability analysis focuses on the 5 jurisdictions where the AER has a retail regulatory role (Queensland, NSW, the ACT, South Australia and Tasmania). Victoria, where the Essential Services Commission has regulatory responsibility, is also included for completeness.

Disposable income represents the income available to households to pay for goods and services after income taxes, levies and surcharges.

The analysis covers broad affordability trends over the past 5 years. It does not account for the specific impacts of the COVID-19 pandemic in 2019–20 and 2020–21. Outcomes for the period March 2020 to June 2021 will likely vary from outcomes before March 2020 due to shifts in income for many households. Income shifts are difficult to quantify because income would have fallen in those households experiencing job losses or reduced work hours but risen in those households receiving additional government assistance over the period.

COVID-19 impacts

Social restrictions imposed to limit the spread of COVID-19 resulted in a sharp increase in unemployment and underemployment from March 2020, increasing financial stress on those affected households. Not all households were impacted to the same extent though, with an increase in government support payments cushioning the impact for some.

Preliminary estimates of household income from the Survey of Income and Housing released by the Australian Bureau of Statistics[21] show an increase in the median equivalised disposable income for those in the lowest quintile in the last 6 months of 2020 (6% and 15% in September and December 2020, respectively, when compared with the same period in 2019).

These lower income households are more dependent on government assistance than other households. Around 57% of households in the lowest equivalised disposable income quintile relied on government pensions and allowances as their main source of income.

Affordability concerns do not just arise from income impacts. COVID-19 had an impact on energy use in late 2019–20 and throughout 2020–21. Social restrictions required people to spend more time in their homes in some jurisdictions, including for work where possible. This likely resulted in an increase in electricity and gas use by households and, subsequently, higher energy bills.[22] However, a record uptake of rooftop solar has offset this increase in energy usage in some jurisdictions.

The combination of reduced income and higher energy bills resulted in more households and small businesses seeking payment support from their retailer. Government assistance was reduced from September 2020 and ended in March 2021, which may result in more households encountering affordability concerns.

Data on the impacts of COVID-19 on income are not available for all of 2020–21. Therefore, modelling in this report does not include a specific analysis of COVID-19 impacts.

Energy use

Usage charges represent the largest component of energy bills for most households.[23] Therefore, a customer's energy use significantly impacts energy affordability.

We estimated average annual residential electricity use in each distribution area based on data provided by network businesses on the volume of electricity supplied to customers through the networks (figure 2.9).[24] This measure is an estimate of the volume of electricity billed to customers through their retailer. Total electricity consumption by households is higher because it includes electricity supplied through distribution networks, as well as that supplied from rooftop solar PV systems.

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21 ABS, *Household financial resources – December 2020*, ABS website, accessed 18 October 2021.

22 Smart meter data for Victorian households, for example, shows that average electricity usage was 11.4% higher in winter 2020 than in winter 2019. This corresponded with a period of lockdown across the jurisdiction.

23 Most energy offers include usage charges as well as a fixed supply charge. Some offers also include membership fees or additional charges for metering.

24 This data is updated annually by network businesses in response to Regulatory Information Notices issued by the AER.

Electricity usage is highest in the ACT and Tasmania. Key drivers of electricity usage are climate (with greater heating requirements in some jurisdictions) and the penetration of gas as an alternative fuel. Tasmania in particular has low gas penetration for households. Conversely, most households in Victoria have both electricity and gas connections, resulting in the lowest average household electricity consumption.[25]

Figure 2.9: Average annual household electricity usage

Note: Data for 2020–21.

Source: Economic benchmarking regulatory information notice (RIN) responses.

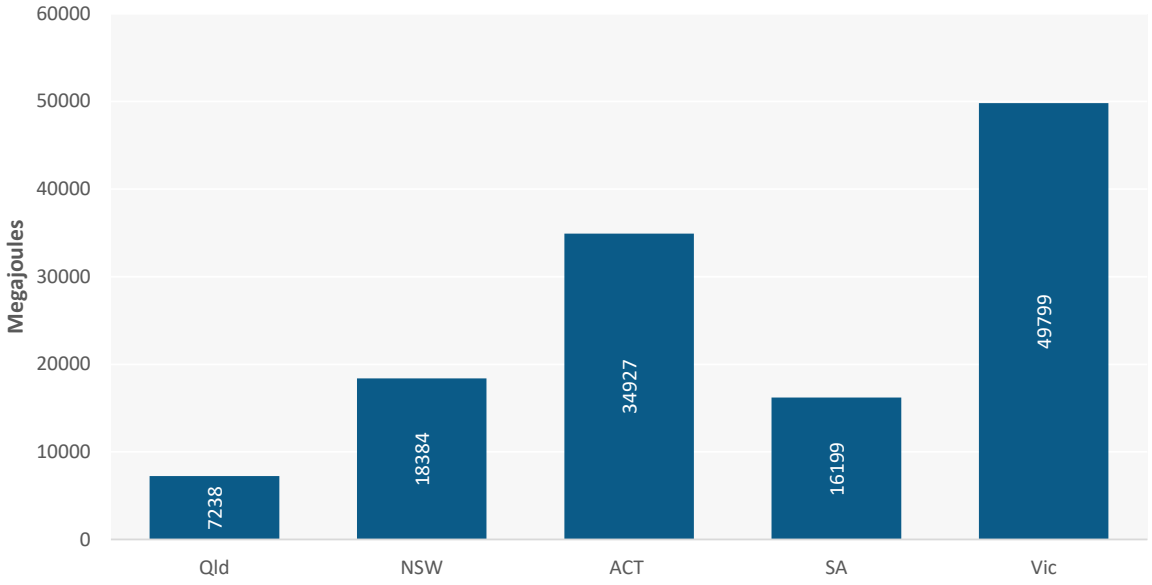
Gas is primarily used in homes for space heating, water heating and cooking. The requirement for space heating is heavily dependent on climate. Customers in colder climates tend to use the most gas (such as those in Victoria and the ACT). Queensland customers use the least gas due to having a warmer climate (figure 2.10).

Current gas consumption estimates by jurisdiction are based on a consumption benchmark report prepared for the AER in 2020. These estimates update the previous benchmarks from 2017.[26] When comparing 2020 to 2017, gas usage has broadly reduced by 7% to 20% depending on the jurisdiction. This reflects improvements in the energy efficiency of appliances and a continuing trend of substituting electricity appliances for gas appliances.

[25] SAPN is lower than Powercor and Ausnet services. When taking the average across all 5 distribution area in Victoria, that jurisdiction has the lowest consumption overall

[26] Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020; ACIL Allen report to the AER, Energy Consumption Benchmarks, October 2017.

Figure 2.10: Average annual household gas usage



Source: Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

Energy charges

We sourced electricity and gas offers in Queensland, NSW, the ACT, South Australia and Tasmania from the Energy Made Easy website at a point in time each year from 2016–17 to 2020–21. For Victoria, we sourced offers from the Victorian Energy Compare website. Our analysis relates to generally available single rate or 'flat' offers (where usage charges do not vary by time of day), which remains the most common tariff type in most jurisdictions.

We estimated annual bills for each offer by applying our usage assumptions to the usage charges in each offer and then adding fixed supply charges and any other ongoing fees. Our analysis is based on the median annual bill cost under both market and standing offers.

For low-income households, we adjusted annual bills to account for relevant government concessions.

Income

The level of disposable income is a key element in assessing affordability of essential services such as energy. Disposable income represents the income available to households to pay for goods and services after income taxes, levies and surcharges. We use Australian Bureau of Statistics (ABS) data on household disposable income, where available.[27] We present this data as averages for all households and low-income households.

Average incomes vary across jurisdictions, but this variation is less pronounced among low-income households. The average annual income for low-income households was $33,000 to $37,000 in 2020–21 across all jurisdictions except the ACT ($45,000). Average income across all households in 2020–21 ranged from $83,000 in Tasmania to $119,000 in the ACT. Higher average incomes in the ACT contributed to better energy affordability outcomes in that jurisdiction.

2.3.2 Energy affordability over the past 5 years

Two key metrics are used to provide an overall picture of changes in electricity affordability for households: the annual cost of energy bills based on the median and range of available offers; and those annual bills as

[27] The ABS typically updates income data every 2 years, with the most recent data available for 2017–18. For more recent years where no income data is available, we use CPI and WPI to adjust the ABS income data.

a percentage of disposable household income. Where we refer to 'affordability' in the analysis, we are referring to percentage of disposable income.

Our analysis focuses on low-income households, for which energy affordability is critical. We also include some analysis for all households to provide an indication of affordability more broadly and provide context to the low-income household analysis.

Electricity affordability

Electricity affordability improved moderately across all jurisdictions in 2020–21 for both low-income and average-income households. Incremental improvements in affordability have occurred since 2017–18.

Figure 2.11 shows market and standing offer electricity bills for low-income and average-income households from 2016–17 to 2020–21. The percentage of disposable household income spent on electricity by households is also shown.

In 2020–21 Victoria was the most affordable jurisdiction for electricity. This largely stems from relatively low electricity use (linked to high gas penetration). Low-income households in Victoria also had the second highest average incomes across the jurisdictions (behind the ACT).

All jurisdictions saw moderate improvements in affordability for low-income and average-income households between 2019–20 and 2020–21. The 2020–21 median offers for all distribution areas, except Evoenergy (ACT), marked a 5-year low as a proportion of income.

Tasmania has overtaken South Australia as the least affordable jurisdiction for both average-income and low-income households, despite relatively low electricity costs on a per unit basis. Tasmanian households have significantly higher average usage than the rest of Australia, partly due to climate and partly due to the low penetration of gas. South Australia remains less affordable than most other jurisdictions.

In NSW, average bills in the regional Essential Energy distribution area remain less affordable than bills in the Ausgrid and Endeavour distribution areas. Similarly, in Queensland, bills continue to be less affordable in the regional Ergon Energy distribution area than the Energex area (which serves south-east Queensland). This reflects both higher electricity usage in these distribution areas and higher prices (largely driven by network costs[28]). Use of average incomes across jurisdictions may overstate affordability in regional areas, where average incomes are typically lower than across the jurisdiction more broadly.

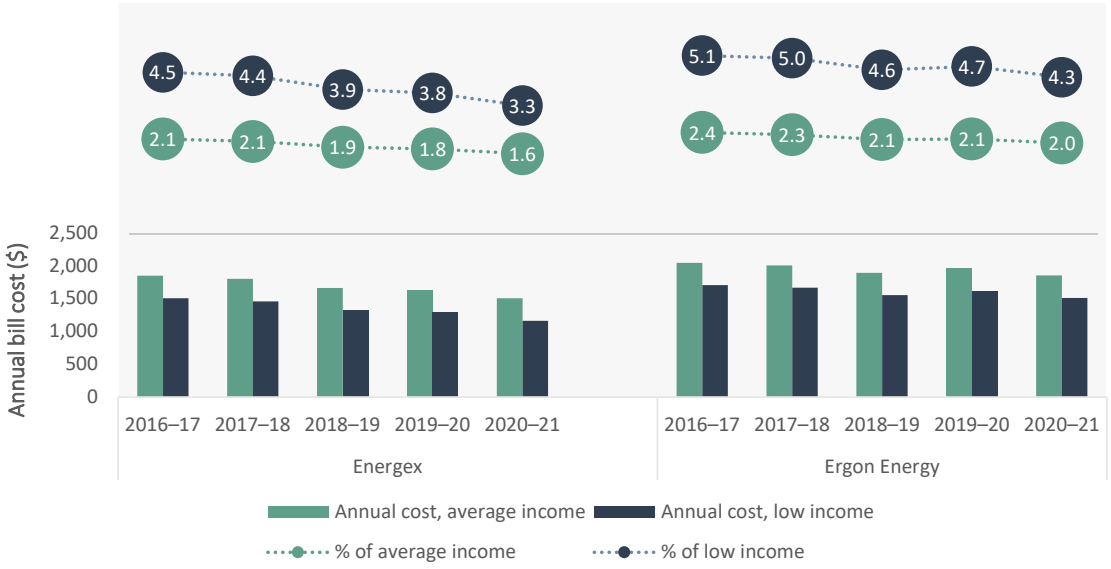
The ACT continues to have relatively affordable electricity due to its higher incomes for both typical and low-income households.

Low-income households on the median market offer in each jurisdiction paid approximately double the proportion of their disposable income for electricity compared with an average-income household. In 2020–21 low-income households on the median market offer spent between 2.4% (CitiPower and Jemena in Victoria) to 5.6% (Tasmania). In comparison, the average-income household spent 1.2% (CitiPower and Jemena in Victoria) to 2.9% (Tasmania).

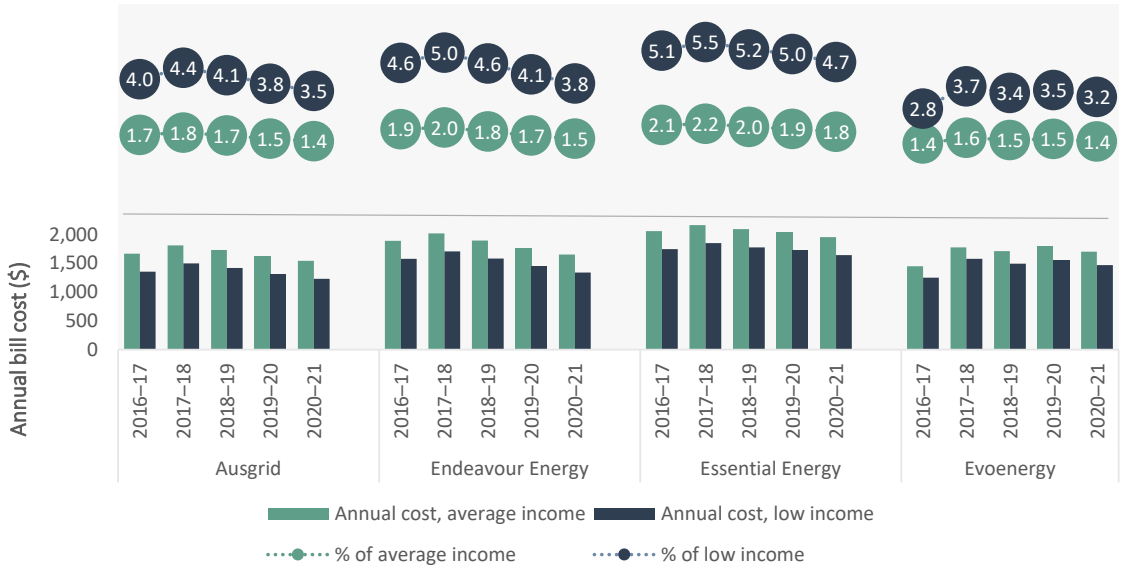
[28] In the Ergon Energy distribution area the regulated standing offer is based on network prices for south-east Queensland. Other offers in this area will reflect costs from the Ergon Energy distribution area.

Figure 2.11: Comparison of median market offer electricity bills for low-income and average-income households

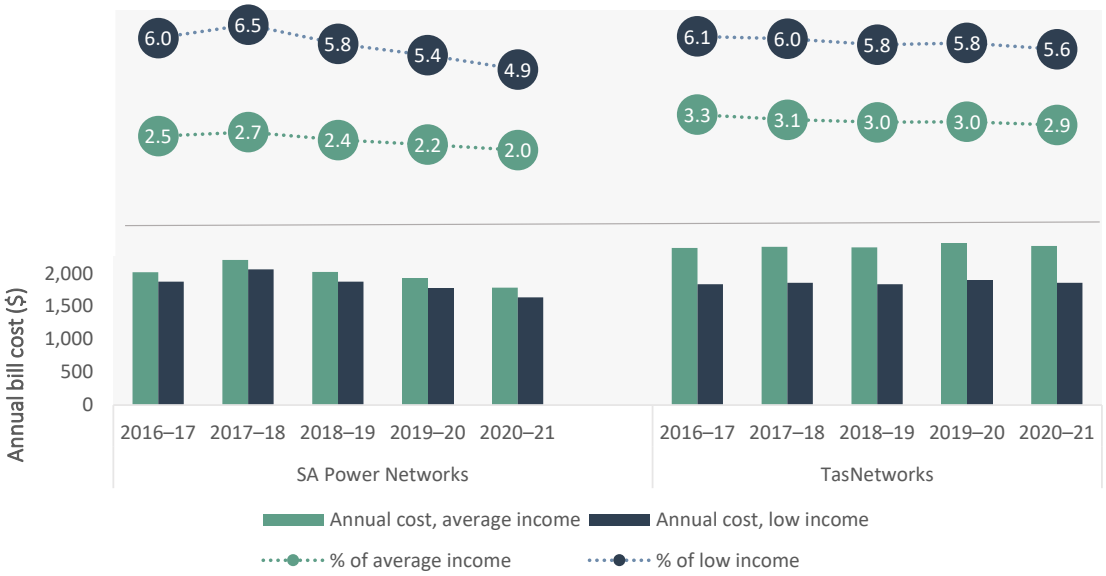
Queensland



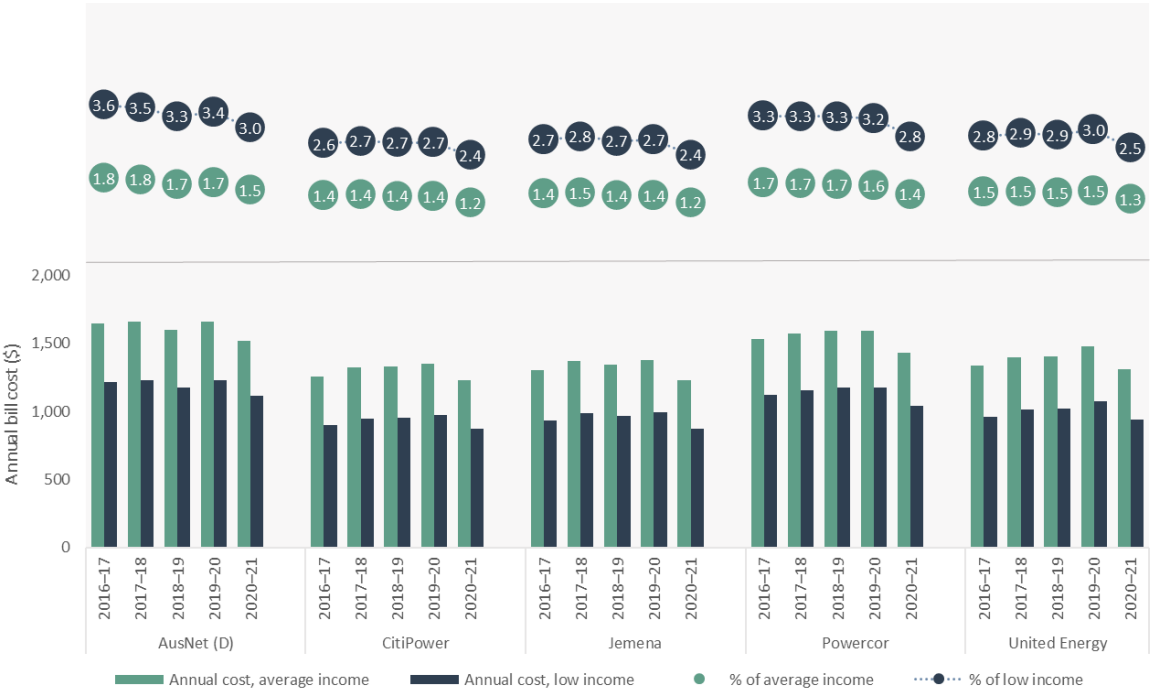
NSW and the ACT



South Australia and Tasmania



Victoria



Note: Based on offers for residential customers in each jurisdiction. Average household consumption for the year ending June of each period was used in annual bill calculations. % of income figures refer to mean disposable income of all and low-income households respectively.

Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption estimates based on Economic benchmarking regulatory information notice (RIN). Income data are unpublished ABS estimates of household disposable income.

Range of electricity costs and affordability for low-income households

Consistent with previous years, bills for customers on standing electricity offers were more expensive than bills for customers on market offers in all jurisdictions in 2020–21 (figure 2.12). Only a small number of customers are on standing offers in most jurisdictions but, to the extent that these are low-income households, these will be the most affected by affordability issues.

Reforms over the past 2 years have focused on encouraging customers from standing offers to cheaper market offers. These include requirements on retailers to inform customers before any change in energy charges or when moving a customer from a market to a standing offer at the expiry of their current offer and, in Victoria, notices on customer bills indicating whether the customer is on the cheapest market offer from their retailer.[29]

Households in NSW, South Australia and south-east Queensland have the most to save by switching from a standing to a market offer. For example, low-income households on the median standing offer in regional NSW Essential Energy distribution area could save 2.1% of their disposable income by switching to the lowest market offer (figure 2.13). This is equivalent to paying 35% less on electricity bills or saving $725 a year.

Households in Tasmania and the Ergon Energy (regional Queensland) distribution area had some of the smallest ranges in offers to choose from. Low-income households stood to save 1% of disposable income ($318 a year) in Tasmania by switching from the median standing offer to the lowest market offer. Savings of up to 0.2% of disposal income ($65 a year) were available in the Ergon Energy distribution area but market contracts are unlikely to be available to all customers in this area.

In Victoria, prices were lower than other jurisdictions but switching from a standing offer to a market offer still provided significant saving opportunities. Across the 5 Victorian distribution areas, low-income households could save between $203 (Jemena) and $249 (AusNet Services) a year by switching from the median standing offer to the lowest market offer.

For those already on market offers, low-income households across NSW, the ACT, South Australia and the Energex (Queensland) distribution area had the largest potential savings. For example, by moving from the median market offer to the best offer, low-income households in the Ausgrid (NSW) distribution area could save $525 a year.

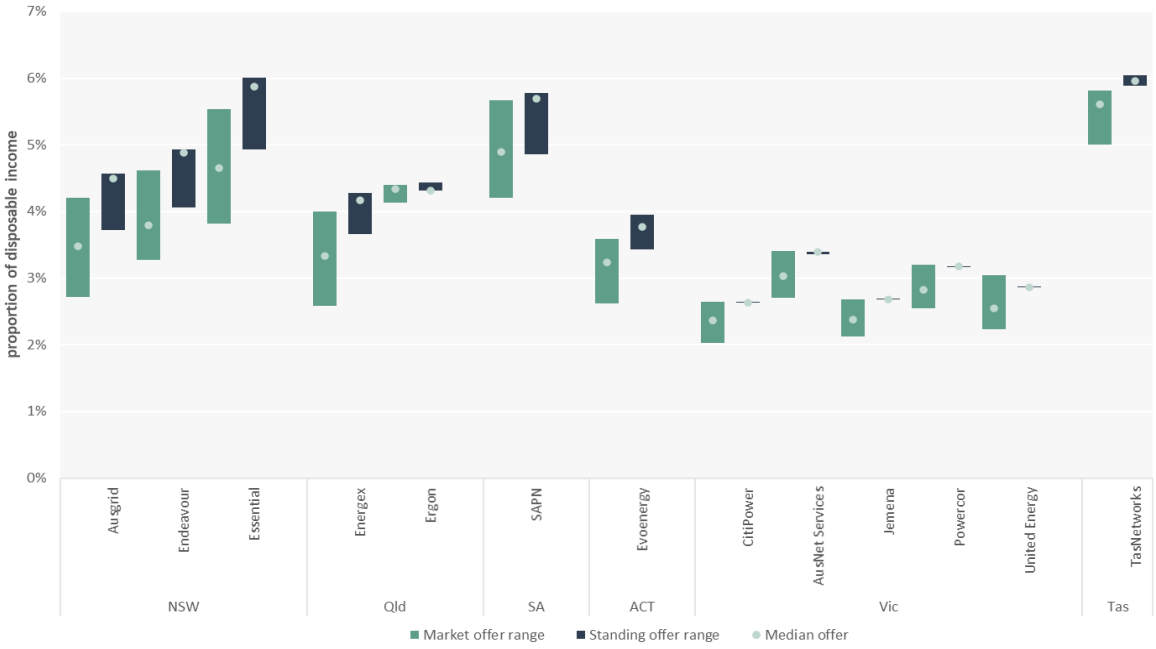
[29] Essential Services Commission, Victorian Energy Market Update, June 2021

Figure 2.12: Annual electricity bills for low-income households on a median market and standing offer

Note: Based on offers for residential customers in each jurisdiction. Average household consumption for the year ending June of each period was used in annual bill calculations. Per cent of income figures refer to mean disposable income of all and low-income households, respectively.

Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption estimates based on Economic benchmarking regulatory information notices. Income data are unpublished ABS estimates of household disposable income.

Figure 2.13: Range of annual electricity bills as a proportion of disposable income for low-income households



Note: Based on offers for residential customers in each jurisdiction. Average household consumption for the year ending June of each period was used in annual bill calculations. Per cent of income figures refer to mean disposable income of all and low-income households, respectively.

Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Consumption estimates based on Economic benchmarking regulatory information notices. Income data are unpublished ABS estimates of household disposable income.

Gas affordability

Gas affordability improved moderately for households on market offers across all jurisdictions between 2019–20 and 2020–21. This improvement was primarily due to falls in upstream gas prices. Households in NSW, the ACT and Victoria's Australian Gas Networks distribution area experienced median bill reductions of 6% to 8%, while those in Victoria's Multinet and AusNet distribution areas had decreases of 1.5% to 3% on their gas bills. South Australian and Queensland households had savings of around 1%.

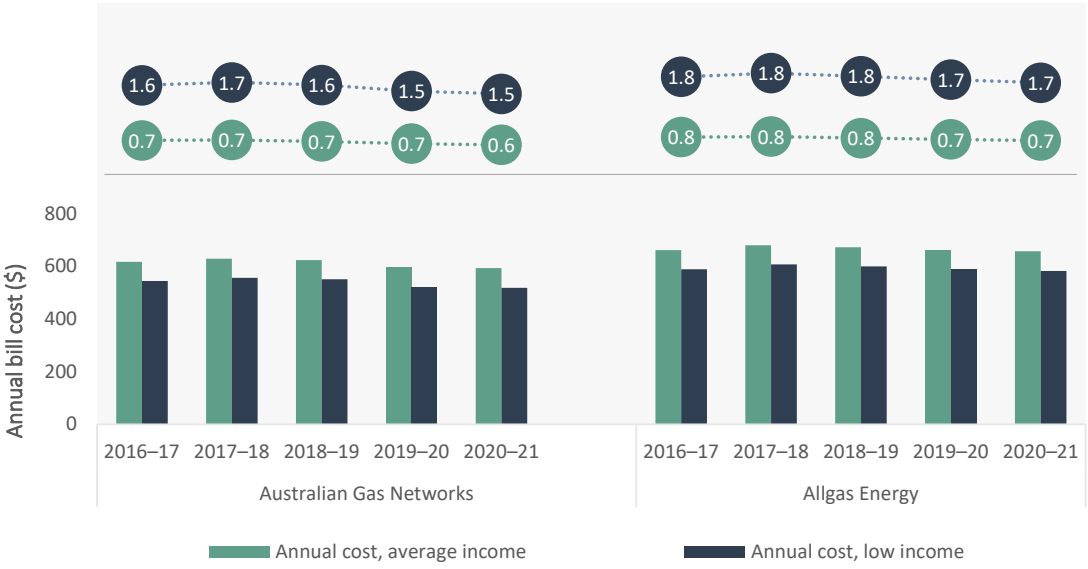
Following a broad increase in gas bills from 2016–17 to 2017–18, the proportion of household disposable income paid on household expenditure on gas has declined. In 2020–21 gas bills as a proportion of household disposable income were at the lowest level since 2017–18 across all jurisdictions.

Victorian households paid the highest proportion of their disposable income on gas bills. This is largely because households in Victoria used more gas than other jurisdictions. For ACT households, large annual gas costs were partly offset by higher average incomes. On average, Queensland households use the least gas at 7,238 MJ per year and spend the least on their gas bills despite gas prices being the highest when assessed on a per unit basis.

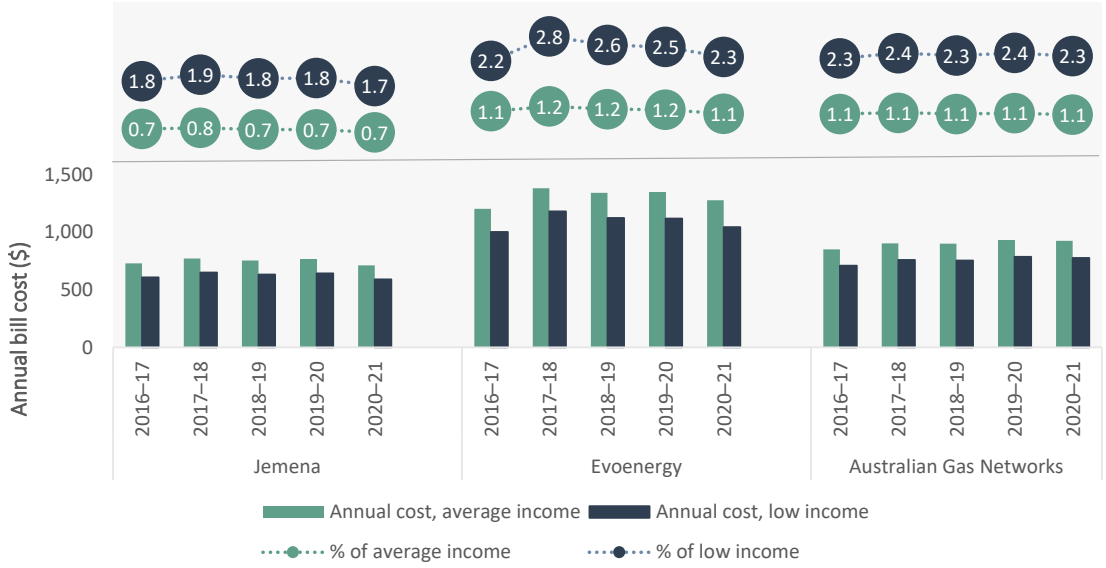
Figure 2.14 shows market and standing offer gas bills for low-income and average-income households from 2016–17 to 2020–21. The percentage of disposable household income spent on electricity by households is also shown. Low-income households on the median market offer in each region paid more than twice the proportion of their disposable income for gas compared with average-income households. In 2020–21 low-income households on the median market offer spent between 1.5% (in Queensland's Australian Gas Networks distribution area) and 3% (in Victoria) of disposable income on gas. By comparison, average-income households spent between 0.6% and 1.3% of disposable income on their gas bills.

Figure 2.14: Comparison of median market offer gas bills for low-income and average-income households

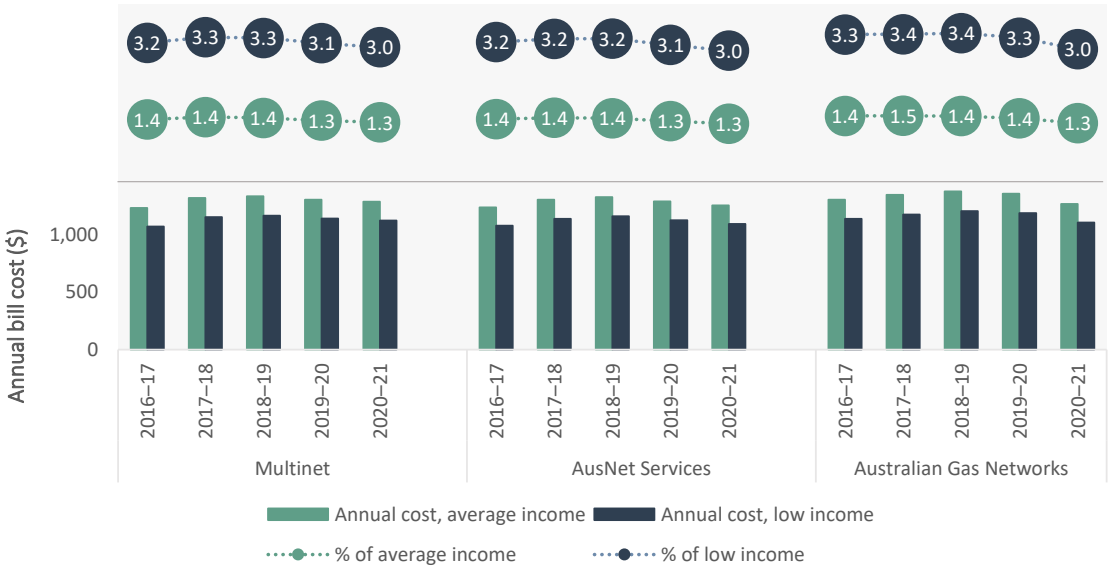
Queensland



NSW, the ACT and South Australia



Victoria



Note: Based on single rate offers for residential customers and average consumption in each distribution area. Using mean disposable income for all and low-income households by state or territory.

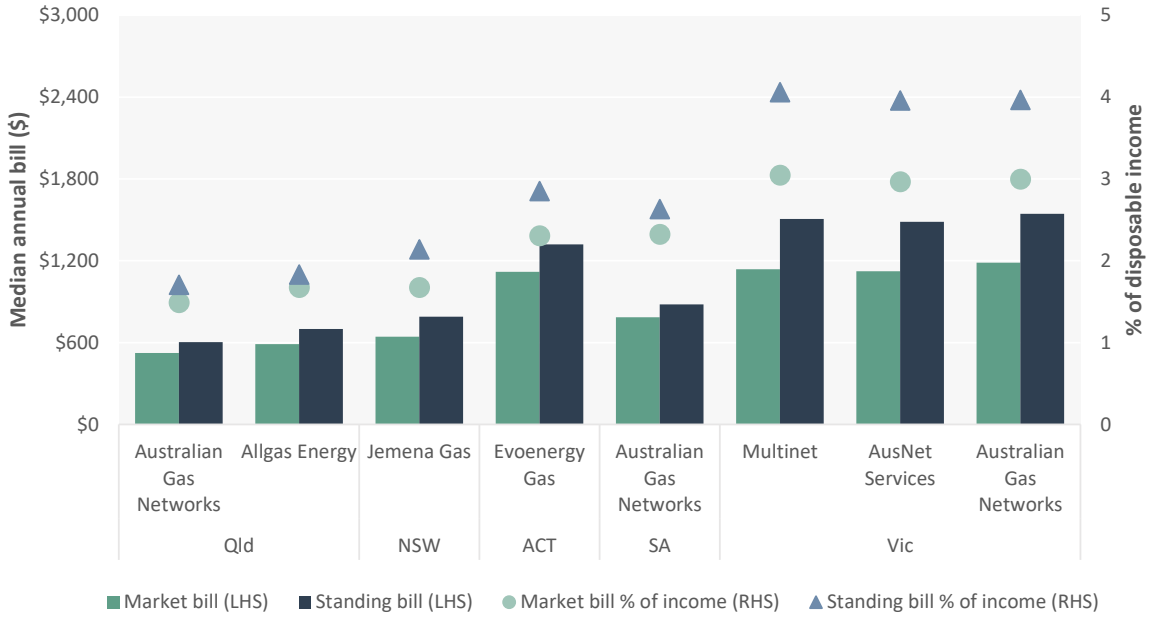
Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Income data are unpublished ABS estimates of household disposable income. Consumption based on Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

Range of gas costs and affordability for low-income households

Gas standing offers remained higher than gas market offers across all jurisdictions. Figure 2.15 shows median annual bill costs for market and standing offers as an annual dollar figure and a proportion of disposable income in 2020–21.

The difference in bills between jurisdictions is largely driven by usage. Gas bills are least affordable for Victorian households due to high average usage, despite facing the cheapest gas prices on a cents per MJ basis (as discussed in 2.2.2).

Figure 2.15: Annual gas bills for low-income households on a median market and standing offer



Note: Based on offers for residential customers and average consumption in each jurisdiction. Using mean low-income by state or territory.

Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Income data are unpublished ABS estimates of household disposable income. Consumption based on Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

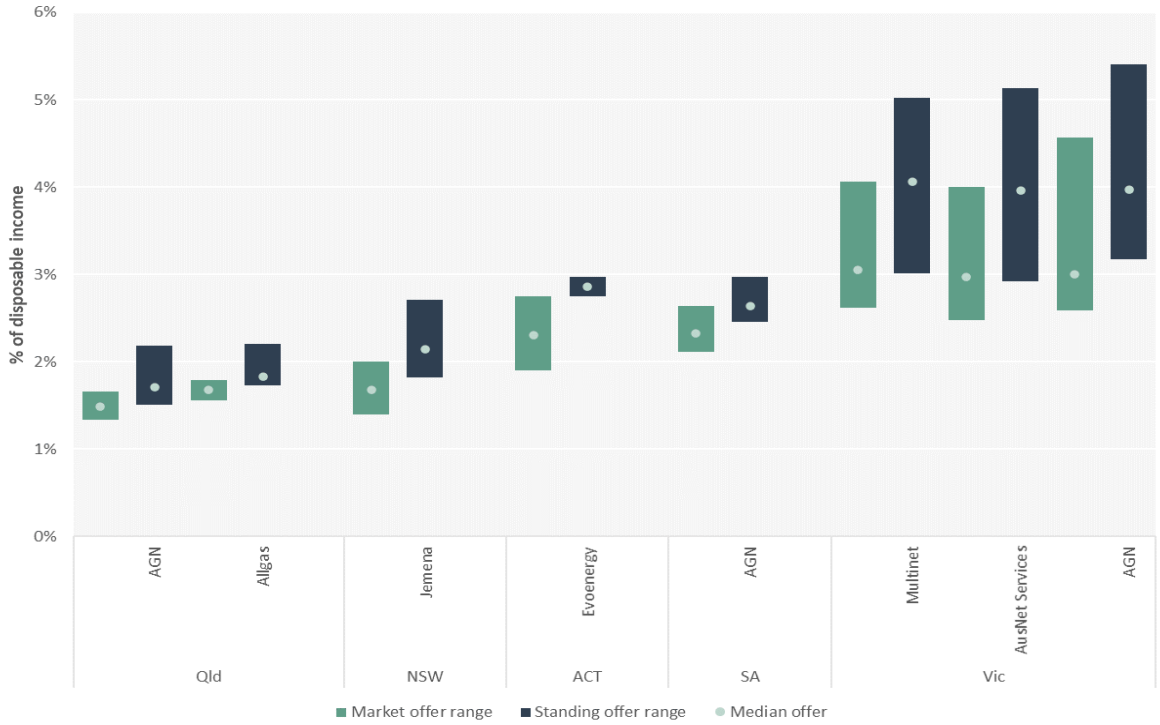
In switching from the median standing offer to the lowest market offer, low-income households could save between 0.4% and 1.5% of their disposable income, depending on their distribution area (figure 2.16).

Victorian households can make substantial savings by switching to a new offer. In switching from the median standing offer to the lowest market offer, Victorians can save up to 1.5% of their disposable income. For low-income customers in the Multinet, Australian Gas Networks and AusNet Services distribution areas, this is a saving of over $500 per year based on average gas usage. For those already on market offers, low-income customers in Victoria could save $160 to $180 on their annual bill by switching from the median to lowest market offer.

In the ACT, where gas usage is also high, every market offer is either cheaper than or equal to the lowest standing offer. Low-income households stand to save $430 (1% of their disposable income) by switching from the median standing offer to the lowest available market offer. The lowest market offer was around $182 below the median market offer.

Even in Queensland, where gas usage is lowest, households could save $96 on their gas bill if they switched from the median standing offer to the lowest market offer (and up to $42 by switching from the median market offer).

Figure 2.16: Range of annual gas bills as a proportion of disposable income for low-income households



Note: Based on offers for residential customers and average consumption in each jurisdiction.

Source: Offer data from Energy Made Easy (AER) and Victorian Energy Compare (DELWP). Income data are unpublished ABS estimates of household disposable income. Consumption based on Frontier Economics report to the AER, Residential energy consumption benchmarks, December 2020.

3 Payment difficulties and hardship

Key findings

Energy debt (excludes customers on hardship programs)

- Both the proportion of residential customers in energy debt and the average debt of residential customers have increased since the start of the COVID-19 pandemic.
- The proportion of small business customers in debt slightly decreased in 2020–21. Average small business debt increased in the first half of 2020–21, but since January 2021 has decreased, returning to pre-pandemic levels.
- The number of customers with debt over $2,500 has significantly increased since Q4 2019–20.

Payment plans

- Informal bill deferment arrangements, introduced at the start of the pandemic, resulted in fewer customers on payment plans at the end of 2019–20. The number of payment plans has slowly returned to pre-pandemic levels over 2020–21.
- Tasmanian customers were the most likely to be on electricity payment plans in 2020–21 and South Australian customers were the most likely to be on gas payment plans, reflecting lower energy affordability in these jurisdictions.
- The proportion of payment plans cancelled for non-compliance has increased since Q4 2019–20 in all jurisdictions.

Hardship programs

- The number of customers on hardship programs dropped at the start of the pandemic because many customers deferred payment of their bill rather than pursuing formal payment assistance.
- Similar to payment plans, South Australia and Tasmania have the highest proportion of electricity hardship customers and South Australia has the highest proportion of gas hardship customers.
- Customers entered hardship programs with higher levels of debt in 2020–21. Average debt of hardship customers also increased, suggesting customers are accumulating more debt while on a hardship program.
- Almost half of all customers on hardship programs are not meeting their ongoing energy usage costs.
- Most customers exiting a hardship program are being removed for non-payment.

Concessions

- The proportion of customers receiving concessions remained relatively stable over the past 5 years across all jurisdictions. The proportion of electricity customers receiving a concession was highest in Tasmania and the proportion of gas customers receiving a concession was highest in Queensland.

Disconnections

- Disconnections in 2020–21 were significantly lower than previous years, reflecting the AER's Statement of Expectations directing retailers not to disconnect residential and small business customers who had been in contact with their retailer or were accessing retailer support.
- Where disconnection did occur, customer debt levels at the time of disconnection were higher in 2020–21 than in 2019–20.
- In 2020–21 a lower proportion of disconnected customers were receiving payment assistance than in previous years. This suggests that most customers being disconnected in 2020–21 were those whom retailers were unable to engage with, rather than customers who tried forms of payment assistance but were unable to keep up repayments.

Credit collection

- Fewer electricity and gas customers were referred for credit collection activity in 2020–21, corresponding with the AER's Statement of Expectations.
- Credit defaults dropped substantially in Q4 2019–20 and remained vastly below historical levels in 2020–21, also corresponding with the AER's Statement of Expectations.

In this chapter, we describe the aspects of a customer's experience of payment difficulties using data reported by retailers. To illustrate how customers experiencing payment difficulties are being supported and the outcomes for these customers, we explore:

- debt levels
- payment plans
- hardship programs
- concessions
- disconnections
- credit collection.

Payment difficulties and hardship are difficult and complex issues. There is no single way that consumers are affected and there is no single solution to resolve affordability issues. Governments support consumers through concessions, policies and regulations, while retailers use hardship programs and other services to support customers experiencing payment difficulty.

The Retail Law and Retail Rules lay down a framework of the types of assistance energy retailers must provide to customers facing payment difficulties. The AER's Customer Hardship Policy Guideline details the expectations around retailer policies and practices.

Despite the framework and policies in place, energy debt levels are rising. Many indebted customers are not receiving enough support through payment plans or hardship programs. Even customers on hardship programs are often failing to meet their usage costs. The AER's Statement of Expectations on energy businesses (SoE) temporarily helped protect many customers from disconnection or credit collection activity during the pandemic, but a long-term strategy is needed.

Changes in the ability of consumers to meet repayments for energy can be caused by a number of different factors. While some may stem from the energy market or energy products, at other times it can be a result of a change in personal circumstances such as low income or job loss. Overall, this affects all customers and retailers, either directly or indirectly, in the costs and inequalities it introduces, as well as the direct impacts of jeopardising access to an essential service.

The AER's Strategic Plan 2020–2025 commits to developing our first Consumer Vulnerability Strategy. The strategy will include, among other things, a focus on improving identification of consumers experiencing vulnerability and strengthening protections for consumers experiencing payment difficulty.

Key terminology – payment difficulties and hardship

Terminology about payment difficulties and hardship can be confusing. We explain the key terminology here to help understand this chapter.

Energy debt (non-hardship customers)

This term refers to those customers in debt but not on hardship programs. These customers may be experiencing difficulties that have resulted in them not meeting their bill repayments. Energy debt only includes electricity and gas charges that are outstanding for more than 90 days.

Payment plans

Payment plans are intended to provide a framework for customers to repay their energy debt in affordable, regular instalments. Retailers must provide residential customers with the option to join a payment plan[30] if a customer informs them they are experiencing payment difficulties or if the retailer considers the customer is experiencing payment difficulties. This obligation applies to all residential customers, not only those on formal hardship programs. Payment plans are among the minimum forms of assistance that retailers must offer customers on hardship programs.

Payment plans cancelled

This refers to a situation where a customer's arrangement is terminated by the retailer due to non-compliance with the plan by the customer. The most common reason for cancellation is non-payment by the customer.

Hardship programs

Hardship programs provide targeted assistance to eligible residential customers who experience ongoing financial difficulty. This includes flexible payment options such as payment plans, other programs to assist the customer (for example, energy efficiency audits), and processes to identify other forms of financial assistance the customer may be eligible for. Retailers must consider the customer's ability to pay, current arrears and expected consumption over the next year. All retailers are required to publish a hardship policy approved by the AER according to our Customer Hardship Policy Guideline. The Retail Law and Retail Rules set down minimum assistance that retailers must provide to customers on hardship programs.[31]

Concessions

State and territory governments provide a range of concessions that eligible consumers can use towards their energy bills. We only report on customers with concessions that are administered by the consumer's retailer. Concessions target specific groups such as those in financial difficulty or with specific medical requirements.

Disconnection

Disconnection means that the retailer ceases to supply the customer's premises with energy. Given the serious consequences this can have, the Retail Law and Retail Rules set down strict processes that retailers must follow before disconnection. A retailer must view disconnection for non-payment as a last resort.

Credit collection

Residential customers who have overdue debt may be referred by their retailer to an external credit collection agency, for the purposes of debt recovery.

A credit default refers to a negative listing on a consumer's credit file and is commonly referred to as an overdue debt. We report on residential electricity and gas customers who have had a credit default applied

[30] National Energy Retail Law, Division 7, Section 50—Payment plans. https://www.aemc.gov.au/regulation/legislation

[31] National Energy Retail Law, Division 6, Section 43–44. https://www.aemc.gov.au/regulation/legislation

against their name for debt associated with the retailer. A credit default may be applied by an external credit collection agency or by the customer's retailer if the retailer recovers overdue debt through internal credit collection processes.

A credit reversal is when a credit default listing is reversed for the debt associated with the retailer.

3.1 Debt levels

The proportion of customers in energy debt, and the average level of debt, provide an insight into the extent to which customers are experiencing difficulty paying their energy bills and how effectively retailers are assisting their customers to meet their energy debt repayments.

Our Performance Reporting Procedures and Guidelines define energy debt (debt) as electricity and gas charges that are outstanding for more than 90 days. The number of customers repaying debt excludes customers on hardship programs and non-active debts that retailers may still have on record.

While many customers started to experience the adverse financial effects of the COVID-19 pandemic in late March and early April 2020, prior to the period covered by this report, the debt data in this section captures the effects of this period because:

- energy arrears are only classified as debt after 90 days
- retailers typically administer billing in 3-monthly cycles.

3.1.1 Residential energy debt

In 2020–21 the proportion of customers in residential energy debt and residential customers' average debt increased from the previous year.

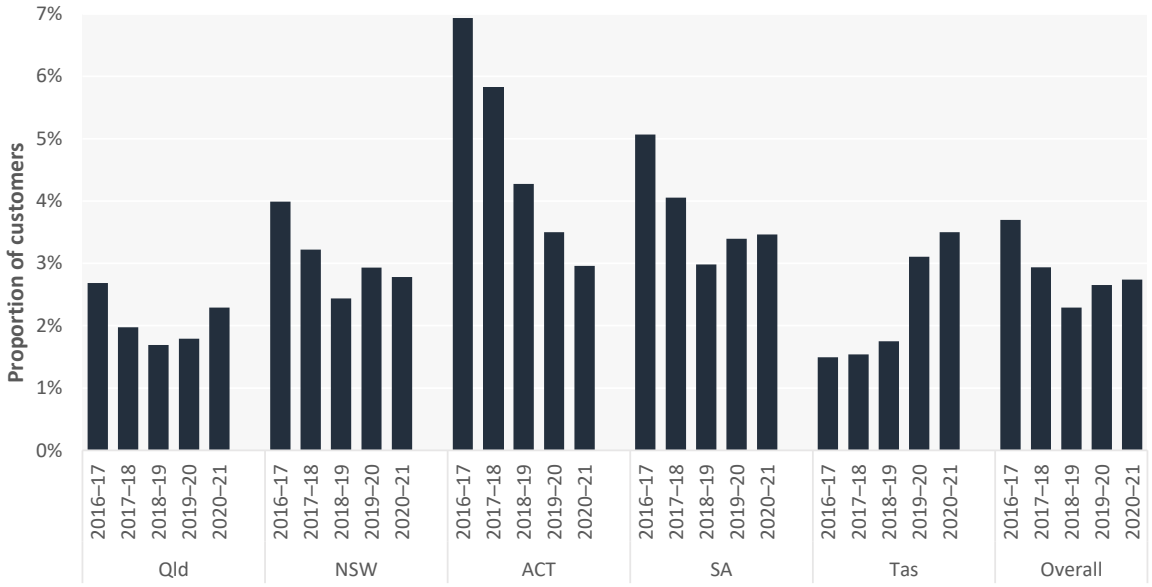
The proportion of residential energy customers in debt increased from 2018–19 to 2020–21 but remains lower than historical levels (figure 3.1). Several retailers indicated this increase was driven by the effects of the bushfires in late 2019 to early 2020, followed by the COVID-19 pandemic.

The proportion of customers with energy debt varied across jurisdictions. Queensland reported the most substantial increase in residential customers in debt from 2019–20 to 2020–21, which was largely Ergon Energy customers. The proportion of residential debt also increased in Tasmania through its primary retailer Aurora Energy. Both Ergon Energy and Aurora Energy paused their disconnection notices for an extended period (longer than other retailers) during the pandemic. These customers may have accumulated more debt because disconnection notices, which act as a catalyst for customers to contact their retailer for payment assistance, were not distributed for a substantial period. South Australia reported only a slight increase of residential customers in energy debt.

In 2020–21 the number of ACT residential customers in debt continued to drop substantially (from 2016–17) due to primary regional retailer ActewAGL having fewer customers in debt. NSW also reported a slight drop in residential debt from 2019–20 to 2020–21.

Overall residential customer debt levels are compared with levels of customers in hardship debt in section 3.3.2, subsection 'Level of debt'.

Figure 3.1: Proportion of residential customers in energy debt



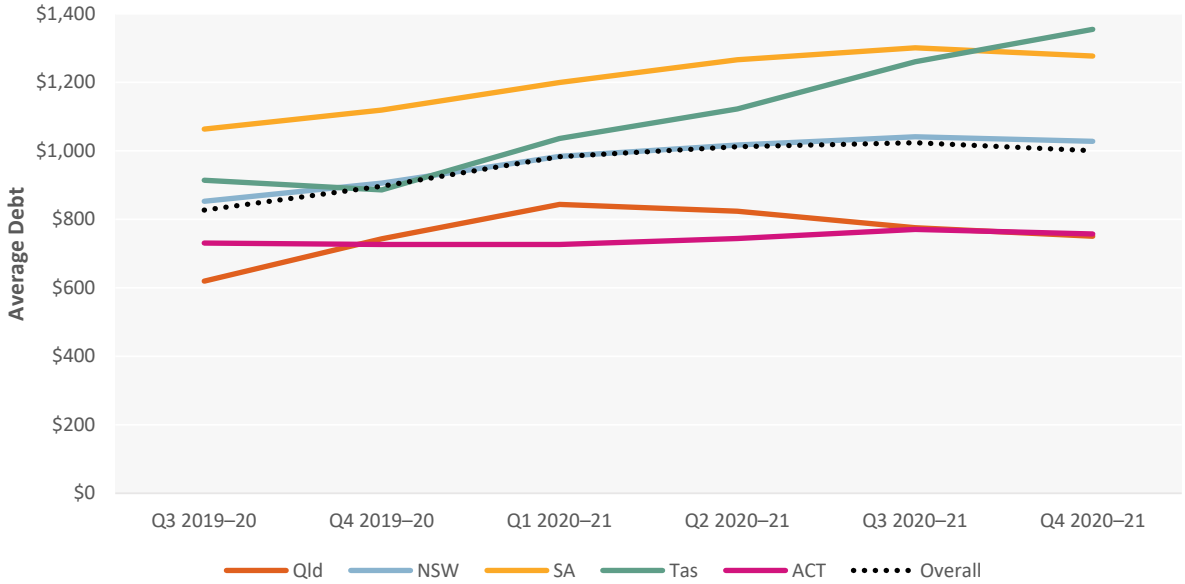
Note: Excludes debt of customers on hardship programs. Data as at 30 June each year.

Source: AER.

The average debt of residential customers has increased across all jurisdictions since the start of the pandemic (figure 3.2). In Q4 2020–21 debt started to stabilise or slightly decrease in all jurisdictions, except Tasmania.

In Q4 2020–21 Tasmania overtook South Australia as the jurisdiction with the largest average debt, continuing its steady increase over the past year. This reflects Tasmania being the least affordable jurisdiction for electricity. The ACT and Queensland continue to have the lowest average debt of residential customers, approximately $500 dollars less than South Australia and Tasmania. This reflects the ACT having relatively affordable electricity due to its higher incomes in both typical and low-income households. Queensland's reduction of residential average debt is most likely due to a steady increase in the number of residential debt customers from Q1 2020–21 to Q4 2020–21. Despite Queensland's decrease in average residential debt, the overall value of debt has increased due to more customers entering debt in 2020–21.

Figure 3.2: Average debt of residential customers, by jurisdiction



Note: Excludes debt of customers on hardship programs.

Source: AER.

Average residential customer debt increased across all retailer groupings in Q4 2020–21 compared with Q3 2019–20 (figure 3.3), but only marginally for AGL customers who opted for AGL's COVID-19 support options and hardship programs.

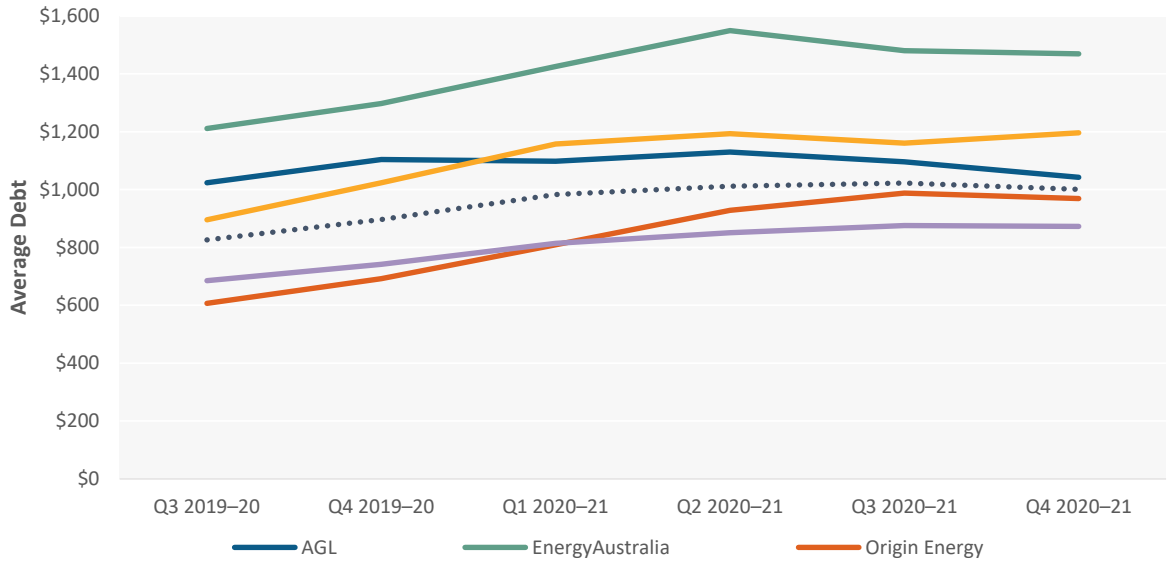
Over the same period, there was a marked difference in the average debt of residential customers between the retailer groupings. EnergyAustralia customers maintained the highest average debt throughout 2020–21, as was the case in 2019–20.

Tier 2 customers had the second highest average debt in Q4 2020–21 due to significant increases from Q3 2019–20 to Q1 2020–21, overtaking AGL's average debt residential customers that only increased by 2% from Q3 2019–20 to Q4 2020–21.

Origin Energy customers had the fourth highest average debt in Q4 2020–21 but had the largest increase of all retailer groupings of 60% from Q3 2019–20 to Q4 2020–21.

Primary regional retailers' customers had the lowest average debt of residential customers throughout 2020–21. Ergon Energy and ActewAGL's relatively steady and slight drop in average residential debt offset Aurora's large increase. Aurora only represents about a third of the primary regional retailer category.

Figure 3.3: Average debt of residential customers, by retailer



Note: Excludes debt of customers on hardship programs.

Source: AER.

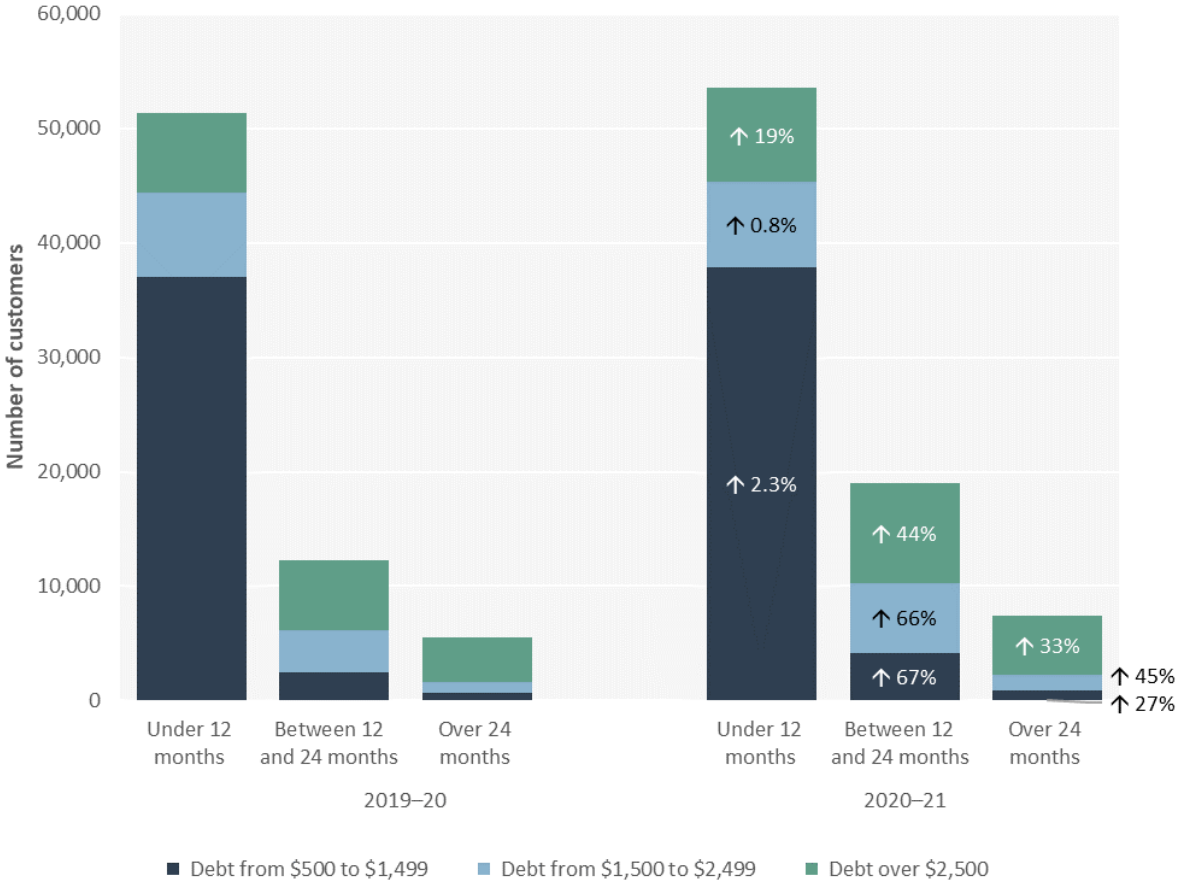
In 2019–20 and 2020–21 most customers in debt had held their debt for less than 12 months, with debt values of $1,500 or less (figure 3.4).

However, over the same period, the number of customers with debt ranging from $1,500 to $2,500 and who had held debt between 12 and 24 months increased by 66%.

Concerningly, in 2020–21, the number of customers with debt over $2,500 significantly increased in all age of debt categories from 2019–20 levels.

Most customers in debt for more than 24 months had debt over $2,500. This may imply that once debt gets older, it is more likely to become entrenched and difficult to repay. Or that large, difficult to repay debts tend to persist and accumulate over time.

Figure 3.4: Proportion of customers in debt by amount and age of debt



Note: Excludes debt of customers on hardship programs. Data as at 30 June each year.

Source: AER.

3.1.2 Small business energy debt

The overall proportion of small business customers in debt slightly decreased in 2020–21 compared with the previous year. This followed a significant increase in 2019–20 influenced by the effects of pandemic lockdowns across different jurisdictions late in 2019–20. However, the proportion of small business customers with debt was extremely low in 2018–19, primarily driven by NSW[32] and South Australia (figure 3.5).

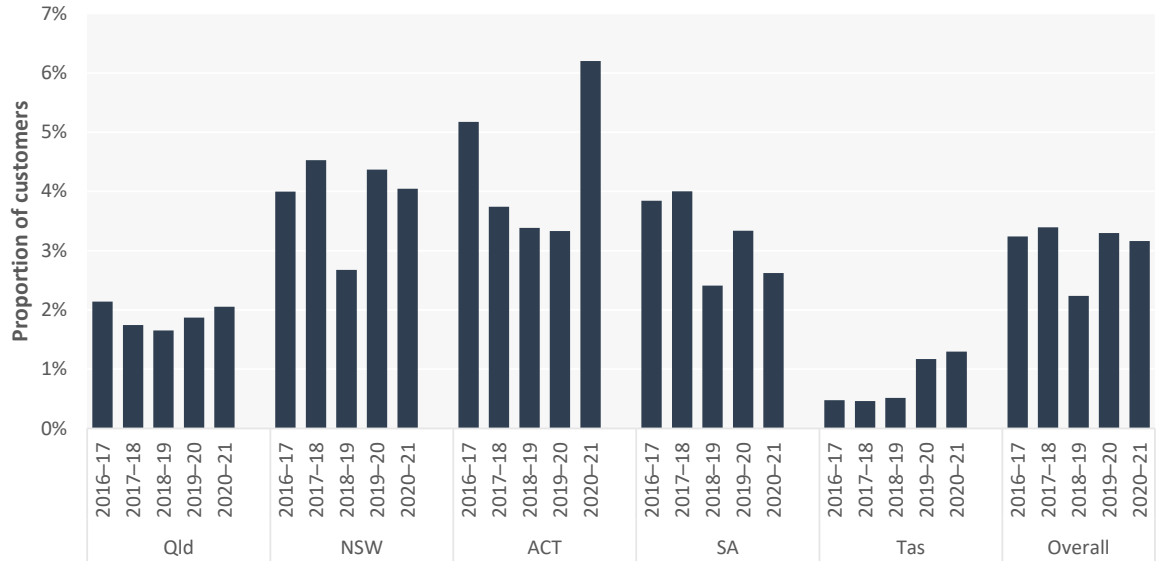
While the proportion of small business customers in debt fell overall in 2020–21, at a jurisdictional level the results were mixed. NSW and South Australia's proportion of small business customers in debt declined; in contrast, the ACT, Queensland, and Tasmania experienced an increase in the proportion of small business customers in debt.

The ACT had the highest proportion of small business customers in debt in 2020–21. Origin Energy quadrupled its ACT small business debt customers, which primarily accounted for the larger proportion of ACT's small business debt customers in 2020–21 compared with 2019–20.

South Australia had the largest reduction of small business customers in debt compared with 2019–20. AGL reported a large decrease of small business customers repaying debt in 2020–21 that led to South Australia's lower proportion of small business customers in debt.

[32] EnergyAustralia accounted for around a third of NSW drop, recording 2045 fewer small business customers repaying debt in 2018–19 compared to the previous year. This was because EnergyAustralia updated its internal reporting processes relating to this metric to align with our *Performance reporting Procedures and Guidelines, April 2018*.

Figure 3.5: Proportion of small business customers in debt, by jurisdiction



Note: Excludes debt of customers on hardship programs. Data as at 30 June each year.

Source: AER.

From Q3 2019–20 the overall average debt of small business customers increased until Q2 2020–21 and then decreased until Q4 2020–21, returning to Q3 2019–20 levels (figure 3.6). This trend was influenced by the pandemic because locked down businesses accumulated debt while not trading.

The change in the average debt of small business customers also varied across jurisdictions.

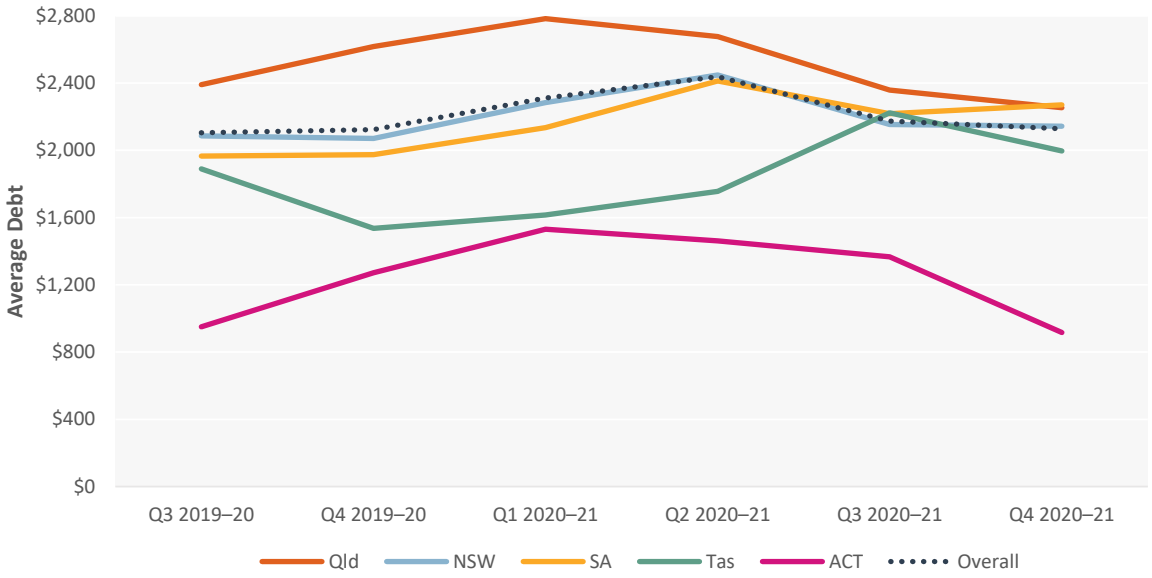
Queensland had the highest small business average debt throughout the period, except in Q4 2020–21 where it fell slightly below South Australia. Queensland's small business average debt dropped by 6% over the period. This was primarily driven by decreases in Ergon Energy and AGL Queensland customers, which offset the increases seen in Origin Energy and EnergyAustralia Queensland customers.

From Q3 2019–20 to Q4 2020–21, South Australia's average debt increased 15%, driven by Origin Energy and Simply Energy's large increases in the size of small business debt. This highlights that businesses accumulated more debt as an effect of the pandemic.

In Q4 2020–21 South Australia recorded the highest average small business debt; however, it experienced the largest reduction of the proportion of small business customers in debt. This implies small business customers with debt are accumulating more debt.

Across this entire period, small business customers in the ACT had the lowest average debt compared with other jurisdictions.

Figure 3.6: Average debt of small business customers, by jurisdiction



Note: Excludes debt of customers on hardship programs.

Source: AER.

3.2 Payment plans

Retailers must offer a payment plan to a residential customer if the customer informs the retailer that they are experiencing payment difficulties or if the retailer otherwise believes the customer is experiencing payment difficulties. Payment plans are intended to allow customers to repay their energy debt in affordable, regular instalments.

Many retailers have signed up to the AER's voluntary Sustainable Payment Plans Framework, which came into effect in July 2016. It aims to help customers and retailers agree to affordable and sustainable payment plans. It outlines good practice principles of flexibility, consistency, empathy and respect to guide retailers' behaviour when setting up payment plans with residential customers.

At the start of the COVID-19 pandemic, the AER's Statement of Expectations[33] provided for retailers that had residential or small business customers who indicated they may be in financial stress to offer a payment plan[34] as an option to manage repayments regardless of whether the customer met the 'usual' criteria for that assistance.

Payment plans decreased across all relevant jurisdictions at the start of the pandemic (Q4 2019–20). This aligns with when many retailers began offering customers alternative debt management arrangements that were easily accessible and simpler than a formal payment plan. This contributed to a decrease in the number of customers on formal payment plans, despite an increase in the number of customers receiving some form of assistance from their retailer.

Since then, the proportion of residential electricity customers being placed on payment plans has varied across jurisdictions (figure 3.7). In Queensland, NSW, South Australia and the ACT it remained relatively flat or slightly increased across 2020–21 but was just below pre-pandemic levels last seen in Q3 2019–20. Tasmania is the exception, with a decreasing trend across the previous year resulting in much lower levels of customers on payment plans.

Despite the large decrease in electricity customers on payment plans in Tasmania in 2020–21, Tasmanian customers were still the most likely to be on payment plans. Extra COVID-19 support programs may have

[33] Statement of Expectations of energy businesses: Protecting customers and the energy market during COVID-19

[34] Hardship programs were also included in the SoE to assist customers with payment difficulties.

contributed to the reduced number of customers on formal payment plans in Tasmania in 2020–21. Customers in the ACT were the least likely to be on payment plans in 2020–21, which reflects relatively high incomes in the ACT.

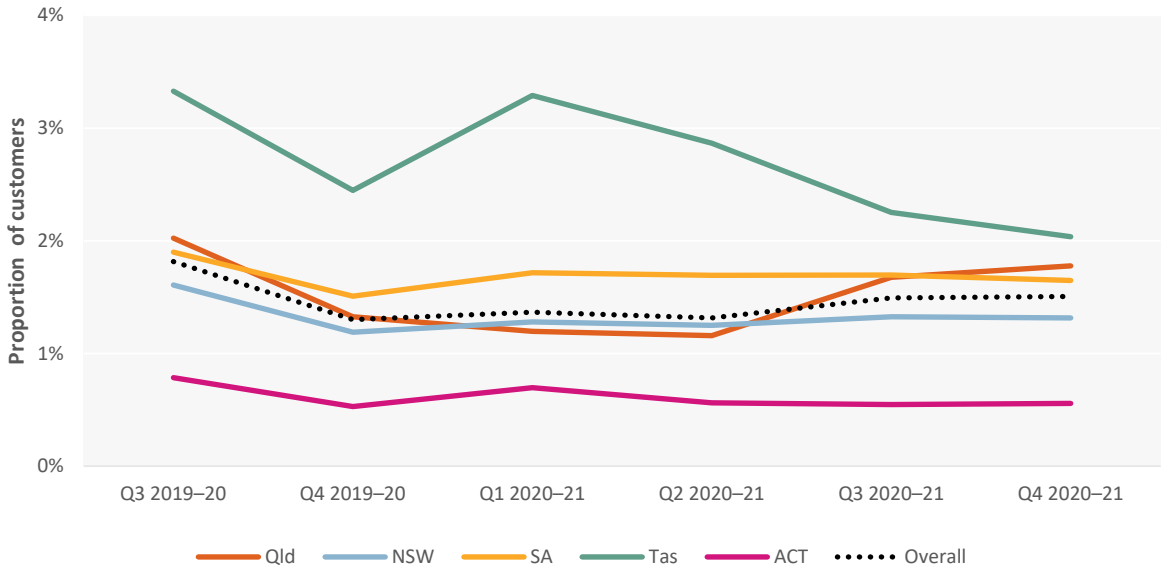


Figure 3.7: Proportion of electricity residential customers on payment plans, by jurisdiction

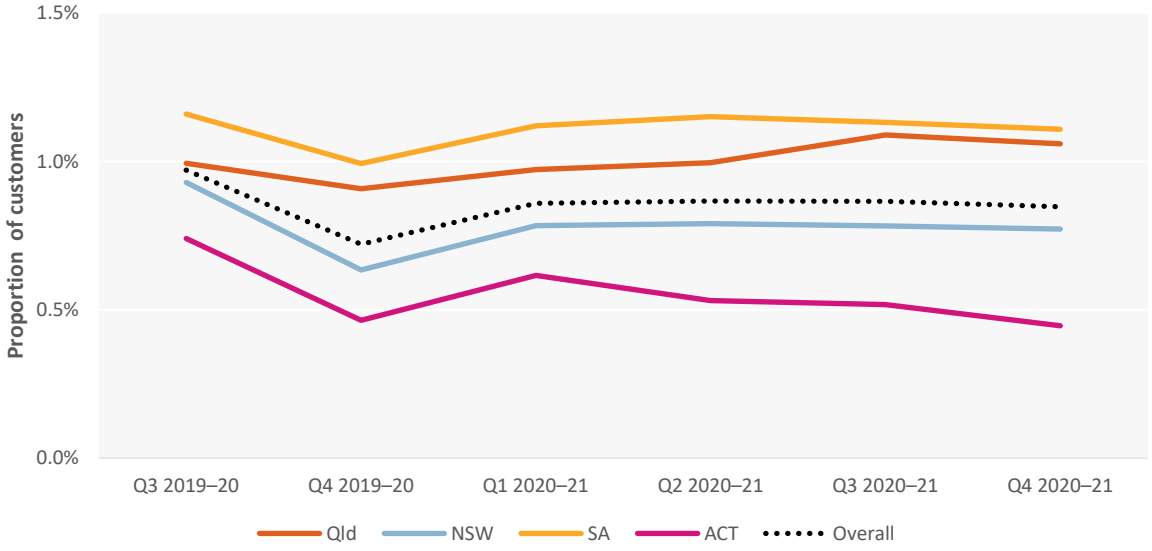
Source: AER.

Similar to previous years, gas customers were less likely to be on payment plans than electricity customers. This reflects that electricity bills typically make up a higher proportion of a customer's expenditure and gas is also mainly used as a secondary fuel source rather than being essential.

For residential gas customers, following the drop in Q4 2019–20, the proportion of gas customers on payment plans increased in all jurisdictions except the ACT (figure 3.8).

South Australian gas customers were the most likely to be on payment plans and, similar to electricity, ACT gas customers were the least likely.

Figure 3.8: Proportion of gas residential customers on payment plans, by jurisdiction

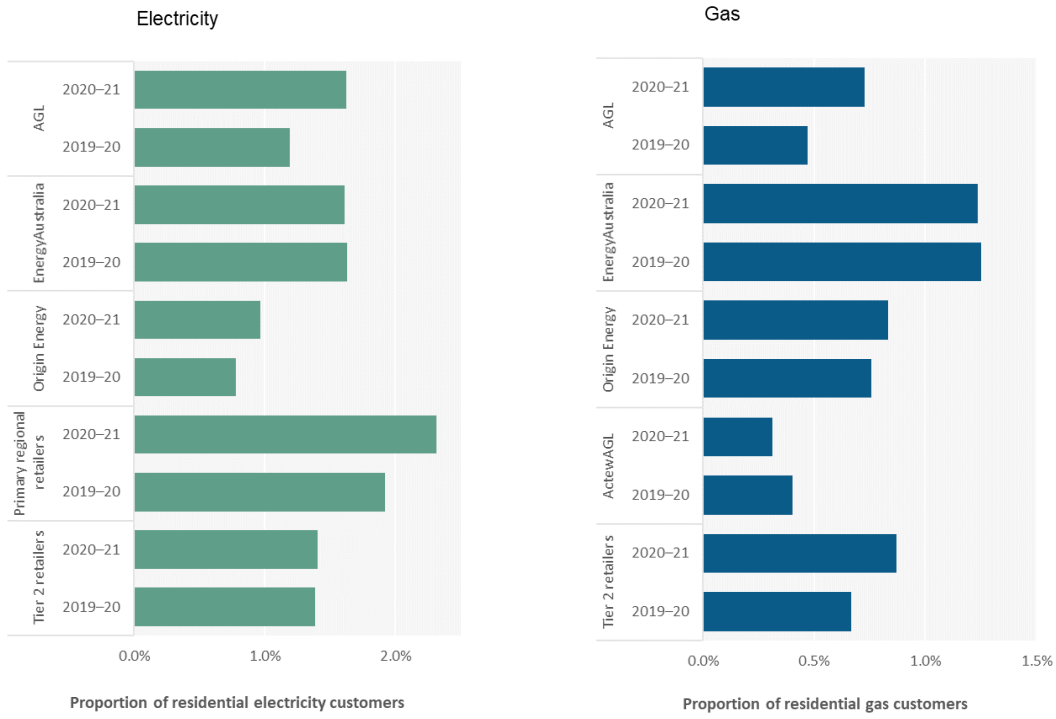


Source: AER.

Origin Energy electricity customers were the least likely to be on a payment plan in 2020–21 and customers of primary regional retailers were most likely (figure 3.9). The primary regional retailers had the largest increase in the proportion of electricity customers on payment plans compared with 2019–20. This was driven by Ergon Energy and more than offset the decrease of payment plans for Aurora in Tasmania. Only EnergyAustralia had a very minor decrease in the proportion of electricity customers on payment plans in 2020–21.

Similar to 2019–20, EnergyAustralia customers were the most likely to be on payment plans for gas and ActewAGL customers were the least likely. In 2020–21 the proportion of gas customers on payment plans increased in all jurisdictions, except the ACT, but results across retailers were mixed. AGL, Origin and Tier 2 gas retailers had an increase in the proportion of customers on payment plans, whereas EnergyAustralia and ActewAGL had a decrease.

Figure 3.9: Proportion of electricity and gas customers on payment plans, by retailer category



Data as at 30 June each year.

Source: AER.

Payment plans cancelled

A retailer may cancel a payment plan if the customer fails to comply with the terms of their payment agreement. If a customer makes all instalments and payments in line with their agreement, they are considered to have successfully completed their payment plan.

The proportion of payment plans cancelled is expressed as a percentage of those completed plus those cancelled. Some customers cycle on and off payment plans more than once in a year. This tends to increase the proportion of payment plans cancelled relative to the proportion of payment plans successfully completed and may reflect the extent to which plans match customers' capacity to pay. It also may reflect the extent to which enduring circumstances are causing customers to need a payment plan.

We do not collect data from retailers detailing reasons for payment plan cancellations. There may be many reasons why a customer may not make a payment. However, agreed payment plans must be designed to

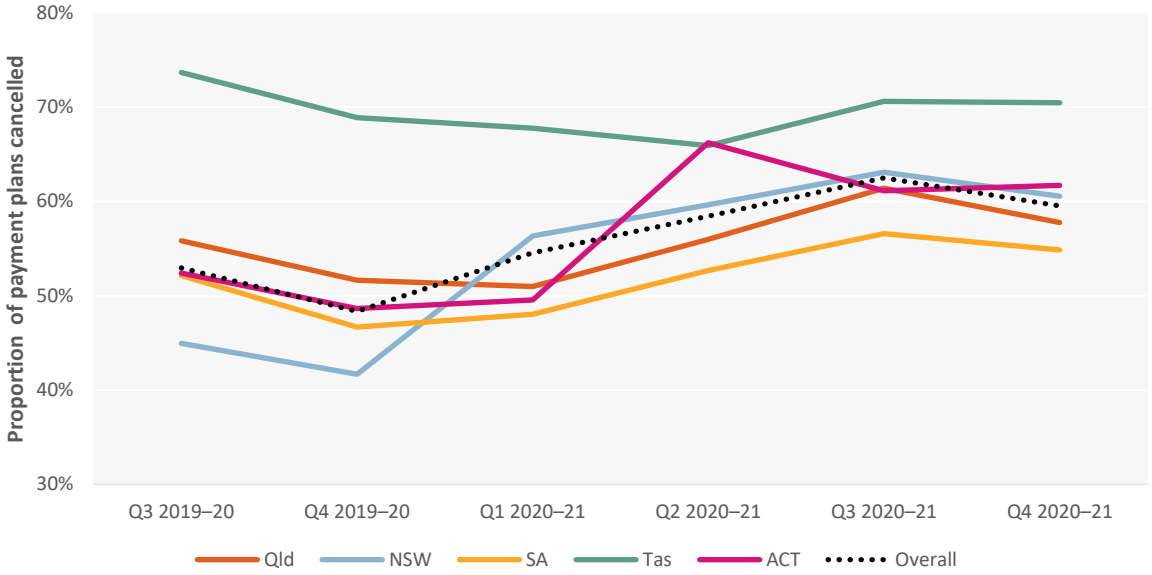
be sustainable and affordable, otherwise a customer is unlikely to be able to continue to make the requested payments.

When a payment plan is cancelled, the customer returns to a normal billing and debt collection cycle. Customers may subsequently be provided with an opportunity to re-establish a payment plan or engage with a hardship program. Eventually, some customers may be disconnected from supply by their retailer or have a credit default recorded against their name if they are unable to make their required payments.

The proportion of electricity customers with payment plans cancelled has increased since Q4 2019–20 across all jurisdictions (figure 3.10). NSW experienced the most significant increase in payment plan cancellations in comparison with other jurisdictions. Tasmania had the smallest increases in percentage of payment plans cancelled.

For electricity, the percentage of payment plans cancelled increased rapidly in most jurisdictions before tapering off by Q3 2020–21. NSW, Queensland and South Australia experienced decreasing rates of payment plan cancellations by Q4 2020–21.

Figure 3.10: Proportion of electricity payment plans cancelled, by jurisdiction

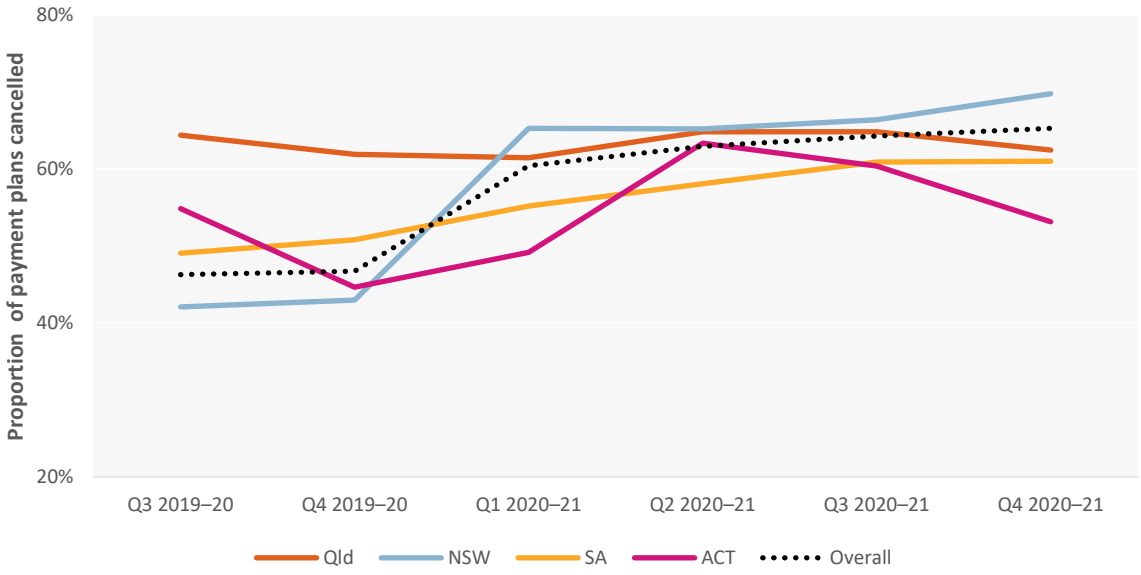


Source: AER.

For gas customers, Queensland had the smallest increase in percentage of payment plans cancelled and NSW, similar to electricity, had the largest increase (figure 3.11).

Similarly, percentage of payment plans cancelled for gas customers increased broadly until Q3 2020–21. Queensland and the ACT experienced lower cancellation rates in Q4 2020–21, but in NSW and South Australia they continued to rise.

Figure 3.11: Proportion of gas payment plans cancelled, by jurisdiction



Source: AER.

3.3 Hardship programs

Hardship programs are intended to provide the most appropriate form of assistance to eligible residential customers in ongoing financial difficulty. These customers may not have the capacity to manage their ongoing usage charges, let alone their existing energy debt.

Early in the pandemic, the number of electricity and gas customers on hardship programs dropped. This was largely because many retailers provided bill payment deferral options to customers, and these alternative debt arrangements were often easier to access than formal hardship programs. In addition, government COVID-19 support payments protected customers, including customers on hardship programs, from experiencing further financial difficulty.

As the pandemic continued, the AER encouraged retailers to move customers from alternative debt arrangements to formal payment plans and hardship programs. For customers in ongoing financial difficulty, hardship programs provide greater protections and flexibility than bill deferral and are specifically tailored to a customer's circumstances.

The minimum assistance that retailers must provide in their hardship programs is set out in the Retail Rules.[35] This includes flexible payment options and help identifying government concessions for the customer. Participation in hardship programs provides customers with protections from disconnection for non-payment.

The AER's Customer Hardship Policy Guideline, which came into effect on 2 April 2019, makes clear that the onus is on retailers to take early steps to identify customers in hardship.[36] Retailers should assist customers on hardship programs to better manage their bills on an ongoing basis.

Hardship programs should protect customers from accumulating larger amounts of debt over time. They should also protect customers from continuing toward disconnection for non-payment. Nevertheless, during the COVID-19 pandemic, we have observed a considerable increase in debt on entry to hardship programs and average debt levels for hardship customers. This shows that a large proportion of hardship customers are not meeting their usage costs, let alone paying off debt. These trends will be explored in more depth over the course of the chapter.

35 https://www.aemc.gov.au/rule-changes/strengthening-protections-customers-hardship

36 AER, Customer Hardship Policy Guideline, March 2019, para 31(a).

3.3.1 Customers entering hardship programs

Identifying hardship customers

Our Hardship Guideline requires retailers to take early steps to identify customers experiencing hardship. Early identification maximises opportunities for effective intervention to help customers overcome and manage their financial difficulties. Retailers may be contacted by a financial counsellor or a representative acting on behalf of a customer, or by customers themselves.

Some circumstances that may help retailers identify customers who might benefit from hardship programs are:

- difficulty meeting payments, irregular or sporadic payments, or partial payments
- a history of broken payment arrangements
- receipt of a higher than expected bill
- repeated reminder or multiple disconnection warning notices.

A customer may also wish to notify their retailer of a change in personal circumstances that has resulted in them experiencing financial difficulty, such as:

- a prolonged change in personal circumstances, such as a loss of or decrease in employment
- a relationship breakdown or change of home circumstances
- a death in the family
- an unexpected one-off expense.

Number of customers entering hardship programs

The number of customers entering hardship programs dropped substantially at the start of the pandemic. Nearly 38,000 electricity customers entered hardship programs in Q3 2019–20, the quarter immediately prior to the pandemic, but just 23,000 in Q4 2020–21. Similarly, 9,500 gas customers entered hardship programs in Q3 2019–20, but just 5,800 in Q4 2020–21. Since then, entries to hardship programs have risen but remain below pre-pandemic levels.

This decrease in entries to hardship programs was likely driven by multiple factors. Most significantly, many retailers responded to the pandemic by allowing customers to defer payment of their energy bill. These alternative debt arrangements could be accessed more easily than formal payment plans or hardship programs – often simply via their website. Many customers who may otherwise have joined a hardship program instead deferred payment of their bill.

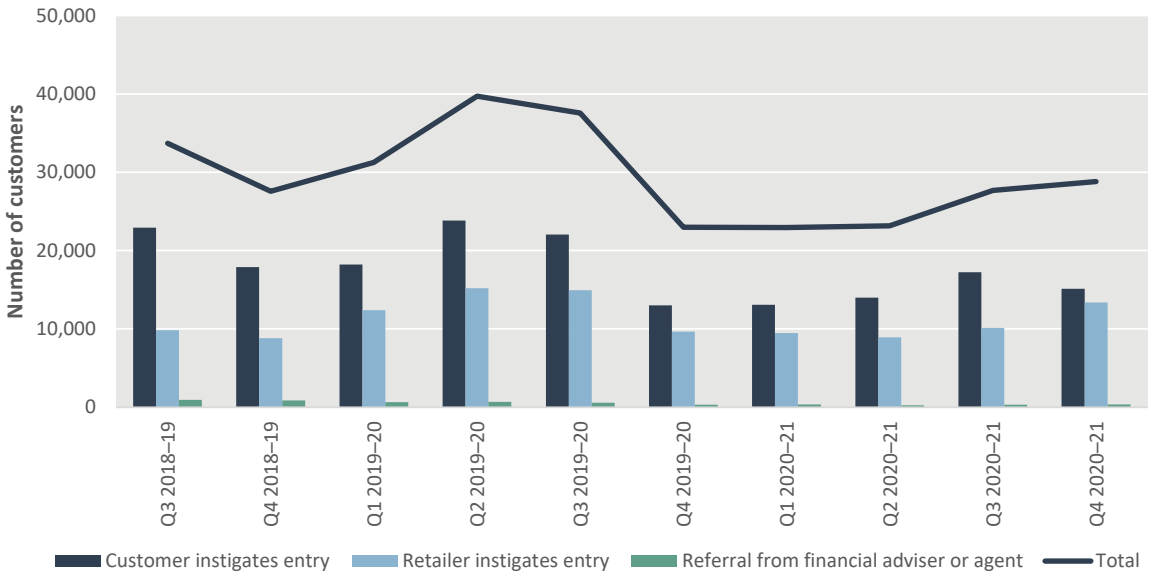
Customers may enter hardship programs through various ways. Many customers self-identify themselves as being in hardship and apply to join their retailer's hardship program. However, the AER's Customer Hardship Policy Guideline also requires retailers to take steps to identify customers who may be in hardship, so many customers also join hardship programs due to referral by their retailer. Finally, a small number of customers enter hardship programs via a financial counsellor referral.

At the start of the pandemic, the most pronounced drop in customers entering hardship programs was due to hardship self-identification. Among electricity customers, there was a 41% drop in self-identified entries from Q3 to Q4 2019–20, compared with a 36% drop in retailers instigating entry. In gas, there were 43% fewer customer-instigated entries in Q4, compared with a 27% drop in retailer referrals. This suggests that readily accessible deferred debt arrangements were the most significant reason for the drop in hardship program entries.

Since the drop at the beginning of the pandemic, hardship program entries have rebounded but remain below pre-pandemic levels. Rising debt levels, including debt levels on entry to hardship programs, suggest that the current lower numbers of hardship entries are not due to fewer customers being in financial difficulty. Instead, the lower number of hardship entries may be due to lower levels of customer

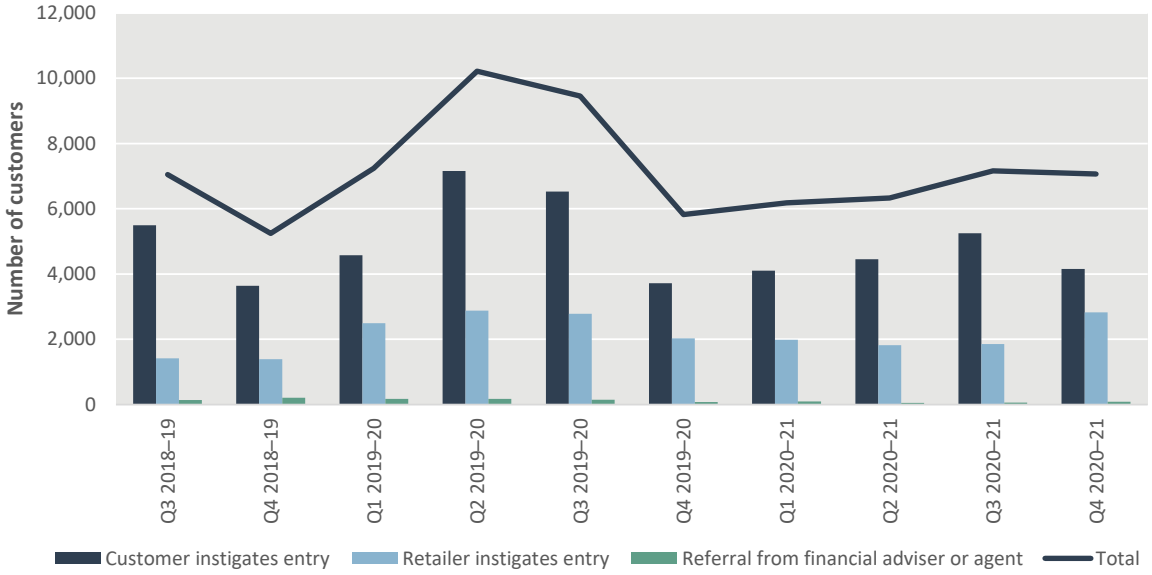
engagement. In Q4 2020–21 a relatively high proportion of electricity and gas customers were entering hardship programs due to retailer referral and a lower proportion of customers were self-identifying as being in hardship (figures 3.12 and 3.13). This suggests that, while many retailers are meeting their obligation to proactively identify customers in hardship, some customers may not be self-identifying as being in hardship. It is possible this may shift in 2022 if pandemic conditions ease and consumers are able to reach a level of economic stability. However, retailers should continue to proactively identify customers experiencing hardship and encourage customer engagement so that customers in hardship can receive timely assistance.

Figure 3.12: Reasons for electricity customers entering hardship programs



Source: AER.

Figure 3.13: Reasons for gas customers entering hardship programs



Source: AER.

Debt levels on entry to hardship programs

Customers are entering hardship programs with higher levels of debt. In Q4 2020–21, 20% of customers entering electricity hardship programs were carrying over $2,500 in debt, up from 14% in Q3 2019–20 (the final pre-pandemic quarter). Of electricity customers entering hardship programs with debt over $2,500, two-thirds had debt over $3,500 in Q4 2020–21, up from 60% in Q3 2019–20 (figure 3.14).

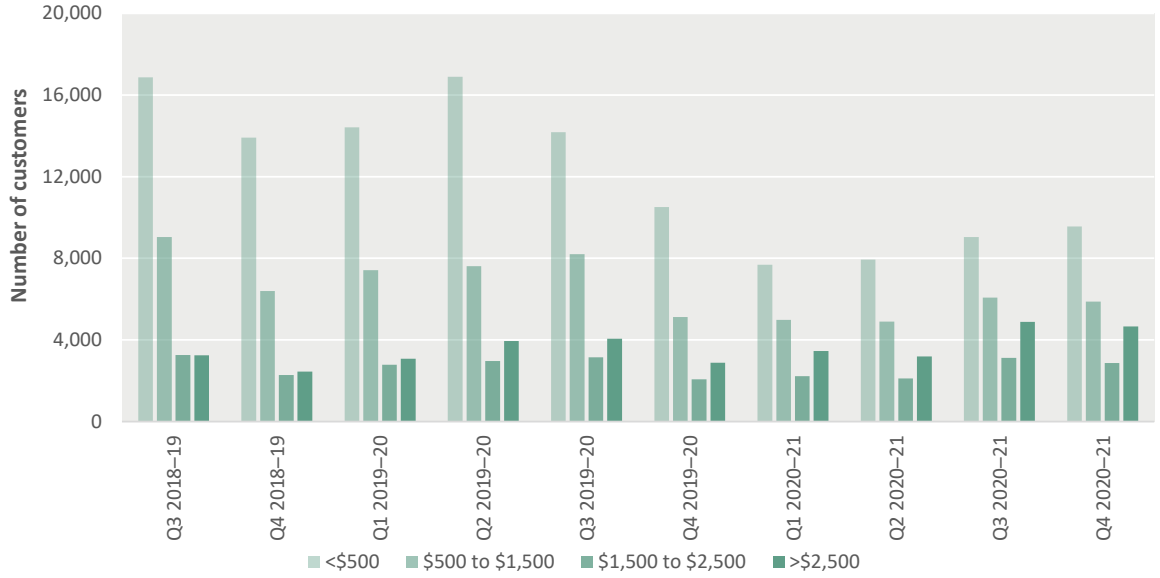
In 2020–21 electricity customers' average debt on entry to hardship programs was $1,584, up from $1,304 in the previous year and $1,092 in 2016–17. Tasmania had the highest debt on entry to electricity hardship programs at $2,609, up from $1,526 a year ago. Queensland had the lowest level of debt on entry to hardship, at $1,080. This is visualised in section 3.3.2, subsection 'Level of hardship debt', where we compare average debt on entry to hardship programs with average hardship debt.

Debt on entry is generally lower in gas but the trend has been similar to electricity. In Q4 2020–21, 8% of customers entering gas hardship programs were carrying over $2,500 in debt, up from 4% in Q3 2019–20 (figure 3.15). In section 3.3.2 we compare average debt on entry to gas hardship programs with average gas hardship debt.

The upward trend in debt on entry to hardship is concerning and mirrors increases we have observed in average hardship debt, non-hardship customers' debt levels and debt at disconnection. These rising debt levels reflect that customers are experiencing greater financial difficulty or accumulating debt for longer before receiving assistance. This may also indicate lower levels of engagement with customers, especially given there have been fewer entries to hardship programs despite overall increases in debt levels.

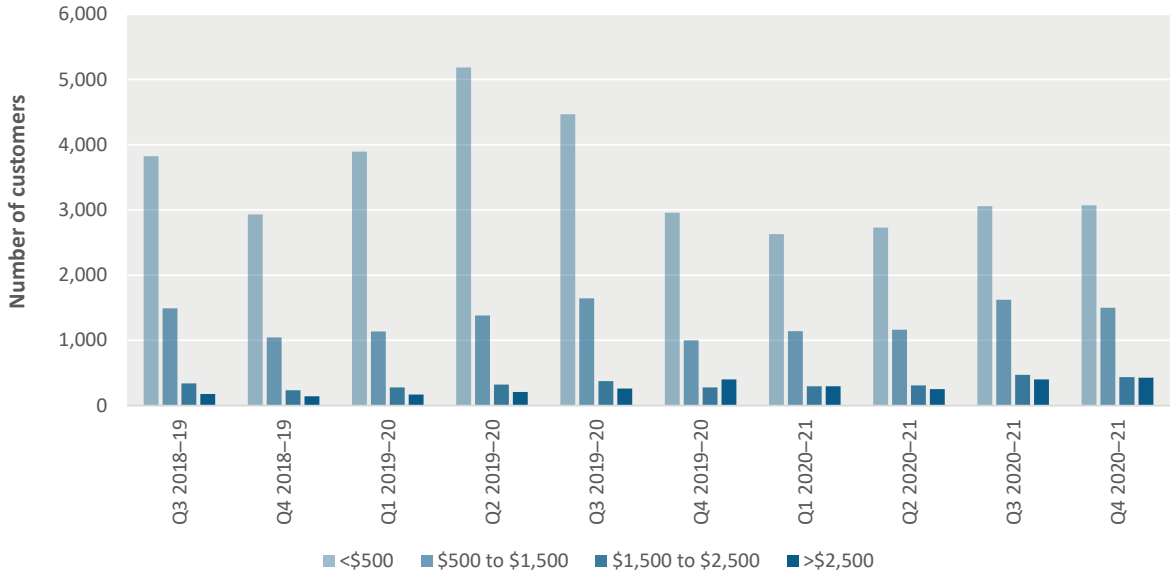
Customers often seek payment assistance after receiving a disconnection notice. However, retailers paused disconnections, which resulted in held back disconnection notices and customers not being prompted to contact their retailers for payment support. The lack of engagement with customers may have contributed to a customer accumulating more debt, attributing to higher debt levels for customers entering hardship programs. It is important for retailers to find ways to engage with their customers without the threat of disconnection, which is a last resort under the National Energy Retail Law. Retailers should proactively identify customers who may be experiencing hardship and should work hard to engage these customers without resorting to the threat of disconnection.

Figure 3.14: Levels of debt for electricity customers entering hardship programs



Source: AER.

Figure 3.15: Levels of debt for gas customers entering hardship programs



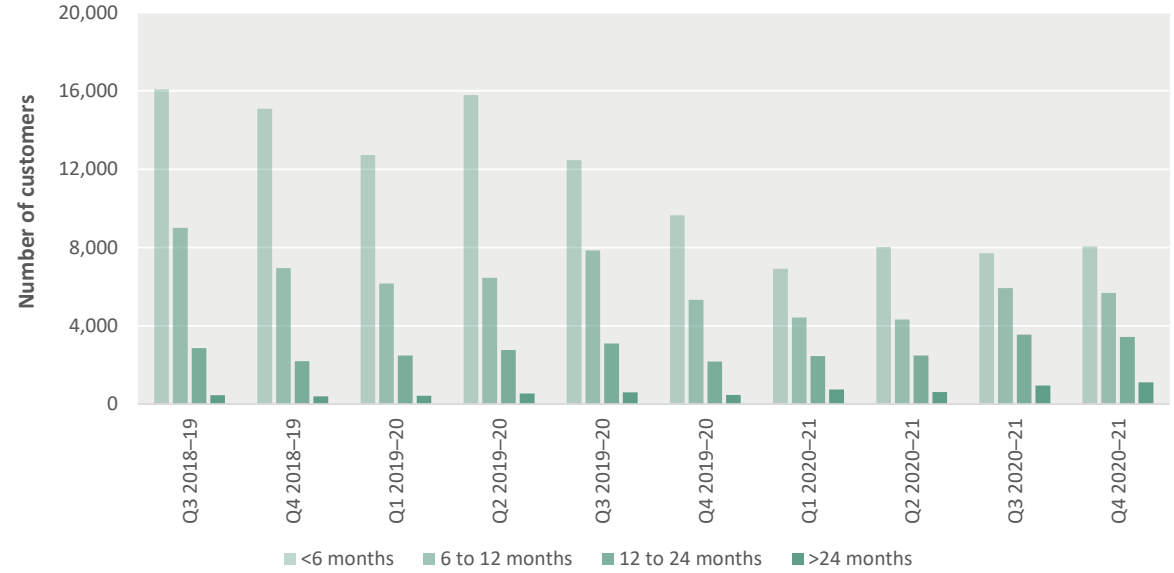
Source: AER.

Age of debt for customers entering hardship programs

Electricity and gas customers entering hardship programs are most likely to owe debt to their retailer for an extended period. The number of electricity customers with debt less than 6 months old who entered hardship programs dropped from a peak of 15,785 in Q2 2019–20 to a low of 6,922 in Q1 2020–21 (figure 3.16). Meanwhile, the number of customers entering with debt 12 to 24 months old increased from 2,180 in Q4 2019–20 to 3,437 in Q4 2020–21, and the number of customers entering with debt greater than 24 months old increased from 478 in Q4 2019–20 to 1,112 in Q4 2020–21.

The drop in customers entering hardship programs with young debt correlates with the trend toward fewer customers entering hardship programs, and customers entering hardship programs with larger debt. This implies customers are accruing debt for longer and accruing more debt before entering hardship programs.

Figure 3.16: Age of debt for electricity customers entering hardship programs

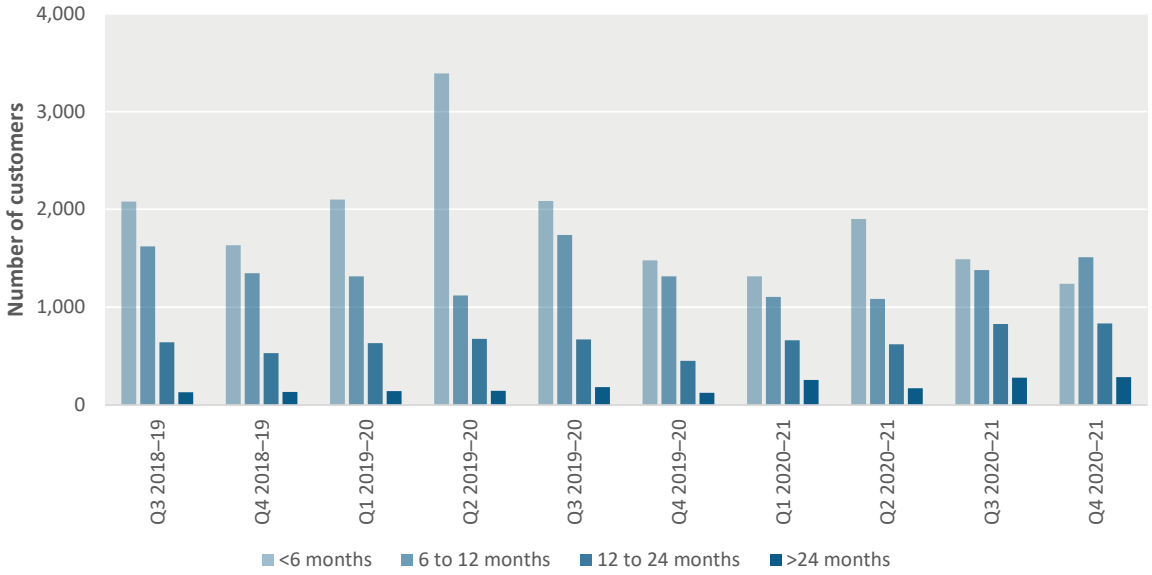


Note: Debt is defined as the oldest energy bill debt for customers who entered hardship programs during the reporting period, as at the last calendar day of the reporting period.

Source: AER.

The trends for gas customers are similar to electricity but more erratic. As in electricity, the number of customers with debt less than 6 months old who entered a hardship program has fallen during the pandemic (figure 3.17). Similarly, more customers with debt 12 to 24 months old and with debt greater than 24 months old have entered a hardship program. This again implies an increase in the delay before customers in financial difficulty are entering hardship programs.

Figure 3.17: Age of debt for gas customers entering hardship programs



Source: AER.

3.3.2 Customers on hardship programs

Proportion of customers in hardship

The proportion of electricity and gas customers on hardship programs dropped in 2020–21 because of the lower numbers of customers entering hardship programs in 2020–21 than in 2019–20 (discussed in section 3.3.1).

Another reason for the decrease in enrolment in hardship programs was the increase in government supports available to customers experiencing financial difficulty. Federal supports such as the JobKeeper Payment and the increased JobSeeker Payment,[37] as well as various state government supports and energy concessions,[38] protected many customers from severe payment difficulty during the pandemic.

For the second consecutive year, Tasmania had the highest proportion of customers on electricity hardship programs, just ahead of South Australia (figure 3.18). This reflects that Tasmania and South Australia have the lowest energy affordability. The ACT has the lowest proportion of electricity customers on hardship programs, reflecting high income levels in the ACT. However, the ACT is the only jurisdiction where the proportion of customers on hardship programs increased in 2020–21. This increase was driven solely by ActewAGL, which holds the majority of ACT market share.

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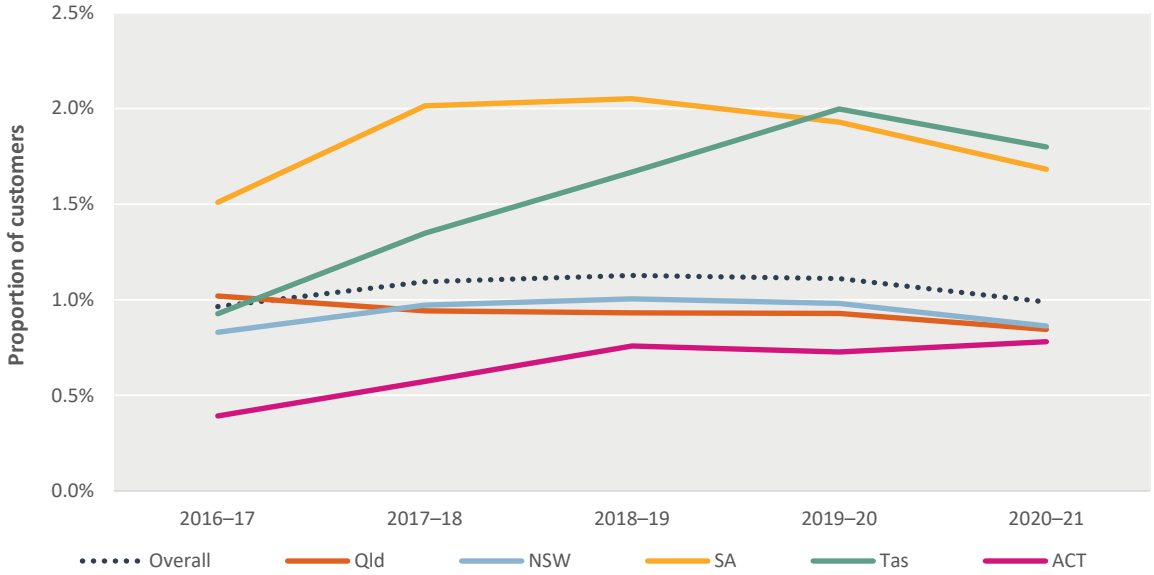
37 The ABS *Household Impacts of COVID-19 Survey*, June 2020, suggests that in May and June 2020, around 30% of customers who received a government stimulus payment used it to pay household bills. https://www.abs.gov.au/statistics/people/people-and-communities/household-impacts-covid-19-survey/detailed-release-june-2020

38 Nearly every jurisdiction offered additional support to help energy consumers pay their bills during the pandemic. Energy Consumers Australia, *Australia's Energy Transition: A snapshot of the Changing Policy Landscape*, p. 29, https://energyconsumersaustralia.com.au/wp-content/uploads/Australia%E2%80%99s-Energy-Transition-A-snapshot-of-the-Changing-Policy-Landscape.pdf.

Figure 3.18: Proportion of electricity customers on hardship programs

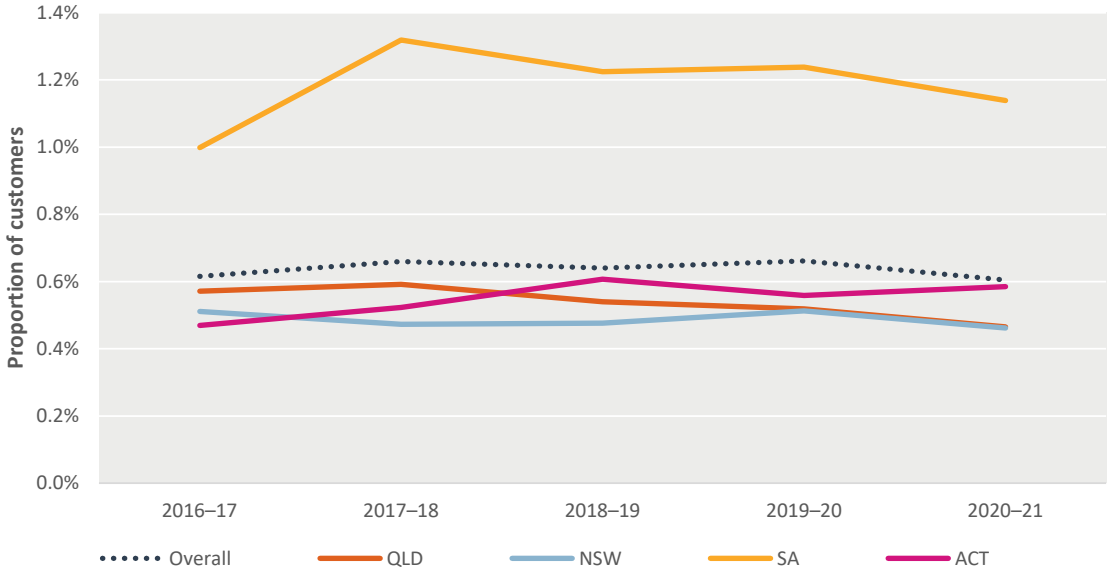


Note: Data as at 30 June each year.

Source: AER.

Like in electricity, the number of gas customers on hardship programs decreased in 2020–21 (figure 3.19). South Australia had the highest proportion of gas customers on hardship programs, reflecting its position as the jurisdiction with the lowest gas affordability.

Figure 3.19: Proportion of gas customers on hardship programs



Note: Data as at 30 June each year.

Source: AER.

Level of hardship debt

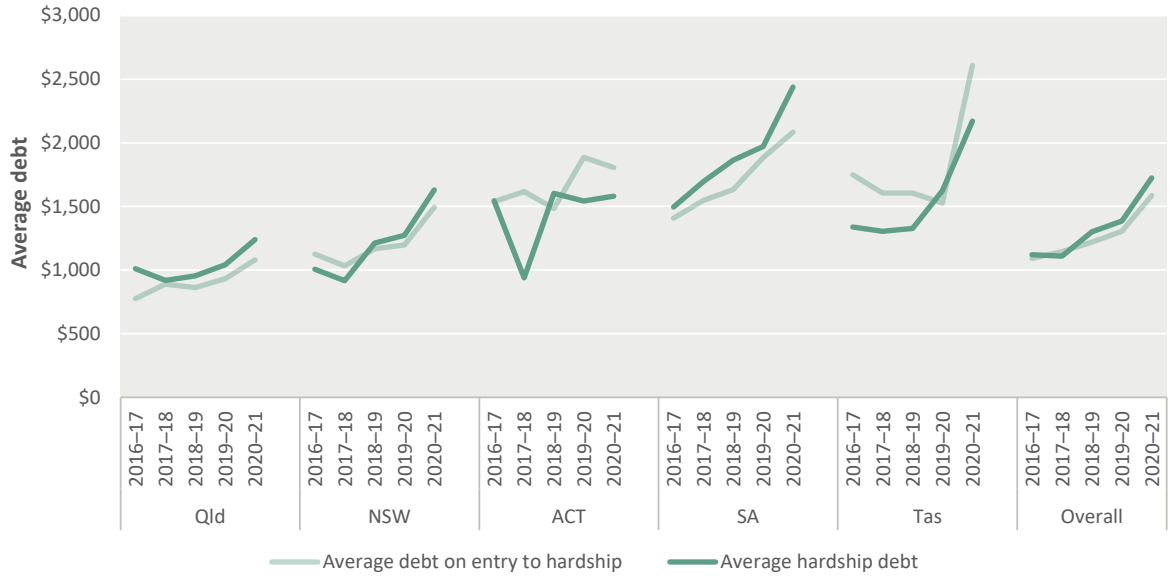
Average debt for both electricity and gas customers on hardship programs has increased substantially. The upward trend has been observed over several years but has grown steeper during the pandemic.

Average hardship debt across the jurisdictions was $1,724 in 2020–21. South Australia had the highest average hardship debt at $2,438.

Concerningly, average hardship debt is higher than average debt on entry to hardship in most jurisdictions. This suggests that customers on hardship programs are often accumulating more debt while on a program, rather than reducing their debt.

Figure 3.20 shows that in most jurisdictions both electricity debt on entry to hardship and average electricity hardship debt are trending upwards. Average electricity hardship debt was higher than average debt on entry in Queensland, NSW and South Australia.

Figure 3.20: Average electricity hardship debt and average electricity debt at time of entry to hardship programs



Note: Data as at 30 June each year.

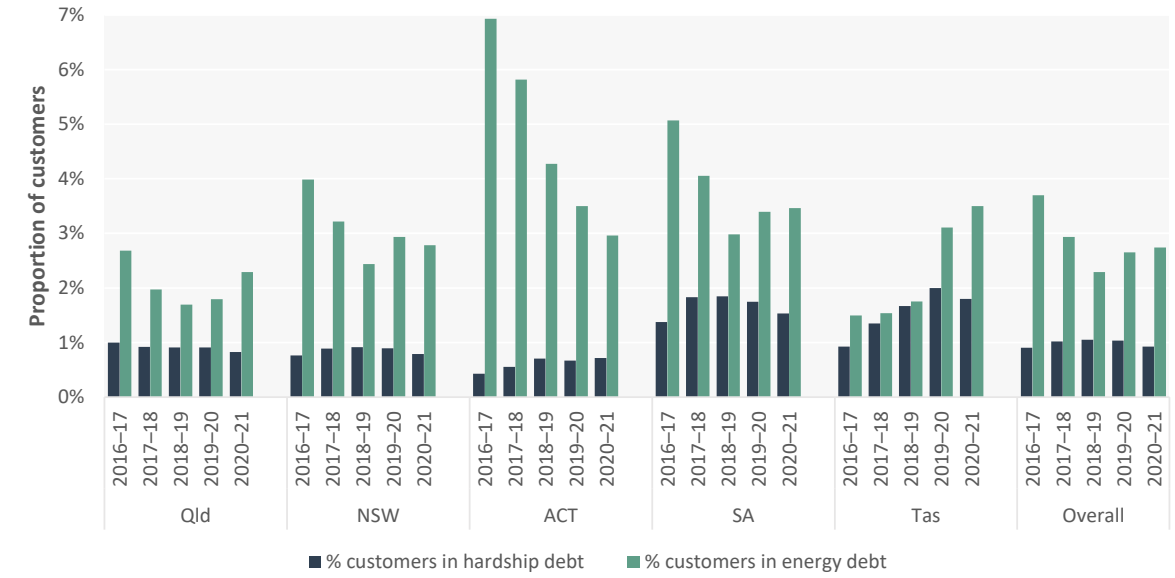
Source: AER.

For residential customers, the proportion of customers in hardship debt has decreased across most jurisdictions in 2020–21 (figure 3.21).

For energy (non-hardship) debt, the proportion of customers with debt has slightly increased, which may reflect that the pandemic increased the number of newly indebted customers, and that those customers were not brought onto hardship programs.

In the ACT, the proportion of customers in energy (non-hardship) debt continued to decrease over recent years. The proportion of hardship debt customers remained relatively steady.

Figure 3.21: Proportion of residential customers in hardship debt versus energy debt



Note: Data as at 30 June each year.

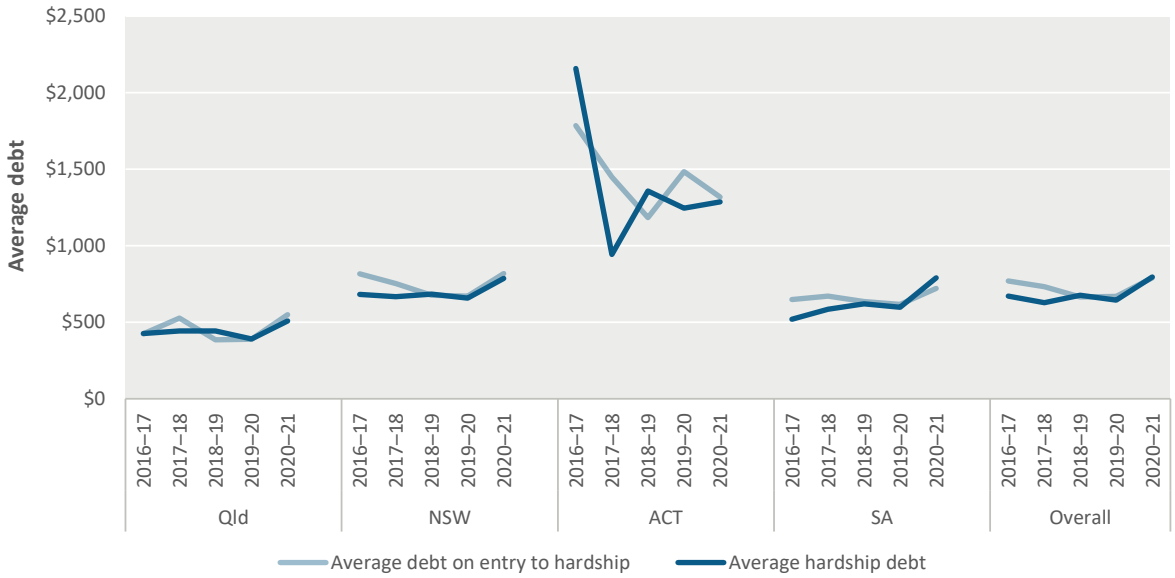
Source: AER.

Debt trends for customers on hardship programs are less concerning for gas customers than for electricity customers. Gas hardship debt did not begin to trend upwards until the start of the pandemic and, even then, the trend (for both average debt on entry and average hardship debt) was less pronounced than in the electricity sector.

Also, positively, average debt on entry to gas hardship programs is typically about the same or lower than average gas hardship debt (figure 3.22). This implies that gas customers have generally avoided accumulating more debt while on the hardship program.

Both gas hardship debt on entry and average gas hardship debt are highest in the ACT and lowest in Queensland. This reflects more customers with high gas usage in the ACT, where gas is often used for heating. Gas is very much a secondary fuel source in Queensland.

Figure 3.22: Average gas hardship debt and average gas debt at time of entry to hardship programs



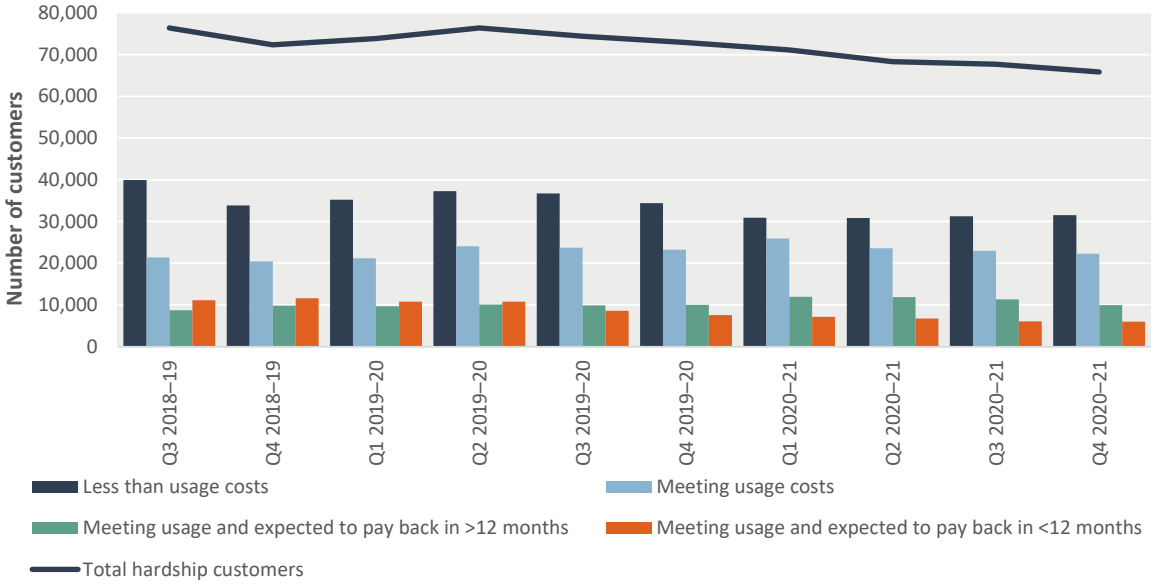
Note: Data as at 30 June each year.

Source: AER.

Hardship usage costs

Figure 3.23 shows that around half of electricity hardship customers are not meeting their usage costs – a proportion that has held relatively steady over the past 10 quarters. However, during the pandemic the number of customers expected to pay back their debt within 12 months has decreased substantially. Given this, it is unsurprising that average hardship debt has been increasing and that it remains higher than average debt on entry to hardship programs.

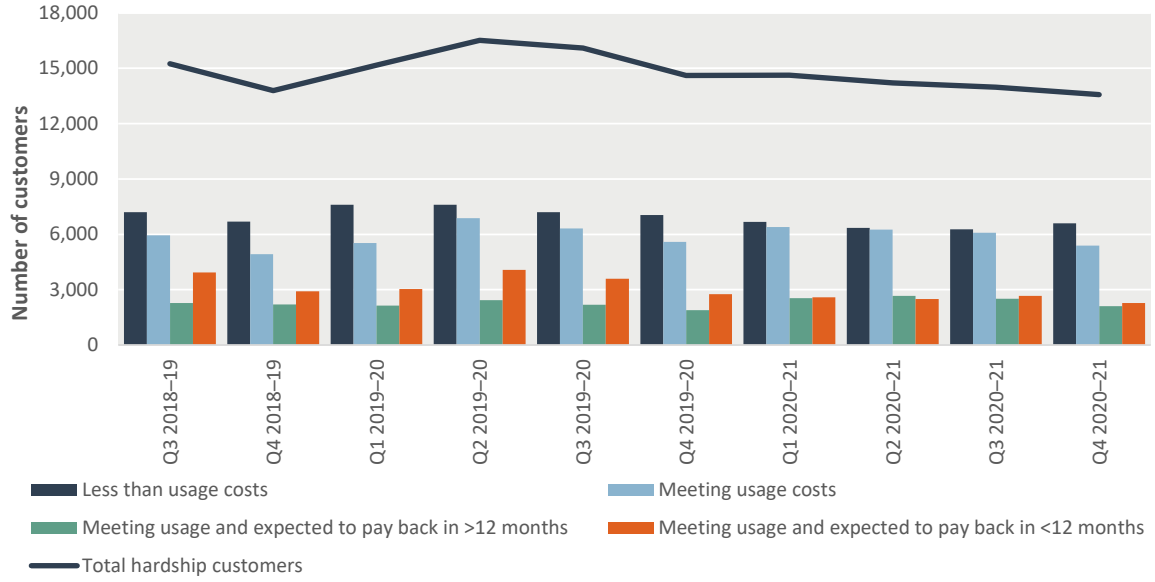
Figure 3.23: Number of electricity hardship customers meeting usage costs



Source: AER.

Customers on gas hardship programs are faring slightly better than customers on electricity hardship programs in paying their usage costs. Unlike electricity, the proportion of gas customers failing to meet usage costs has held relatively steady during the pandemic (figure 3.24). However, the proportion of gas customers expected to pay back their debt within 12 months has decreased, which explains the increase in average gas hardship debt observed during 2020–21.

Figure 3.24: Number of gas hardship customers meeting usage costs



Source: AER.

Length of hardship program

As at Q4 2020–21 about three-quarters of customers on both electricity and gas hardship programs had been on a program for less than a year. Meanwhile, less than 10% of customers in each segment had been on a hardship program for more than 2 years.

In Q4 2020–21 over half of customers exiting hardship programs were excluded[39] from the program (section 3.3.3). Given that three-quarters of customers were on a hardship program for less than a year, and more than half of those exiting hardship programs were excluded, it seems likely that many customers are being excluded from hardship programs within a year of joining. However, some customers may later return to a hardship program.

Assistance offered to hardship customers

The Retail Law sets the minimum assistance retailers must offer in their hardship program, including:

- processes to identify residential customers experiencing payment difficulties due to hardship
- processes for early response to assist hardship customers
- flexible payment options, such as Centrepay
- processes to identify government concession programs and financial counselling services, and to notify hardship customers of these
- an outline of the programs the retailer may use to assist hardship customers
- processes to review the appropriateness of a hardship customer's contract
- processes to assist customers with strategies to improve their energy efficiency.

Retailers may also provide assistance beyond the minimum legal requirements. Table 3.1 shows the most common types of assistance that retailers offer their hardship customers and the proportion of hardship customers receiving each type.

Hardship customers receiving concessions

In 2020–21 the proportion of electricity and gas hardship customers receiving concessions increased for the first time, after trending downwards since 2016–17 (figure 3.25).

The proportion of electricity hardship customers receiving energy concessions increased in every jurisdiction except Tasmania in 2020–21. However, Tasmania still had the highest proportion of hardship customers receiving concessions at 72%, while South Australia had the lowest at 40%.

Gas hardship customers receiving concessions increased in all relevant jurisdictions in 2020–21. In South Australia and the ACT, a single energy concession covers both electricity and gas and is typically credited to a customer's electricity account. Therefore, because we do not collect Tasmanian gas data, gas hardship concession levels were highest in NSW (56%) and Queensland (50%).

[39] Excluded means a residential customer who is referred to the hardship program by any means but is removed from the hardship program for any reason other than successfully completing the hardship program or not accepted onto the hardship program. This does not include customers who decline to participate in the program.

Figure 3.25: Hardship customers receiving concessions

Note: Data as at 30 June each year.

Source: AER.

Table 3.1: Proportion of hardship customers receiving types of assistance

Type of assistance	Electricity			Gas		
	2018–19	2019–20	2020–21	2018–19	2019–20	2020–21
Incentive payments or discounts	46.3%	50.6%	34.6%	43.9%	51.6%	39.8%
Transferred to a different retail market contract	21.5%	10.8%	12.4%	13.9%	8.6%	11.2%
Debt reductions	14.7%	9.4%	5.7%	15.7%	9.2%	7.7%
Rebate that they were not otherwise receiving	7.9%	10.8%	10.1%	11.4%	14.8%	14.1%
Transferral from a standard retail contract to a market retail contract	1.8%	1.0%	0.7%	2.6%	2.7%	0.7%
Concession that they were not otherwise receiving	1.7%	2.3%	3.6%	1.2%	1.4%	2.1%
Reimbursement/credit of lost pay on time discount	1.2%	1.2%	0.4%	0.3%	0.6%	0.6%
Onsite energy audits completed by the retailer	0.3%	0.1%	0.8%	0.1%	0.0%	0.1%
Reimbursement/credit of late payment fees	0.1%	0.1%	0.3%	0.2%	0.2%	0.4%
New appliances through appliance replacement programs	0.1%	0.2%	0.1%	0.2%	0.0%	0.0%

Source: AER.

In Q4 2020–21 the number of both electricity and gas hardship customers receiving assistance through incentive payments or discounts decreased significantly compared with Q4 2019–20. In 2020–21, 35% of electricity hardship customers received incentive payments or discounts, down from 51% in 2019–20. Meanwhile 40% of customers on gas hardship programs received incentive payments or discounts, down from 52% in 2019–20. In both the electricity and gas sectors, this downward trend was driven by Tier 1 retailers. Despite the decrease, incentive payments and discounts remained the most common form of payment assistance offered to hardship customers.

In Q4 2020–21 the number of both electricity and gas hardship customers who received assistance in the form of debt reductions also decreased compared with Q4 2019–20. However, electricity and gas hardship customers receiving assistance in the form of a transfer to a more appropriate retail market contract increased. There were no substantial movements in the proportion of customers receiving other forms of payment assistance.

Despite the large number of hardship customers accessing concessions, many hardship customers are still unable to pay for their ongoing usage, as discussed in the ‘Hardship usage costs’ section.

3.3.3 Customers exiting hardship programs

A ‘successful’ exit of a hardship program occurs where a customer completes a hardship program and, by agreement with the retailer, returns to normal billing cycles. This includes a customer agreeing to a new payment plan or flexible payment arrangement.

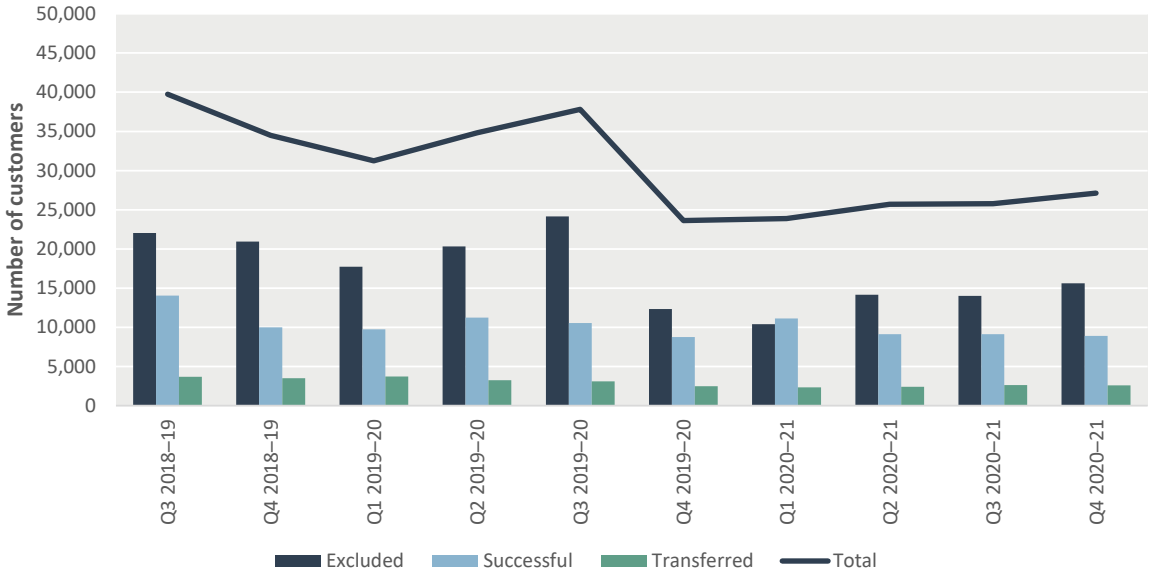
However, customers will not always exit hardship programs successfully. Customers may be excluded for non-compliance if they do not maintain adherence to the terms of the hardship program – for example, if they do not make the agreed payments. Customers may also exit hardship programs if they leave their retailer – for example, if they switch to another retailer.

The number of electricity customers exiting hardship programs dropped at the start of the pandemic, due to substantially fewer customers being excluded for non-compliance. Electricity hardship program exclusions decreased from a peak of 24,000 in Q3 2019–20 to a trough of 10,000 exclusions in Q1 2020–21 (figure 3.26). Exclusion for non-compliance remained the most common reason for a customer to exit a hardship program in 2020–21 (excluding Q1 2020–21), albeit by a smaller margin than in 2019–20.

Over the past 10 quarters, the number of customers successfully completing electricity hardship programs held relatively steady at around 10,000 per quarter. The number of customers exiting due to leaving the retailer remained relatively stable across 2020–21.

The decrease in exclusions from the hardship program is a positive development, likely reflecting that retailers have been more protective of energy customers during the pandemic. Nevertheless, the number of exclusions remains high, indicating significant gaps between the requirements of hardship programs and what customers are able to do.

Figure 3.26: Number of electricity customers exiting hardship programs

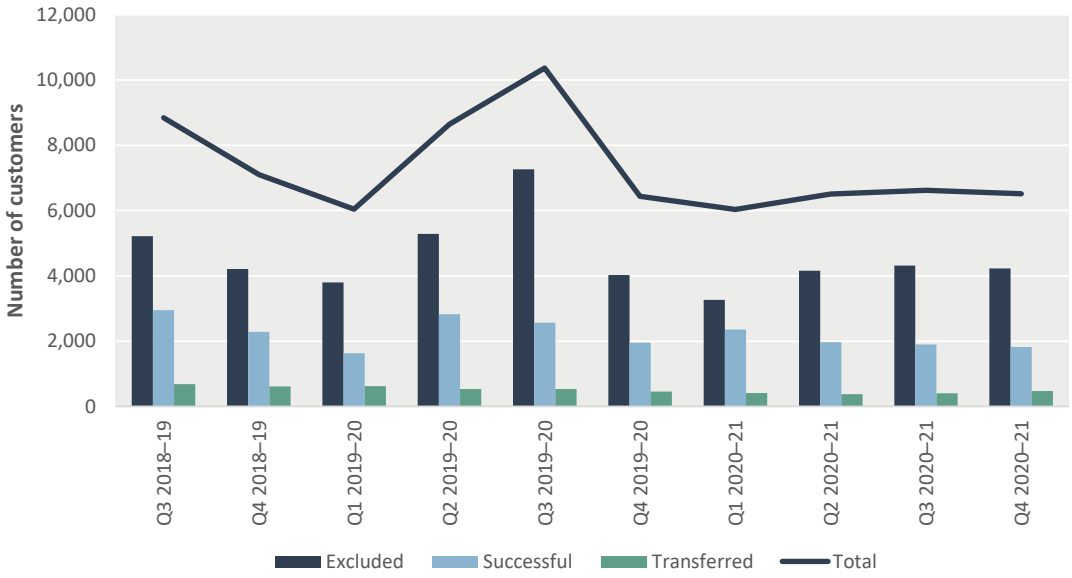


Source: AER.

Gas customers exiting hardship programs followed similar trends to electricity. After a spike in gas customers exiting hardship programs in Q3 2019–20, gas hardship exits dropped sharply at the start of the pandemic (figure 3.27). This was driven by a drop in the number of gas customers excluded from hardship programs, from an average of around 5,000 exclusions per quarter before the pandemic (notwithstanding the Q3 2019–20 spike) to just over 3,000 exclusions in Q1 2020–21.

The number of customers successfully completing gas hardship programs held relatively steady at around 2,000 customers per quarter across 2020–21.

Figure 3.27: Number of gas customers exiting hardship programs



Source: AER.

Retailers are required to report the number of customers excluded from hardship programs for a variety of reasons, as displayed in figures 3.28 and 3.29.

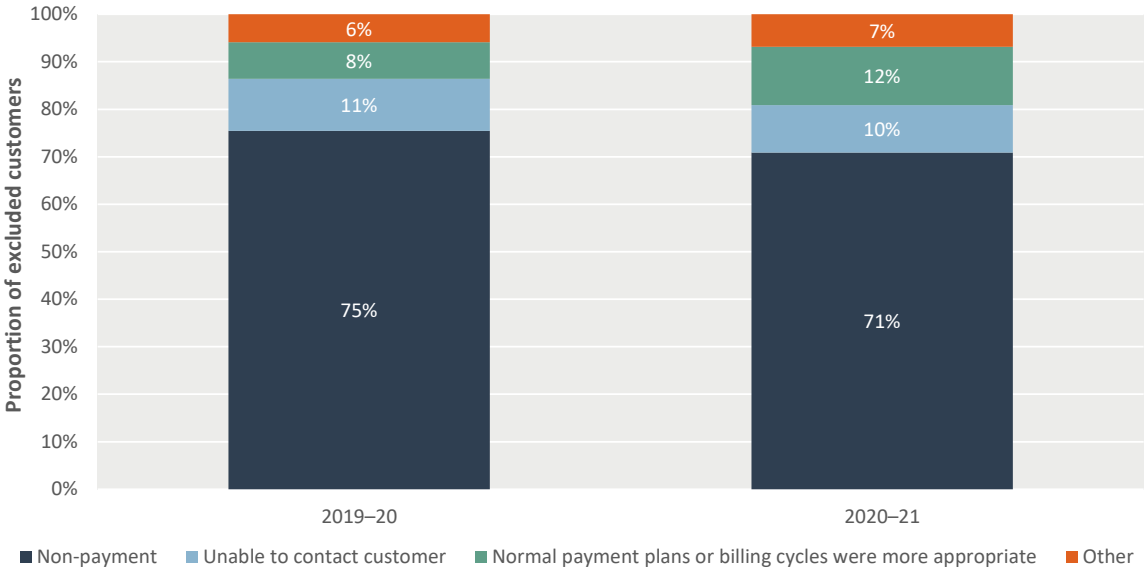
Failure to make the requested payments was the main reason for most hardship exclusions over the past 2 years. This was particularly the case in gas, where 87% of hardship exclusions occurred for this reason, compared with 71% of exclusions in electricity. In both cases, this represented a slight decrease from 2019–20.

A growing proportion of both electricity and gas hardship customers were excluded from hardship programs because normal payment plans or billing cycles were more appropriate (12% of electricity customers and 8% of gas customers).

10% of electricity customers and only 2% of gas hardship customers were excluded because the retailer could not contact the customer.

Although it is positive that fewer customers are being excluded for non-payment, rates of exclusion remain high and a large proportion of these exclusions still occur for non-payment. This reflects the high proportion of hardship customers failing to meet their ongoing usage costs. The AER is working to address these ongoing issues as part of its Consumer Vulnerability Strategy, which will seek to help consumers facing payment difficulty to receive effective, tailored assistance.

Figure 3.28: Reasons electricity customers were excluded from hardship programs

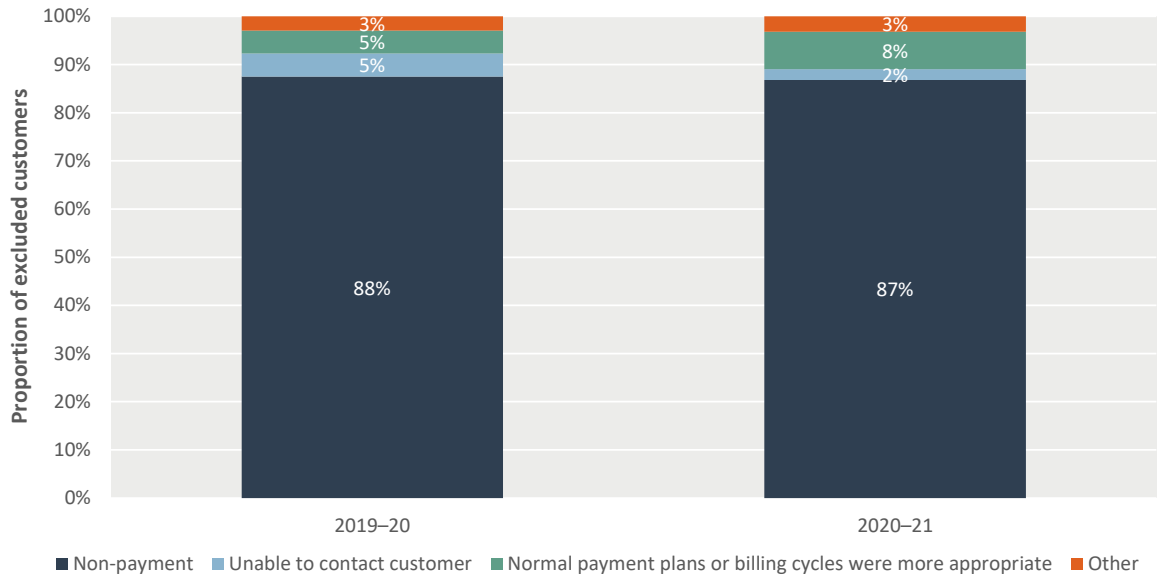


Note: Retailers also submit the number of customers excluded because they did not agree to the suggested payment plans, but we have grouped this with 'other' because the number of customers in this category was negligible.

Data as at 30 June each year.

Source: AER.

Figure 3.29: Reasons gas customers were excluded from hardship programs



Note: Retailers also submit the number of customers excluded because they did not agree to the suggested payment plans, but we have grouped this with 'other' because the number of customers in this category was negligible.

Data as at 30 June each year.

Source: AER.

3.4 Concessions

Our Retail Performance Reporting Guidelines define energy concession customers as residential customers who are recorded by a retailer and are entitled to receive an energy concession, where the concession is administered or delivered by the retailer.

How concessions are applied, and the level of concessions, varies across jurisdictions. Although income levels affect the proportion of customers receiving energy concessions, different eligibility criteria across jurisdictions are also likely to be reflected in the figures. Table A2.3 in appendix A sets out the assumptions we make about the energy concessions available across jurisdictions.[40] Generally, customers must hold a valid government-issued concession card[41] (for example, a Pensioner Concession Card) to be eligible to receive an energy concession.

Concession data informs us of the number of customers who access additional financial support to help pay their energy bills. Concession data should be assessed alongside other indicators, including debt levels and customers on hardship programs because on its own the data may not represent the full extent of customer payment difficulties. To provide greater detail of customers receiving a concession, we also collect the number of hardship customers who were entitled to receive a concession (section 3.3.2), and customers who were entitled to receive a concession and were disconnected (section 3.5).

During the pandemic, state governments also provided additional financial assistance to consumers on concessions.[42] Despite this additional support, debt levels have continued to rise.

Figure 3.30 shows the proportion of electricity and gas customers receiving an energy concession across jurisdictions in 2020–21. These concession rates have remained relatively constant over the past 5 years, on a jurisdictional basis.

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40 Customers who only receive a concession which is not administered or delivered by the retailer (for example, medical concessions) are not considered to be energy concession customers. Although there is such additional assistance available to customers across jurisdictions, they are outside of our definition and therefore we do not include these customers as energy concession customers.

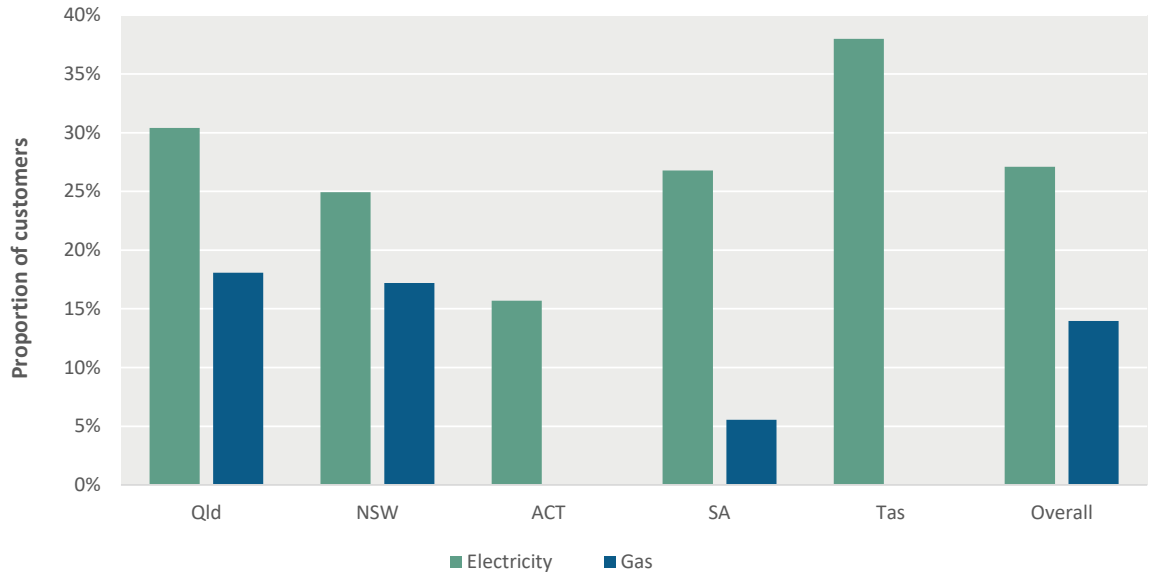
41 In some jurisdictions a seniors card can access energy concessions.

42 These additional financial assistance to customers on concessions are not captured in our data set.

Tasmania had the highest proportion of customers receiving electricity concessions in 2020–21. This aligns with Tasmanian households having the lowest average income of all jurisdictions and relatively high annual electricity bills (see chapter 2). The ACT had the lowest proportion of electricity customers receiving concessions, which is likely due to relatively high average income levels in the ACT (see chapter 2). The proportion of South Australian electricity customers receiving a concession is on par with NSW and Queensland, despite lower energy affordability.

Queensland had the highest proportion of gas customers receiving a concession.

Figure 3.30: Proportion of electricity and gas customers receiving an energy concession, by jurisdiction, 2020–21



Note: Energy concessions in the ACT and South Australia cover both fuel types. Most retailers record the concession against a customer's electricity account, which explains the low proportions of gas customers receiving concessions in the ACT (effectively zero) and South Australia.

In Tasmania, residential gas retailers (Aurora and Tas Gas) are licensed by the Office of the Tasmanian Economic Regulator (OTTER), rather than being authorised by the AER. As a result, these retailers are not required to provide data on retail gas customers to the AER.

Data as at 30 June 2021.

Source: AER.

3.5 Disconnections

Retailers may disconnect customers who are unable to pay their energy bills as a last resort option. Payment assistance (payment plans and hardship programs) should be offered before a disconnection, which should only happen after the strict processes in the Retail Rules[43] have been followed.

Historically, the rate of disconnections reflected retailers' effectiveness in helping customers manage debt while ensuring they continued to receive energy supply. It also indicated energy affordability, given that non-payment, and subsequent disconnection for non-payment, is the likely outcome of a customer being unable to meet their energy costs. However, during the pandemic, disconnections dropped despite rising debt levels. This corresponded with the AER releasing its first Statement of Expectations (SoE) in April 2020, which included the expectation that retailers do not disconnect any small customer (residential or small business) who 'may be in financial distress', nor any large customer that might on-sell energy to small customers (for example, in retirement villages), until 31 July 2020. The success of the SoE has disrupted disconnection trends, temporarily decoupling disconnection rates from energy affordability.

[43] Part 6 De-energisation (or disconnection) of premises—small customers - https://www.aemc.gov.au/sites/default/files/content//NRR-v8-Part-06.PDF

Following the first SoE, the AER released consecutive updated versions of the SoE, which between them covered the period from 1 August 2020 to 30 June 2021. The later versions slightly relaxed the expectation not to disconnect small customers, allowing for disconnections where the retailer was unable to contact the customer.[44] This is why, since August 2020, disconnection rates gradually increased but were still significantly lower than pre-pandemic levels.

3.5.1 Electricity disconnections – residential

The number of residential electricity disconnections fell dramatically during the COVID-19 pandemic.

The proportion of customers disconnected for non-payment began to drop substantially in 2019–20 and fell even further in 2020–21 (figure 3.31). As a result of the AER's SoE, almost zero disconnections were reported in Q4 2019–20 (figure 3.32). However, quarterly disconnection rates increased during 2020–21 with an upward trend evident in all jurisdictions except the ACT, because most ACT retailers[45] did not recommence disconnections until Q4 2020–21.

This increase in disconnections was due to the relaxation of the SoE from 1 August 2020, whereby retailers were permitted to disconnect if they could not contact the customer. It also reflects that Queensland, NSW, the ACT, South Australia and Tasmania largely avoided lockdowns during 2020–21.[46]

In 2020–21 relative disconnection rates across jurisdictions were similar to previous years, despite the lower absolute levels. South Australia had the highest disconnection rate, as has often been the case over the 5-year time series. This supports our finding that South Australia is one of the jurisdictions with the least affordable energy (section 2.3.2).

Tasmania and the ACT continued to have the lowest disconnection rates. This may reflect better energy affordability in the ACT, as well as a higher degree of retail market regulation in both these jurisdictions.

Queensland was the only jurisdiction to substantially change its relative standing. It was previously on par with South Australia, but in 2020–21 it dropped below NSW to fall among the middle of the jurisdictions. This relative drop was largely driven by regional Queensland retailer Ergon Energy. For various reasons,[47] Ergon Energy had a high historical disconnection rate and did not perform any disconnections for the first half of 2020–21.

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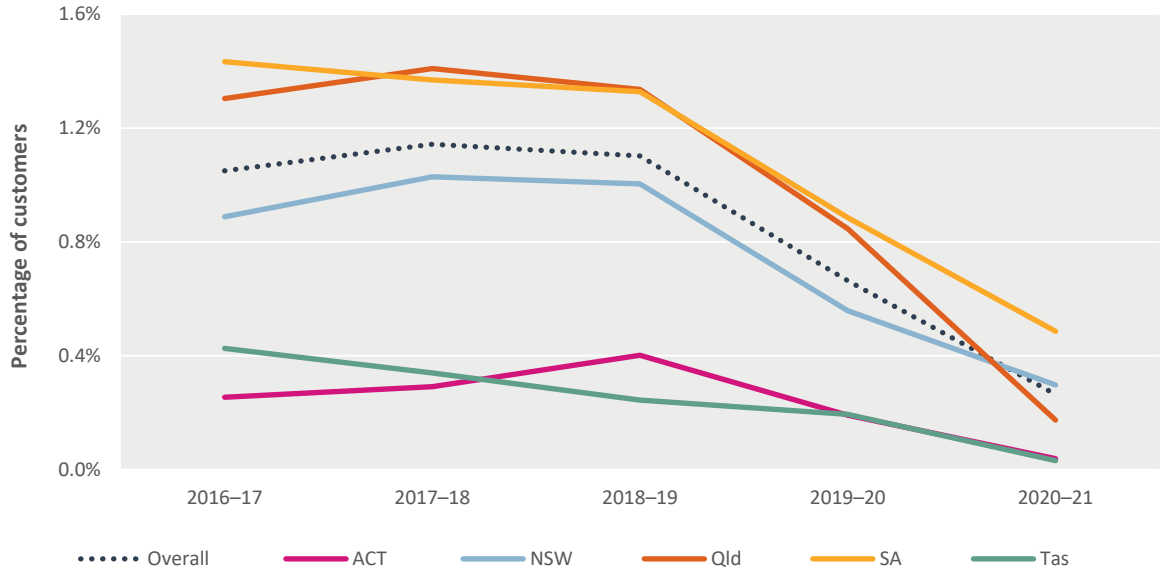
44 https://www.aer.gov.au/publications/corporate-documents/statement-of-expectations-of-energy-businesses-protecting-customers-and-the-energy-market-during-covid-19

45 ActewAGL and Origin did not recommence disconnections until Q4 2020–21 in the jurisdictions in which they operate, including ACT.

46 NSW and ACT lockdowns occurred in 2021-22 and therefore is not captured in our data set for this annual report.

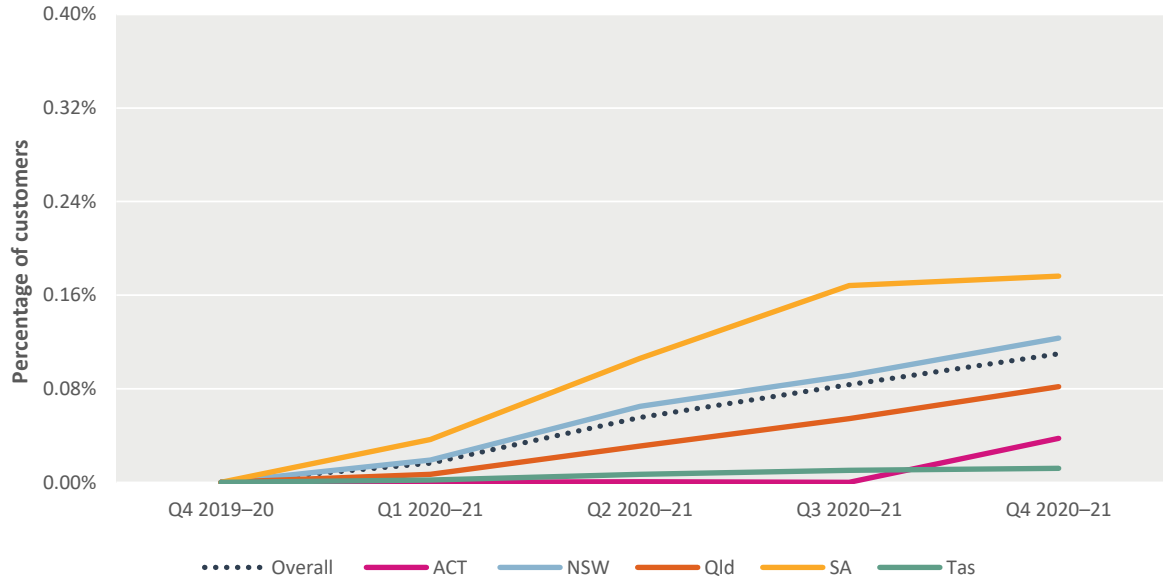
47 Ergon Energy has previously defended its high disconnection rate due to its standing as "the 'designated', (non-competing) retailer for the Ergon Energy Corporation Network". This means that Ergon has a legislated obligation (under 18(6) of the Retail Rules) to not refuse supply to customers in the Ergon Energy distribution network. Ergon argues this means indebted customers are much less likely to transfer to another retailer prior to disconnection, and they are also more likely to be promptly reconnected by Ergon Energy (rather than by another retailer) once they are disconnected.

Figure 3.31: Annual residential electricity disconnections as a proportion of customers, by jurisdiction



Source: AER.

Figure 3.32: Quarterly residential electricity disconnections as a proportion of customers, by jurisdiction

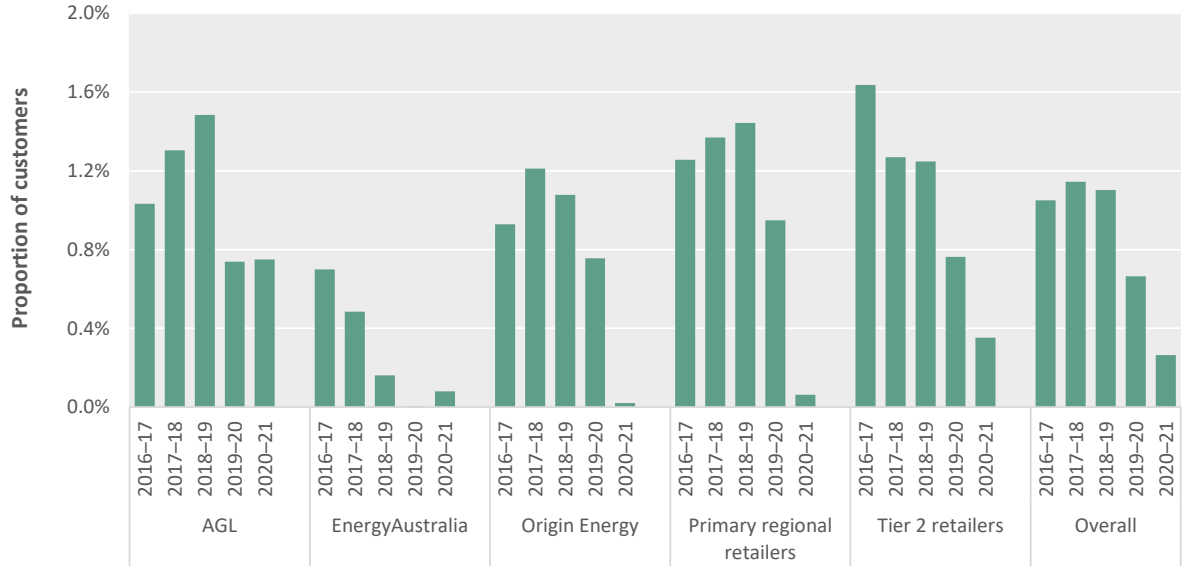


Source: AER.

Some retailers recommenced disconnections sooner than others. AGL and some Tier 2 retailers began disconnections in August 2020 and quickly returned to a relatively high disconnection rate, albeit still lower than pre-pandemic levels. Meanwhile, other Tier 2 retailers, together with Origin, EnergyAustralia and the primary regional retailers, recommenced disconnections more slowly and as at Q4 2020–21 had not returned to pre-pandemic levels. As shown in figure 3.33, AGL's disconnection rate was nearly 0.8% in 2020–21, while Origin, EnergyAustralia and the primary regional retailers each disconnected less than 0.1% of their customers. Tier 2 retailers as a cohort disconnected nearly 0.4% of their customers. Not all retailers recommenced disconnections in 2020–21.[48]

[48] EnergyAustralia paused disconnections in 2019-20 while they conducted a review of their life support customer registrations.

Figure 3.33: Annual residential electricity disconnections as a proportion of customers, by retailer category

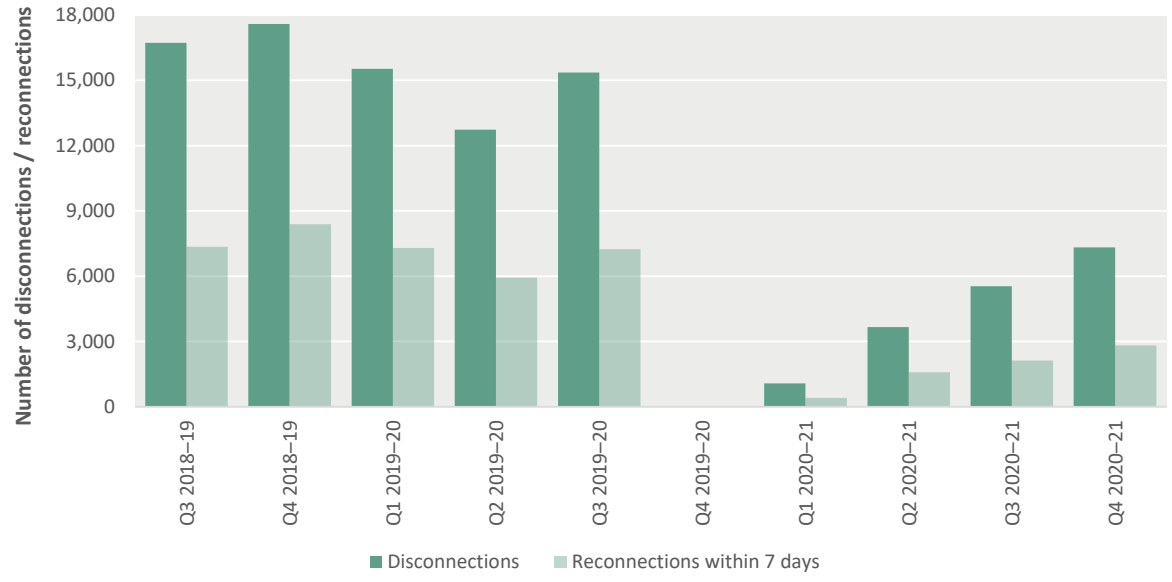


Source: AER.

Reconnections

Disconnected customers may be reconnected once they engage with their retailer. We collect data on the number of customers reconnected (by the same retailer and at the same address) within 7 days of disconnection. Historically, a little less than half of disconnected customers are reconnected within this period, but in 2020–21 this ratio fell to approximately 39% of customers being reconnected perhaps suggesting more customers are churning to other retailers (figure 3.34). This may be related to a change in the profile of disconnected customers, which is discussed in section 'Customer profiles for disconnected customers' below.

Figure 3.34: Quarterly number of residential electricity disconnections and reconnections

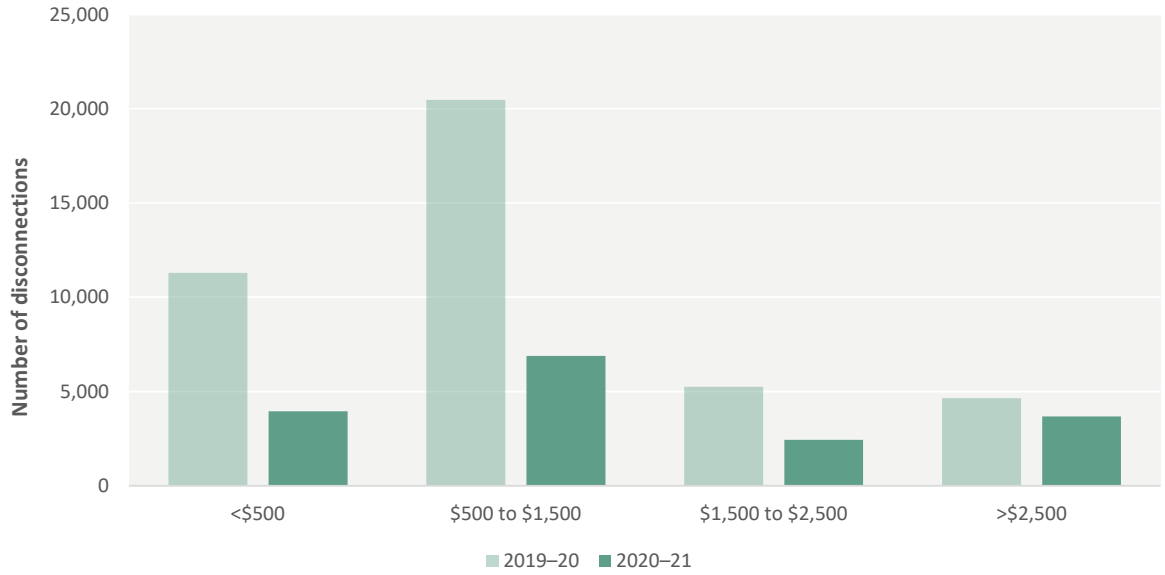


Source: AER.

Debt levels for disconnected customers

Customer debt levels at the time of disconnection have increased during the pandemic. Before the pandemic, the most common amount of debt at the time of disconnection was between $500 and $1,500. This remains true in 2020–21, with 40% of residential electricity customers disconnected with debt falling into this bracket. However, debt between $1,500 to $2,500 and greater than $2,500 now represents a larger cohort of customers with 36% of customers disconnected with debt falling into these brackets, up from 24% the year prior (figure 3.35). This reflects the general increasing debt trend noted throughout this chapter, including higher average debt, higher debt on entry to hardship programs and higher average hardship debt. The data also suggests customers had time to accumulate more debt before disconnection, especially with disconnections paused during the first SoE.

Figure 3.35: Amount of debt at disconnection – residential electricity customers



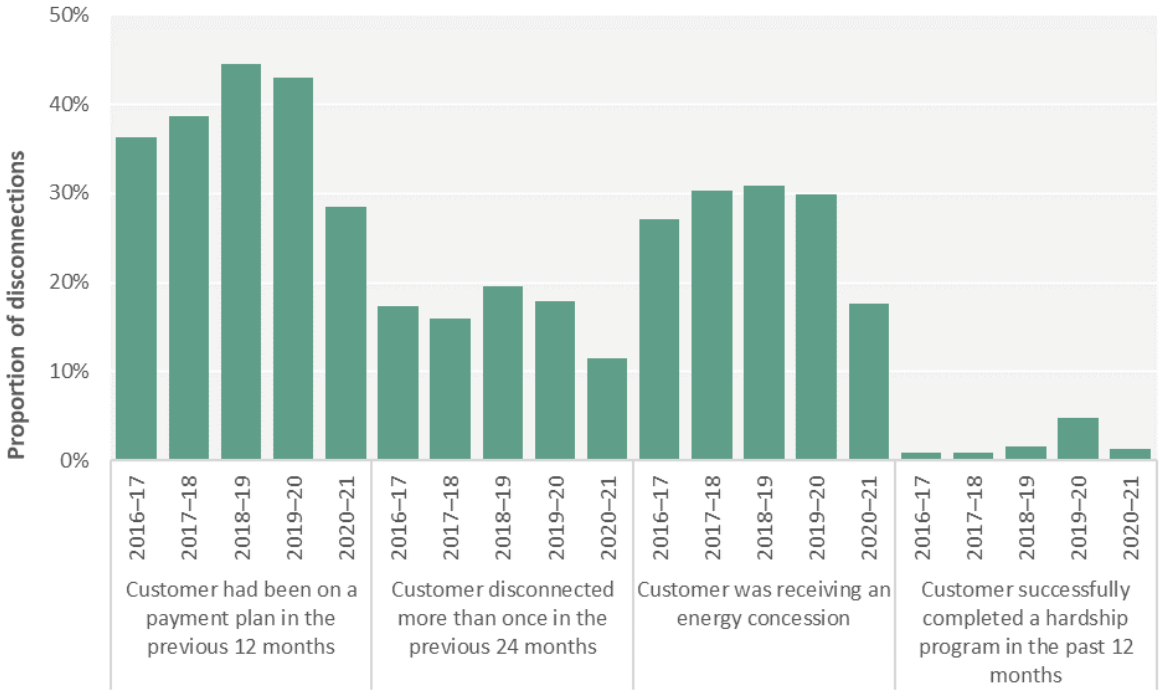
Source: AER.

Customer profiles for disconnected customers

The typical disconnected customer formed a different profile in 2020–21 than in previous years. Previously around 40% of disconnected customers had recently been on a payment plan, but in 2020–21 this dropped to 28% of disconnections. Similarly, there were substantial drops in the proportion of disconnected customers who were receiving an energy concession or who had recently been on a hardship program (figure 3.36).

Fewer disconnected customers exhibiting obvious signs of payment difficulty suggests the underlying reasons for disconnection may have been different in 2020–21. Previously, a large proportion of customers had engaged with forms of payment assistance but were still eventually disconnected. During 2020–21 fewer disconnected customers had received recent payment assistance. This suggests that most customers being disconnected in 2020–21 were those whom retailers were unable to engage with, rather than customers who tried forms of payment assistance but were unable to keep up repayments. The drop in disconnected customers receiving payment assistance reflects the SoE and higher overall levels of retailer caution with disconnecting customers during the pandemic.

Figure 3.36: Residential electricity disconnection customer profiles



Source: AER.

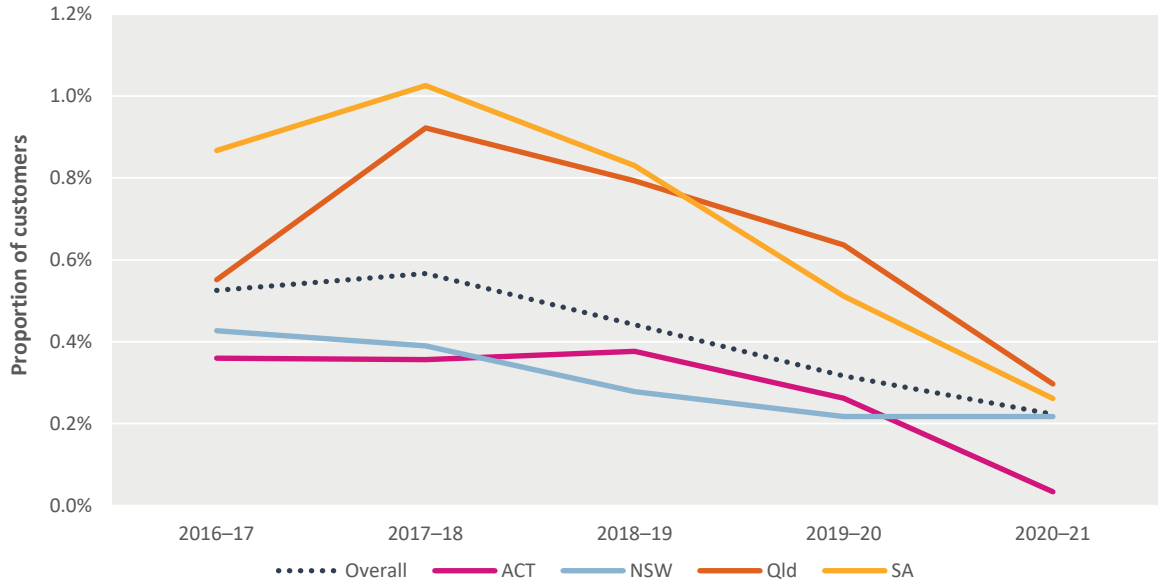
3.5.2 Gas disconnections – residential

Recent gas disconnection trends have been similar to those in electricity (figure 3.37). There were almost no residential gas disconnections in Q4 2020–21, reflecting retailers' response to the COVID-19 pandemic and the AER's SoE. Disconnections resumed in August 2020 and gradually increased during 2020–21 (figure 3.38).

Residential gas disconnections are now closer to pre-pandemic levels than electricity disconnections. Nationally, 0.1% of residential gas customers were disconnected in Q4 2020–21 and the annual national pre-pandemic gas disconnection rate in 2018–19 was around 0.5%, only marginally higher. This may indicate that retailers have been less risk-averse in disconnecting what is typically a customer's secondary fuel.

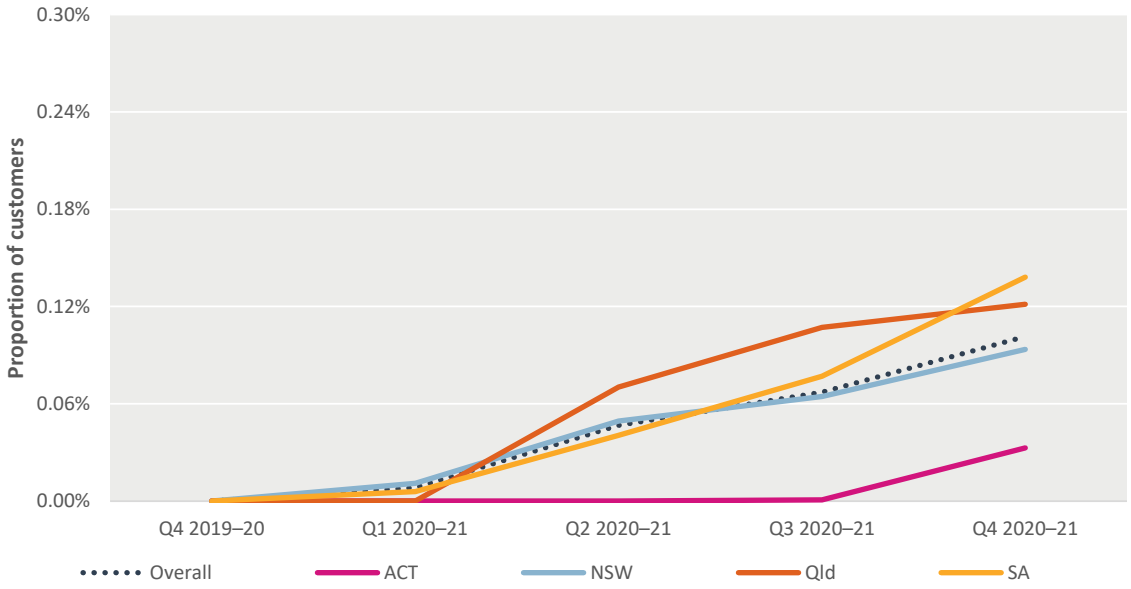
As in the case of electricity, 2020–21 relative gas disconnection rates across jurisdictions were similar to previous years, despite the lower absolute levels. Queensland and South Australia continued to have the highest disconnection rates, reflecting lower energy affordability in South Australia and that gas is mostly a secondary fuel in both these jurisdictions. The ACT continued to have the lowest disconnection rate, while NSW increased its relative disconnection rate slightly.

Figure 3.37: Annual residential gas disconnections as a proportion of customers, by jurisdiction



Source: AER.

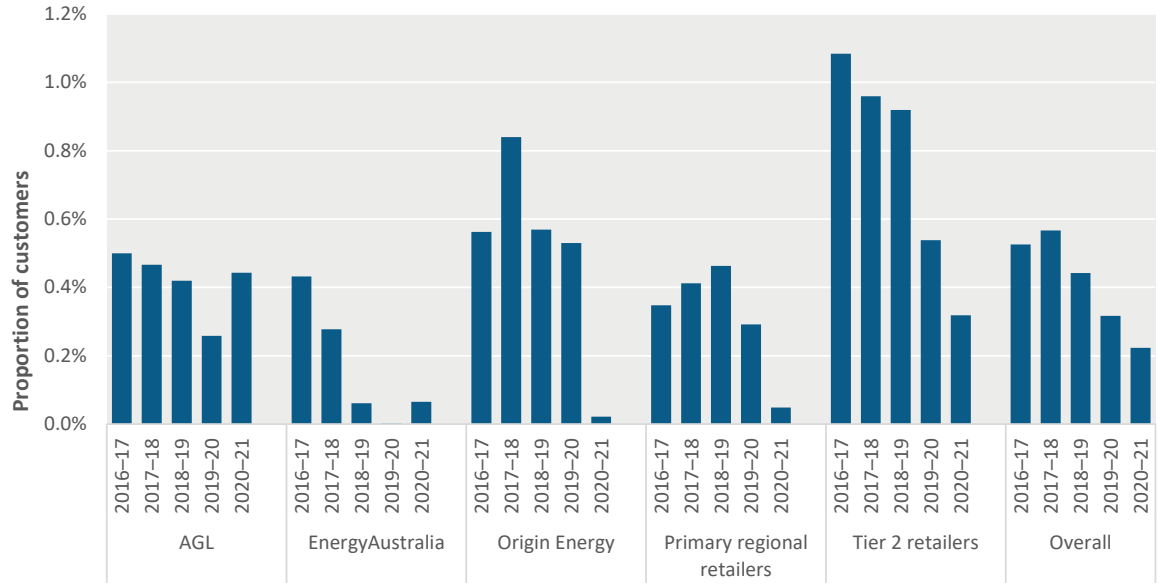
Figure 3.38: Quarterly residential gas disconnections as a proportion of customers, by jurisdiction



Source: AER.

As in the case of electricity, AGL and some Tier 2 retailers resumed disconnections sooner than EnergyAustralia, Origin, ActewAGL and other Tier 2 retailers. AGL's disconnection rate in 2020–21 was higher than in 2019–20 and 2018–19 (figure 3.39).

Figure 3.39: Annual residential gas disconnections as a proportion of customers, by retailer category

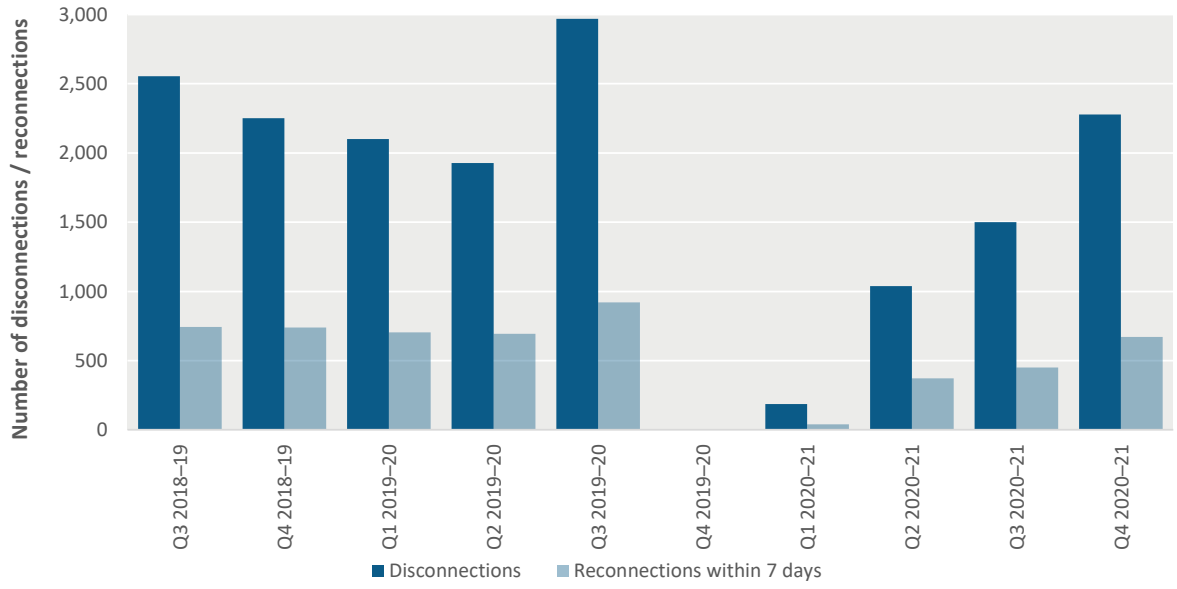


Source: AER.

Reconnections

Gas reconnection rates are lower than electricity, again likely reflecting that gas is often a secondary fuel. Typically, about one-third of disconnected gas customers are reconnected within 7 days by the same retailer and at the same address. This ratio has held steady from Q1 2020–21, despite the lower disconnection rate (figure 3.40).

Figure 3.40: Residential gas disconnections and reconnections, by quarter



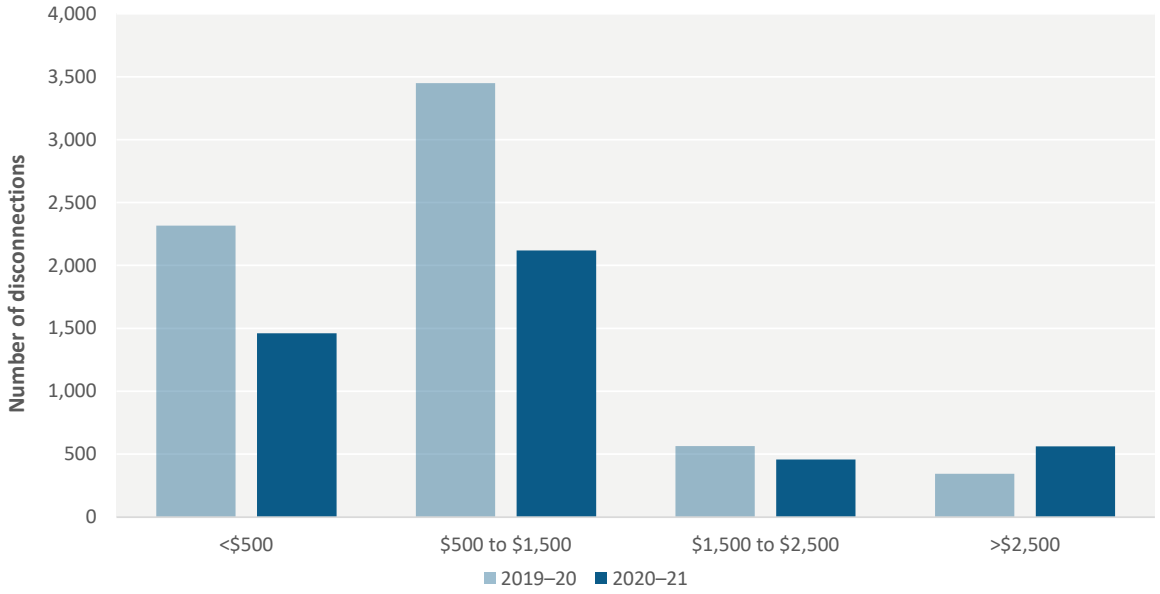
Source: AER.

Debt levels for disconnected customers

Like disconnected electricity customers, gas customers have been disconnected with larger amounts of debt. Before the pandemic, the most common amount of debt at the time of disconnection was between

$500 and $1,500. This remains true in 2020–21, with 46% of gas customers disconnected with debt in this bracket. However, like electricity, debt greater than $2,500 now represents a larger cohort of customers than the $1,500 to $2,500 category in 2020–21 (figure 3.41).

Figure 3.41: Amount of debt at disconnection – residential gas customers

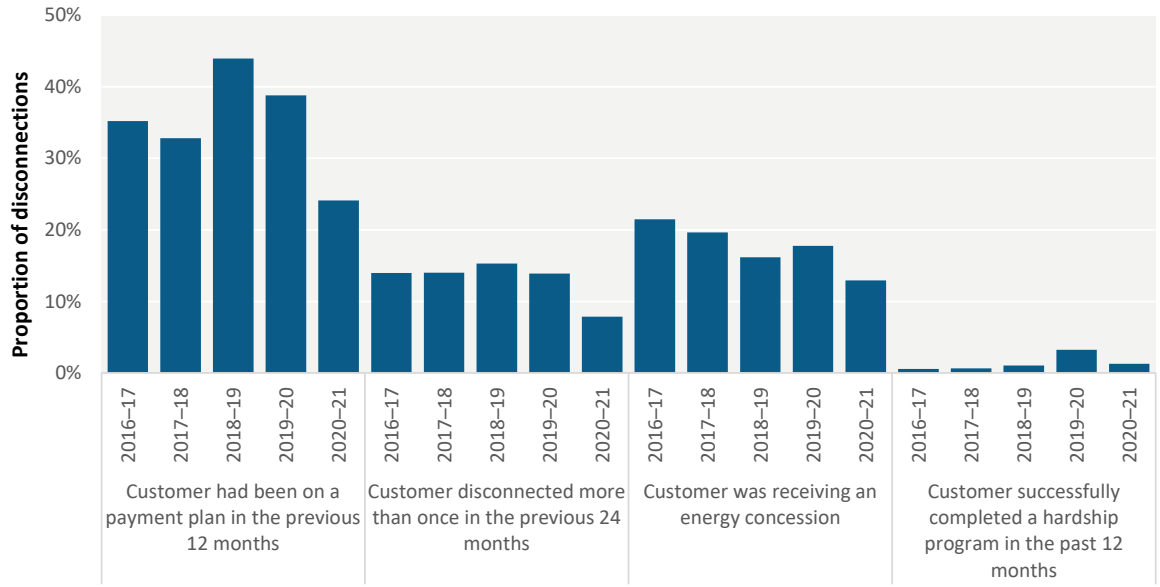


Source: AER.

Customer profiles for disconnected customers

Like in electricity, disconnected gas customer profiles in 2020–21 differed from previous years. A lower proportion of disconnected gas customers were on payment plans, had previously been disconnected or were receiving an energy concession (figure 3.42). This suggests that the gas customers being disconnected were those whom retailers were unable to engage with, rather than gas customers who had tried forms of payment assistance but were unable to maintain repayments.

Figure 3.42: Residential gas disconnection customer profiles



Source: AER.

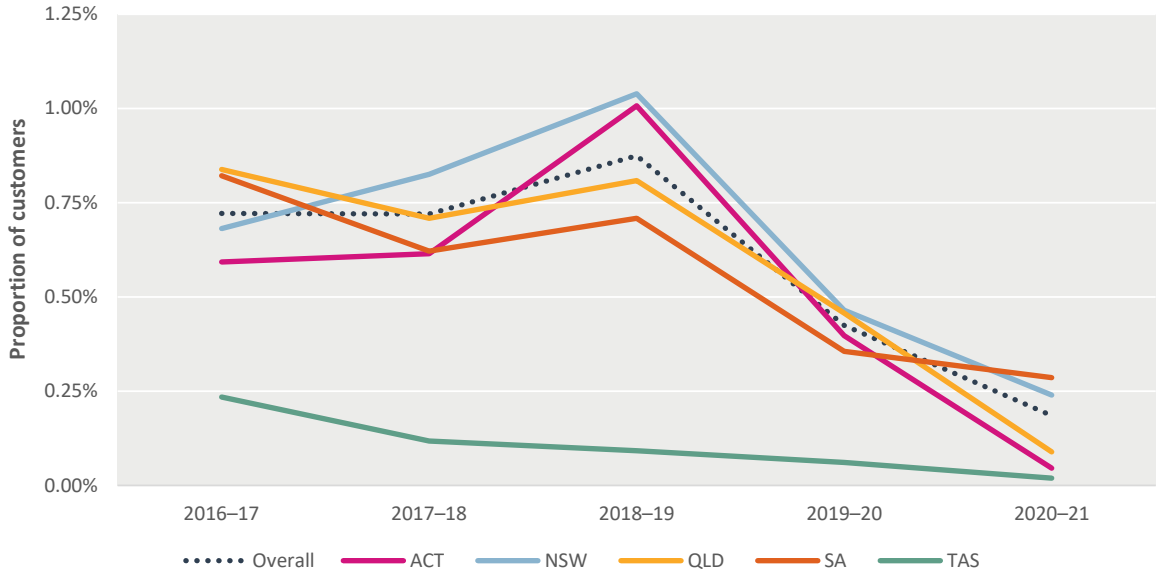
3.5.3 Small business disconnections

Small business disconnection trends broadly mirrored residential trends in 2020–21, for both electricity and gas. There were no small business disconnections in Q4 2019–20, as retailers responded to the COVID-19 pandemic and the AER's SoE. Since then, disconnection rates have trended upwards and have now returned to pre-pandemic levels in the gas market segment, though not yet in electricity.

Disconnection rates in the small business electricity sector peaked in 2018–19 before dropping in 2019–20 and 2020–21 (figure 3.43). The South Australian small business electricity disconnection rate did not fall as much as rates in Queensland, NSW and the ACT. South Australia now has the highest small business electricity disconnection rate across the jurisdictions. The Tasmanian small business electricity disconnection rate continues to be the lowest.

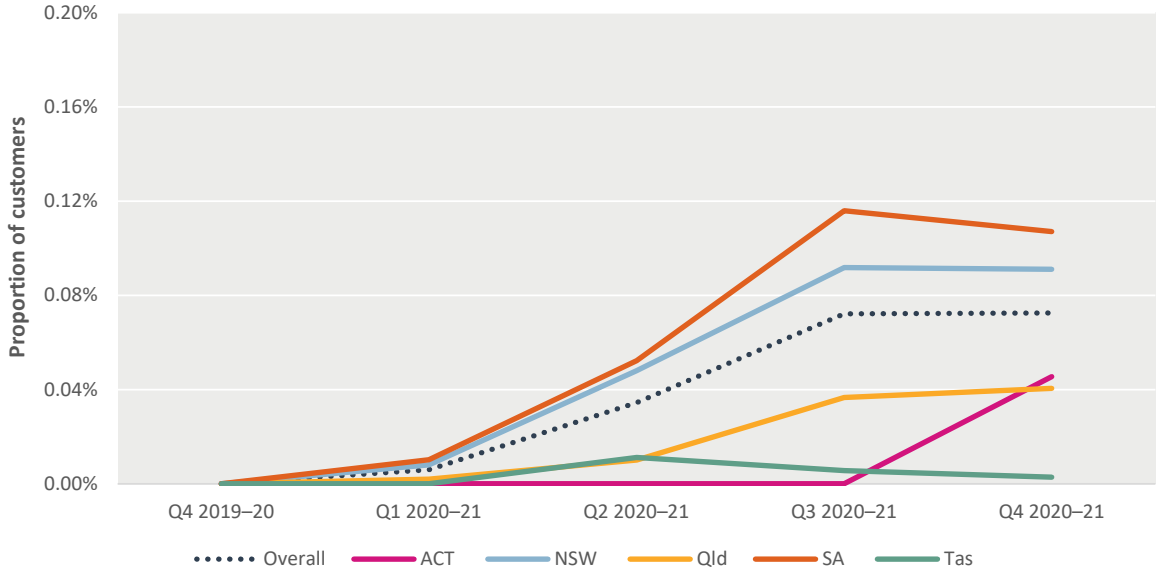
Over the course of 2020–21, small business disconnection rates have trended upwards. However, in most jurisdictions they reached a peak in Q3 2020–21 before levelling off (figure 3.44). This was due to AGL and Tier 2 retailers disconnecting fewer customers in Q4 2020–21 than in Q3 2020–21, offsetting continued increases for Origin, EnergyAustralia and primary regional retailers.

Figure 3.43: Annual small business electricity disconnections as a proportion of customers, by jurisdiction



Source: AER.

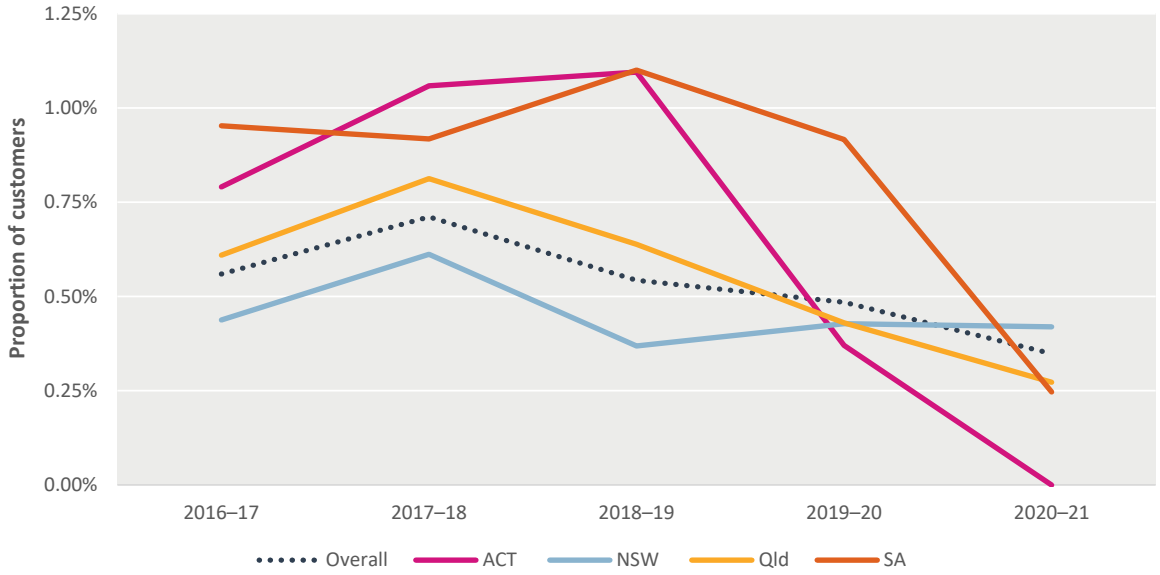
Figure 3.44: Quarterly small business electricity disconnections as a proportion of customers, by jurisdiction



Source: AER.

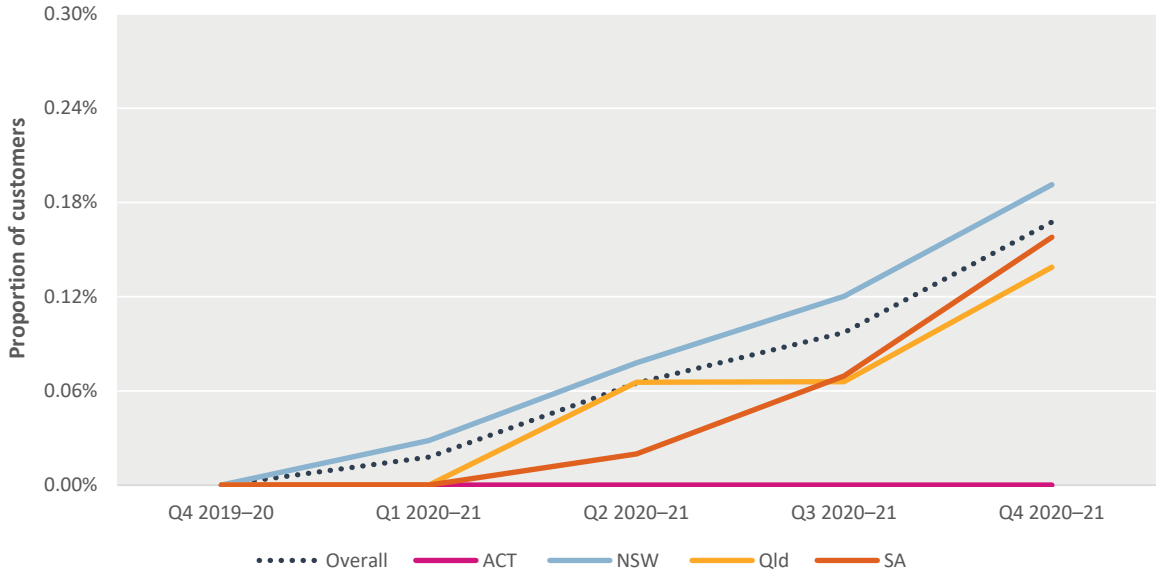
Small business gas is a very small market segment and only 293 disconnections were recorded for 2020–21, down from 401 in 2019–20 (figure 3.45). Nevertheless, disconnection trends in small business gas were similar to those in residential electricity and gas and small business electricity, with no disconnections recorded in Q4 2019–20 and a steady increase during 2020–21 (figure 3.46).

Figure 3.45: Annual small business gas disconnections as a proportion of customers, by jurisdiction



Source: AER.

Figure 3.46: Quarterly small business gas disconnections as a proportion of customers, by jurisdiction



Source: AER.

Like in the residential sector, small business debt at the time of disconnection has increased during the pandemic. Once again, this reflects a trend toward higher debt levels across the retail energy market.

We encourage retailers to work with their small business customers to avoid disconnection, including through using the AER's Sustainable Payment Plan Framework[49] which includes retailer guidance on how to engage with small businesses when tailoring payment plans.

3.6 Credit collection

A retailer may refer a customer to a credit collection agency for debt recovery when the retailer cannot recover a customer's debt. This is the final stage in a customer facing payment difficulties. The customer may hold a current and active account or a closed account with the retailer. Commonly, customers are no longer being billed by the retailer.

As discussed in section 1.4.1, the AER is developing a Consumer Vulnerability Strategy to provide better outcomes for consumers experiencing payment difficulty and the energy market more broadly. Part of this strategy aims to promote effective and tailored assistance for consumers facing payment difficulties. Hopefully, this will assist customers before they are referred to a credit collection agency. The scope of the strategy and its work program also considers the risks and costs retailers face in supporting customers, including the risks and costs associated with credit collection activities.

Given the restrictions imposed to limit the spread of COVID-19, which resulted in the closure of businesses and increased unemployment over this period, we expected the number of customers referred by retailers to external credit collectors to increase. However, to provide extra protection and support to customers and the market through the COVID-19 pandemic, on 9 April 2020 the AER introduced SoE. The SoE recommended retailers defer referrals of customers who may be in financial stress to debt collection agencies for recovery actions or credit default listing.

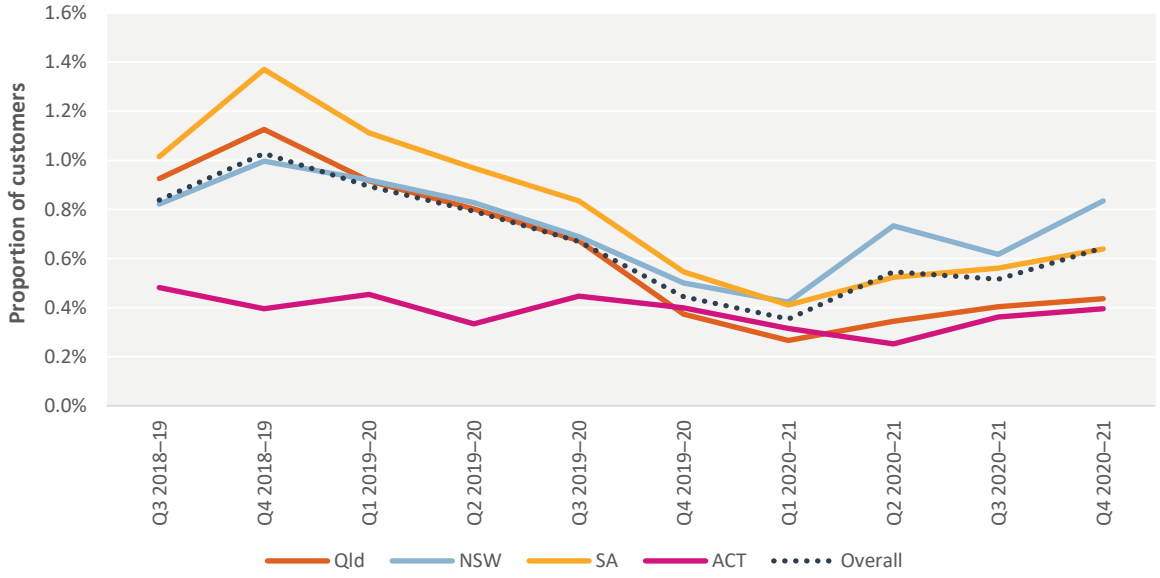
Reflecting the SoE recommendations, credit collection referrals decreased for most jurisdictions from Q4 2018–19 to a low in Q1 2020–21. Credit referrals slowly increased over the period from Q1 2020–21 to Q4 2020–21. However, these are not significantly high compared with the levels before the pandemic in Q3 2018–19 to Q2 2019–20 (figure 3.47).

[49] See more information on the Sustainable Payment Plan Framework.

Historically, South Australia has had the highest proportion of electricity customers referred to credit collection agencies. However, from Q1 2020–21 to Q4 2020–21 NSW reported the highest number of residential customers referred to a credit collection agency, driven by Tier 1 retailers. Part of the reason NSW has crept above South Australia is due to significant reductions in credit referrals in South Australia by 2 of its largest retailers – Simply Energy and AGL.

In contrast, Tasmania has historically recorded the lowest proportion of residential customers referred to credit collection agencies. This is because Aurora, Tasmania's largest retailer, does not refer customers to credit collection agencies and manages all debt issues in-house. The small increase in the final 3 quarters of 2020–21 is a result of credit collection activities by one of the retailers that has recently entered the Tasmanian market.

Figure 3.47: Proportion of residential electricity customers referred by retailers to credit collection agencies, by jurisdiction

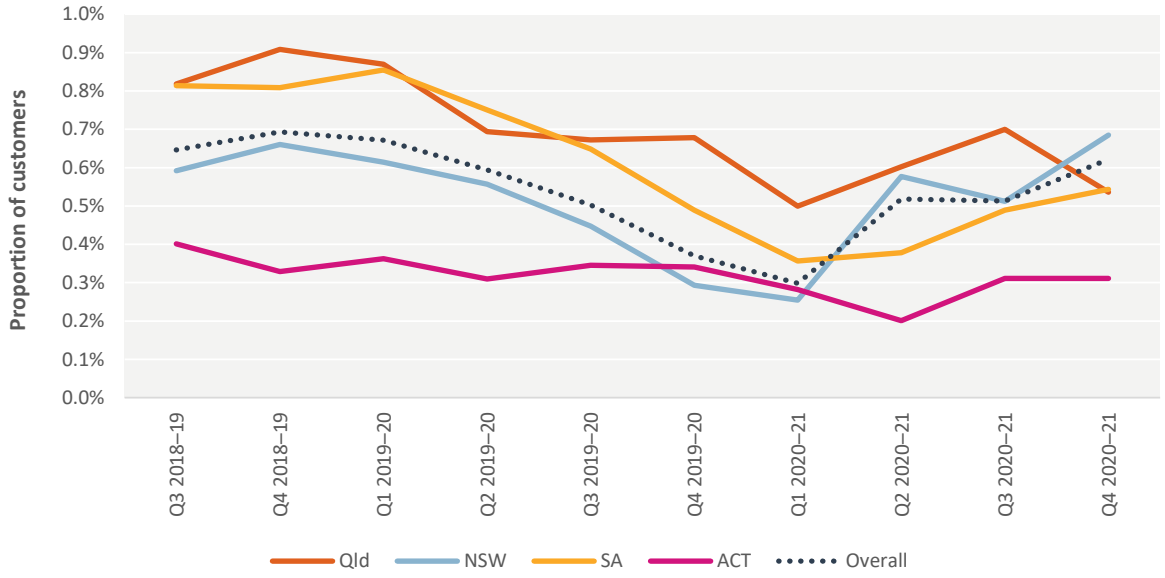


Note: The AER does not collect credit collection data for small businesses. These credit collection indicators were first reported in Q3 2018–19 and this is the first time they are being reported in a time series.

Source: AER.

The proportion of residential gas customers referred to credit collection agencies is very low compared with overall residential gas customers. Before the pandemic there was an overall downwards trend for all jurisdictions until Q1 2020–21 (figure 3.48). From Q1 2020–21 to Q4 2020–21 credit referral levels fluctuated. Customers tend to prioritise repaying electricity bills because gas is a secondary fuel source mainly used for heating, hot water or stove tops. This coupled with increasing levels of residential debt may explain the increasing rates of gas customers referred to credit collection agencies over this period.

Figure 3.48: Proportion of residential gas customers referred by retailers to credit collection agencies, by jurisdiction



Source: AER.

Credit defaults

Credit defaults refer to current or previous residential customers who have had a credit default applied against their name for debt associated with the retailer. This is after the customer has been referred to a credit collection agency, or an internal credit collection process, for the purposes of debt recovery.

Credit defaults can have a greater negative effect on a customer than solely being referred to a credit collection agency. A credit default applied against a customer will remain on record for 5 years and is viewed unfavourably by many credit providers because it shows that you have failed to pay off debt in the past, increasing the level of risk associated with you as an applicant.[50]

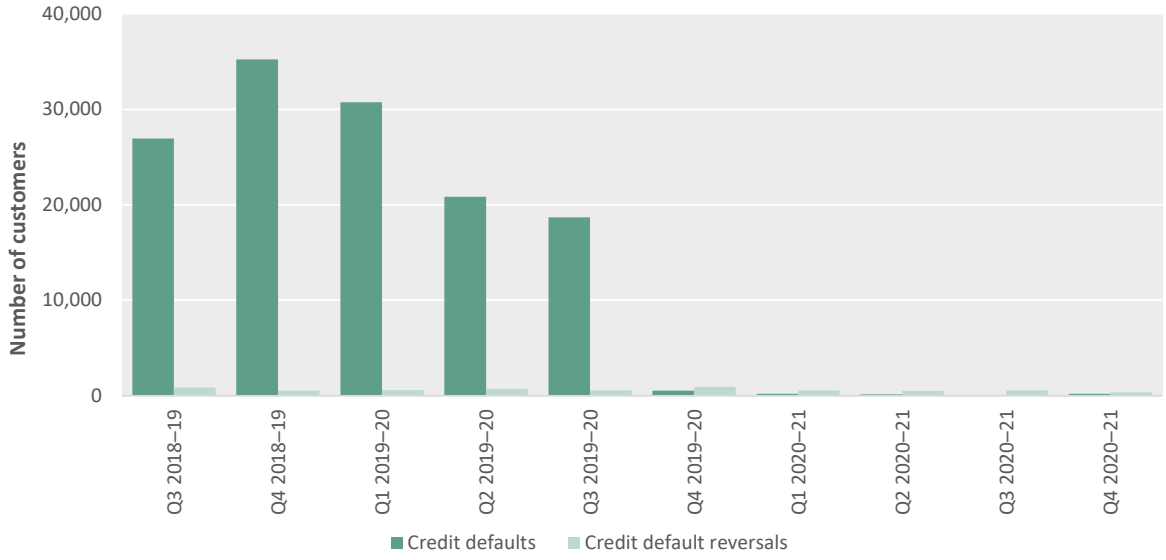
In addition, a credit default may mean that a customer cannot access low-cost market contracts and may result in the customer paying more (compounding their hardship and payment difficulties) and being placed on a standing energy contract. It may also impact a customer's financial borrowing power and other services that require a good credit history outside of the energy market.

Before the pandemic, the level of credit defaulted residential electricity customers peaked in Q4 2018–19 at 35,221 and then trended down to 18,691 in Q3 2019–20 (figure 3.49). Compared with credit referrals, credit defaults dropped significantly in Q4 2019–20 (coinciding with the SoE requirements to defer all credit defaults) and further decreased to near zero levels until Q4 2020–21. This suggests that, in complying with the SoE requirements, retailers protected customers experiencing financial difficulty against credit defaults during the pandemic.

The number of residential electricity customers who had a credit default reversed remained relatively steady except for 2 peaks in Q3 2018–19 (855) and Q4 2019–20 (933). The Q4 2019–20 credit reversal peak, at the height of the pandemic, coincided with the drop in credit defaults. Since Q4 2019–20 credit reversals have steadily decreased.

[50] https://www.oaic.gov.au/privacy/credit-reporting/what-stays-on-a-credit-report

Figure 3.49: Credit defaults and credit reversals of residential electricity customers

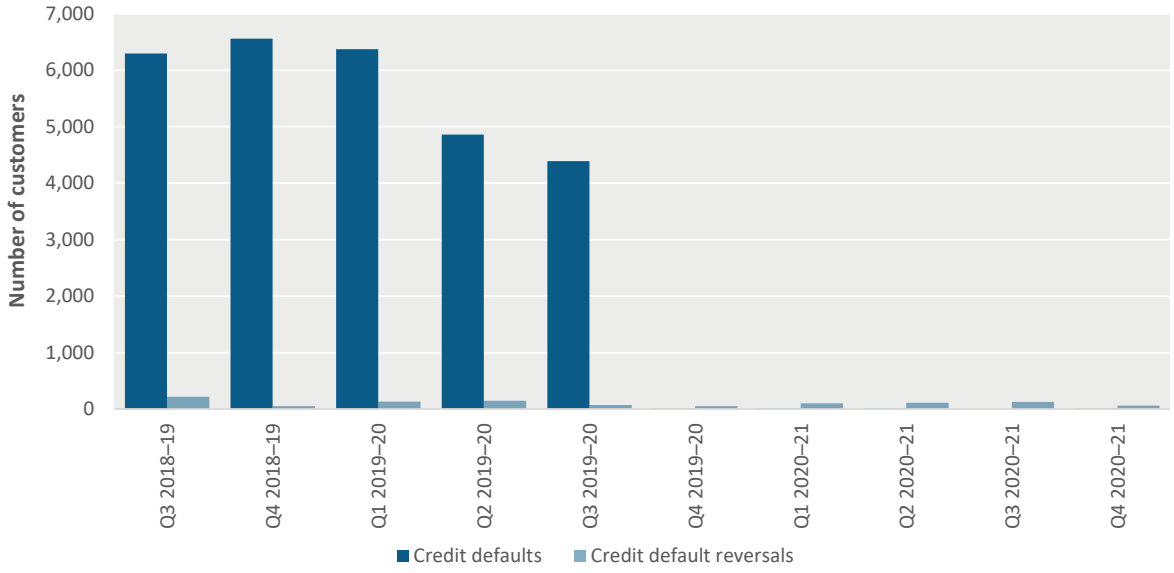


Source: AER.

Gas customers followed a similar trend to electricity customers for both credit defaults and credit reversals. Before the pandemic, gas customers who were credit defaulted remained relatively stable from Q3 2018–19 to Q1 2019–20 and then declined until Q3 2019–20 at 4,392 customers (figure 3.50). Like electricity customers, coinciding with the SoE requirements, gas customers dropped to a record low of 8 in Q4 2019–20 and have remained at around that level since.

Gas credit reversals have fluctuated slightly but remain at a very small proportion compared with credit defaults, implying that the pandemic had no effect on gas credit reversals. There was a slight decrease in Q3 2019–20 and Q4 2019–20. However, since Q1 2020–21 gas credit reversals have been slightly increasing. The exception is Q4 2020–21, when levels dropped back to a similar level to the same quarter the year before in Q4 2019–20. NSW has typically recorded the most default reversals over the time series compared with other jurisdictions.

Figure 3.50: Credit defaults and credit reversals of residential gas customers



Source: AER.

4 Customer service

Key findings

- Customer complaints to retailers fell by between 17% and 36% across the majority of jurisdictions in 2020–21 compared with 2019–20.
- Billing complaints account for over half of all complaints made to retailers and jurisdictional ombudsman.
- Nationally there were no major changes to call centre responsiveness indicators in 2020–21.
- Major retailers saw a general deterioration in 2 indicators – calls taken within 30 seconds and average wait times – but improved in the calls abandoned before being answered indicator.

Customers may contact their retailer for various reasons, including billing enquiries, payment assistance, seeking better deals or to lodge a complaint. A high level of retailer customer service should help give customers confidence that their needs are being considered and met where possible. It may also be a deciding factor in which retailer they choose to take up a plan with.

To assess retailer customer service, we examine 2 groups of indicators focused on customer complaints and call centre responsiveness.

Retailers report on the number and type of complaints received as well as how quickly they respond to enquiries or complaints each quarter.

Complaints data is categorised as follows:

- billing – includes complaints about prices, billing errors, payment arrangements and debt recovery practices
- energy marketing – includes complaints about sales practices, advertising, contract terms and misleading conduct
- customer transfer – includes complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- smart meters – includes all complaints related to metering contestability
- other – includes any complaints not covered by the categories above.

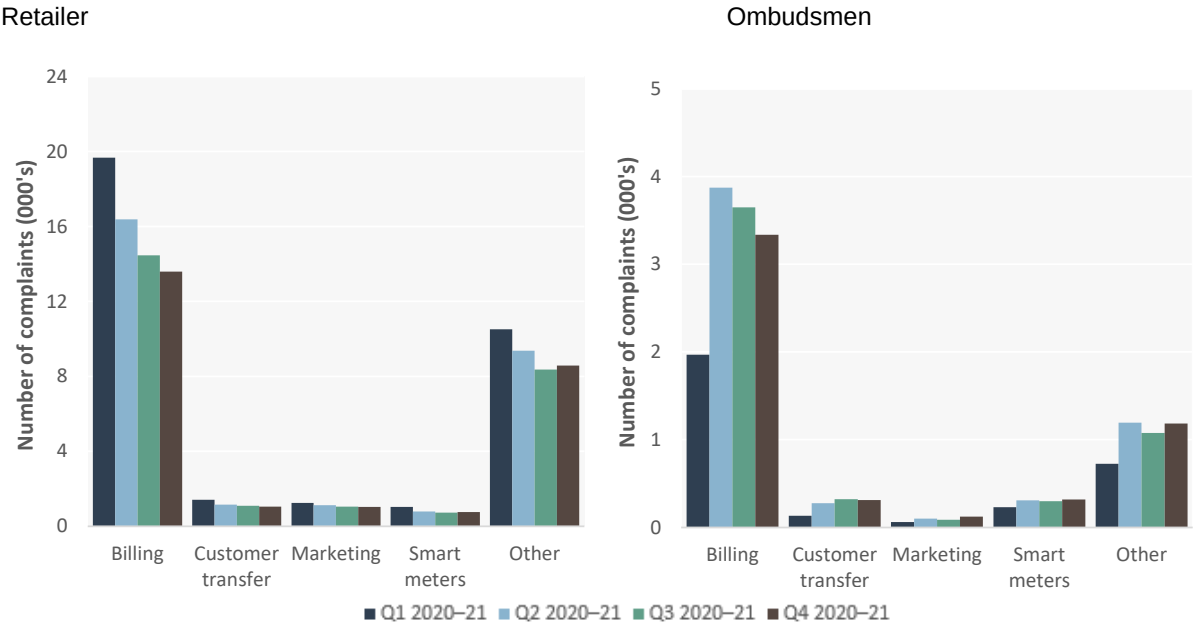
Complaints data is also collected from all relevant jurisdictional ombudsmen. This data is useful for looking at the number of complaints and the type of complaints that were not able to be promptly resolved by a retailer and led to a customer engaging with an ombudsman for further assistance.

4.1 Complaints

From 2019–20 to 2020–21 the total number of complaints to retailers fell by between 17% and 36% across Queensland, NSW, South Australia and Tasmania. The ACT was the only jurisdiction that had a rise in complaints (7%) but had by far the lowest number of total complaints when compared with other jurisdictions. This trend of a decreasing number of complaints has been occurring for several years. Combined across all relevant jurisdictions, the proportion of customers making complaints has decreased from 8.2% of total customers in 2016–17 to 1.5% in 2020–21. From 2016–17 to 2020–21 billing accounted for more than half of all complaints made to retailers each year.

The focus of complaints to retailers from residential customers on billing continued in 2020–21. This trend also flowed through to complaints received by ombudsmen with billing representing over 60% of all complaints received every quarter in 2020–21 (figure 4.1).

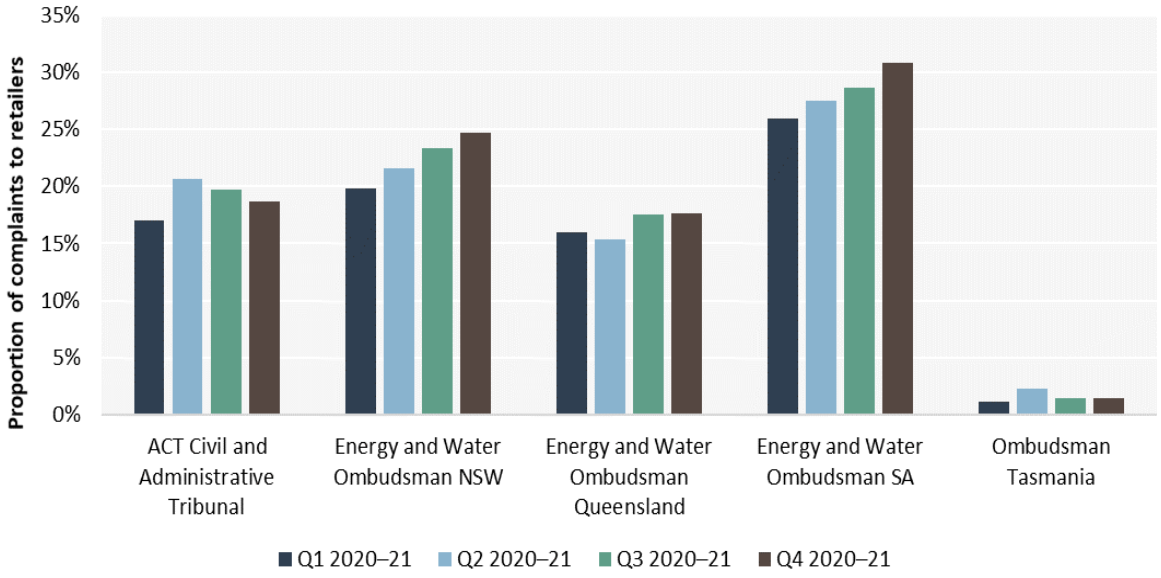
Figure 4.1: Customer complaints, by type



Source: AER; ACT Civil and Administrative Tribunal, Energy and Water Ombudsman NSW, Energy and Water Ombudsman Queensland, Energy and Water Ombudsman SA, Energy and Water Ombudsman Tasmania.

Data received from each jurisdictional ombudsman highlights the number of complaints made by customers that were unable to be resolved by a retailer and required further assistance (figure 4.2). When compared with total complaints made to retailers in each jurisdiction, the ombudsman data highlights that, for most jurisdictions, customers seek further assistance for around 15% to 30% of all complaints made to retailers. Tasmania varies significantly from the other jurisdictions with only 1-2% of all complaints having been progressed to the ombudsman.

Figure 4.2: Ombudsman complaints as a proportion of residential complaints



Source: ACT Civil and Administrative Tribunal, Energy and Water Ombudsman NSW, Energy and Water Ombudsman Queensland, Energy and Water Ombudsman SA, Energy and Water Ombudsman Tasmania.

Comparing the number of complaints to retailers with the number progressed by customers to the relevant ombudsman provides an indication of a retailer's service performance. Table 4.1 shows how many complaints were received by each retailer across the previous 2 financial years and how many complaints were made to ombudsmen against each retailer.

A high proportion of escalations to an ombudsman indicates a retailer may not be resolving complaints effectively; conversely, a low proportion of complaints escalated to an ombudsman suggests a retailer may have effective dispute resolution processes.

Aurora Energy and Ergon Energy were the only major retailers to have more complaints about them raised with ombudsmen in 2020–21, but both have the lowest proportion of complaints raised with ombudsmen compared to total retailer complaints.

Complaints made to AGL dropped by 64% in 2020–21. Despite this, 29% of all complaints made to AGL were progressed to an ombudsman, the highest of all major retailers.

Across the industry, complaints to retailers represent 2% of customers and 17% of these are being referred to ombudsmen. However, the range of outcomes across retailers is broad.

Table 4.1: Complaints to retailers and ombudsman

	Complaints to the retailer		As a proportion of customers	Complaints to the ombudsman		As a proportion of retailer complaints
	2019–20	2020–21	2020–21	2019–20	2020–21	2020–21
Major retailers						
ActewAGL	1,235	1,035	1%	780	237	23%
AGL	41,706	15,218	1%	5376	4382	29%
Aurora Energy	12,197	9,908	4%	66	123	1%
EnergyAustralia	17,806	17,696	2%	4380	2676	15%
Ergon Energy	3,844	3,078	0%	0	376	12%
Origin Energy	26,598	27,189	1%	7865	5981	22%
Tier 2 retailers						
1st Energy	395	731	3%	210	159	22%
Alinta Energy	13,782	9,620	3%	1974	1207	13%
Altogether	41	202	2%	4	0	0%
Apex Energy	0	1	0%	0	0	0%
Amaysim Energy	1,203	1,018	1%	624	369	36%
Arc Energy	66	229	4%	40	86	38%
Blue NRG	476	850	11%	41	47	6%
CleanPeak Energy	11	4	4%	0	2	50%
CovaU	110	79	1%	74	55	70%
Diamond Energy	23	22	0%	37	29	132%
Discover Energy	11	187	3%	1	1	1%
Dodo	782	1,359	3%	344	377	28%
Electricity in a Box	0	1	1%	0	2	200%
Elysian Energy	2	6	1%	5	6	100%
Energy Locals	232	564	2%	99	196	35%
Enova Energy	89	114	1%	9	18	16%
Enwave Mascot	5	9	4%	3	0	0%

	Complaints to the retailer		As a proportion of customers	Complaints to the ombudsman		As a proportion of retailer complaints
	2019–20	2020–21	2020–21	2019–20	2020–21	2020–21
Evergy	17	18	2%	18	7	39%
Future X Power	50	78	5%	1	17	22%
GloBird Energy	8	36	0%	7	14	39%
Glowpower	0	48	5%	0	1	2%
Humenergy	20	114	15%	13	41	36%
Locality Planning Energy	118	50	0%	28	27	54%
Lumo Energy	1,590	1,693	4%	426	232	14%
Metered Energy	196	117	1%	0	0	0%
Mojo Power	78	423	6%	30	48	11%
Momentum Energy	1,368	1,218	3%	207	127	10%
Nectr Energy	12	177	1%	1	14	8%
Next Business Energy	34	51	1%	35	16	31%
OC Energy	0	0	0%	18	2	0%
OVO Energy	20	125	3%	0	14	11%
People Energy	45	33	9%	22	4	12%
Pooled Energy	221	161	10%	6	3	2%
Power Club	48	99	11%	13	23	23%
Powerdirect	1725	762	1%	317	152	20%
PowerHub	5	2	0%	0	0	0%
Powershop	363	404	1%	85	83	21%
Qenergy	232	216	2%	80	61	28%
Radian Energy	0	1	1%	0	0	0%
Real Utilities	2	2	0%	2	3	150%
ReAmped Energy	138	227	1%	35	115	51%
Red Energy	9,149	12,793	4%	841	563	4%
Savant Energy	1	14	0%	7	4	29%
Simply Energy	9,876	5,033	3%	1412	1474	29%
Sumo Power	436	207	1%	73	92	44%
Tango Energy	5	32	1%	0	5	16%
The Embedded Networks Company	0	2	0%	0	11	550%
Winconnect	44	120	2%	104	75	63%
Total	**144,649**	**112,412**	**2%**	**25,288**	**19,557**	**17%**

Notes:

Proportional figures have been rounded to the nearest whole number.

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

Complaint-counting methodology may vary by ombudsman, which can lead to variances between retailers based on the jurisdictions in which their customer base is located.

Amaysim customers are sourced from Q3 2020–21.

Source: ACT Civil and Administrative Tribunal, Energy and Water Ombudsman NSW, Energy and Water Ombudsman Queensland, Energy and Water Ombudsman SA, Energy and Water Ombudsman Tasmania; AER. Data as at 30 June each year.

4.2 Call centre responsiveness

In table 4.3 we use a traffic light system to provide an overview of retailers' performance in relation to our call responsiveness indicators.

Table 4.2: Retailer call centre responsiveness traffic light codes

Indicator	Green	Amber	Red
Calls taken within 30 seconds	80% or more	51% to 79%	50% or less
Average wait time	30 seconds or less	31 seconds to 59 seconds	60 seconds or longer
Calls abandoned before being answered	5% or less	6% to 9%	10% or more

The table groups retailers by:

- major retailers – includes Tier 1 retailers (AGL, Origin Energy and EnergyAustralia) and primary regional retailers (ActewAGL, Aurora Energy and Ergon Energy)
- Tier 2 retailers – all retailers not included in the 'major retailers' category.

Nationally call centre responsiveness indicators have not changed significantly in 2020–21 compared with 2019–20. When comparing major retailers to all other retailers, major retailers saw a general deterioration in both calls taken within 30 seconds and average wait times but improved in the calls abandoned indicator. For all other retailers there was an overall improvement in calls taken within 30 seconds and calls abandoned indicators but average wait times worsened.

For major retailers, Aurora Energy was the only retailer in this group that performed worse in 2020–21 for calls abandoned before answered.[51] All other major retailers were able to achieve a 'green' standard, which may be a result of the 13% decrease in number of calls in 2020–21. This trend also continued for all other retailers, with 26 retailers meeting the green standard in 2020–21 compared with 21 in 2019–20.

All major retailers' average wait times were 60 seconds or longer in 2020–21, falling in the 'red' standard. For all other retailers, 20 were able to meet the 'green' standard, down from 25 in 2019–20. For calls taken within 30 seconds, major retailers had mixed results while all other retailers saw broad improvements – more retailers achieved 'amber' standard than the previous year.

Table 4.3: Retailer call responsiveness

	Calls taken within 30 seconds (%)		Average wait time (sec)		Calls abandoned before answered (%)	
Major retailers	**2019–20**	**2020–21**	**2019–20**	**2020–21**	**2019–20**	**2020–21**
ActewAGL	63%	62%	87	97	6%	5%
AGL	80%	62%	34	68	2%	5%
Aurora Energy	47%	36%	70	242	8%	20%
EnergyAustralia	66%	69%	101	111	5%	5%
Ergon Energy	39%	56%	158	94	6%	5%
Origin Energy	53%	65%	145	82	10%	4%
Tier 2 retailers						
1st Energy	82%	75%	30	41	7%	7%
Alinta Energy	78%	83%	37	22	3%	1%
Altogether	49%	38%	31	47	11%	12%
Amayism Energy	81%	86%	32	24	2%	2%

[51] Aurora Energy advised they experienced issues with call centre staff resourcing early in the year which had an impact on their call centre performance.

	Calls taken within 30 seconds (%)		Average wait time (sec)		Calls abandoned before answered (%)	
Apex Energy	-	95%	-	15	-	0%
Arc Energy	75%	64%	83	113	6%	8%
Blue NRG	69%	62%	33	46	16%	20%
Bright Spark Power	92%	93%	9	10	4%	5%
CleanPeak Energy	86%	86%	25	24	0%	14%
CovaU	94%	91%	10	10	1%	1%
Diamond Energy	-	100%	-	0	-	0%
Discover Energy	95%	96%	25	23	4%	1%
Dodo	94%	56%	73	155	6%	10%
Electricity in a Box	-	77%	-	27	-	12%
Elysian Energy	84%	96%	27	39	3%	4%
Energy Locals	82%	64%	27	62	4%	6%
Enova Energy	77%	73%	43	75	8%	7%
Enwave Mascot	49%	44%	153	75	24%	11%
Evergy	74%	75%	34	10	7%	19%
Future X Power	92%	94%	22	23	6%	3%
GloBird Energy	49%	53%	115	104	18%	13%
Glowpower	-	68%	-	53	-	9%
Humenergy	76%	77%	22	21	24%	23%
Locality Planning Energy	90%	92%	19	35	5%	8%
Lumo Energy	75%	84%	74	21	5%	1%
Metered Energy	86%	87%	17	20	1%	2%
Mojo Power	0%	67%	0	33	54%	9%
Momentum Energy	54%	80%	209	38	13%	3%
Nectr Energy	94%	64%	20	47	26%	10%
Next Business Energy	79%	88%	16	15	0%	1%
OVO Energy	90%	88%	6	48	12%	3%
People Energy	0%	65%	0	31	27%	5%
Pooled Energy	77%	75%	74	53	6%	6%
Power Club	2%	19%	63	158	44%	71%
Powerdirect	85%	67%	30	133	3%	8%
PowerHub	100%	86%	5	33	0%	4%
Powershop	43%	61%	116	71	10%	6%
Qenergy	93%	63%	3	35	7%	11%
Radian Energy	-	78%	-	65	-	10%
Real Utilities	81%	80%	28	38	3%	5%
ReAmped Energy	94%	98%	2177	1221	1%	1%
Red Energy	38%	52%	123	68	9%	5%
Savant Energy	98%	98%	8	8	3%	2%
Shell Energy	97%	95%	9	12	2%	3%
Simply Energy	82%	77%	35	111	3%	5%
Smart Energy	-	86%	-	42	-	5%
Social Energy	-	92%	-	52	-	12%
Sumo Power	39%	40%	174	106	9%	6%

	Calls taken within 30 seconds (%)		Average wait time (sec)		Calls abandoned before answered (%)	
Sustainable Saving	-	100%	-	10	-	0%
Tango Energy	84%	94%	25	26	3%	2%
Tas Gas	90%	-	30	-	5%	-
The Embedded Networks Company	95%	86%	17	25	6%	2%
Winconnect	42%	53%	30	70	17%	6%
National Total	**63%**	**64%**	**100**	**80**	**6%**	**6%**

Notes: Apex Energy, Electricity in a Box, Glowpower, Radian Energy, Smart Energy and Social Energy reported customers for the first time in 2020–21

Sustainable Saving Energy reported a small number of customers in 2019–20, but no calls.

Diamond Energy failed to report any call centre data in 2019–20; in 2020–21 they reported their total number of calls but do not appear to have properly reported on anything else.

People Energy and Mojo Power reported they implemented a temporary phone system in 2019–20 which was unable to provide them with call wait times and which contributed to a higher call abandonment rate.

OC Energy's call centre data is included in the reporting for its parent company, Origin Energy.

Data as at 30 June each year.

Source: AER.

Appendix 1: Prepayment meters

A small number of residential customers in Tasmania have electricity prepayment meters (PAYG) installed. Table A1.1 shows the number of customers using PAYG (as at the end of June each year), as well as the number and length of self-disconnections[52] that occurred over the past few years.

In 2020–21 the number of customers with prepayment meters decreased from previous years. Prepayment meters in Tasmania have been gradually phased out since late 2018. During 2019, Aurora Energy conducted a large project to switch customers to newer Type 4 meters. A small number of residual prepayment meters remain which will be decommissioned in the future.

Table A1.1: Disconnection of customers using prepayment PAYG meters in Tasmania

Date	PAYG customers	PAYG systems capable of detecting and reporting self-disconnections	Self-disconnection events	Average duration of self-disconnection events
2012–13	33,158	4,662	1,068	237
2013–14	30,640	7,194	2,069	290
2014–15	29,612	8,902	2,632	327
2015–16	26,670	10,854	3,098	246
2016–17	23,641	10,911	3,232	262
2017–18	21,076	10,841	2,915	252
2018–19	10,599	4,589	2,493	221
2019–20	26	-	430	146
2020–21	10	-	-	-

Source: AER.

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

Appendix 2: Pricing and affordability methodology

For our pricing analysis we estimate annual bill costs for market and standing offers within each jurisdiction using a range and median of offers. These are comprised of:

> average annual household electricity and gas use in each major distribution area

> retail electricity and gas offers in each major distribution area.

We measure energy affordability for each distribution area, based on:

> annual market and standing offer bill costs

> concessions offered to those who may experience financial hardship

> household disposable income.

These inputs are outlined in more detail below.

Annual bill cost

The calculation of an annual bill cost is comprised of several components including usage levels, usage charges, supply charges, and other fees such as membership or metering fees. Figure A2.1 disaggregates these components and highlights the components that feed into a retailer's offer.

Figure A2.1: Components of retail annual bill costs

Energy use

Our sources for estimating energy use vary across electricity and gas, due to the differing availability of public information. The levels of electricity and gas use applied in our analysis can be found in tables A2.1 and A2.2.

Electricity

We based our analysis on the average household electricity use for each major distribution area in each year. This is sourced from information provided by distribution network businesses in response to Regulatory Information Notices (RIN) issued by the AER. This data includes the total electricity use for all residential users (including through controlled loads), and total residential customer numbers. This data is collected on a financial year basis for all regions.

Table A2.1: Average annual electricity use

Jurisdiction	Distribution area	Average annual electricity usage per customer (kWh)				
		2016–17	2017–18	2018–19	2019–20	2020–21
Queensland	Energex	5,816	5,641	5,712	5,808	5,782
	Ergon Energy	6,220	5,823	5,838	6,167	6,305
NSW	Ausgrid	5,731	5,496	5,513	5,472	5,406
	Endeavour Energy	6,683	6,370	6,346	6,096	6,029
	Essential Energy	6,304	6,089	6,093	6,014	6,088
ACT	Evoenergy	7,009	6,545	6,588	6,372	6,370
South Australia	SA Power Networks	5,104	4,752	4,671	4,606	4,662
Victoria	AusNet	5,018	4,507	4,612	4,731	4,701
	CitiPower	4,500	4,353	4,351	4,494	4,362
	Jemena	4,278	4,172	4,162	4,475	4,355
	Powercor	5,063	4,936	4,967	5,161	5,036
	United Energy	4,633	4,526	4,541	4,740	4,662
Tasmania	TasNetworks	7,982	7,976	7,975	8,202	8,478

Source: Economic benchmarking regulatory information notice (RIN) responses provided by network businesses to the AER.

Gas

We source average gas use estimates for each jurisdiction from a 2020 bill benchmarking survey conducted by Frontier Economics on behalf of the AER. These surveys are completed every 3 years. The average use for a jurisdiction is applied to all distribution areas in that jurisdiction.

Table A2.2: Annual gas use

Annual gas usage per customer (MJ)				
Queensland	NSW	ACT	South Australia	Victoria
7,238	18,384	34,927	16,199	49,799

Source: Frontier Economics to the AER, Residential energy consumption benchmarks, December 2020.

Energy offers

We collect offer details for both electricity and gas from our energy price comparison website, EnergyMadeEasy (www.energymadeeasy.gov.au). For Victoria, we collect tariff details from the Department of Environment, Land, Water and Planning, based on information submitted by retailers to the Victorian Energy Compare website (https://compare.switchon.vic.gov.au).

Our analysis is based on all unique generally available offers in each distribution area at June 2017, June 2018, June 2019, June 2020, February 2021 and September 2021. We only consider single rate offers, which represent the most common offer type that energy customers are on. We filter these offers to remove those with additional elements above an accessible, energy-only basic offer. For example, we remove offers with a solar/green component and offers that have specific eligibility criteria.

Annual bill calculation

We use the energy use estimates in tables A2.1 and A2.2 to calculate an annual bill cost for each single rate offer. The range of offers illustrates the price spread between the highest and lowest offer in each distribution area. We use the median (rather than a simple average) to ensure the analysis is not skewed by a small number of very cheap or very expensive offers.

The annual bill estimates include key conditional discounts offered by energy retailers (such as discounts for paying on time or paying by direct debit) but exclude discounts for bundling, dual fuel offers or actions unrelated to energy consumption (such as 'refer a friend' rewards). The value of non-cash incentives is also excluded. Fees or credits that customers cannot avoid in the first year of a contract (such as sign-on, membership or metering fees, or loyalty bonuses) are included in the annual bill calculation.

We take seasonal pricing into account when calculating the annual bills, but we assume a consistent level of energy use throughout the year.

Electricity

In this report we conduct 2 types of analysis in electricity.

For analysis of trends in prices, we keep electricity use constant for the time series by applying the figures for the latest year for each distribution area. We then divide the annual bill by average electricity use to identify costs on a per unit basis. This analysis isolates the effect of changes in retailer offers on annual bills.

For analysis of the cost impact on households, we vary the electricity use data across each year of the time series. This gives a better sense of what consumers actually pay for their annual bills in each distribution area.

We recognise that basing our analysis on total electricity use (including electricity used by controlled loads) will tend to overestimate the annual cost of electricity when applied to single rate offers. This is because it does not reflect that in practice some electricity use is charged at a lower controlled load rate.

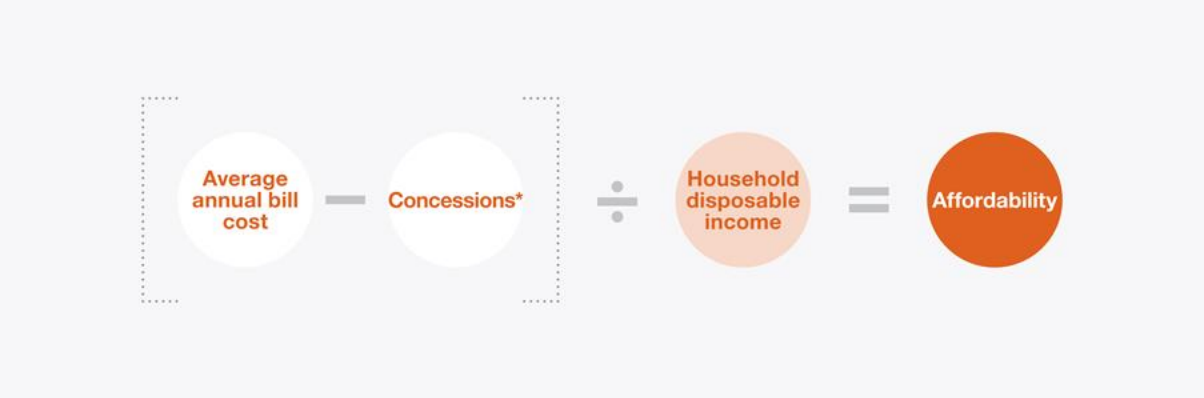
Gas

As we do not have a data source for the change in gas usage across years, all of our analysis uses a consistent gas use estimate across the time series.

Affordability

To get an estimate of affordability we calculate annual bill costs as a proportion of household disposable income for average and low-income households for each region. Figure A2.2 illustrates this calculation.

Figure A2.2: Components of affordability analysis



* Concessions are only applied to annual bill costs for low-income households.

Concessions for low income households

For our analysis of low-income households, we adjust the annual bill calculation to account for the benefit of any relevant energy concessions in each region. State and territory governments administer concessions to provide financial assistance to individuals, including people who are elderly, have a disability, are low-income earners, or are experiencing disadvantage. We have included the value of all concessions that are available to households on the basis of low income. Concessions available in 2020–21 are outlined in table A2.3.

Table A2.3: Energy concessions in 2020–21

Region	Electricity	Gas
Queensland	$341	$75
NSW	$285	$110
ACT	$233	$233
South Australia	$152	$152
Victoria	17.5% off after the first $172	17.5% off after the first $62*
Tasmania	$570	na

* Gas discount only applies for usage in the period 1 May to 31 October.

Note: Where concession value differs by household characteristics, we have applied the lower value. For broader 'cost of living' concessions that apply in South Australia and the ACT, we have applied one third of the total concession value to electricity, and one third to gas (assuming the remaining one third is applied to other utilities or household expenses).

Source: State and territory government websites.

Household disposable income

Household disposable income best represents the remaining income (after income tax, the Medicare levy and the Medicare levy surcharge are deducted) available to households for expenditure on goods and services, including electricity and gas bills.

This data is collected every 2 years by the Australian Bureau of Statistics (ABS) and is most recently available for the reference periods 2015–16 and 2017–18. We estimated income levels for 2016–17 as the midpoint between these data sets. We extrapolated 2018–19, 2019–20 and 2020–21 income by inflating 2017–18 income (table A2.4). Low-income household data is inflated based on the consumer price index. Average household data is inflated based on the wage price index. This difference in approach reflects the main source of income for each group (government assistance and wages respectively).

Low-income households

We use equivalised household disposable income data to identify low-income households. This measure reflects a household's purchasing power, as it takes into account the household's ability to share resources and enables better comparisons between different size households.

We represent low-income households in each state and territory using an adjusted lowest equivalised income quintile. This comprises the average income of the lowest 2 deciles, excluding the first and second percentiles.

For the identified households, we use the unequivalised household disposable income as the basis for our affordability analysis.

The average household

We represent the income of all households by the 'all person' value (the average across all quintiles) of unequivalised household disposable income.

Table A2.4: Household disposable income

Jurisdiction	Household type	2016–17	2017–18	2018–19	2019–20	2020–21
Queensland	Low-income households	$33,280	$33,124	$33,663	$34,054	$34,754
	Average household	$85,852	$86,996	$88,969	$90,669	$92,097
NSW	Low-income households	$34,138	$33,852	$34,412	$34,770	$35,293
	Average household	$97,968	$100,516	$102,960	$105,010	$106,586
ACT	Low-income households	$45,240	$42,900	$43,811	$44,344	$45,274
	Average household	$107,120	$112,008	$114,312	$116,970	$118,654
South Australia	Low-income households	$31,174	$31,824	$32,317	$32,896	$33,389
	Average household	$79,534	$82,472	$84,270	$86,262	$87,610
Victoria	Low-income households	$33,982	$35,048	$35,647	$36,245	$36,766
	Average household	$90,012	$92,664	$95,116	$97,423	$98,866
Tasmania	Low-income households	$30,264	$30,992	$31,777	$32,541	$33,130
	Average household	$72,488	$77,168	$79,153	$81,017	$82,521

Source: Unpublished ABS estimates of household disposable income.

Appendix 3: South Australian service standards

Clause 7 of the National Energy Retail (Local Provisions) Regulations imposes minimum service standards on retailers selling energy to small customers in South Australia. The service standards require retailers to use best endeavours to respond to 95% of written enquiries within 5 business days and to answer 85% of telephone calls within 30 seconds between 8 am and 6 pm from Monday to Friday.

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

Eight retailers failed to respond to 95% of written enquiries within 5 business days, up from 6 retailers in 2019–20. Similar to 2019–20, a large number of retailers failed to answer 85% of telephone enquiries within 30 seconds in 2020–21.

Reasons provided for failure to meet the targets included higher numbers of calls received than projected and system issues. The COVID-19 pandemic also resulted in remote working arrangements for call centre workers who experienced connectivity issues and more complex inquiries were received which impacted the delivery of service.

Out of the 40 retailers, there are five that met both service standards with 100% response rate for two consecutive years: Diamond Energy, Iberdrola Australia, MTA Energy, People Energy and Sustainable Saving.

Table A3.1: South Australian service standards

Retailer	Percentage of written enquiries responded to within 5 business days			Percentage of telephone enquiries answered within 30 seconds		
	2018–19	2019–20	2020–21	2018–19	2019–20	2020–21
AGL	98	99	85	88	80	63
Alinta Energy	100	90	99	89	95	94
Amaysim Energy	100	100	-	73	81	-
Blue NRG	100	100	80	97	69	64
CleanPeak Energy	--	99	99	--	100	85
Delta Electricity	--	100	100	--	100	95
Diamond Energy	95	100	100	95	100	100
Discover Energy	--	100	100	--	100	97
Dodo	96	91	95	85	74	48
Elysian Energy	--	100	100	--	95	90
Energy Locals	98	94	75	78	67	54
EnergyAustralia	60	100	100	74	67	70
Enwave Mascot	100	100	65	91	48	44
Shell Energy	100	100	100	79	97	95
Future X Power	--	95	100	--	89	100
GloBird Energy	--	100	99	--	56	59
Humenergy	--	100	--	--	100	-
Iberdrola Australia	--	100	100	--	100	100
Lumo Energy	65	96	99	74	74	84
Momentum Energy	90	95	96	75	57	80

Retailer	Percentage of written enquiries responded to within 5 business days			Percentage of telephone enquiries answered within 30 seconds		
	2018–19	2019–20	2020–21	2018–19	2019–20	2020–21
Mojo Power	--	100	100	--	100	68
MTA Energy	--	100	100	--	100	100
Next Business Energy	100	84	100	92	79	88
OC Energy	--	99	100	--	99	100
Origin Energy	100	99	100	89	93	100
People Energy	100	100	100	93	100	100
Power Club	100	95	97	91	0	60
Powershop	100	99	99	64	43	57
Powerdirect	98	99	85	88	85	67
Qenergy	100	100	100	92	100	67
ReAmped Energy	--	98	96	--	80	100
Red Energy	98	100	97	83	80	80
Sanctuary Energy	100	--	--	90	--	--
Savant Energy	100	100	100	90	97	98
SIMEC ZEN Energy	--	100	0	--	100	0
Simply Energy	99	81	85	90	85	72
Sustainable Saving	--	100	100	--	100	100
Tango Energy	100	100	100	97	79	80
Winconnect	95	63	75	87	42	53

Source: AER.

Appendix 4: Distributor performance

Section 285 of the Retail Law specifies that a retail market performance report must include (among other things) a report on the performance of distributor service standards and associated guaranteed service level (GSL) schemes. The Retail Law defines distributor service standards as service standards imposed on distributors by or under energy laws, including, for example, service standards relating to:

- the frequency and duration of supply interruptions
- the timely notice of planned interruptions
- the quality of supply (excluding frequency) for electricity (including voltage variations)
- wrongful de-energisation (disconnection)
- timeframes for de-energisation and re-energisation (reconnection)
- being on time for appointments
- response time for fault calls
- the provision of fault information.

A number of service standards are set by the individual jurisdictions and therefore differ between states and territories. The following tables summarise distributors' performance against their respective jurisdictional service standards and GSL schemes.

Distributor performance by jurisdiction

Queensland

- Energex and Ergon Energy each reported fewer wrongful disconnections than the previous year. Energex reported 15 wrongful disconnections, down from 23 the previous year, while Ergon Energy reported 11, down from 36.
- Energex reported more instances in failing to attend appointments on time. Ergon Energy reported fewer instances of failing to attend appointment on time.
- Both Queensland distributors reported more instances of failing to provide a new connection by the agreed date.
- Energex paid over $1.2 million in compensation for breaches of the interruption duration GSL, which increased from the previous year. Ergon paid around $527,000, slightly less than the previous year.

Table A4.1: Queensland electricity distributor performance, 2020–21

	Energex	Ergon Energy
Customers		
Total number of customers	1,520,285	731,456
Complaints		
Total complaints received	5,124	4,024
Appointments		
Failure to attend appointments on time	158	81
Compensation paid	$9,761	$4,962
Connections		
Number of new connections	27,028	8,045
Connections not provided by agreed date	1,240	23
Number of GSL payments made	1,173	10
Compensation paid	$349,203	$853
Reconnections		
Reconnections not completed by agreed date	27	6
Compensation paid	$2,041	$491
Wrongful disconnections[53]		
Number of wrongful disconnection payments	15	11
Compensation paid	$2,229	$1,679
Faulty street lights		
Total number of streetlights	341,116	148,006
Number of reported street light faults	8,148	5,436
Faults not repaired by agreed date	354	2,149
Planned interruptions		
Number of planned interruptions	8,655	19,625
Occasions where there was insufficient notice of the interruption – small business customers	63	66
Compensation paid	$4,845	$5,076
Occasions where there was insufficient notice of the interruption – residential customers	562	502
Compensation paid	$17,417	$15,535
Unplanned interruptions		
Number of unplanned interruptions	10,743	26,258
Unplanned interruption duration GSL		
Instances where unplanned interruption breached Interruption Duration Standard	9,710	4,271
Total amount of compensation paid for duration of supply interruptions exceeding threshold	$1,204,010	$527,054

[53] $155 per breach - Note that as per p.4 of the code, it seems a 'wrongful disconnection' under the GSL scheme can sometimes be due to a retailer's error

	Energex	Ergon Energy
System average interruption frequency index (SAIFI) (number)		
Overall	1.17	2.22
CBD	0.08	-
Urban	0.93	1.33
Short rural	1.72	2.70
Long rural	-	4.91
System average interruption duration index (SAIDI) (minutes)		
Overall	144	377
CBD	6	-
Urban	90	238
Short rural	261	379
Long rural	-	775

Note: The GSL payment amounts for Energex and Ergon are outlined in the Electricity Distribution Network Code, published by the Queensland Competition Authority, p. 7, http://www.qca.org.au/project/retailers-and-distributors/electricity-distribution-network-code/

Source: AER.

NSW

- The number of complaints received by the NSW distributors remained relatively steady compared with the previous year. Ausgrid and Essential Energy each recorded a slight increase, while Endeavour Energy recorded a slight decrease.
- Ausgrid and Essential Energy recorded fewer instances where they gave insufficient notice of a planned interruption, while Endeavour Energy recorded more instances. Ausgrid had substantially fewer total planned interruptions than the previous year, which resulted in fewer instances of customers receiving insufficient notice of a planned interruption.
- All three NSW distributors paid more compensation for faulty street lights, because there were more occasions where they did not complete repairs by the agreed date.

Table A4.2: NSW electricity distributor performance, 2020–21

	Ausgrid	Endeavour Energy	Essential Energy
Customers			
Total number of customers	1,779,577	1,067,349	874,668
Customer service			
Calls received	112,934	207,350	165,885
Complaints			
Total complaints received	7,551	1,123	2,807
Connections			
Connections not provided by agreed date	0	0	0
Compensation paid for late connections	$0	$0	$0

	Ausgrid	Endeavour Energy	Essential Energy
Faulty street lights			
Number of reported street light faults	22,512	18,971	10,368
Faults repaired by agreed date	15,505	14,665	10,092
Faults not repaired by agreed date	7,007	4,306	276
Compensation paid	$28,500	$38,879	$6,900
Planned interruptions			
Number of planned interruptions	1,670	7,116	13,211
Occasions where there was insufficient notice of the interruption (less than 4 business days)	42	217	74
Unplanned interruptions			
Number of unplanned interruptions	8509	4678	25725
Unplanned interruption frequency GSL			
Instances where unplanned interruption breached Interruption Frequency Standard	0	0	1
Total amount of compensation paid for frequency of supply interruptions exceeding threshold	0	0	80
Unplanned interruption duration GSL			
Instances where unplanned interruption breached Interruption Duration Standard	0	4	12
Total amount of compensation paid for duration of supply interruptions exceeding threshold	0	320	960
System average interruption frequency index (SAIFI) (number)			
Overall	0.61	0.8	2.73
System average interruption duration index (SAIDI) (minutes)			
Overall	87	146	516

Source: AER.

ACT

- Evoenergy received 316 customer complaints, down from 573 the previous year. However, Evoenergy reported 6 instances where a complaint was not responded to within 20 business days, up from zero instances the previous year.
- Evoenergy failed to provide sufficient notice of a planned interruption on 679 occasions, despite only a small increase in the number of planned interruptions from 1,093 in the previous year to 1,263. This was up from 9 instances the previous year.
- There were 349 instances where Evoenergy customers experienced an unplanned interruption which was not restored within 12 hours. This is a 10-fold increase from 37 instances in the previous year. This increase also occurred despite a drop of 307 total unplanned interruptions the previous year.
- No Evoenergy customers experienced more than 9 unplanned sustained interruptions.

Table A4.3: ACT electricity distributor performance, 2020–21

	Evoenergy
Complaints[54]	
Total complaints received	316
Complaints not responded to within 20 business days	6
Compensation paid	$120
Response to faults[55]	
Number of notifications of faults, problems, or concerns	3
Number of payments made	3
Compensation paid	$180
Connections[56]	
Connections not provided by agreed date	1,906
Number of payments made	1
Compensation paid	$60
Wrongful disconnections[57]	
Number of wrongful disconnection payments	3
Compensation paid	$300
Planned interruptions[58]	
Number of planned interruptions	1263
Occasions where there was insufficient notice of the interruption	679
Compensation paid	$33,950

54 GSL E3 Responding to complaints, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

55 GSL E8 Response time to network problems or concern Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

56 GSL E1 Customer connection times, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

Note: Evoenergy has advised they are reviewing this information. They have also advised the payment made was for a re-energisation breach, not related to basic connections.

57 GSL E2 Wrongful Disconnection, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

58 GSL E4 Notice of planned interruption to services, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

	Evoenergy
Unplanned interruptions	
Number of overall unplanned interruptions	527
Total amount of compensation paid	$50,570
Unplanned interruption frequency GSL[59]	
Number of customers with more than 9 unplanned sustained interruptions	0
Compensation paid to customers with more than 9 unplanned sustained interruptions	0
Unplanned interruption duration GSL	
Number of customers who experienced an unplanned sustained interruption lasting 12 hours or longer[60]	349
Compensation paid to customers who experienced an unplanned sustained interruption lasting 12 hours or longer ($80 per event)	$27,920
Number of customers who experienced unplanned sustained interruptions that breached total cumulative thresholds[61]	186
Compensation paid to customers who experienced unplanned sustained interruptions that breached total cumulative thresholds	$22,650
System average interruption frequency index (SAIFI) (number)	
Overall	0.75
Distribution network - planned	0.20
Distribution network - unplanned	0.52
Normalised distribution network - unplanned	0.52
System average interruption duration index (SAIDI) (minutes)	
Overall	82
Distribution network - planned	40
Distribution network - unplanned	38
Normalised distribution network - unplanned	38
Customer average interruption duration index (CAIDI) (minutes)	
Overall	110
Distribution network - planned	195
Distribution network - unplanned	72
Normalised distribution network - unplanned	72

Source: AER.

59 GSL E7 Frequency of interruptions, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

60 GSL E5 Duration of interruption (single), Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

61 GSL E6 Cumulative duration of interruptions, Schedule 2: NERL retailer, Gas Distributor and Electricity Distributor Guaranteed Service Levels — ACT Consumer Protection Code 2020.

South Australia

- SA Power Networks received 2,178 customer complaints up from 1,724 the previous year.
- SA Power Networks reported 160 new connections not provided by the agreed date, down from 183 in the previous year. This reflected a slight decrease in the total number of new connections provided by the distributor.
- Fewer street light faults were reported in both metropolitan and country areas. However, in both metropolitan and country areas, there were a greater number of streetlights not repaired by SA Power Networks by the agreed date.
- SA Power Networks paid $1,587,400 in compensation for supply interruptions that exceeded the duration or frequency thresholds. This represented a decrease from $2,220,910 the previous year.

Table A4.4: South Australia electricity distributor performance, 2020–21

	SAPN
Customers	
Total number of customers	916,347
Complaints	
Total complaints received	2,178
Connections	
Number of new connections	8,493
Connections not provided by agreed date (within 6 business days)	160
Compensation paid	$49,970
Faulty street lights - Adelaide business and metropolitan area & major regional areas	
Number of total street lights	171,276
Number of reported street light faults	20,334
Faults repaired by agreed date (within 5 business days)	1,953
Compensation paid ($20 per reported breach)	$140,850
Faulty street lights - Country areas	
Number of total street lights	47,254
Number of reported street light faults	3,126
Faults repaired by agreed date (within 5 business days)	92
Compensation paid ($20 per reported breach)	$4,200
Unplanned interruptions	
Number of overall unplanned interruptions	8074
Total amount of compensation paid	$1,587,400
Unplanned interruption frequency GSL	
Instances where unplanned interruption breached Interruption Frequency Standard	80
Total amount of compensation paid for frequency of supply interruptions exceeding threshold	$8,000

	SAPN
Unplanned interruption duration GSL	
Instances where unplanned interruption breached Interruption Duration Standard	12,155
Total amount of compensation paid for duration of supply interruptions exceeding threshold	$1,579,400
Total annual duration of supply interruptions greater than 20 but less than or equal to 30 hours	7,859
Compensation paid to customers who experienced a supply interruption greater than 20 but less than or equal to 30 hours	$785,900
Total annual duration of supply interruptions greater than 30 but less than or equal to 60 hours	3,302
Compensation paid to customers who experienced a supply interruption greater than 30 but less than or equal to 60 hours	$495,300
Total annual duration of supply interruption greater than 60 hours	994
Compensation paid to customers who experienced a supply interruption greater than 30 but less than or equal to 60 hours	$298,200
System average interruption frequency index (SAIFI) (number)	
Overall	1.06
CBD	0.17
Urban	0.91
Short rural	1.24
Long rural	1.61
System average interruption duration index (SAIDI) (minutes)	
Overall	157
CBD	23
Urban	91
Short rural	202
Long rural	422

Source: AER.

Tasmania

- Tasnetworks reported 955 complaints, nearly 4 times as many as were reported the previous year.
- Tasnetworks reported that 478 new connections were not completed by the agreed date, down from 716 the previous year.
- Tasnetworks failed to notify 37 customers of a planned interruption, down from 66 the previous year. This was despite a 44% increase in the number of planned interruptions.
- Tasnetworks paid over double in compensation for breaches in frequency of supply interruptions. duration GSL than the previous year.

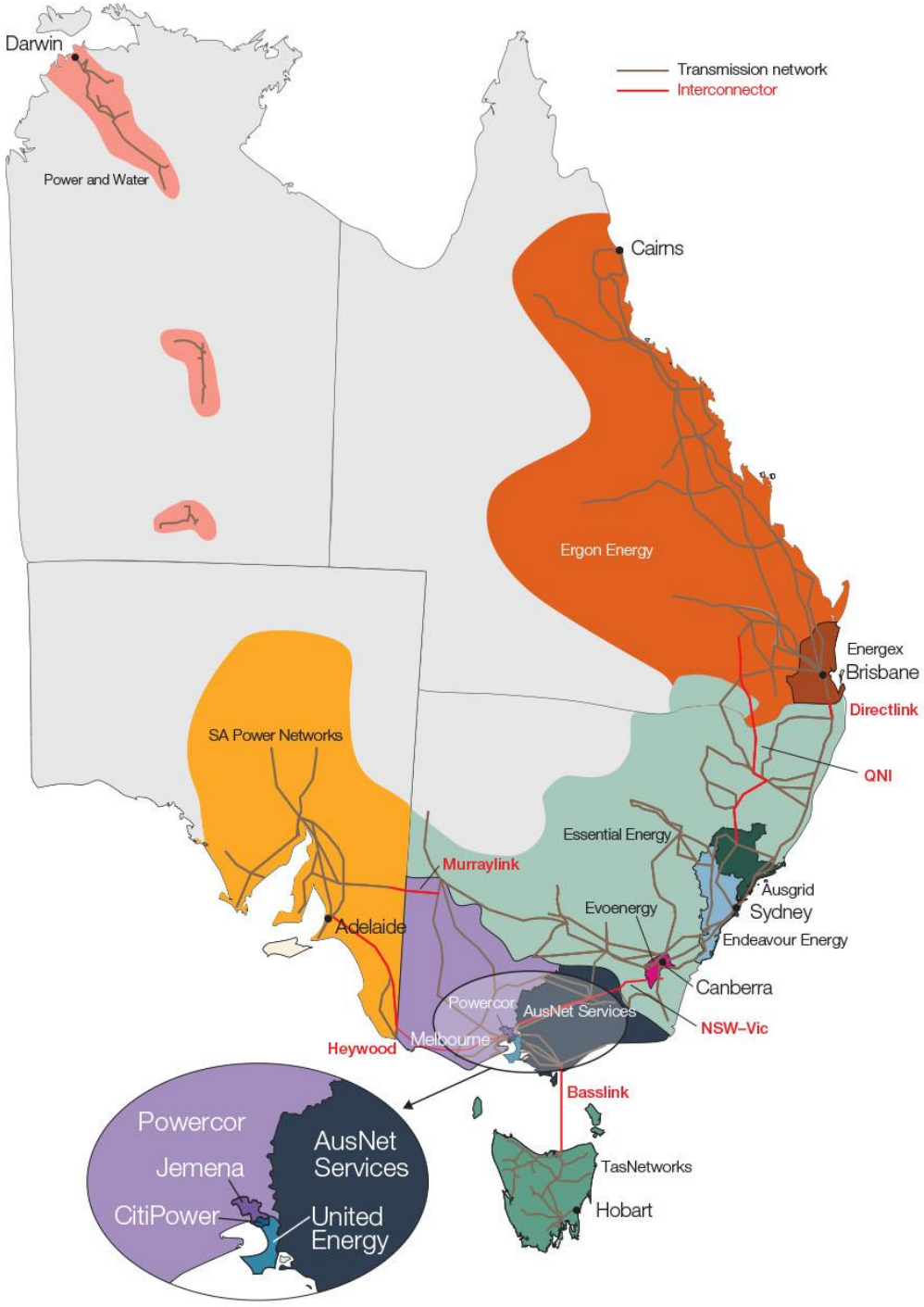
Table A4.5: Tasmania electricity distributor performance, 2020–21

	TasNetworks
Customers	
Total number of customers	294,837
Complaints	
Total complaints received	955
Connections[62]	
Number of new connections	2,922
Connections not provided by agreed date	478
Percentage not completed by scheduled date	16%
Number of payments for late connections	160
Compensation paid for late connections	$15,180
Planned interruptions	
Number of planned interruptions	3,450
Occasions where there was insufficient notice of the interruption	37
Number of payments made	51
Compensation paid	$2,550
Outage duration GSL	
Instances where interruptions breached interruption duration GSL	12,561
Number of payments made	12,561
Total amount of compensation paid for late restorations	$1,182,800
Interruption frequency GSL	
Instances where unplanned interruption breached Interruption Frequency Standard	2,181
Number of payments made	2,181
Total amount of compensation paid for frequency of supply interruptions exceeding threshold	$174,480
System average interruption duration index (SAIDI) (minutes)	
Overall	1.93
Planned interruptions	0.28
Unplanned interruptions	1.54
major event days	0.11
System average interruption frequency index (SAIFI) (number)	
Overall	269.50
Planned interruptions	76.89
Unplanned interruptions (excludes major events)	159.85
major event days	32.75

Source: AER.

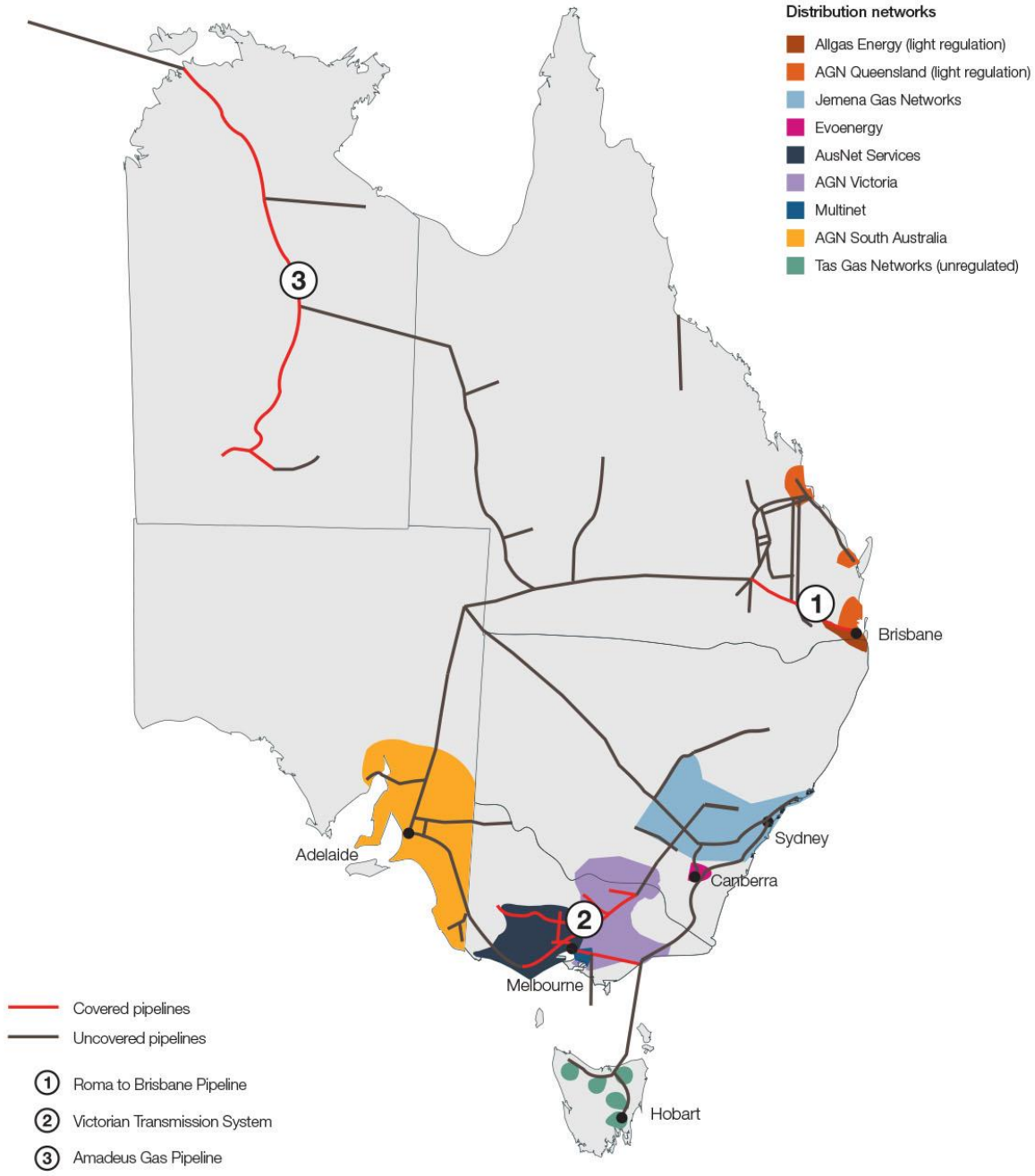
[62] The reconnections and street light reporting requirements were removed in the amended Electricity supply industry performance and information reporting guideline June 2021, because Tasnetworks do not provide customer charter payments for reconnections or street light guarantees.

Appendix 5: Map of electricity distributions zones



Source: AER.

Appendix 6: Map of gas distribution zones



Source: AER.