

# ANNUAL REPORT ON THE PERFORMANCE OF THE RETAIL ENERGY MARKET

2013–14



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# About this report

The Australian Energy Regulator (AER) is responsible for reporting on retailer performance under the National Energy Retail Law (Retail Law).<sup>1</sup> Our reports provide transparent data on retail energy markets, and highlight the manner in which energy retailers provide assistance to customers experiencing financial difficulty. The Retail Law commenced in the Australian Capital Territory (ACT) and Tasmania (for electricity only) on 1 July 2012, in South Australia on 1 February 2013 and in New South Wales on 1 July 2013.<sup>2</sup>

This is our second annual retail market performance report, which includes, for the first time, data from New South Wales retailers. As with the 2012–13 report, this report consolidates quarterly data reported on such indicators as customer service and complaints, energy bill debt, payment plans, hardship programs, energy concessions and disconnections. It also contains a report on energy affordability in 2013–14.

Although our commentary on long term trends is somewhat limited by a lack of available data, the report does comment on retailer performance against short to medium term benchmarks.

This report is structured as follows:

- Competition in retail energy markets: this chapter looks at market shares in small and large customer markets, the number of customers on standard and market retail contracts in each jurisdiction and switching rates in all National Electricity Market (NEM) jurisdictions.
- Energy retailer performance: this chapter assesses customer service levels of retailers, the methods used by retailers to assist customers experiencing payment difficulties and the number of customers with energy accounts disconnected for non-payment.
- Energy affordability: this chapter considers how much benchmark low, middle and high income households around the country spent on electricity and gas in 2013–14, the proportion of household disposable income energy bills comprised and whether electricity and gas became more or less affordable compared with 2012–13.

The AER is also required to report on South Australian retailers' performance against jurisdictional services standards, and distribution network service providers' performance against certain service standards and Guaranteed Service Level schemes. These reports are at appendix 2 and appendix 3, respectively.

<sup>1</sup> Section 284 of the National Energy Retail Law (Retail Law) requires the AER to produce annual reports for retailers and sets out our obligations.

<sup>2</sup> This report also contains some data submitted to and published by jurisdictional regulators prior to the commencement of the Retail Law (where it is available).

# Key findings in 2013–14

# Market activity

- In the competitive retail markets of South Australia and New South Wales, customers continue to switch from standing (or regulated) offers to market retail contracts. In South Australia, 83 per cent of electricity and gas customers are on market retail contracts. In New South Wales the number of customers on market retail contracts has increased to 63 and 72 per cent of electricity and gas customers respectively. It is expected that more electricity customers will switch to market retail contracts following the deregulation of electricity tariffs on 1 July 2014.
- In the South Australian and New South Wales markets, between 4 and 6 per cent of electricity customers and between 3 and 4 per cent of gas customers switched to another energy retailer in each quarter of 2013–14.
- In contrast, retail markets in the ACT and Tasmania remain uncompetitive, with few choices of energy retailer (currently no choice in Tasmania) and contracts. Most customers remain on standard retail contracts—around 80 per cent in the ACT and 87 per cent in Tasmania. In the ACT switching rates remained very low for electricity and gas.

## **Customer service**

- Telephone service levels generally improved, with all but four retailers answering customer phone calls within an average time of 30 seconds.
- Billing, prices and overcharging continue to be the major reasons for customer complaints, however other types of complaints for issues such as customer service have also significantly increased.
- In New South Wales, energy retailers received twice as many complaints when compared with 2012–13, however the number of complaints investigated by the ombudsman was not significantly greater.
- In South Australia, energy retailers received significantly more complaints from customers when compared with 2012–13. However, the number of complaints made to the South Australian ombudsman declined, which suggests that energy retailers have improved their ability to manage customer issues.

# Energy debt and hardship programs

- In South Australia over 5 per cent of residential customers owe an average of \$666 for electricity, and are not currently on a retailer's hardship program. In New South Wales 3.6 per cent of customers owe an average of \$529 for electricity. While only 2 to 3 per cent of customers in Tasmania and the ACT hold electricity debt, their average debts are greater (\$704 and \$825 respectively).
- In the ACT and New South Wales, proportionally more customers hold debt for gas than electricity (6.4 and 4.3 per cent respectively). Average debt levels for gas were \$551 in the ACT and \$395 in NSW.
- Customers with energy debt are increasingly entering retailer hardship programs to repay their debt.
  Proportionally more customers in South Australia are on hardship programs, followed by NSW, Tasmania and the ACT.
- Around 20 per cent of customers that exited hardship programs returned to normal billing arrangements. The remaining 80 per cent that exited either transferred to another retailer or were excluded from their retailer's hardship program.
- In most jurisdictions the number of small businesses with energy debt decreased in the 12 months to June 2014. In the ACT, there are more small businesses with electricity debt, but their average level of debt has decreased.

# Disconnections

- Retailers disconnected fewer than 2 per cent of their electricity customers for non-payment of their energy bills. The exceptions were Alinta Energy (4.8 per cent), QEnergy (2.4 per cent) and Simply Energy (2.1 per cent).
- Proportionally more residential electricity customers were disconnected for non-payment in South Australia (1.37 per cent), followed by New South Wales (1.03 per cent), Tasmania (0.68 per cent) and the ACT (0.17 per cent). The ACT had the greatest proportion of residential gas customers disconnected (0.94 per cent), followed by South Australia (0.86 per cent) and New South Wales (0.39 per cent).
- In New South Wales residential disconnections for non-payment increased by 32 per cent—this was largely due to Origin Energy resuming its 'business as usual' disconnection activities. Continuing a downward trend, gas disconnections decreased by 35 per cent in 2013–14.
- In South Australia the number of residential electricity disconnections for non-payment decreased by 5 per cent, and the number of residential gas disconnections increased by 9 per cent.
- 19 per cent of electricity disconnections and 12 per cent of gas disconnections were customers that had been on a payment plan in the past 12 months. Very few hardship customers were disconnected.
- Of all residential customers disconnected for non-payment in New South Wales, South Australia, the ACT and Tasmania, 45 per cent of electricity customers and 32 per cent of gas customers were reconnected in the same name and address. Most reconnections occurred within seven days of disconnection.

# **Energy affordability**

- A low income household, in receipt of an energy concession, spent between 3.0 and 7.3 per cent of their income on electricity depending on where they live. Gas bills comprise a lower share of a low income household's disposable income, ranging from 1.9 to 3.4 per cent.
- In most jurisdictions, there were modest increases to annual electricity bills (up to around 4 per cent). Tasmania was an exception—although it has the highest annual electricity bills (as was the case in 2013) it was the only jurisdiction to see a fall in nominal electricity charges. Queensland was also notable, with annual electricity bills increasing by 22 per cent and representing a greater share of household income in 2014 (4.8 per cent) when compared with 2013 (4 per cent).
- Annual gas bills increased by more than CPI in every jurisdiction. The greatest increase was in the ACT (11 per cent), making annual gas bills in the ACT the most expensive. However, annual gas bills in Victoria accounted for a greater proportion of household income.



# 1. Competition in retail energy markets

The level of competition in retail energy markets varies across jurisdictions due to different structural and market characteristics, as well as different regulatory approaches.

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

- the number of active retailers selling energy to different types of customers
- · the proportion of small customers on standard and market retail contracts
- customers switching between retailers
- customers using prepayment meters.

# 1.1 Retail competition

In August 2014 the Australian Energy Market Commission (AEMC) released the 2014 Retail Competition Review (the Competition Review). The Competition Review found that increased competition in New South Wales and South Australia has facilitated greater choice for energy customers. In these markets a number of 'second-tier' retailers vie for customers from the traditional 'big three' retailers. Competition in retail gas markets has been moderate in comparison with electricity markets. Conversely, effective competition is yet to emerge in the ACT and Tasmania retail energy markets.

# 1.1.1 Electricity

Figure 1.1 shows the market share held by electricity retailers in South Australia, the ACT, Tasmania and New South Wales for small (residential and small business) and large customers as at 30 June 2014.



Figure 1.1: Retail market share (small and large customers)-electricity

Note: 'Other retailers' are those with less than 10 per cent market share in each customer market.

The larger jurisdictions, South Australia and New South Wales, have greater numbers of retailers and are different to the ACT and Tasmanian markets in a number of key respects. Sixteen retailers supply electricity to small customers in South Australia, with three retailers—AGL, Origin Energy and EnergyAustralia (the 'big three')—selling electricity to 78 per cent of these customers. 'Second tier' retailers such as Alinta Energy, Lumo Energy and Simply Energy collectively sell electricity to 18 per cent of customers.

In New South Wales, AGL, Origin Energy and EnergyAustralia collectively supply around 93 per cent of small customers. Another 16 retailers sell electricity to the remaining 7 per cent of small customers. In total, there are 22 different retailers selling electricity to large customers in New South Wales.

Despite being fully contestable, effective competition is yet to emerge in the ACT<sup>3</sup>, with ActewAGL remaining the dominant retailer for small customers. According to the Competition Review, barriers to competition include the small size of the ACT market and ActewAGL's ability to offer discounts to customers that bundle their energy with TransACT services (such as mobile phone, internet and pay television). Origin Energy has flagged that it will begin selling electricity and gas to customers in the ACT from September 2014.

The Tasmanian Government-owned incumbent, Aurora Energy, sells electricity to all residential customers and almost all small business customers in the state. Aurora also sells electricity to the majority of large customers; however, ERM Power and Progressive Green hold a number of large customer contracts.

## 1.1.2 Gas

Figure 1.2 shows the market share held by gas retailers in South Australia, the ACT and New South Wales as at 30 June 2014 (the Tasmanian gas market is small and is not subject to the Retail Law).



Figure 1.2: Retail market share (small and large customers)-gas

Note: 'Other retailers' are those with less than 10 per cent market share in each customer market.

In South Australia, Origin Energy had the largest single share of the small customer market (45 per cent). Only 10 per cent of small customers purchase gas from 'second-tier' retailers. The Competition Review reported that the lack of effective competition is particularly noticeable in rural areas, where only two retailers compete.

As with the electricity market, ActewAGL is the main retailer of gas for both small and large customers in the ACT. Notably, the Competition Review found that only 36 per cent of ACT gas customers surveyed were aware they could choose their gas retailer.

The division of market share in the retail gas market in New South Wales is similar to the electricity market, with AGL selling gas to most customers, small and large.

<sup>3</sup> Australian Energy Market Commission, 2014 Retail Competition Review, viewed 2 October 2014, www.aemc.gov.au/Markets-Reviews-Advice/2014-Retail-Competition-Review

#### 1.2 Standard and market retail contracts

Residential and small business customers have access to two types of energy contracts.

Standard retail contracts are basic contracts with terms and conditions that cannot be varied by a retailer. Market retail contracts have minimum terms and conditions but vary from contract to contract. Under market contracts retailers can tailor their different energy offers through:

- discounted prices
- non-price incentives
- different billing periods ٠
- different payment options ٠
- fixed term durations ٠
- fees and charges, such as establishment or exit fees.

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

Figure 1.3 compares the proportions of customers on standard and market retail contracts in New South Wales, South Australia, the ACT and Tasmania.

#### Figure 1.3: Small customers on standard and market retail contracts-by jurisdiction



Electricity standard retail contract Electricity market retail contract . .

### Gas standard retail contract

Gas market retail contract

A high proportion of customers on market retail contracts indicates customer engagement and typically characterises a competitive market. In South Australia, for example, 83 per cent of electricity and gas customers are on market retail contracts. This is an increase from 81 per cent 12 months ago. Put into context, the number of small electricity customers on market retail contracts increased by around 26 000 (including approximately 10 000 new accounts), and the number of small gas customers on market retail contracts increased by around 7000 in 2013–14.

In New South Wales, the proportion of electricity customers on market contracts has increased significantly in recent years—from approximately 50 per cent in 2011–12 to 63 per cent in 2013–14. The proportion of gas customers on market contracts has also increased, from 70 per cent in 2012–13 to 72 per cent in 2013–14. Despite these increases, there are still over one million electricity customers and 350,000 gas customers on standard retail contracts (including regulated offers) in New South Wales. Following the deregulation of electricity retail price tariffs on 1 July 2014, it is expected that more customers will switch to market retail contracts. Customers previously on regulated offers (that have not chosen a market retail contract) have been transferred to a 'transitional tariff' for two years.

While the New South Wales and South Australia retail markets are characterised as competitive, the reverse is the case in Tasmania and the ACT, where the proportion of customers on market retail contracts is not only low, but decreasing. In Tasmania, for example, 87 per cent of small customers were on standard retail contracts. Up until this year, residential customers' market contract options were limited to using prepayment meters to pay for their electricity. Despite their popularity the number of customers using prepayment meters decreased by around 8 per cent in 2013–14 as Aurora is not accepting new applications until further notice. The introduction of full retail contract with Aurora or a new entrant retailer. Customers that do nothing will remain with Aurora under a standard retail contract (at the regulated prices approved by the Tasmanian Economic Regulator).

Most small customers in the ACT are on standard retail contracts: 82 per cent for electricity and 79 per cent for gas. ActewAGL has an additional requirement to offer regulated rates as the designated local area retailer. They offer this rate as a standing offer (i.e. the terms and conditions and the price in this contract are all regulated). Only a small number of market offers are available to small customers, and customer awareness of the ability to choose retailer (and hence a market offer) is low.<sup>4</sup>

# 1.3 Customer switching rates

The rate at which customers switch their energy retailer is an indication of customer participation in the retail market, however switching rates can still be low in competitive markets if customers are satisfied with their retailer.

Figures 1.4 and 1.5 show the percentage of electricity and gas customers (respectively) who switched retailers over the previous four years in Queensland, New South Wales, Victoria and South Australia.<sup>5</sup>

With the exception of the June quarter, switching rates generally declined in most jurisdictions in 2013–14. The spike in switches in the June quarter is due to AGL's acquisition of Australian Power and Gas and is most notable in Victoria (electricity and gas) and NSW (electricity).<sup>6</sup> In Queensland electricity switching rates increased in the September quarter of 2013–14 following the 'One Big Switch' campaign, which encouraged households to find better energy offers.

<sup>4</sup> ibid.

<sup>5</sup> The Australian Energy Market Operator (AEMO) regularly publishes switching data. An explanation of how AEMO's switching data is calculated is available at: <a href="http://www.aemo.com.au">www.aemo.com.au</a>.

<sup>6</sup> Customers of Australian Power and Gas became customers of AGL or switched to another retailer.



#### Figure 1.4: Electricity customer switching rates-by jurisdiction

#### Figure 1.5: Gas customer switching rates-by jurisdiction



As in previous years, Victorian gas and electricity customers were the most 'active' at switching between energy retailers. This is likely due to more choice of energy retailers, a diverse range of contract offers and generally lower switching costs (termination fees).<sup>7</sup> Victoria is the preferred market for retailers to develop new products and services, given the higher levels of customer engagement and the additional options for innovation that the widespread availability of smart meters provides.<sup>8</sup>

<sup>7</sup> Early termination fees vary between jurisdictions. The Victorian Energy Retail Code stipulates that \$20 (excluding GST) is the appropriate amount to recover from customers that exit their contract early.

<sup>8</sup> Australian Energy Market Commission, 2014 *Retail Competition Review*, viewed 2 October 2014, www.aemc.gov.au/Markets-Reviews-Advice/2014-Retail-Competition-Review

Figure 1.6 shows that switching activity in the ACT remained very low for both electricity and gas.



Figure 1.6: Electricity and gas customer switching rates in the ACT



# 2. Energy retailer performance

Customer service is an important factor in choosing an energy retailer or remaining a customer of an energy retailer. This chapter discusses three broad areas of retail market activities:

- customer service and complaints
- assisting customers experiencing payment difficulties—this includes energy bill debt, payment plans, hardship programs and disconnections and reconnections
- energy concessions and security deposits.

# 2.1 Customer service

After price, customer service—both good and bad—can be the most important point of difference between retailers in a competitive market. Retailers' responsiveness to inquiries and complaints is an important measure of customer service. This report considers call centre responsiveness, specifically:

- percentage of calls answered within 30 seconds
- percentage of calls abandoned before being answered
- average time before a call is answered.9

Table 2.1: Phone calls to retailers in 2013–14, with percentage of calls answered in 30 seconds and average wait time

Retailer (all jurisdictions)	Calls taken in 30 secs (%) (change since 2012–13)		Average wait time (sec (change since 2012–13	
ActewAGL*	78%	(▲7)	142	(▼122)
AGL Retail Energy	81%	(N/A)	21	(N/A)
AGL South Australia	90%	(▲6)	12	(▼16)
Alinta Energy	77%	(•)	43	(▲17)
Aurora Energy	75%	(▲25)	34	(▼94)
Blue NRG	100%	(N/A)	N/A	
Click Energy	69%	(N/A)	56	(•)
CovaU	86%	(N/A)	7	(N/A)
Diamond Energy	100%	(•)	N/A	
Dodo Power & Gas	77%	(N/A)	35	(N/A)
EnergyAustralia	71%	(▲11)	81	(▼325)
ERM Power	83%	(N/A)	38	(N/A)
Lumo Energy (NSW)	76%	(N/A)	50	(N/A)
Lumo Energy (SA)	86%	(▲1)	14	(•)
Momentum Energy	67%	(▼10)	51	(▲27)
Origin Energy	69%	(▼13)	47	(▲1)
Powerdirect	58%	(▼8)	117	(▲65)
QEnergy	100%	(▲13)	30	(▲20)
Red Energy	84%	(▼3)	23	(▼8)
Sanctuary Energy	87%	(▲10)	25	(▼21)
Simply Energy	91%	(▲6)	16	(▼3)

\* Calls to ActewAGL also include calls for water services.

In 2013–14 the retailers that responded most promptly to customer calls were Simply Energy and AGL in South Australia.<sup>10</sup> EnergyAustralia was able to significantly decrease the average call waiting times over the previous year, and Aurora Energy also significantly improved its performance.

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

<sup>10</sup> Diamond Energy, Blue NRG and QEnergy answered 100 per cent of calls within 30 seconds, however experienced notably lower call volumes.

Powerdirect, Momentum Energy, Origin Energy and Click Energy were the slowest at answering calls—answering only around two-thirds of calls within 30 seconds. ActewAGL's average wait time fell by around two minutes, however remained high at over two minutes.

For most retailers, fewer than 4 per cent of phone calls were abandoned before being answered. The largest proportion of calls abandoned were of those made to ERM Power (14 per cent).





Note: Excludes retailers that received fewer than 1000 calls in 2013–14.

Retailers in South Australia have a number of additional customer service standards to meet. These are reported in appendix 2.

#### 2.2 **Complaints**

Energy retailers must report the number of small customer complaints that they receive against a number of categories:11

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

Figure 2.2 shows the number of small customer complaints made to energy retailers in each jurisdiction in 2012–13 and 2013-14.12



#### Figure 2.2: Residential customer complaints to retailers in 2013–14-by jurisdiction

Consolidated electricity and gas complaints reported by IPART (does not include customer transfer complaints).

Aurora Energy's complaints data was excluded from the 2012-13 report as it was not reported on the same basis as other retailers.

<sup>11</sup> Small customers include residential customers and small businesses.

<sup>12</sup> Complaints may relate to electricity and/or gas services. The number of electricity customers in each jurisdiction is used as a proxy for 'energy' customers.

In 2013–14 the number of complaints made to retailers in New South Wales more than doubled (over 7 per cent of energy customers), and the number made to retailers in South Australia increased by 48 per cent (over 10 per cent of energy customers). In the ACT the number of complaints made to retailers increased by 34 per cent (just under 3 per cent of energy customers).<sup>13</sup>

Billing continues to account for most complaints—43 per cent of complaints in New South Wales, 48 per cent in South Australia, 52 per cent in the ACT and 77 per cent in Tasmania. Retailers that bill customers more frequently inevitably receive more complaints about bills and prices, and generally more customers contact their retailer following price increases. Complaints about marketing practices decreased by 21 per cent in New South Wales and increased by 19 per cent in South Australia.

The increase in the number of 'other' complaints is a concern, as this can be a sign of poor customer service (for example, a retailer's failure to respond to the customer, incorrect advice, poor attitude or service). This issue is also reflected in ombudsman reports, with the Energy and Water Ombudsman of New South Wales reporting a 21 per cent increase in complaints about customer service in 2013–14.<sup>14</sup>

While the number of complaints may indicate customer satisfaction levels, the manner in which complaints are handled is perhaps a more effective measure of retailer performance. Retailers with effective customer service will resolve customer complaints when they are made to them. Customers may contact their energy ombudsman if their complaint is unresolved or dealt with unsatisfactorily. Table 2.3 compares the number of complaints reported by retailers with those referred to each jurisdictional ombudsman scheme.

Despite the 48 per cent increase in South Australia's retailer complaints in 2013–14, the number of complaints to the ombudsman decreased by 15 per cent<sup>15</sup>—from 21 per cent in 2012–13 to 12 per cent in 2013–14.

The number of complaints investigated (or referred to a higher level) by the New South Wales ombudsman increased by 8 per cent, however the increase is relatively small compared to the increase in complaints made to retailers. As a proportion of complaints made to retailers, ombudsman complaints decreased from 19 per cent in 2012–13 to 10 per cent in 2013–14.

Similarly, in the ACT there was an 8 per cent increase in complaints to the ombudsman; however these complaints represented around 24 per cent of the complaints made to retailers, down from around 30 per cent in 2012–13.

In Tasmania the ombudsman received 334 complaints relating to Aurora Energy's retail business—around 8 per cent of the number of complaints made to Aurora Energy.

<sup>13</sup> We are unable to compare Tasmania complaints data for 2012–13 and 2013–14 as Aurora did not report on the correct basis in 2012–13.

<sup>14</sup> Energy and Water Ombudsman NSW, Annual Report 2013–14, viewed 10 October 2014, <u>www.ewon.com.au/ewon/assets/File/Publications/</u> Annual\_Reports/EWON-AR-FINAL-WEB.pdf

<sup>15</sup> Including general enquiries there were 14 812 ombudsman complaints relating to South Australia retailers in Table 2.2 (17 per cent of total complaints).

Table 2.2: Small customer complaints made to each retailer and the respective ombudsman in 2013–14
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Retailer	Complaints to retailer Complaints to ombudsman*		Ombudsma as % of tot (Change sir	Ombudsman complaints as % of total complaints (Change since 2012–13)	
South Australia					
AGL	40 173	2 502	6.23%	( <b>▼</b> 5.36)	
Alinta Energy	1 585	293	18.49%	(▼14.32)	
Diamond Energy	11	3	27.27%	(▲27.27)	
EnergyAustralia	12 392	3 013	24.31%	(▼0.65)	
Lumo Energy	2 940	395	13.44%	(▼14.31)	
Momentum Energy	610	77	12.62%	(▼6.09)	
Origin Energy	21 674	2 515	11.60%	(▼13.31)	
Powerdirect	4 723	213	4.51%	(▼54.53)	
QEnergy	21	10	47.62%	(▲47.62)	
Red Energy	135	14	10.37%	(▼14.63)	
Sanctuary Energy	61	33	54.10%	(▼31.61)	
Simply Energy	3 094	1 369	44.25%	(▼13.81)	
TOTAL SA	87 419	10 437	11.94%	(▼9.03)	
ACT					
ActewAGL	3 821	923	24.16%	(▼5.87)	
Energy Australia	534	120	22.47%	(▼5.08)	
TOTAL ACT	4 355	1 043	23.95%	(▼5.78)	
Tasmania					
Aurora	4 306**	334	7.76%	N/A	
New South Wales					
ActewAGL	938	198	21.11%		
AGL	102 639	5 712	5.57%		
Click Energy	132	173	131.06%		
Diamond Energy	14	0	0.00%		
Dodo Power & Gas	4 823	138	2.86%		
EnergyAustralia	27 904	6 874	24.63%		
ERM Power Retail	88	3	3.41%		
Lumo Energy	3 832	503	13.13%		
Momentum Energy	828	94	11.35%		
Origin Energy	89 161	9 231	10.35%		
Powerdirect	3 758	248	6.60%		
QEnergy	98	62	63.27%		
Red Energy	1 951	184	9.43%		
Sanctuary Energy	725	233	32.14%		
Simply Energy	717	226	31.52%		
TOTAL NSW	237 608	23 879	10.05%		

\*

Excludes matters closed as general enquiries or not escalated/investigated. Prior to December 2013 not all complaints made to Aurora were successfully recorded. Therefore this number understates the total number of \*\* complaints in 2013-14.

# 2.3 Energy bill debt

Energy bill debt indicates the ability of households to pay for their energy and may also demonstrate retailer responsiveness to customers experiencing financial difficulty. It may also provide an indication of the overall affordability of energy.<sup>16</sup> 'Energy bill debt', for the purposes of this report, is the amount owed to a retailer that has been outstanding for 90 days or more.

Many factors influence overall energy debt levels. They will vary between retailers due to differences, for example, in their customer bases and strategies for debt recovery. A customer's personal circumstances and levels of energy consumption also play a part in whether or not they accrue an energy debt and, if so, the level of that debt. Our analysis at a jurisdictional level suggests that both the number of customers owing energy debt and the average levels of debt may follow seasonal patterns.

Figure 2.3 shows the number of customers with electricity and gas debt in each jurisdiction. This shows that more gas customers are in debt between October and March (Q2 and Q3). Similarly, in Tasmania and, to a lesser extent, the ACT, most customers hold electricity debt over this same period. This may be attributed to customers' inability to pay energy bills due to increased usage over the winter months. The number of electricity customers in debt in South Australia and NSW appears to be fairly consistent between quarters, reflecting more moderate winter climates.

<sup>16</sup> The Retail Rules require the AER to distinguish between customers experiencing payment difficulties generally and customers on hardship programs. The data presented here excludes customers on hardship programs (and associated debt levels).



Figure 2.3: Number of residential customers in debt

Figure 2.4 shows the average electricity and gas debt of customers in each jurisdiction. This shows that proportionally more customers hold gas debt in the ACT and NSW. Generally, however, customers hold lower levels of average debt for gas than electricity. This is expected given that households predominantly rely on electricity and use gas as a secondary fuel.



Figure 2.4: Average energy bill debt, 2012–13 and 2013–14

Average electricity debt has increased in the ACT and decreased in other jurisdictions.<sup>17</sup> The most notable decrease is in Tasmania, where average electricity debt has fallen around \$100 in the last 12 months to \$704 in the June 2014 quarter. This is likely due to more customers with high levels of debt using hardship programs to manage their debt.

Average gas debt remains highest in the ACT, however does not appear to be increasing at a great rate. In the June 2014 quarter it was \$551—only \$15 greater than the June 2013 quarter. Households in the ACT rely more on gas for heating than those in other jurisdictions, and evidently many households use more gas than they can afford. Average gas debt was \$395 in NSW and \$287 in South Australia, with no notable fluctuations in recent quarters.

Tables 2.3 and 2.4 show the number of small business customers with electricity and gas debt respectively, along with the average debt levels. Fewer small businesses in South Australia and Tasmania held energy debt in 2014. However, the number of small businesses in energy debt in the ACT has increased over the last year, with over 6 per cent of ACT small businesses now holding electricity debt. The number of small businesses with gas debt remains high at 9.5 per cent.

	2013		20	14
Jurisdiction	Customers in debt (per 100)	Average debt	Customers in debt (per 100)	Average debt
South Australia	6.00	\$1453	3.85	\$1594
Tasmania	2.59	\$1918	1.38	\$1136
ACT	4.83	\$803	6.28	\$674
NSW	N/A	N/A	3.87	\$1636

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

	2013		20	14
Jurisdiction	Customers in debt (per 100)	Average debt	Customers in debt (per 100)	Average debt
South Australia	4.86	\$1544	3.62	\$1570
ACT	9.81	\$2097	9.50	\$1536
NSW	N/A	N/A	7.21	\$1679

# 2.4 Payment plans

The Retail Law requires energy retailers to offer payment plans to customers experiencing payment difficulties. A payment plan is an agreement between a customer and retailer to pay a regular sum of money towards their bill or arrears.

Both customers and energy retailers are responsible for identifying when payment assistance is required. Proactive retailers promptly identify customers in debt and help them manage debt through payment plans or hardship programs (section 2.5).

Retailers must report only on arrangements with at least three instalments, and where the customer is paying off arrears (of any overdue amount). Customers using flexible payment arrangements for convenience or budgeting purposes are excluded for the purposes of payment plan reporting.

Figure 2.5 shows that payment plans are most commonly used by customers in South Australia—over 3 per 100 electricity customers and over 2 per 100 gas customers.

A relatively low number of customers are on payment plans in the ACT. This is partly because the ACT Civil and Administrative Tribunal (ACAT) also has a payment plan scheme for energy customers in financial hardship. However it is notable that more gas customers in the ACT are on payment plans in the September and December quarters. This suggests that retailer assistance is required to repay debts that accrue over the winter months.



Figure 2.5: Residential customers on a payment plan in each jurisdiction

Table 2.5 shows the number of residential customers on a payment plan for each retailer in each jurisdiction, as well as the number of payment plan cancellations that occurred in 2013–14.

# Table 2.5: Customers on payment plans as at June 30 2014 (change since 2013) and with payment plans cancelled during 2013–14

Retailer	er Customers on payment plans (per 100)		Customers with payment plans cancelled (per 100)			
	Electri	city	Gas		Electricity	Gas
South Australia						
AGL	0.84	(▼0.11)	0.31	(▲0.07)	3.19	1.81
Alinta Energy	7.13	(▼3.77)	3.06	(▼0.02)	14.20	7.35
Diamond Energy	0.86	(▲0.13)	_	-	0.00	-
EnergyAustralia	10.04	(▼1.02)	7.47	(▼0.07)	13.92	9.77
Lumo Energy	3.44	(▼0.50)	_	-	0.66	_
Momentum Energy	6.41	(▲5.46)	_	-	6.70	-
Origin Energy	4.54	(▲2.95)	2.24	(▲1.69)	4.38	2.11
Powerdirect	1.29	(▲0.21)	-	_	0.10	_
Red Energy	5.98	(▼1.37)	-	_	7.28	_
Sanctuary Energy	0.47	(▼0.77)	-	_	2.02	_
Simply Energy	3.27	(▼0.86)	2.11	(▼0.21)	9.17	5.35
TOTAL SA	1.16	(▲0.28)	2.33	(▲0.83)	5.30	3.42
ACT						
ActewAGL	0.17	(▼0.07)	0.12	(•)	1.96	1.25
EnergyAustralia	5.63	(▲1.37)	3.76	(▲1.12)	5.81	3.25
TOTAL ACT	0.36	(▼0.02)	0.26	(▲0.04)	2.10	1.33
Tasmania						
Aurora	1.28	(▼0.30)	_	-	1.91	_
NSW						
ActewAGL	0.45		0.19		4.94	1.87
AGL	0.60		0.17		3.13	0.91
Click Energy	0.16		_		0.83	-
Diamond Energy	0.31		_		0.00	_
Dodo Power & Gas	0.04		_		0.02	_
EnergyAustralia	1.85		1.57		3.32	2.79
Lumo Energy	3.13		2.72		0.81	0.53
Momentum Energy	4.49		_		3.97	_
Origin Energy	3.16		2.30		2.57	1.97
Powerdirect	1.12		-		0.08	_
QEnergy	2.54				0.00	
Red Energy	3.68		_		5.74	-
Sanctuary Energy	0.56		_		1.70	_
Simply Energy	1.67		_		0.62	-
TOTAL NSW	2.02		0.88		2.92	1.52

In South Australia, a significant number of Origin Energy and Momentum Energy customers began using payment plans to repay debt in 2013–14.

EnergyAustralia has a large proportion of customers on payment plans (over 10 per cent of electricity customers and 7 per cent of gas customers in South Australia). However, a greater number of customers had payment plans cancelled by EnergyAustralia in 2013–14. Similarly, Alinta Energy has a large proportion of customers on payment plans (7 per cent for electricity and 3 per cent for gas); however, during 2013–14 they cancelled around twice this

number of payment plans. This suggests that many customers are agreeing to unrealistic payment terms, and may benefit from additional assistance through a hardship program.

# 2.5 Hardship programs

The Retail Law requires energy retailers to offer hardship programs to customers experiencing financial difficulty.<sup>18</sup> The assistance provided by a hardship program should be tailored to the circumstances of each customer. Under the Retail Law, all retailers must have their hardship policy approved by the AER before they can sell energy to residential customers.

Hardship programs must include:19

- processes for early response where residential customers are identified as experiencing payment difficulties due to hardship
- flexible payment options including payment plans and Centrepay
- assistance in identifying government concessions and rebates
- referrals to financial counselling services
- energy efficiency advice.<sup>20</sup>

In 2014 the AER commenced a targeted review of the operation of retailers' hardship policies and practices. The purpose of the review is to understand how retailers identify and assist customers experiencing financial difficulty and to share examples of good practice across industry. Three areas of focus are customer access to retailers' hardship programs, 'capacity to pay' assessments and Centrepay. The review findings report will be released in early 2015.

Retailers report annually on the types of assistance offered under their hardship programs and on:

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

This section also includes a number of case studies provided by retailers to illustrate how they assist customers in financial hardship.

## 2.5.1 Customers on hardship programs

Figure 2.6 shows the number of electricity and gas customers on hardship programs in each jurisdiction. As with payment plans, proportionally more customers in South Australia are on hardship programs than in the other jurisdictions. The number of customers on hardship programs has notably increased in South Australia and Tasmania in recent quarters.

<sup>18</sup> National Energy Retail Law, s. 43.

<sup>19</sup> National Energy Retail Law, s. 44.

<sup>20</sup> Where such processes or programs are required by a local instrument.



Figure 2.6: Number of residential customers on a hardship program in each jurisdiction

Table 2.6 shows the number of electricity and gas customers who were on retailer hardship programs as at 30 June 2014. It shows that the number of customers on hardship programs varies significantly between retailers and even between the same retailers in different jurisdictions.

In South Australia, AGL and Simply Energy reported similar, and high, proportions of electricity and gas customers on hardship programs (between 1 and 1.5 per cent of customers). For most South Australian retailers, the proportion of customers on hardship programs increased in 2013–14. The number of Alinta customers on hardship programs is notably low—only a tenth of the average number in South Australia. The number of customers on Aurora's hardship programs more than doubled in 2013–14, which was a significant development given the high debt levels of their customers.

Retailer	C	ustomers on hardship program (Change since 2012–1	ns (per 100) 13)	
	Electric	ity	Gas	
South Australia				
AGL	1.14	(▲0.13)	1.06	(▲0.21)
Alinta Energy	0.09	(▼0.57)	0.08	(▼0.05)
EnergyAustralia	0.99	(▲0.41)	0.44	(▲0.20)
Lumo Energy	0.61	(▲0.29)	_	
Momentum Energy	1.12	(▲0.67)	_	
Origin Energy	1.57	(▲0.55)	0.43	(▲0.12)
Powerdirect	0.50	(▼0.09)	_	
Red Energy	1.10	(▲0.38)	_	
Simply Energy	1.47	(▲0.74)	1.41	(▲0.76)
TOTAL SA	1.16	(▲0.28)	0.70	(▲0.20)
ACT				
ActewAGL	0.41	(•)	0.41	(▲0.09)
EnergyAustralia	0.98	(▲0.07)	0.53	(▼0.13)
TOTAL ACT	0.43	(•)	0.42	(▲0.08)
Tasmania				
Aurora	0.43	(▲0.25)	-	-
NSW				
ActewAGL	1.52		0.58	
AGL	0.66		0.29	
Dodo Power & Gas	1.14		-	
EnergyAustralia	0.39		0.37	
Lumo Energy	0.46		0.35	
Momentum Energy	0.23		-	
Origin Energy	0.77		0.35	
Powerdirect	0.17		-	
QEnergy	2.03		-	
Red Energy	0.76		_	
Simply Energy	0.28		-	
TOTAL NSW	0.61		0.32	

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Note: Excludes retailers with zero hardship program customers.

# 2.5.2 Payment methods of hardship program customers

Figures 2.7 and 2.8 show the payment methods of electricity and gas customers on hardship programs respectively. 70 per cent of customers on hardship programs make debt repayments to their energy retailer through an agreed payment plan. 28 per cent of customers use Centrepay—a service that allows customers to pay their energy bills (and energy debt owed) as regular deductions from their Centrelink payments—and can assist customers by making budgeting easier and ensuring that bills are under control. A small number of customers make repayments by other methods, including ad hoc repayments or through government assistance (such as vouchers for energy assistance).









# **Case Study**

A customer of Origin Energy was unable to make the agreed fortnightly repayments under their payment plan. Origin moved the customer onto their 'Power On' program and agreed to accept repayments of a lesser amount. They also set up Centrepay arrangements and moved the customer onto a more favourable tariff.

After the customer's circumstances changed, they contacted Origin and agreed to make greater repayments to reduce their debt. Origin placed the customer on an incentive plan, whereby goodwill credits were provided to further reduce their arrears.

# 2.5.3 Debt levels of hardship program customers

When a customer enters a hardship program with a low level of debt they have a greater chance of repaying their debt and successfully completing their hardship program. Figure 2.9 shows the debt levels of electricity customers that entered hardship programs in 2013–14.<sup>21</sup>

As in 2012–13, over half of Red Energy, Lumo Energy and ActewAGL customers that entered into their hardship programs had less than \$500 of electricity debt. Compared to 2012–13, a greater proportion of EnergyAustralia customers entered hardship programs with less than \$500 of debt in 2013–14.

As was also the case in 2012–13, over half of the customers entering Aurora's hardship programs in 2013–14 did so with over \$1500 of debt. This was not unexpected given the low number of customers on hardship programs prior to 2013–14.



#### Figure 2.9: Level of electricity debt on entering retailer hardship programs in 2013–14

Note: Excludes retailers with less than 10 customers entering hardship programs in 2013-14.

Figure 2.10 shows debt levels of gas customers entering retailers' hardship programs in 2013–14. Relative to electricity customers, a significantly greater proportion of gas customers enter hardship programs with debt levels below \$500.





Figures 2.11 and 2.12 show the average debt levels of customers entering hardship programs in 2013 and 2014 with electricity and gas debt respectively.

For some South Australian retailers the average level of debt held by electricity customers when entering their hardship programs decreased in the past 12 months. However customers of AGL and EnergyAustralia entered hardship

programs with an average of over \$1500 in electricity debt, and the average debt of electricity customers entering Powerdirect's hardship programs remained over \$2500. As in South Australia, Powerdirect's NSW customers entered hardship programs with relatively high debt levels—an average of over \$2000. Average energy debt for gas customers entering hardship programs in South Australia increased for all retailers except Origin Energy. EnergyAustralia's gas customers entered hardship programs with an average of over \$1000 debt—\$580 greater than in the June quarter of 2012–13.

In the ACT, debt levels for gas customers entering hardship programs exceeded the debt levels of electricity customers. In Tasmania, the debt level of electricity customers entering Aurora's hardship programs remained high.







Figure 2.12: Average debt levels for gas customers entering hardship programs, June quarter 2012–13 and 2013–14

# 2.5.4 Customers exiting a hardship program

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

- · customers who successfully completed the program or exited with the agreement of the retailer
- customers who were excluded or removed from the program, and
- customers who transferred, switched or left the retailer.

Figures 2.13 and 2.14 show the number of electricity and gas customers that exited hardship programs for each retailer in 2013–14. For both electricity and gas, more customers were excluded from hardship programs (on average 54 per cent of customers) than successfully completed hardship programs (20 per cent).

Customers of EnergyAustralia (in South Australia) and Lumo Energy (in NSW) were particularly unsuccessful at completing their hardship programs—with hardship program success rates between 2 and 6 per cent for these retailers' electricity and gas customers. Powerdirect's rate of exclusion is over 80 per cent in both South Australia and NSW (electricity customers), and is likely due to the high levels of debt that customers hold when they enter their hardship programs.



Figure 2.13: Electricity customers exiting hardship programs in 2013–14

Note: AGL acquired Australian Power & Gas in April 2014.



#### Figure 2.14: Gas customers exiting hardship programs in 2013–14

Note: AGL acquired Australian Power & Gas in April 2014.

# **Case Study**

A customer of EnergyAustralia was unable to make effective repayments on their hardship program due to high energy use in winter periods. EnergyAustralia's hardship case manager was able to ascertain that the customer's high bills were due to their hot water system and central heating.

EnergyAustralia arranged for a representative from the Home Energy Saver Scheme (HESS) to conduct an in-home energy audit for the customer, which revealed faults in both the hot water system and central heating. The customer immediately arranged to fix the hot water service, and EnergyAustralia worked with HESS to install a new central heating system at no cost to the customer.

After receiving goodwill payments from EnergyAustralia to clear their arrears, the customer remained on the hardship program for a further three months to ensure that the payment arrangement was manageable, and also to ensure that energy consumption was reduced. The customer was able to reduce their energy use and returned to normal payment arrangements.

# 2.6 Disconnections and reconnections

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

Figure 2.15 shows the number of residential customers disconnected for non-payment in each jurisdiction. It shows a distinct pattern of gas disconnections in the ACT—most occur between October and March when households are less reliant on gas for heating. In other jurisdictions there is less variation between quarters.



Figure 2.15: Residential customers disconnected for non-payment in 2013–14 by jurisdiction

Tables 2.7 and 2.8 show the number of disconnected electricity and gas customers respectively. The tables also show the percentage of disconnected customers that were reconnected as well as the percentage of reconnections that occurred within seven days.<sup>22</sup>

<sup>22</sup> Disconnections for non-payment exceed the number of reconnections for a number of reasons, including abandonment of the property, reconnecting with a different retailer and moving house.
Retailer	Dis (per 100	connections customers)	Reconnections (% of disconnections)	Percentage of reconnections that occurred within seven days
South Australia				
AGL	1.21	(▼0.49)	40%	92%
Alinta Energy	4.84	(▼3.02)	49%	92%
Diamond Energy	0	(▼1.46)	-	-
EnergyAustralia	0.53	(▲0.32)	36%	56%
Lumo Energy	1.23	(▲0.23)	25%	98%
Momentum Energy	0.94	(▲0.33)	98%	52%
Origin Energy	1.46	(▲0.31)	53%	88%
Powerdirect	0.68	(▲0.11)	46%	100%
QEnergy	0	(▼11.11)	-	-
Red Energy	1.14	(▼0.48)	12%	100%
Sanctuary Energy	0.16	(▲0.16)	100%	100%
Simply Energy	2.08	(▲0.36)	55%	72%
TOTAL SA	1.37	(▼0.10)	45%	86%
ACT				
ActewAGL	0.16	(▲0.11)	60%	90%
EnergyAustralia	0.57	(▲0.37)	19%	50%
TOTAL ACT	0.17	(▲0.12)	63%	78%
Tasmania				
Aurora	0.68	(▲0.22)	58%	83%
NSW				
ActewAGL	0.31	(▲0.20)	53%	96%
AGL	1.51	(▼0.21)	39%	96%
Click Energy	0.63	(▲0.63)	26%	100%
Dodo Power & Gas	0.09	(▲0.07)	30%	100%
EnergyAustralia	0.70	(▲0.13)	59%	100%
Lumo Energy	1.07	(▲0.62)	21%	97%
Momentum Energy	0.76	(▲0.47)	64%	37%
Origin Energy	1.11	(▲0.56)	45%	90%
Powerdirect	0.38	(▼0.26)	53%	100%
QEnergy	2.44	(▲1.57)	71%	100%
Red Energy	1.03	(▼0.50)	34%	71%
Sanctuary Energy	0.41	(▲0.37)	62%	100%
Simply Energy	0.21	(▲0.21)	6%	100%
TOTAL NSW	1.03	(▲0.22)	45%	94%

#### Table 2.7: Residential electricity customers (per 100) disconnected and reconnected by each retailer in 2013–14

Retailer	Disco (per 100 c	nnections ustomers)	Reconnections (% of disconnections)	Percentage of reconnections that occurred within seven days
South Australia				
AGL	0.95	(▼0.28)	35%	80%
Alinta Energy	2.14	(▲1.93)	37%	83%
EnergyAustralia	0.08	(▼0.01)	100%	21%
Origin Energy	0.68	(▲0.10)	40%	72%
Simply Energy	2.31	(▼8.49)	33%	63%
TOTAL SA	0.86	(▲0.08)	37%	72%
ACT				
ActewAGL	0.90	(▼0.58)	35%	70%
EnergyAustralia	1.89	(▲1.53)	15%	92%
TOTAL ACT	0.94	(▼0.50)	33%	71%
NSW				
ActewAGL	1.19	(▼0.98)	28%	58%
AGL	0.51	(▼0.41)	26%	76%
EnergyAustralia	0.15	(▲0.05)	27%	100%
Lumo Energy	0.67	(▲0.63)	29%	96%
Origin Energy	0.18	(▼0.27)	41%	74%
TOTAL NSW	0.39	(▼0.29)	28%	78%

Table 2.8: Residential gas customers (per 100) disconnected and reconnected by each retailer in 2013–14

Most retailers disconnected fewer than 2 per cent of their customers in 2013–14. The exceptions were Alinta Energy, Simply Energy (in South Australia) and QEnergy (in NSW). Although Simply Energy and QEnergy have a large proportion of customers on hardship programs, Alinta Energy has very few customers receiving this additional form of assistance and may be more subject to a disconnection for non-payment. Although Alinta Energy's rate of disconnection has decreased since 2012–13, it remains more than double the rate of any other retailer. Click Energy and Sanctuary Energy disconnected a low proportion of their customers; however they also had very few customers on hardship programs during 2013–14.<sup>23</sup>

Tables 2.9 and 2.10 show the number of residential electricity and gas disconnections in each jurisdiction since 2009–10. Over this time electricity disconnections have more than doubled in NSW and South Australia. In the case of NSW, electricity disconnections increased by 32 per cent in the last 12 months. This increase was largely due to Origin Energy, which disconnected twice as many customers in 2013–14 as it did in 2012–13. Origin Energy noted that in recent years it had scaled back its collections (and disconnection) activity as it introduced a new customer account system. Origin Energy has now returned to business as usual collections activity, and disconnected an average of just over 1 per 100 customers in 2013–14. QEnergy and AGL disconnected a greater proportion of their customers than Origin Energy in 2013–14.

In South Australia the number of electricity disconnections has decreased since 2012–13, but remains at over 10 000 per year. Residential gas disconnections in NSW and the ACT have decreased since 2009–10. In South Australia the number of gas disconnections peaked in 2011–12 but has since decreased.

#### Table 2.9: Residential electricity disconnections, 2009–10 to 2013–14

	NSW	South Australia	Tasmania	ACT
2009–10	15 835	4 748	1 396	880
2010–11	18 561	7 383	958	402
2011–12	23 207	9 893	178	420
2012–13	24 888	10 723	1 057	73
2013–14	32 940	10 148	1 555	269

#### Table 2.10: Residential gas disconnections, 2009–10 to 2013–14

	NSW	South Australia	ACT
2009–10	14 811	3 410	1 611
2010–11	17 480	2 724	1 411
2011–12	20 118	4 403	2 356
2012–13	7 520	3 129	1 572
2013–14	4 921	3 418	1 066

#### 2.6.1 Disconnection of customers experiencing financial difficulty

In 2013–14, 19 per cent of electricity customers disconnected and 12 per cent of gas customers disconnected had been on a payment plan in the previous 12 months.

Six per cent of electricity customers disconnected and 4 per cent of gas customers disconnected in 2013–14 had been disconnected on more than one occasion in the previous 24 months.

As discussed earlier in this report, residential customers on market retail contracts in Tasmania use prepayment meters to manage their electricity account. In 2013–14 there were 2069 self-disconnection events (relating to 1728 customers)—a significant increase from 1068 in 2012–13.<sup>24</sup> Around half of the customers that use prepayment meters in Tasmania also receive energy concessions.

# 2.7 Energy concessions

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

We use the following indicators to report on energy concessions:

- number of customers in receipt of energy concessions
- number of customers in receipt of energy concessions who were disconnected for non-payment
- number of customers in receipt of energy concessions who were on a hardship program.

As at 30 June 2014 there were 7194 prepayment meters in Tasmania capable of detecting and reporting self-disconnections. This is an increase from 4622 as at 30 June 2013, however equates to less than a quarter of all prepayment meters

Jurisdiction	Cus	Customers receiving energy concessions (per 100 customers) (Change since 2012–13)			Cust	omers on hard ((	ship progran concession Change since	ns (per 100 customers) e 2012–13)
	Ele	ctricity		Gas	Ele	ctricity	(	Gas
New South Wales	28.73	(N/A)	3.90	(N/A)	1.50	(N/A)	1.44	(N/A)
South Australia	28.70	(▼0.17)	7.52	(▼0.13)	1.76	(▲0.55)	1.07	(▲0.49)
Tasmania	38.43	(▼0.06)	_	_	0.88	(▲0.46)	_	_
ACT	16.45	(▼0.09)	0.53	(▲0.03)	1.56	(▼0.05)	2.64	(▲0.24)

Table 2.11: Customers receiving energy concessions and on hardship programs in 2013–14 by jurisdiction

Table 2.12 shows that over half of the customers disconnected for non-payment in Tasmania were receiving energy concessions. This compares with less than 9 per cent of electricity customers on concessions disconnected in South Australia. Although only 16 per cent of customers in the ACT received electricity concessions, these customers represented 36 per cent of the customers disconnected for non-payment.

Table 2.12:	Concession	customers	disconnected	and reconne	cted in 20	13–14 by jurisdiction
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Jurisdiction	Concession customers disconnected (as % of all customers disconnected)		Concession customers reco seven days (as % of concess	nnected within sion customers disconnected)
	Electricity	Gas	Electricity	Gas
New South Wales	22.40%	7.11%	45.37%	23.71%
South Australia	8.70%	4.36%	48.92%	32.21%
Tasmania	51.25%	_	46.42%	-
ACT	36.06%	0.19%	59.79%	50%

# 2.8 Security deposits

Retailers can require small customers to provide security deposits in certain circumstances, for example if the customer owes the retailer money for another account or if the customer has fraudulently acquired energy in the previous two years.<sup>25</sup>

As with last year, there were only two retailers in 2013–14 holding security deposits (for electricity accounts). Table 2.13 shows the number and value of security deposits as at 30 June 2014.

#### Table 2.13: Security deposits held by retailers as at 30 June 2014

Retailer	Number of customers with security deposits	Value of security deposits
Aurora Energy	120 (small business)	\$341 748
Origin Energy	7 (residential)	\$890



# 3. Energy affordability

# 3.1 Overview

Electricity and gas are essential services, necessary for a reasonable standard of living. Ongoing community concern about rises in energy prices and other cost of living pressures continues to drive discussions about energy affordability among consumers, industry, government and regulators.

This is the AER's second annual report on energy affordability. We have maintained the approach set out in our first report. Our analysis therefore focuses on the impact of electricity and gas bills<sup>26</sup> on the budgets of low income households in Queensland, New South Wales, Victoria, South Australia, the ACT and Tasmania.

We use the concept of a 'benchmark' household as every household has a different level of consumption and income and it is not possible to account for the individual characteristics of every household.<sup>27</sup>

The Retail Law provides key protections for customers experiencing payment difficulties and financial hardship. We will continue to closely monitor retailers' performance and compliance in these key areas so that customers are getting appropriate access to payment plans and hardship assistance when needed. Throughout 2014 we have been working on a targeted review of retailers' hardship policies and practices to help us better understand how retailers identify and assist customers experiencing payment difficulties. We expect to publish a report in early 2015 on our review findings and this will also look to highlight examples of good practice so they can be shared across industry.

The AER's strategic priorities include a focus on building consumer confidence and strengthening stakeholder engagement in energy markets so that consumers are paying no more than necessary for their energy services. These areas will continue to be a focus for us throughout 2014–15.

<sup>26</sup> The electricity and gas bills estimated in this analysis are what end residential customers would pay and reflect the cost of providing electricity and gas services to homes. It includes the wholesale cost of buying gas and electricity; transportation costs to deliver electricity and gas to homes over transmission and distribution pipes and wires; the provision of retail services (billing and call centres); as well as the cost of jurisdictional green schemes to save energy or support the development of renewable energy.

<sup>27</sup> Similarly, electricity and gas bills, or the proportion of income spent on these bills, cannot be simply summed to create an overall household 'energy bill' or 'proportion of income spent on energy'. This is because the consumption levels used are based on typical values and will not always reflect the different fuel and appliance mix available. For example, households with gas connections and many gas appliances will have lower electricity consumption than the benchmark used in our report.

# 3.2 Key findings

A low income household, in receipt of an energy concession, spent between 3.0 and 7.3 per cent of their income on electricity bills depending on where they live (or between 3.3 and 8.9 per cent, without a concession). Gas bills comprise a lower share of a low income household's disposable income, ranging from 1.9 to 3.4 per cent (or 2.1 to 3.7 per cent without a concession) (figure 3.1).

Similar to our findings in 2013, the highest annual electricity bills were in Tasmania (\$2518 or \$2060 with an energy concession). However Tasmania was the only jurisdiction to see a fall in nominal electricity charges. These annual bills would account for 7.3 per cent of a low income household's disposable income (or 8.9 per cent without a concession). Tasmania's relatively high electricity bills are primarily driven by households having the highest electricity consumption<sup>28</sup> of all jurisdictions as well as lower incomes (figure 3.1 and table 3.1).

Electricity bills again comprised the smallest share of disposable income for low income households in the ACT around 3.3 per cent (or 3.2 per cent without a concession). This results from generally lower electricity charges and relatively higher incomes.

When considering changes in energy charges relative to changes in the consumer price index (CPI) real electricity charges fell in Victoria, with electricity bills making up a slightly smaller proportion of a low income household's disposable income this year than it did last year. The greatest rise was in Queensland where charges rose by 22 per cent. The Queensland Government's price 'freeze'<sup>29</sup> in 2012 only allowed for the pass through of costs associated with the carbon tax in that year, meaning that rising wholesale, network and green scheme costs weren't reflected in Queensland electricity charges until July 2013.

Across all jurisdictions, annual gas bills for low income households in Victoria comprised the highest proportion of disposable income, accounting for 3.7 per cent (annual bill of \$1256) consistent with our 2013 report. Again, this is driven by relatively high gas consumption for households in Victoria compared to other jurisdictions, given reliance on gas for space and water heating. With a concession, annual gas bills were \$1152 (or 3.4 per cent of disposable income) (figure 3.1).

Gas charges rose in every jurisdiction by more than CPI when comparing annual bills from June 2013 with those at June 2014. The smallest increase was in NSW (4 per cent) while the greatest increase was in the ACT (11 per cent), making annual gas bills in the ACT most expensive (\$1618, or \$1428 with a concession).

We have assumed our benchmark middle and high income households consume a 'typical' amount of electricity and gas for each jurisdiction (a two to three person household). This is higher than for our benchmark low income households which are typically smaller—on average one to two persons.<sup>30</sup> A middle income household with typical consumption spent between 1 per cent (in the ACT) and 2.6 per cent (in Tasmania) of its annual disposable income on electricity. For a benchmark high income household, expenditure ranged between 0.5 and 1 per cent of disposable income.

Benchmark middle income households spent between 0.5 per cent (Queensland) and 0.9 per cent (Victoria) of disposable income on annual gas bills. Benchmark high income households spent between 0.2 and 0.4 per cent of their disposable income on annual gas bills.

<sup>28</sup> The cooler climate in Tasmania generates greater heating requirements during winter and less than 5 per cent of households are connected to mains gas. Electricity consumption is therefore typically higher.

<sup>29</sup> The Queensland Government introduced a tariff 'freeze' on the main residential electricity tariff (tariff 11) for 12 months commencing on 1 July 2012. http://www.qca.org.au/Electricity/Consumer/SEQ-Electricity-Prices/Archive/Electricity-Prices-2013–14.

<sup>30</sup> Data obtained from the Australian Bureau of Statistics (ABS) shows that low income households are on average one to two person households (see table 3.1).



Figure 3.1: Annual electricity and gas bills, and as a share of benchmark low income household's disposable income (without concession)—jurisdiction specific 'low' consumption levels, June 2013 and 2014

The two main components of energy bills are the price of energy and how much energy is consumed. To directly compare how energy charges vary across jurisdictions, we have applied the same consumption levels to all jurisdictions – 6500 kWh for electricity and 24 000 MJ for gas.

This shows that electricity charges are highest in South Australia (annual bill of \$2388) followed by Tasmania (\$2090). Electricity charges for Queensland, New South Wales and Victoria were all around \$2000. Electricity charges were lowest in the ACT (\$1511). There was less variation in gas charges across the jurisdictions—Queensland and South Australia were highest (annual bills around \$1050), followed by the ACT and New South Wales, with gas bills cheapest in Victoria (\$659) (figure 3.2).



Figure 3.2: Annual electricity and gas bills (6500 kWh and 24 000 MJ pa), June 2013 and 2014

States and territories often have more than one distribution or pricing zone, and the price of electricity or gas, as well as the number of generally available offers, varies across these zones. Our analysis for each jurisdiction considers the range in offers in each of the zones. This shows that energy charges are often higher in regional and remote areas where the costs of providing and servicing energy infrastructure are higher and typically shared among fewer customers.

Typically, for both electricity and gas, the median standing offer was higher than the median market offer in most jurisdictions (except in the ACT and Tasmania). The greatest difference between the median market and standing offer was in Victoria. The range between the cheapest and most expensive electricity offers in Queensland and South Australia also increased between June 2013 and June 2014. Customers may be able to save money by switching from a regulated or standing offer tariff to a market contract that best suits their needs. The AER operates a price comparator website, Energy Made Easy (www.energymadeeasy.gov.au), which can help customers compare electricity and gas contracts. It's free to use and provides independent and up to date information on available offers.

# 3.3 Background

Under the Retail Law the AER must include a report on energy affordability in its annual retail market performance report.<sup>31</sup>

Our first annual report established a framework to monitor electricity and gas charges over time as well as the proportion of income benchmark low, middle and high income households spend annually on energy (electricity and gas) bills. This approach was informed by the existing research and analysis on energy affordability, feedback from the AER's Customer Consultative Group (CCG) and public consultation.

We have maintained the same approach established in our 2012–13 report. This report provides a snapshot of the cost of annual electricity and gas bills around the country at June 2014, including;

- the range in charges of electricity and gas offers generally available to residential customers in each distribution (or pricing) zone
- estimates of annual electricity and gas bills, and
- annual expenditure on electricity and gas bills as a share of disposable income for benchmark low, middle and high income households. For low income households, we also consider the impact of energy concessions.

It also compares June 2014 data with June 2013. By maintaining a consistent approach to our analysis, we will be able to compare benchmarks from year to year and observe trends as they develop over time.

We consider each jurisdiction that has commenced (or intends to commence) the Retail Law—Queensland, New South Wales, Victoria, South Australia, Tasmania, and the ACT.<sup>32</sup> This provides opportunity to reflect variation in energy charges, household income and energy concessions around the country.

Our report considers consumption of reticulated ('mains') gas only. It does not consider liquefied petroleum gas or liquefied natural gas as the AER does not have a regulatory role and limited data was available. Further, we did not include gas in our analysis of Tasmania, given that less than five per cent of households have a mains gas connection.

<sup>31</sup> Rule 166(1) (e) of the Retail Rules requires the AER to publish a report on energy affordability for small customers as part of its retail market performance reports.

<sup>32</sup> We have not considered energy affordability for customers in Western Australia and the Northern Territory.

# 3.4 Approach

Our approach to this report, including the assumptions and generalisations underpinning our analysis is set out in full in appendix 7. In summary, the key elements include:

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

Unless otherwise stated, any reference to 'market offer' and 'standing offer' refers to the median market and standing offer (respectively). Similarly, unless otherwise stated, any reference to an annual bill or charges refers to an estimated annual bill based on a benchmark household's consumption level. In our electricity analysis we use two benchmark consumption levels: one for low income households and one for middle and high income (typical) households. For gas we use only typical consumption levels. 'Income' refers to annual disposable income.

#### Annual electricity and gas consumption levels

The annual household electricity and gas consumption levels we used are summarised in tables 3.1 and 3.2 for benchmark low, middle and high income households.

We have used the same consumption estimates as those used in the 2012–13 analysis with the exception of the gas consumption levels for the ACT (revised upwards from 24 000 MJ to 48 000 MJ) and Queensland (revised down from 20 000 MJ to 10 000 MJ). This was based on feedback in response to our 2012–13 report. We have updated our 2012–13 data in this report to reflect this change.

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income (\$)
Qld	5000	10 000	1.79	33 306
NSW	5300	24 000	1.82	33 629
Vic	4700	63 000	1.61	33 628
SA	5000	21 000	1.80	30 364
Tas	8100	N/A	1.64	28 276
ACT	7000	48 000	1.85	50 636

# Table 3.2: Benchmark middle and high income households—summary of annual electricity and gas consumption levels

Jurisdiction	Annual electricity consumption (kWh)	Annual gas consumption (MJ)	Average household size (persons)	Annual disposable income—middle (\$)	Annual disposable income—high (\$)
Qld	6 800	10 000	2–3	68 955	179 906
NSW	6 700	24 000	2–3	71 131	194 876
Vic	5 400	63 000	2–3	70 533	173 404
SA	6 000	21 000	2–3	63 364	159 700
Tas	9 400	N/A	2–3	57 878	144 732
ACT	8 000	48 000	2–3	96 210	212 697

### Collection of energy tariff data

We collected all of the generally available<sup>33</sup> offers in a given postcode<sup>34</sup> in each distribution or pricing zone during June 2014. Only single-rate tariffs were collected and any GreenPower-only and solar offers were excluded. Where possible, offer tariffs were sourced from our Energy Made Easy price comparison website. For states and territories that had not commenced the Retail Law by June 2014, offer tariffs were collected from jurisdictional energy regulators' price comparison websites or directly from energy retailers' websites.

### Estimating annual energy bills

Annual electricity and gas bills for each of the offers in the nominated postcode were calculated using the energy consumption levels in tables 3.1 and 3.2. The estimated bills include key discounts offered by energy retailers (such as discounts for paying on time, paying by direct debit and other cash incentives), but do not include discounts for bundling or dual fuel offers. One-off credits and non-cash incentives are also not included. Seasonal pricing was taken into account when calculating the annual bills; however we assume a consistent consumption across the year. We used the median market and standing offer to calculate the annual electricity and gas bills in each jurisdiction.

#### Annual household disposable income

Data on disposable household income was obtained from the Australian Bureau of Statistics (ABS). 'Low income' households in each state and territory were represented by the second and third income deciles,<sup>35</sup> 'middle income' households represented by the third income quintile and 'high income' households represented by the fifth income quintile. The latest available data from the ABS was for 2011–12 and was adjusted to 2013–14 dollars (see tables 3.1 and 3.2).<sup>36</sup>

# 3.5 Queensland

There are two electricity distribution zones in Queensland: Energex covers south east Queensland and Ergon Energy covers the rest of the state.

Households in the Energex zone can choose from a range of market and standing offers. Annual electricity bills for these offers ranged between \$1388 for the cheapest market offer and \$1672 for the most expensive. The range increased from \$152 between the cheapest and most expensive in 2013 to \$284 in 2014. Annual electricity bills for the median market offer were \$1584 (figure 3.3).

Ergon Energy—also a government-owned, non-competitive electricity retailer—is only permitted to charge its customers the regulated price. Ergon Energy is not permitted to compete for new customers and once a customer chooses to take up a market contract with another retailer, they cannot return to Ergon Energy.

<sup>33</sup> Generally available offers refer to energy offers available to all customers within a given distribution zone. Energy offers that are not generally available—such as those only available to a limited or particular group of customers—are not included.

<sup>34</sup> Appendix 2 of the 2012–13 report details the postcodes used in our analysis.

<sup>35</sup> The ABS advises that using the first decile to represent 'low income' households can be problematic as it can include income data that does not necessarily reflect the lowest income households. In the lowest income quintile, survey respondents may report extremely low or negative incomes for taxation or other benefit purposes (such as negative gearing on investments, or working cash in hand). The ABS therefore considers the first income decile is not necessarily the truest representation of low income households in Australia.

<sup>36</sup> We adjusted the ABS data for low income households by the Consumer Price Index (CPI) and the middle and high income data using the ABS Wage Price Index (WPI). We undertook additional analysis to determine whether adjusting the low income data by WPI, rather than CPI, affected the findings of this report. In almost all instances, the change was very slight (less than one per cent) and did not impact the report's findings.

The median standing offer was the same in both the Ergon Energy and Energex zones (\$1672). The costs of supplying electricity to customers living in the regional and rural areas of Queensland serviced by Ergon Energy are much greater than for those in the south east. This is due mainly to the higher costs of transporting electricity over long distances and there being fewer customers to share the costs of the infrastructure required. The Queensland Government subsidises these additional costs through payments to Ergon Energy via the Community Service Obligation.

In 2014 there were over one million small electricity customers<sup>37</sup> on standard retail contracts, or around 54 per cent of customers, similar to 2013.<sup>38</sup>





There are four gas distribution zones in Queensland: Allgas Energy (covering south Brisbane and the Gold Coast), Australian Gas Services (AGS) (Brisbane North and Ipswich), AGS (Northern) and AGS (Wide Bay).

Charges, and the range in charges, varied across the distribution zones (figure 3.4). The median market offer was cheapest in AGS Wide Bay (\$456) and most expensive in AGS (Northern) (\$740). Overall, charges were much lower in AGS Wide Bay; and in all zones the median standing offer was more expensive than the median market offer. The range between the cheapest and most expensive market offers in each zone was also relatively narrow (around \$35 in AGS Wide Bay and AGS Northern and up to \$51 for Allgas Energy).

<sup>37</sup> Customers consuming less than 100MWh per year.

<sup>38</sup> Queensland Competition Authority, Market and Non-Market Customers, March Quarter 2014. <u>http://www.qca.org.au/Electricity/Reviews/</u> Market-reports-and-statistics/Market-Customer-Statistics/Final-Report/Market-Customer-Statistics#finalpos



Figure 3.4: Range of generally available gas offers by distribution zone (10 000 MJ)-June 2014

#### Electricity and gas bills as a percentage of income

The Queensland Government offers two main rebates to eligible customers.<sup>39</sup> In 2013–14, the Electricity Rebate provides up to \$283 per year towards electricity bills. The Reticulated Natural Gas Rebate provides around \$65 per year. Figure 3.5 shows the impact of these two rebates on annual gas and electricity bills for a benchmark low income household.

<sup>39</sup> Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Department of Veterans' Affairs Gold Card or Queensland Seniors cards. Eligibility is not extended to Centrelink Health Care Cards, unlike in other states and territories.



Figure 3.5: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (5000 kWh and 10 000 MJ)

For a benchmark low income household, the annual electricity bill was \$1584 on the median market offer (\$1301 with concession). This is around 4.8 per cent of annual disposable income, or 3.9 per cent with a concession. The annual electricity bill for the median standing offer was around 6 per cent higher than the median market offer, at \$1672 (or \$1389 with a concession). This would represent 5.0 per cent of a benchmark low income household's annual income without a concession (or 4.3 per cent with a concession).

Annual electricity bills increased by 22 per cent from June 2013 to June 2014. This price rise is attributed to the Queensland Government's decision to 'freeze' the main residential tariff (tariff 11) for 12 months commencing on 1 July 2012. As such, increases in wholesale costs, networks costs, green schemes and the carbon tax which was introduced in July 2012, weren't reflected in electricity prices until July 2013.<sup>40</sup> As electricity charges have increased by more than the increase in household incomes over the period, electricity bills comprise a greater proportion of household income in 2014 (4.8 per cent) when compared to 2013 (4.0 per cent).

Customers may be able to save money by switching from a standing offer to a market offer that best suits their needs. The Queensland Competition Authority (QCA) operates a price comparator website that can help customers compare electricity offers in Queensland. It is free to use and is available on the QCA website: <u>http://comparator.qca.org.au/.</u> Queensland announced its intention to commence the Retail Law in 2015 and from then customers in Queensland will be able to use the AER's Energy Made Easy website to compare energy offers.

The annual gas bill for the median market offer was \$702, or 2.1 per cent of a low income household's income. With a concession, the annual bill would fall to \$636 (or 1.9 per cent). Annual gas bills for the median standing offer were slightly higher.

In 2014, the annual gas bill for households on standing offers and market offers increased by around 8 per cent when compared to 2013. Gas bills comprise a similar proportion of household income in 2014 (2.1 per cent) when compared to 2013 (2.0 per cent).

For a household consuming a typical amount of electricity (6800 kWh), annual bills would comprise around 1.6 per cent of a middle income household's annual disposable income and only 0.6 per cent of disposable income for a high income household (table 3.3).

<sup>40</sup> http://www.qca.org.au/Electricity/Consumer/SEQ-Electricity-Prices/Archive/Electricity-Prices-2013-14

For a middle income household consuming the same amount of gas, this annual bill represents only 0.5 per cent of its disposable income and only 0.2 per cent for a benchmark high income household (table 3.3).

Table 3.3: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income – June 2014

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 5000 kWh	1301	3.9
Low income-without concession	Electricity 5000 kWh	1584	4.8
Middle income	Electricity 6800 kWh	2081	1.6
High income	Electricity 6800 kWh	2081	0.6
Low income—with concession	Gas 10 000 MJ	636	1.9
Low income-without concession	Gas 10 000 MJ	702	2.1
Middle income	Gas 10 000 MJ	702	0.5
High income	Gas 10 000 MJ	702	0.2

## 3.6 New South Wales

There are three electricity distribution zones in New South Wales—Ausgrid, Endeavour Energy and Essential Energy. Thirteen retailers had offers generally available to electricity customers in New South Wales.

Essential Energy's distribution zone had the highest electricity bills (\$2405) and also the largest range between the cheapest and the most expensive offers (\$364) (figure 3.6). Essential Energy covers most of regional and rural New South Wales and these higher charges reflect the higher network infrastructure costs required to service this area (typically shared among fewer customers).

The charges and range between the cheapest and most expensive offer in the Ausgrid and Endeavour Energy zones were similar, from \$1502 to \$1810 or almost \$300. Across all three zones the range decreased when compared to 2013 as the cheapest offer increased whilst the most expensive offer remained at a similar level.

The range between offers suggests some customers may be able to make savings by switching to a cheaper market offer, particularly if they are still on the standing offer. In all zones, the standing offer was more expensive than the median market offer. At 30 June 2014, around 64 per cent of electricity customers in New South Wales were on market contracts.



Figure 3.6: Range of generally available electricity offers by distribution zone (5300 kWh)—June 2014

There are four gas distribution zones in New South Wales: Jemena, AGS (Wagga Wagga), ActewAGL Distribution and AGS (Albury). Five retailers had offers generally available to gas customers.

Gas bills for the median market offer were highest in Jemena's zone (\$907). Jemena's zone had the most offers as well as the largest range (\$212) between the cheapest (\$829) and the most expensive (\$1041) offers (figure 3.7). Gas bills were cheapest in the AGS (Albury) distribution zone (\$558). There were no market offers in the ActewAGL's zone and the annual bill for the standing offer was \$888.

Across the zones there was very little difference between the median standing offers and the median market offers (less than \$25). Origin-Country Energy is the only retailer of gas to small customers in AGS (Wagga Wagga) offering market offers and a standing offer. The range between the cheapest (\$728) and most expensive (\$761) market offer in AGS (Wagga Wagga) was very narrow at \$34.

Retail gas prices in New South Wales were regulated by IPART during 2013–14, under voluntary pricing arrangements. As at June 2014, 72 per cent of gas customers in New South Wales were on a market contract.





#### Electricity and gas bills as a percentage of income

The Low Income Household Rebate is the primary energy concession available to eligible customers<sup>41</sup> in New South Wales. It applies only to electricity bills and is capped at \$225 per year.

Some customers are also eligible<sup>42</sup> for the Family Energy Rebate, which is capped at \$125 per year. For households eligible for both the Low Income Household Rebate and the Family Energy Rebate, the Family Energy Rebate is capped at \$25 per year, making the maximum annual electricity concession available \$250. The analysis of annual electricity bills in figure 3.8 includes the maximum value of both concessions. There is no concession available in New South Wales for gas bills.

<sup>41</sup> Eligibility is restricted to households that have a Commonwealth Pensioner Concession Card, Health Care Card, or a Department of Veterans' Affairs Gold Card.

<sup>42</sup> Eligibility is restricted to households that receive the Australian Government's Family Tax Benefit A and/or B.



Figure 3.8: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (5300 kWh and 24 000 MJ)

Across New South Wales, a household on the median market offer paid \$1718 (or \$1468 with a concession). The regulated offer was modestly higher than the market offer, at \$1758 (or \$1508 with a concession). A benchmark low income household on a market offer, in receipt of a concession, would spend 4.4 per cent of its income on electricity (or 5.1 per cent if it did not receive a concession). If the same household was on the regulated offer, it would spend 4.5 per cent of its income (with a concession), or 5.2 per cent without a concession.

Estimated electricity bills increased by 4.3 per cent from June 2013 to June 2014, a greater increase than for CPI (2.8 per cent). Electricity bills as a proportion of income for a benchmark low income household rose from 5.0 per cent in June 2013 to 5.1 per cent in June 2014.

Figure 3.8 also shows households in New South Wales spent around twice as much on electricity each year as they did on gas. Annual gas bills were \$863 for a household on the median market offer. The median regulated offer was lower than the median market offer in New South Wales due to some zones—AGS (Wagga Wagga) and AGS (Albury)—only having regulated offers and very few market offers. For a low income household, this represents 2.6 per cent of its income if on the market offer and 2.5 per cent when on the regulated offer.

Estimated gas bills increased by 4.5 per cent over the period, similar to the increase in electricity. Gas bills as a proportion of income for a benchmark low income household rose from 2.5 per cent in June 2013 to 2.6 per cent in June 2014.

A middle income household consuming a typical amount of electricity—6700 kWh in New South Wales—spent 1.5 per cent of its income on electricity bills (table 3.4). For a high income household, it accounted for 0.6 per cent of its income. For a middle income household consuming the same amount of gas (24 000 MJ), this annual bill represented 0.6 per cent of its income, and only 0.2 per cent for a high income household (table 3.4).

Table 3.4: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income – June 2014

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 5300 kWh	1468	4.4
Low income-without concession	Electricity 5300 kWh	1718	5.1
Middle income	Electricity 6700 kWh	2104	1.5
High income	Electricity 6700 kWh	2104	0.6
Low income—with concession	Gas 24 000 MJ	863	2.6
Low income-without concession	Gas 24 000 MJ	863	2.6
Middle income	Gas 24 000 MJ	863	0.6
High income	Gas 24 000 MJ	863	0.2

# 3.7 Victoria

There are five electricity distribution zones in Victoria—Powercor, United Energy, CitiPower, Jemena and AusNet Services. Sixteen retailers had offers generally available to electricity customers in Victoria.

Households in AusNet Services' distribution zone—which covers most of the eastern part of Victoria, including some of the eastern suburbs in Melbourne—had the highest electricity bills for the median market offer (\$1654) (figure 3.9). AusNet Services also had the largest range (\$538) between the cheapest offer (\$1420) and the most expensive offer (\$1958).

AusNet Services' zone predominantly covers rural Victoria, where a greater amount of network infrastructure is required to service geographically remote regions. These costs are typically shared over fewer customers, which is reflected in the higher charges. Jemena and Powercor were the next two most expensive zones with annual bills for the median market offer of \$1552 and \$1526 respectively.

Citipower's distribution zone, which covers inner Melbourne, had the cheapest annual electricity bills (\$1185), and the narrowest range (\$407). In all zones, the median market offer was much cheaper than the median standing offer (by at least \$220) and in most instances the standing offer was one of the most expensive. Customers on standing offers are therefore likely to save money by switching to a market offer that best meets their needs.

Compared to all other states and territories, the range in annual electricity bills, from cheapest to most expensive, was the largest in Victoria. This likely reflects that Victoria had the greatest number of electricity offers available to customers with around 45 electricity offers in each distribution zone in June 2014—much higher than any other jurisdiction.



Figure 3.9: Range of generally available electricity offers by distribution zone (4700 kWh)—June 2014

There are eight gas distribution pricing zones—Multinet Main 1, Multinet Main 2, AusNet Services Central 1, AusNet Services Central 2, AusNet Services West, AGS Central 1, AGS Central 2 and AGS North. Six retailers had offers generally available to gas customers in Victoria.

The most expensive gas bill was the standing offer in the AGS North distribution zone (\$1459) and the cheapest was a market offer in the Multinet Main 2 distribution zone (\$1080). Victoria also had the widest range between the most expensive and the cheapest gas bills when compared to all other jurisdictions. This is due to the greater number of gas contracts available and the higher gas consumption in Victoria. The gas distribution zone with the broadest range was AGS Central 2 (\$285) and the narrowest was AusNet Services West (\$162) (figure 3.10).

Similar to electricity, the median market gas offer was cheaper than the median standing offer in all zones and in all but one zone the median standing offer was the most expensive. Customers still on standing offers are likely to be able to save money by switching to a market offer that suits their needs. Customers in Victoria can compare electricity offers using the My Power Planner website (https://mpp.switchon.vic.gov.au) and gas offers using the Your Choice website (www.yourchoice.vic.gov.au).



Figure 3.10: Range of generally available gas offers by distribution zone (63 000 MJ)-June 2014

#### Electricity and gas bills as a percentage of income

The Victorian Government offers electricity and gas concessions to eligible households.<sup>43</sup> The Annual Electricity Concession<sup>44</sup> provides a 17.5 per cent discount off electricity bills. The discount does not apply to the first \$171.60 or automatically to any value above \$2763. Concession households with electricity bills of more than \$2763 can apply for the Excess Electricity Concession to continue to receive the 17.5 per cent concession on electricity consumed above this amount.

The Winter Gas Concession<sup>45</sup> also provides a 17.5 per cent discount off gas bills, but only applies to gas services in the six months between 1 May and 31 October each year. It does not apply to the first \$62.40 or automatically to any value above \$1462. Concession households with gas bills of more than \$1462 during the winter period can apply for the Excess Gas Concession to continue to receive the 17.5 per cent concession on bills in excess of \$1462. Figure 3.11 shows the impact of these concessions on annual electricity and gas bills.

<sup>43</sup> Eligibility is limited to the holder of at least one of the following cards: Pensioner Concession Card, Health Care Card or Department of Veterans' Affairs Gold Card.

<sup>44</sup> http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy/annual-electricity-concession

<sup>45</sup> http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy/winter-gas-concession -



Figure 3.11: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (4700 kWh and 63 000 MJ)

The electricity bill for a household on the median market offer was \$1515, or \$1280 with a concession applied. Electricity bills for the standing offer were higher, at \$1784 or \$1502 if the household received a concession. When considered as a proportion of income, a low income household with a concession on the median market offer spent 3.8 per cent of its disposable income on electricity bills (4.5 per cent without a concession). On the median standing offer, this bill would comprise 4.5 per cent of a benchmark low income household's income when receiving a concession, or 5.3 per cent without a concession (figure 3.11).

Annual electricity bills for the median market offer increased by 0.7 per cent in 2014 when compared to 2013, which was less than CPI (at 2.8 per cent). Bills for the standing offer, however, increased by 3 per cent over the same period. Electricity bills as a proportion of income for a benchmark low income household fell slightly, from 4.6 per cent in 2013 to 4.5 per cent in 2014.

Annual gas bills for the median market offer were \$1256, or \$1152 with a concession (figure 3.11). This was lower than the bill for the median standing offer of \$1407, or \$1289 with a concession applied. For a low income household with a concession on the market offer, this represents 3.4 per cent of its disposable income (or 3.7 per cent without a concession). If the benchmark low income household was on the standing offer, this would comprise 3.8 per cent of annual disposable income (or 4.2 per cent without a concession).

Annual gas bills for the median market offer rose by 5.6 per cent from June 2013 to June 2014. Gas bills, as a proportion of income for a benchmark low income household, remained similar in 2014 when compared to 2013 (around 3.7 per cent, or 3.4 per cent with a concession).

A benchmark middle income household consuming a typical amount of electricity—5400 kWh in Victoria—spent 1.2 per cent of its disposable income on electricity bills. For a high income household this equates to 0.5 per cent of its income. For a middle income household consuming the same amount of gas, this bill represents 0.9 per cent of its income, and 0.4 per cent for a high income household (table 3.5).

Table 3.5: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income – June 2014

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 4700 kWh	1280	3.8
Low income—without concession	Electricity 4700 kWh	1515	4.5
Middle income	Electricity 5400 kWh	1689	1.2
High income	Electricity 5400 kWh	1689	0.5
Low income—with concession	Gas 63 000 MJ	1152	3.4
Low income—without concession	Gas 63 000 MJ	1256	3.7
Middle income	Gas 63 000 MJ	1256	0.9
High income	Gas 63 000 MJ	1256	0.4

# 3.8 South Australia

South Australia only has one electricity distribution zone (SA Power Networks). Fourteen retailers had offers generally available to electricity customers in South Australia. Figure 3.12 shows the range in generally available electricity offers.

The most expensive market offer had an annual bill of \$2169 and the cheapest was \$1641. This range (\$529) is similar to that seen in Victoria and is much wider than in 2013 (\$333) (figure 3.12). This is due to the cheapest offer decreasing by around \$100 this year and the most expensive offer increasing by around \$100. While not the most expensive offer, the median standing offer (\$2023) was 8 per cent higher than the median market offer (\$1866).

The South Australian Government's decision to deregulate retail electricity prices took effect on 1 February 2013. Alongside this decision, AGL agreed that it would decrease its standing offer prices by 9.1 per cent (when compared to its December 2012 standing contract rates) effective from 1 January 2013 for customers on this offer.<sup>46</sup> These rates will be fixed for two years—until 31 December 2014—except for changes to network charges, carbon, renewable and energy efficiency scheme costs.

At 30 June 2014, around 84 per cent of residential customers in South Australia were on market contracts, a relatively high proportion when compared to other jurisdictions.

<sup>46</sup> New customers who sign up to an AGL standing contract from 1 February 2013 will be offered electricity rates that are 4.5% lower than AGL's December 2012 residential standing contract rates.





AGS has five gas pricing zones in South Australia: Metro Area, Mount Gambier, Port Pirie, Riverland and Whyalla. Four retailers had offers generally available to gas customers.

Among the pricing zones, the median offer charges and range in the Metro and Riverland zones were similar. Mount Gambier, Port Pirie and Whyalla were also broadly consistent in charges and range (figure 3.13). The range in charges of offers was greater in Metro and Riverland (\$196) than the other three zones—from the cheapest (annual bill of around \$940) and the most expensive offer (around \$1130). The range in the other three zones was smaller, around \$86, between the cheapest (around \$950) and the most expensive offer (around \$1035).

At June 2014, the median standing offer was 3 to 6 per cent higher than the median market offer depending on the pricing zone, while in 2013 the standing offer was only 1 to 2 per cent higher. This is likely due to an increase in the number of standing offers available and the increase in the price range of available offers.

At 30 June 2014, around 84 per cent of residential gas customers in South Australia were on market contracts. Similar to electricity, this is a relatively high proportion when compared to other jurisdictions.



Figure 3.13: Range of generally available gas offers by distribution zone (21 000 MJ)-June 2014

#### Electricity and gas bills as a percentage of income

Eligible households in South Australia can receive a concession of up to \$165 (in total) on their annual household energy (gas and electricity) bills.<sup>47</sup> In our analysis, we applied a concession of \$82.50 each to the annual electricity and gas bills (figure 3.14).

<sup>47</sup> Eligibility is restricted to households that have either a Commonwealth Pensioner Concession Card, or Health Care Card, or a Department of Veterans' Affairs Gold Card.



Figure 3.14: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (5000 kWh, 21 000 MJ)

The electricity bill was \$1866 for a low income household on the median market offer (or \$1783 with a concession). Annual electricity bills for the median standing offer were higher, at \$2023 (or \$1940 with the concession). The median electricity market offer in South Australia rose by 3 per cent from June 2013 to June 2014.

A benchmark low income household on this market offer, with a concession, spent 5.9 per cent of its disposable income on electricity bills (6.1 per cent if it did not receive a concession) (table 3.6). If the same household was on the median standing offer, this would account for around 6.4 per cent of its disposable income (6.7 per cent if it did not receive a concession). Overall, electricity bills as a proportion of income for a benchmark low income household remained the same in 2014 when compared to 2013.

The annual gas bill was \$996 for a benchmark low income household on the median market offer (or \$914 with a concession). This represents 3.3 per cent of its annual disposable income (or 3.0 per cent with a concession). There was little difference between the median market and standing offers for gas. Gas bills as a proportion of income for a benchmark low income household rose from 3.1 per cent in 2013 to 3.3 per cent in 2014. The annual gas bill for the median market offer increased by around 10 per cent between June 2013 and June 2014.

A middle income household consuming 6000 kWh spent 1.8 per cent of its disposable income on electricity bills. For a high income household, this accounts for 0.7 per cent of its income. For a middle income household consuming the same amount of gas (21 000 MJ), this bill represents 0.8 per cent of its income and only 0.3 per cent for a high income household (table 3.6).

Table 3.6: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income – June 2014

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income-with concession	Electricity 5000 kWh	1783	5.9
Low income-without concession	Electricity 5000 kWh	1866	6.1
Middle income	Electricity 6000 kWh	2210	1.8
High income	Electricity 6000 kWh	2210	0.7
Low income—with concession	Gas 21 000 MJ	914	3.0
Low income-without concession	Gas 21 000 MJ	996	3.3
Middle income	Gas 21 000 MJ	996	0.8
High income	Gas 21 000 MJ	996	0.3

# 3.9 Tasmania

#### Annual electricity bills and as a percentage of income

There is only one electricity distribution zone in Tasmania. Until 30 June 2014, the Tasmanian Government owned Aurora Energy (Aurora) was the only electricity retailer available to residential customers. It had only one offer and the price was approved by the Office of the Tasmanian Economic Regulator (OTTER). Figure 3.15 shows the only available offer for small customers in Tasmania at June 2014. The estimated annual electricity bill for this offer was \$2518, based on a consumption of 8100 kWh per year.

As of 1 July 2014, all customers on mainland Tasmania have the option of entering into a market retail contract with Aurora or a new entrant retailer. Customers can also choose to remain on the regulated standard retail contract. As of 30 September, no new retailer had entered the Tasmanian electricity market and there were no market offers available to residential customers.

Figure 3.15: Annual electricity, and as a share of disposable income for a benchmark low income household (8100 kWh)—June 2014



Eligible customers can receive a rebate of 125.71 cents per day towards their electricity bills.<sup>48</sup> Annual electricity bills fell to around \$2060 for a low income household that received this concession (figure 3.15). Electricity bills represented a relatively high proportion of a benchmark low income household's disposable income at around 8.9 per cent, or around 7.3 per cent if it received a concession (figure 3.15). While this is relatively high compared to other jurisdictions, given the cooler climate and that less than 5 per cent of Tasmanian households are connected to gas, it is reasonable to expect households will consume (and therefore spend) more on electricity than similar households in other states and territories.

Tasmania was the only jurisdiction in our analysis that saw a fall in electricity charges. The regulated electricity bill in Tasmania fell by 3.5 per cent from June 2013. According to the Tasmanian Government<sup>49</sup> the new Retail Standing Offer Price Determination was established to coincide with the planned commencement of full retail competition (FRC) and the planned but not completed divestment of Aurora's retail customer base on 1 January 2014. Electricity bills as a proportion of income for a low income household fell from 9.5 per cent at June 2013 to 8.9 per cent at June 2014 (or from 7.8 per cent to 7.3 per cent with a concession).

A middle income household consuming 9400 kWh per annum in Tasmania spent 2.6 per cent of its disposable income on electricity bills. For a high income household, this would account for only 1.0 per cent of its disposable income (table 3.7).

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)	
Low income—with concession	Electricity 8100 kWh	2060	7.3	
Low income—without concession	Electricity 8100 kWh	2518	8.9	

2867

2867

Electricity 9400 kWh

Electricity 9400 kWh

Table 3.7: Summary of annual electricity	and gas bills (for the	e median market offer	r) and as a share of	disposable
income—June 2014				

# 3.10 ACT

Middle income

High income

The ACT covers a small geographic area and has one electricity and one gas distribution zone (both ActewAGL Distribution). ActewAGL Retail is the ACT's incumbent retailer for energy, water and telecommunications. While there are currently three retailers offering energy contracts to residential customers in the ACT, ActewAGL supplies over 95 per cent of gas and electricity residential customers.

As noted in Chapter 1, the AEMC's recent review of competition in electricity and gas retail markets found that in the ACT 43 per cent of residential electricity customers and 64 per cent of gas customers surveyed were unaware they could switch their retailer or energy plan. The review also found that retailers considered entry into the ACT retail market difficult due to ActewAGL's dominance, the small customer base and the way in which prices are regulated.

Figure 3.16 shows the range in the generally available electricity and gas offers in the ACT. The annual bill was \$1741 for the most expensive electricity market offer, while the cheapest market offer resulted in an annual bill of \$1621 (\$120 cheaper). There was almost no difference between the median market offer and the median standing offer. As at 30 June 2014, 82 per cent of small electricity customers in the ACT remain on standard retail contracts.

Figure 3.16 also shows a range of \$78 between the cheapest (\$1551) and most expensive (\$1629) gas bills. As the ACT has cold winter periods, gas heating (where available) can contribute a significant proportion to household energy costs. At 30 June 2014, around 79 per cent of gas customers in the ACT were on standard retail contracts.

2.6

1.0

<sup>48</sup> Eligibility is restricted to households that have either a Commonwealth Pensioner Concession Card, or Health Care Card, or a Department of Veterans' Affairs Gold Card.

<sup>49</sup> http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/132716%20Media%20Release.PDF/\$file/132716%20Media%20 Release.PDF



Figure 3.16: Range of generally available electricity and gas offers by distribution zone (7000 kWh and 48 000 MJ)—June 2014

#### Electricity and gas bills as a percentage of income

The main energy concession available in the ACT is for both electricity and gas, and is calculated daily, with rates depending on the season.<sup>50</sup> The maximum amount available is \$322.10 per year. There is also the Utility Concession that can be used towards electricity, gas and water bills. This has an annual maximum value of \$84.05 per year.<sup>51</sup>

Our analysis assumed that customers eligible for this concession applied half towards their electricity bill and half towards their gas bill. Furthermore, we assumed that the utility concession was equally divided across a customer's electricity, gas and water bills. We therefore deducted \$189.07 from both the estimated electricity and gas bill in our analysis to show the impact of concessions (figure 3.17). While there were additional rebates available to customers with life support equipment, these were not included.

<sup>50</sup> Eligibility is restricted to households who hold a Centrelink Pensioner Concession Card, a Centrelink Low Income Health Care Card or a Department of Veterans' Affairs Pensioner Concession Card.

<sup>51</sup> The current combined summer Energy/Utility rebate is approximately 52.43 cents per day from 1 November to 31 May each year. The winter rebate is around 192.80cents per day from 1 June to 31 October. See http://www.dhcs.act.gov.au/wac/concessions/energy\_concession for more information.



Figure 3.17: Annual electricity and gas bills, and as a share of disposable income for a benchmark low income household (7000 kWh, 48 000 MJ)

The annual electricity bill was \$1696 for a benchmark low income household on the median market offer (or \$1507 with a concession applied). The annual bill on the median standing offer was marginally lower—\$1663 or \$1474 with a concession (figure 3.17). For a low income household with a concession, this represents 3.0 per cent of disposable income if on the median market offer or 3.3 per cent without a concession.

The June 2014 median market offer bill increased by 6.2 per cent in ACT whilst the median standing offer increased by 4 per cent. This difference may result from an increased number of market offers available in the ACT in 2014 compared to 2013 and as some of these offers were more expensive than the standing offer. The proportion of income a benchmark low income household with a concession spent on electricity rose slightly from 2.9 per cent in 2013 to 3.0 per cent in 2014.

The annual gas bill was \$1618 for a benchmark low income household on the median market offer (or \$1428 with a concession). This represents 2.8 per cent of its disposable income (or 3.2 per cent without a concession). Similar to electricity, the gas standing offer (\$1495 or \$1306 with concession) was cheaper than the median market offer (figure 3.17).

Annual gas bills for the median market offer in 2014 increased by 12.4 per cent when compared to 2013. The proportion of income a benchmark low income household with a concession spent on gas rose from 2.6 per cent in 2013 to 2.8 per cent in 2014.

A middle income household consuming 8000 kWh in the ACT spent 1.0 per cent of its disposable income on electricity bills (table 3.8). For a high income household, annual electricity bills accounted for 0.5 per cent of its disposable income. For a middle income household consuming the same amount of gas, this bill represented only 0.9 per cent of its income and only 0.4 per cent for a high income household (table 3.8).

# Table 3.8: Summary of annual electricity and gas bills (for the median market offer) and as a share of disposable income – June 2014

Income level	Annual consumption	Annual bill (\$)	Proportion of annual income (%)
Low income—with concession	Electricity 7000 kWh	1507	3.0
Low income—without concession	Electricity 7000 kWh	1696	3.3
Middle income	Electricity 8000 kWh	1879	1.0
High income	Electricity 8000 kWh	1879	0.5
Low income—with concession	Gas 48 000 MJ	1428	2.8
Low income—without concession	Gas 48 000 MJ	1618	3.2
Middle income	Gas 48 000 MJ	1618	0.9
High income	Gas 48 000 MJ	1618	0.4



# 4. Appendices

# Appendix 1: Customer profile of retailers in this report

	Electricity	/	Gas	
Retailer	Small customers	Large customers	Small customers	Large customers
New South Wales				
ActewAGL	Х	Х	Х	Х
AGL	Х	Х	Х	Х
Alinta Energy		Х		
Aurora Energy		Х		
Blue NRG	Х	Х		
Click Energy	Х			
CovaU	Х			
Diamond Energy	Х			
Dodo Power & Gas	Х			
EnergyAustralia	Х	Х	Х	Х
EnergyAustralia Yallourn		Х		
ERM Power Retail	Х	Х		
GoEnergy	Х	Х		
Infigen Energy Markets		Х		
Lumo Energy	Х	Х	Х	Х
Momentum Energy	Х	Х		
Origin Energy	Х	Х	Х	Х
Powerdirect	Х	Х		
Progressive Green		Х		
QEnergy	Х	Х		
Red Energy	Х	Х		
Sanctuary Energy	Х	Х		
Simply Energy	Х	Х		
Stanwell		Х		
WINenergy	Х	Х		
South Australia				
AGL	Х	Х	Х	Х
Alinta Energy	Х	Х	Х	
Diamond Energy	Х			
Dodo Power & Gas	Х			
EnergyAustralia	Х	Х	Х	Х
EnergyAustralia Yallourn		Х		
ERM Power Retail	Х	Х		
Lumo Energy	Х	Х		
Momentum Energy	Х	Х		
Origin Energy	Х	Х	Х	Х
Pacific Hydro	Х	Х		
Powerdirect	Х	Х		
Progressive Green		Х		
QEnergy	Х			
Red Energy	Х	Х		

	Electricit	у	Gas	
Retailer	Small customers	Large customers	Small customers	Large customers
Sanctuary Energy	Х			
Simply Energy	Х	Х	Х	Х
WINenergy	Х			
ACT				
ActewAGL	Х	Х	Х	Х
AGL	Х	Х		
Alinta Energy		Х		
EnergyAustralia	Х	Х	Х	Х
EnergyAustralia Yallourn		Х		
ERM Power Retail	Х	Х		
Momentum		Х		
Origin Energy	Х	Х	Х	Х
Powerdirect	Х	Х		
Red Energy	Х	Х		
Tasmania				
Aurora	Х	Х		
ERM Power Retail		Х		
Progressive Green		Х		

# Appendix 2: South Australian service standards

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

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

Retailer	Per cent of written enquiries responded to within five business days (change since 2012–13)	Per cent of telephone calls responded to within 30 seconds (change since 2012–13)
AGL	97% (▲17)	93% (▲4)
Alinta Energy	100% (▲3)	77% (▲1)
Diamond Energy	100% (–)	100% (▲2)
Dodo Power & Gas	100% (N/A)	70% (N/A)
EnergyAustralia	100% (▲26)	71% (▲11)
ERM Power Retail	100% (N/A)	100% (N/A)
Lumo Energy	92% (▼1)	88% (▲3)
Momentum Energy	100% (▲2)	72% (▼5)
Origin Energy	97% (▲50)	93% (▲9)
Pacific Hydro	N/A	100% (N/A)
Powerdirect	95% (▲22)	65% (▼1)
QEnergy	97% (▲57)	98% (▲11)
Red Energy	100% (-)	96% (▲3)
Sanctuary Energy	100% (▲17)	77% (▼1)
Simply Energy	78% (▼22)	93% (▲8)
WINenergy	N/A	N/A

In 2012–13 fewer than half of South Australia's retailers met these service standards. For the most part, performance against these standards has notably increased in 2013–14.

In 2013–14 only Lumo Energy and Simply Energy did not meet the written enquiry response standard. There were six retailers that did not meet the telephone call response standard: Alinta Energy, Dodo Power & Gas, EnergyAustralia, Momentum Energy, Powerdirect and Sanctuary Energy. Of these, the performance of Momentum Energy and Powerdirect slightly declined in 2013–14.

Retailers who failed to meet the standards have provided us with explanations and outlined strategies for improving their performance.

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

Section 285 of the Retail Law specifies that a retail market performance report must include, amongst other things, a report on the performance of distributors by reference to distributor service standards and associated Guaranteed Service Level (GSL) schemes.<sup>52</sup> The Retail Law defines distributor service standards as service standards imposed on distributors by or under energy laws<sup>53</sup>, including, for example, service standards relating to the following:<sup>54</sup>

- 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
- timeframes for de-energisation and re-energisation
- being on time for appointments
- response times for fault calls
- the provision of fault information.

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

<sup>52</sup> NERL, s. 285 (d).

<sup>53</sup> Energy laws are defined to include national energy legislation, jurisdictional energy legislation, the Rules, the NER and the NGR and instruments made under this Law, the Rules, the NER and the NGR (including the Retail Market Procedures).

#### Table A.1: NSW electricity distributor performance, 2013-14

	Ausgrid	Endeavour Energy	Essential Energy
Customers			
Total number of customers	1 660 156	922 205	822 413
Residential customers	1 472 080	837 594	724 788
Small non-residential customers	174 438	80 016	93 285
Complaints			
Total complaints received	1 35155	2 852	2 781
Residential (%)	50%	92%	85%
Small non-residential (%)	9%	8%	15%
Telephone services			
Total calls received	438 085	238 249	366 615
Calls answered within 30 seconds (%)	39%	73%	52%
Calls abandoned (%)	3%	7%	18%
Promptness of connection			
New supply addresses connected	338	111 745	148 178
Connections not provided on or before agreed time	0	0	17
Compensation paid for failing to provide connections on time	0	0	\$1020
Faulty street lights			
Number of reported street light faults	18 639	16 549	7 489
Occasions where repairs not completed on or before agreed date	64	673	21
Compensation paid to customers	\$960	\$2475	\$315
Planned interruptions			
Number of planned interruptions	7 454	5 783	15 345
Occasions where there was insufficient notice of the interruption	74	94	312
Occasions where the planned interruption was for longer than the time indicated on the notice	N/A	76	1 760
Compensation paid to customers <sup>56</sup>	N/A	\$320	\$0

<sup>55 41</sup> per cent of complaints to Ausgrid could not be distinguished between residential and non-residential customers as insufficient customer information was supplied.

<sup>56</sup> Total compensation for both the failure to provide adequate notice and for the occasions where supply was interrupted for longer than the time indicated on the notice.
#### Table A.2: SA electricity distributor performance, 2013–14 (SA Power Networks)

	SAPN
Customers	
Total number of customers	842 876
Residential customers	743 918
Small non-residential customers	98 958
Complaints	
Total complaints received	2 197
Customer service	
Total calls received	656 524
Calls answered within 30 seconds (%)	88%
Calls abandoned (%)	6%
Promptness of connection	
New supply addresses connected	10 721
Connections not provided on or before agreed time	121
Compensation paid for failing to provide connections on time	\$30 840
Faulty street lights—Adelaide Business Area, Adelaide Metropolitan Area and Major Regional Areas	
Number of reported street light faults	25 648
Occasions where repairs not completed on or before agreed date (within five days)	906
Compensation paid to customers	\$71 975
Faulty street lights—Country Areas	
Number of reported street light faults	3 657
Occasions where repairs not completed on or before agreed date (within 10 days)	26
Compensation paid to customers	\$800
Timeliness of appointments	
Total number of appointments	45 931
Total number of appointments with customers where a representative of SAPN is more than 15 minutes late	1
Compensation paid to customers	\$25

#### Table A.3: Duration of supply interruptions, 2013–14 (SA Power Networks)

	SAPN
System Average Interruption Duration Index (SAIDI)	
Adelaide Business Area	9.0
Major Metropolitan Areas	265.0
Barossa/Mid-North and Yorke Peninsula/Riverland/Murraylands	242.2
Eastern Hills/Fleurieu Peninsula	425.1
Upper North and Eyre Peninsula	390.1
South East	427.5
Kangaroo Island	384.9
SAIDI TOTAL	287.0
Per cent contribution of planned interruptions to state-wide SAIDI	20%
Number of customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	15 235
Compensation paid to customers who experienced a supply interruption greater than 12 hours but less than or equal to 15 hours	\$1 371 150
Number of customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	9 829
Compensation paid to customers who experienced a supply interruption greater than 15 hours but less than or equal to 18 hours	\$1 376 060
Number of customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	14 457
Compensation paid to customers who experienced a supply interruption greater than 18 hours but less than or equal to 24 hours	\$2 674 545
Number of customers who experienced a supply interruption greater than 24 hours	9 310
Compensation paid to customers who experienced a supply interruption greater than 24 hours	\$3 444 700
Total amounts paid to customers for duration of supply interruptions exceeding the threshold amount	\$8 866 455

#### Table A.4: Frequency of supply interruptions, 2013–14 (SA Power Networks)

	SAPN
System Average Interruption Frequency Index (SAIFI)	
Adelaide Business Area	0.115
Major Metropolitan Areas	1.719
Barossa/Mid-North and Yorke Peninsula/Riverland/Murraylands	1.593
Eastern Hills/Fleurieu Peninsula	2.901
Upper North and Eyre Peninsula	1.691
South East	2.445
Kangaroo Island	2.851
SAIFI TOTAL	1.828
Number of customers with greater than nine but less than or equal to 12 interruptions*	3 258
Compensation paid to customers with greater than nine but less than or equal to 12 interruptions	\$293 220
Number of customers with greater than 12 but less than or equal to 15 interruptions*	368
Compensation paid to customers with greater than 12 but less than or equal to 15 interruptions	\$51 520
Number of customers with greater than 15 interruptions*	3
Compensation paid to customers with greater than 15 interruptions	\$555
Total amounts paid to customers for frequency of supply interruptions exceeding the threshold amount	\$345 295

\* Preliminary estimates

#### Table A.5: ACT electricity distributor performance, 2013–14 (ActewAGL)

	ActewAGL
Complaints	
Total complaints received	444
Complaints responded to within 20 business days	430
Planned interruptions	
Number of planned interruptions	1 330
Instances where notice of at least 4 business days was not provided to customers	377
Instances where supply was not restored within 12 hours of the initial interruption	2
Number of customers that received compensation	56
Compensation paid	\$2800
Unplanned interruptions	
Number of unplanned interruptions	2 365
Instances where supply was not restored within 12 hours of the initial interruption	18
Compensation paid to customers	\$800
System Average Interruption Duration Index (SAIDI)	
Overall	67.84
Distribution network—planned	39.35
Distribution network—unplanned	28.49
Normalised distribution network—unplanned	26.81
System Average Interruption Frequency Index (SAIFI)	
Overall	0.69
Distribution network—planned	0.17
Distribution network—unplanned	0.51
Normalised distribution network—unplanned	0.50
Customer Average Interruption Duration Index (CAIDI)	
Overall	98.89
Distribution network—planned	226.54
Distribution network—unplanned	55.64
Normalised distribution network—unplanned	53.84

#### Table A.6: Tasmania electricity distributor performance, 2013–14 (TasNetworks)

	TasNetworks
Complaints	
Total complaints received	712
Planned interruptions	
Number of planned interruptions	3 728
Number of customers not notified of planned interruptions	30
Compensation paid to customers not notified of planned interruptions	\$1020
Faulty street lights	
Number of reported street light faults	2 262
Occasions where repairs not completed within seven days	339
Compensation paid to customers for repairs not completed within seven days	\$990
New connections and reconnections	
New connections	2 124
New connections completed by scheduled date	1 845
Compensation paid to customers for late connections	\$61 210
Reconnections	33 337
Reconnections completed by scheduled date	32 998
Compensation paid to customers for late reconnections	\$0
System Average Interruption Duration Index (SAIDI)	
Average duration of interruptions	399
Normalised average duration of interruptions	260
Number of timely restoration payments made	22 411
Value of timely restoration payments made	\$2 593 280
System Average Interruption Frequency Index (SAIFI)	
Average frequency of interruptions	2.61
Normalised average frequency of interruptions	2.21
Number of reliable supply payments made	4 254
Value of reliable supply payments made	\$340 320

### Summary of distributor performance

#### **New South Wales**

- Endeavour Energy was the only distributor to pay compensation to customers for providing inadequate notice of planned interruptions and interruptions lasting longer than the time indicated on the notice.
- Essential Energy was the only distributor to not provide new connections on or before the agreed date.

#### South Australia

- Under the Electricity Distribution Code, SA Power Networks must use its best endeavours to achieve reliability standards each year.
- SA Power Networks met eight of 13 of the regional supply interruption targets in 2013–14, however used best endeavours to meet the other five standards.
- Severe weather events had a particularly high impact on three regions—the Major Metropolitan Areas, the Eastern Hills and Fleurieu Peninsula and the South East, and resulted in five of the six supply interruption targets being missed in these three regions.
- \$6.3 million of the GSL duration payments related to the 3–4 February 2014 severe weather events.

#### ACT

• ActewAGL met the outage frequency service standard (SAIFI) of 1.2 instances and the outage duration (SAIDI) of 91 minutes, however failed the customer average interruption duration service standard (CAIDI) of 74.6 minutes.

#### Tasmania

- The SAIFI and SAIDI results (2.61 and 399 mins) are higher than that recorded in 2012–13 (1.82 and 243 mins respectively).
- The number of planned, weather, vegetation and asset related outages has increased since 2012–13.

# Appendix 4: Supplementary tables

Retailer	Between \$0	and \$500	Between \$ \$150	500 and 00	Between \$ <sup>-</sup> \$250	1500 and 00	\$2500	or more
	2012–13	2013–14	2012-13	2013–14	2012-13	2013–14	2012-13	2013-14
ActewAGL	52.9%	51.4%	37.8%	27.8%	3.0%	12.2%	6.3%	8.6%
AGL	36.9%	37.0%	36.3%	35.2%	13.5%	12.4%	13.4%	15.4%
Alinta Energy	5.5%	17.7%	45.1%	48.8%	38.5%	25.6%	11.0%	7.9%
Aurora Energy	4.5%	5.2%	30.9%	33.9%	29.3%	24.7%	35.3%	36.2%
Dodo Power & Gas	_	20.8%	_	46.3%	_	20.8%	_	12.1%
EnergyAustralia	7.7%	43.1%	38.4%	25.4%	27.8%	17.6%	26.1%	13.9%
Lumo Energy	52.0%	56.1%	31.5%	28.9%	12.5%	10.8%	4.0%	4.2%
Momentum Energy	27.8%	26.5%	44.4%	55.2%	22.2%	14.3%	5.6%	3.9%
Origin Energy	38.3%	43.4%	36.3%	36.8%	14.4%	11.1%	10.9%	8.7%
Powerdirect	13.0%	12.3%	43.5%	42.0%	17.4%	14.8%	26.1%	30.9%
QEnergy	_	48.6%	_	48.6%	_	2.7%	_	0.0%
Red Energy	73.1%	83.6%	23.1%	13.7%	3.8%	1.7%	0.0%	1.0%
Simply Energy	40.6%	36.7%	35.4%	39.8%	16.3%	15.9%	7.6%	7.6%

Table A.7: Debt levels of electricity customers entering hardship programs (% of customers)

#### Table A.8: Debt levels of gas customers entering hardship programs (% of customers)

Retailer Between \$0		Between \$0 and \$500		500 and )0	Between \$1 \$250	500 and 0	\$2500	or more
	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14
ActewAGL	28.8%	32.6%	47.0%	35.9%	14.6%	15.7%	9.6%	15.7%
AGL	72.9%	60.9%	21.8%	29.2%	3.7%	6.7%	1.6%	3.2%
Alinta Energy	100.0%	68.4%	0.0%	31.6%	0.0%	0.0%	0.0%	0.0%
EnergyAustralia	36.0%	54.6%	49.1%	38.2%	7.9%	4.7%	7.0%	2.5%
Lumo Energy	-	54.5%	-	27.3%	-	13.6%	-	4.5%
Origin Energy	52.6%	56.7%	42.5%	35.3%	3.4%	5.2%	1.5%	2.8%
Simply Energy	90.2%	71.7%	9.8%	25.5%	0.0%	2.8%	0.0%	0.0%

#### Table A.9: Electricity customers exiting hardship programs, 2012–13 and 2013–14

Retailer	Successfully completed		Excluded	1	Transferred to another retailer		
	2012–13	2013–14	2012–13	2013–14	2012-13	2013–14	
South Australia							
AGL	18.6%	18.3%	39.1%	54.8%	42.4%	26.9%	
Alinta Energy	N/A	27.9%	N/A	52.3%	N/A	19.8%	
EnergyAustralia	0.0%	1.9%	74.9%	63.4%	25.1%	34.7%	
Lumo Energy	10.4%	12.5%	29.2%	49.2%	60.4%	38.3%	
Momentum Energy	0.0%	35.5%	87.5%	61.3%	12.5%	3.2%	
Origin Energy	3.4%	10.6%	72.1%	49.3%	24.5%	40.1%	
Powerdirect	33.3%	19.6%	66.7%	80.4%	0.0%	0.0%	
Red Energy	15.0%	19.2%	40.0%	63.5%	45.0%	17.3%	
Simply Energy	21.1%	18.7%	45.3%	50.6%	33.6%	30.6%	
ACT							
ActewAGL	36.0%	35.8%	40.3%	35.1%	23.7%	29.1%	
EnergyAustralia	43.8%	37.1%	56.3%	48.6%	0.0%	14.3%	
Tasmania							
Aurora	12.8%	19.2%	61.5%	62.4%	25.6%	18.4%	
NSW							
ActewAGL		9.4%		39.5%		51.0%	
AGL		14.2%		53.5%		32.3%	
Click Energy		20.3%		74.7%		4.9%	
Australian Power & Gas		60.0%		0.0%		40.0%	
Dodo Power & Gas		13.8%		44.8%		41.4%	
EnergyAustralia		37.7%		58.0%		4.3%	
Lumo Energy		4.0%		59.7%		36.4%	
Momentum Energy		14.6%		82.9%		2.4%	
Origin Energy		16.7%		53.9%		29.4%	
Powerdirect		16.7%		83.3%		0.0%	
QEnergy		50.0%		0.0%		50.0%	
Red Energy		19.1%		62.3%		18.6%	
Sanctuary Energy		100.0%		0.0%		0.0%	
Simply Energy		6.7%		20.0%		73.3%	

Retailer	Successfully co	mpleted	Excluded		Transferre another re	Transferred to another retailer	
	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	
South Australia							
AGL	15.4%	14.1%	43.2%	57.7%	41.4%	28.1%	
Alinta Energy	N/A	40.0%	N/A	54.3%	N/A	5.7%	
EnergyAustralia	0.0%	5.9%	76.2%	63.2%	23.8%	30.9%	
Origin Energy	11.4%	12.9%	65.8%	53.9%	22.8%	33.3%	
Simply Energy	14.9%	16.3%	50.4%	52.0%	34.7%	31.7%	
ACT							
ActewAGL	31.8%	36.9%	43.9%	43.7%	24.2%	19.4%	
EnergyAustralia	25.0%	31.0%	75.0%	34.5%	0.0%	34.5%	
NSW							
ActewAGL		27.6%		46.5%		26.0%	
AGL		17.7%		59.4%		22.9%	
Australian Power & Gas		11.1%		67.3%		21.6%	
EnergyAustralia		35.3%		39.6%		25.1%	
Lumo Energy		5.0%		65.0%		30.0%	
Origin Energy		16.3%		55.8%		27.9%	

#### Table A.10: Gas customers exiting hardship programs, 2012–13 and 2013–14

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

Jurisdiction	Year	Electricity	Electricity	Electricity	Gas	Gas	Gas
		2013	2014	% Change	2013	2014	% Change
Qld	Annual bill (\$)	1300	1584	21.8	647	702	8.5
Qld	Percentage of income (%)	4.0	4.8	N/A	2.0	2.1	N/A
NSW	Annual bill (\$)	1646	1718	4.3	827	863	4.5
NSW	Percentage of income (%)	5.0	5.1	N/A	2.5	2.6	N/A
Vic	Annual bill (\$)	1504	1515	0.7	1190	1256	5.6
Vic	Percentage of income (%)	4.6	4.5	N/A	3.7	3.7	N/A
SA	Annual bill (\$)	1809	1866	3.1	902	996	10.4
SA	Percentage of income (%)	6.1	6.1	N/A	3.1	3.3	N/A
Tas	Annual bill (\$)	2610	2518	-3.5	N/A	N/A	N/A
Tas	Percentage of income (%)	9.5	8.9	N/A	N/A	N/A	N/A
ACT	Annual bill (\$)	1597	1696	6.2	1439	1617	12.4
ACT	Percentage of income (%)	3.2	3.3	N/A	2.9	3.2	N/A

# Appendix 6: Benchmark middle and high income households, annual bills and proportion of income spend

Jurisdiction	Year	Electricity	Electricity	Electricity	Gas	Gas	Gas
		2013	2014	% Change	2013	2014	% Change
Qld	Annual bill (\$)	1731	2081	20.2	647	702	8.5
Qld	Percentage of middle income (%)	2.6	3.0	N/A	1.0	1.0	N/A
Qld	Percentage of high income (%)	1.0	1.2	N/A	0.4	0.4	N/A
NSW	Annual bill (\$)	2011	2104	4.6	827	863	4.5
NSW	Percentage of middle income (%)	2.9	3.0	N/A	1.2	1.2	N/A
NSW	Percentage of high income (%)	1.1	1.1	N/A	0.4	0.4	N/A
Vic	Annual bill (\$)	1678	1689	0.6	1190	1256	5.6
Vic	Percentage of middle income (%)	2.4	2.4	N/A	1.7	1.8	N/A
Vic	Percentage of high income (%)	1.0	1.0	N/A	0.7	0.7	N/A
SA	Annual bill (\$)	2158	2210	2.4	902	996	10.4
SA	Percentage of middle income (%)	3.5	3.5	N/A	1.5	1.6	N/A
SA	Percentage of high income (%)	1.4	1.4	N/A	0.6	0.6	N/A
Tas	Annual bill (\$)	1769	1879	6.2	N/A	N/A	N/A
Tas	Percentage of middle income (%)	1.9	2.0	N/A	N/A	N/A	N/A
Tas	Percentage of high income (%)	0.9	0.9	N/A	N/A	N/A	N/A
ACT	Annual bill (\$)	2972	2867	-3.5	1439	1618	12.4
ACT	Percentage of middle income (%)	5.2	5.0	N/A	2.5	2.8	N/A
ACT	Percentage of high income (%)	2.1	2.0	N/A	1.0	1.1	N/A

# Appendix 7: Methodology

For each jurisdiction, we determined electricity and gas consumption levels for our benchmark low, middle and high income households (see tables 3.1 and 3.2). A benchmark low income household is a household that uses the average amount of electricity and gas in the relevant state or territory for all households that are the same size as low income households on average. A benchmark middle and high income household is a household that uses the average amount of electricity and gas in the relevant state or territory.

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

We obtained data from the ABS on disposable household incomes for low, middle and high income households (also tables 3.1 and 3.2) to estimate the proportion spent on electricity and gas bills (assuming these households were on the median market offer). For our benchmark low income households we have also shown the impact of receiving the energy concession in that jurisdiction.

#### Annual electricity and gas consumption levels

The annual household electricity and gas consumption levels used in our analysis are summarised in table 3.1 for benchmark low income households and in table 3.2 for benchmark middle and high income households.

To represent the electricity consumption of a benchmark low income household, we took the average number of people in a low income household for each state and territory from the ABS and used electricity consumption benchmark data <sup>57</sup> to determine an average consumption level for that sized household.

For our benchmark middle and high income households we used typical electricity consumption levels—each state and territory's 'average' household consumption from the electricity consumption benchmark data.

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

These electricity and gas consumption levels are estimates. Furthermore, our low income electricity consumption figures are based on benchmark data for all households (not only low income households) and may not account for low income households using less energy per member of the household than other households.<sup>58</sup>

#### Collection of energy tariff data

We selected a postcode in each distribution or pricing zone and collected all of the generally available offers in that postcode in June 2013 and June 2014. Only single-rate tariffs were considered and any GreenPower-only and solar offers were excluded.

Where possible, offer tariffs were sourced from our Energy Made Easy price comparison website (<u>www.</u> <u>energymadeeasy.gov.au</u>). For states and territories that had not commenced the Retail Law by 30 June 2014, tariffs were collected from jurisdictional energy regulators' price comparison websites or directly from energy retailers' websites.

<sup>57</sup> The Retail Rules require retailers to provide information to residential customers on their electricity bill regarding how their electricity consumption compares to similar sized households in their local area. ACIL Tasman was commissioned to develop these initial benchmarks. It conducted a survey of electricity customers across Australia to collect data on their electricity consumption and other variables that effected how much energy they use. ACIL Tasman's Electricity bill benchmarks for residential customers (December 2011) report is available at: <a href="http://www.aer.gov.au/node/9751">http://www.aer.gov.au/node/9751</a>

<sup>58</sup> ABS Catalogue 4670.0: Household Energy Consumption Survey 2012. Low income households used, on average, less electricity and gas compared to households in the highest income quintile.

## Estimating annual energy bills

Annual electricity and gas bills for each of the generally available offers in the nominated postcode were calculated using the energy consumption levels in tables 3.1 and 3.2.

Key discounts offered by energy retailers (such as discounts for paying on time, paying by direct debit and other cash incentives), with the exception of discounts for bundling or dual fuel offers, have been included. One-off credits and non-cash promotions, such as movie tickets or club memberships, were not included. Seasonal pricing was taken into account (for example, gas is often more expensive during winter) when calculating the annual bills, however we assume a consistent consumption across the year.

Our analysis focuses on annual electricity and gas bills for the median market and standing offer in each jurisdiction. Using the median (rather than a simple average) ensures the analysis is not skewed by a small number of very cheap or very expensive offers.

### Annual household disposable income

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

Consistent with the ABS, 'low income' households in each state and territory were represented by the second and third income deciles, 'middle income' households represented by the third income quintile and 'high income' households represented by the fifth income quintile. The latest available data from the ABS was for 2011–12 and was adjusted to 2012–13 and 2013–14 dollars using the Consumer Price Index for low income households and the Wage Price Index for middle and high income households (see tables 3.1 and 3.2).





## Appendix 9: Map of gas distribution zones