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# AER (Retail) Performance Reporting Procedures & Guidelines Version 3

## Submission to the Australian Energy Regulator

### ABOUT US

Set up by consumers for consumers, CHOICE is the consumer advocate that provides Australians with information and advice, free from commercial bias. By mobilising Australia's largest and loudest consumer movement, CHOICE fights to hold industry and government accountable and achieve real change on the issues that matter most.

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# CONTENTS

INTRODUCTION ..... 3

Switching ..... 3

Smart meters ..... 5

Pay on time discounts ..... 6

Smart meter disconnections ..... 7

## INTRODUCTION

CHOICE welcomes the proposed changes to the Australian Energy Regulator (AER) (Retail) Performance Reporting Procedures & Guidelines Version 3 (the Guidelines). Improved performance reporting will enable consumer advocates, regulators and the energy sector to gain a better understanding of trends in the retail electricity market.

We note the inclusion of key indicators that will enhance insights into consumer behaviour in the energy market, and are supportive of these. Such indicators will collect additional data including information on switching, customers with payment difficulties, smart meter complaints and energy bill debt. The publication of these indicators will enhance consumer insights into the complex energy market. However, additional indicators are necessary to understand how competition is functioning in the retail electricity market and the impacts on consumers.

## Recommendation Summary

- The AER reports switching data about the length of time a consumer is on a contract and the length of time they remain with a retailer.
- The AER reports the number of customers who access their smart meter data.
- The AER reports the number of customers who have a pay on time (or conditional) discount applied to their bill, and the average dollar value of a pay on time discount for residential customers.
- The AER reports the number of disconnected customers who have smart meters installed, and the average length of time between a customer's last payment and a disconnection as a result of non-payment.

## Switching

The cost of energy has been a key concern for consumers and continues to rank ahead of any other household expenditure concerns in CHOICE's quarterly Consumer Pulse Survey.<sup>1</sup> Switching is one of the best ways to save money on electricity bills, yet low levels of consumer engagement with the energy market prevents consumers from switching their contract or provider. The Australian Energy Market Commission (AEMC)'s 2016 Retail Competition Review found that customers switching from an electricity standing or default offer to a competitive market offer could save up to \$140 in South East Queensland, \$256 in New South Wales, \$383

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<sup>1</sup> CHOICE Consumer Pulse is a nationally representative survey conducted quarterly since June 2014. Final data has been weighted to ensure it is representative of the Australian population based on ABS Census data.

in Victoria, and \$312 in South Australia.<sup>2</sup> While switching retailers is one of the most effective ways to save money, many consumers remain loyal to their provider. The AEMC's 2016 customer survey suggested that around 50% of customers have not switched electricity retailer in the last five years, but would likely be able to find a better deal on the market.<sup>3</sup>

CHOICE's own research found that although 63% of those surveyed feel they pay too much for electricity, only 48% of consumers considered switching their electricity to another plan or provider.<sup>4</sup> Of those who considered switching, only 36% followed through. This reflects a total switching rate of 17% of all consumers. This data is broadly consistent with the AER's data on electricity customer switching, which shows that switching rates are still low across the board.<sup>5</sup> This data demonstrates that even engaged consumers are likely to experience barriers - whether behavioural or structural - to switching.

Currently, the available data on switching does not take account the number of people switching between standard and retail contracts. While this switching occurs within a single retailer it may still be indicative of consumer engagement with energy offers. CHOICE supports the collection of further data to help determine the true level of competition in this market. We support the inclusion of the following indicator, which will shed light on the number of customers who choose to switch while remaining with the same retailer:

### S2.3. The number of customers that have moved from standard to retail contracts

The AEMC's findings clearly show that switching is one of the best ways that consumers can save money on energy.<sup>6</sup> In order to further understand how and when consumers switch, it would be valuable to track the average length of time that customers remain on market and standard contracts. Additionally, it would be valuable to track the average length of time that a customer remains with the same retailer. The inclusion of these indicators will provide a more comprehensive understanding of consumers' switching patterns in a competitive energy market.

<sup>2</sup> Australian Energy Market Commission (2017), [2017 AEMC Retail Energy Competition Review FINAL](#), Sydney.

<sup>3</sup> *ibid.*

<sup>4</sup> CHOICE (2015), *Energy Survey*, Sydney. Research was conducted in December 2015 with 1039 respondents aged between 18-75 years. The sample was nationally representative of the Australian population, based on 2011 ABS data.

<sup>5</sup> Australian Energy Regulator (2017), [Electricity Customer Switching](#), viewed 16 February 2018, <<https://www.aer.gov.au/retail-markets/retail-statistics/electricity-customer-switching>>

<sup>6</sup> Australian Energy Market Commission (2017), [2017 AEMC Retail Energy Competition Review FINAL](#), Sydney.

## Recommendations 1 and 2

CHOICE recommends:

- That the AER adds an indicator to the Guidelines that records the ‘average time on a contract’. The information required is the ‘number of customers recorded in each jurisdiction during the reporting period, in each participating jurisdiction for:
  - (a) residential customers on standard retail contracts;
  - (b) residential customers on market retail contracts;
  - (c) small business customers on standard retail contracts; and
  - (b) residential customers on market retail contracts.’
- That the AER adds an indicator to the Guidelines that records ‘average length of time with a retailer.’ The information that is required is the ‘average length of time that a customer spends with a retailer, recorded in each jurisdiction during the reporting period, in each participating jurisdiction.’

## Smart Meters

The Australian Competition and Consumer Commission (ACCC) Retail Electricity Pricing Inquiry Preliminary Report suggests that smart meter data has enormous potential to drive better outcomes for electricity consumers.<sup>7</sup> However the ACCC expressed a concern that despite minimum standards for data access, consumers are struggling to access their data as a result of poor awareness, difficult data request processes, poor data presentation, and difficulties in authorising third parties to access data on their behalf.

Under the AEMC’s Expanding Competition in Metering and Related Services rule change, advanced meters will be deployed where new and replacement meters are required or where energy businesses and consumers want access to advanced metering services.<sup>8</sup> This change only came into effect on 1 December 2017, and it will take considerable time for the benefits of this rule change to be quantified. Given current low rollout rates and evidence of low rates of access to smart meter data it will be valuable to track whether consumers are meaningfully engaging with this new technology as it becomes more widespread. It will also be important to monitor data use against various policy interventions which make data more accessible, for example open data in energy. CHOICE sees value in monitoring the number of customers who proactively access their data.

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<sup>7</sup> Australian Competition and Consumer Commission (2017), [Retail Pricing Inquiry Preliminary Report](#), Canberra.

<sup>8</sup> [National Energy Retail Amendment \(Expanding competition in metering and related services\) Rule 2015 No.1](#), viewed 16 February 2018.

## Recommendation 3

CHOICE recommends:

- That the AER collects data on the ‘number of customers that accessed their smart meter data.’ This should include the ‘number of customers recorded in each jurisdiction during the reporting period, in each participating jurisdiction for:
  - (a) residential customers; and
  - (b) small business customers.’

## Pay on time discounts

The 2017 Review of Electricity and Gas Retail Markets stated that pay on time discounts present a high risk to consumers.<sup>9</sup> Such conditional discounts may better be characterised as ‘pay late penalties’, because they can and do lead to a substantial cost to consumers if they fail to pay on time. Consumers who are unable to pay on time due to financial hardship are likely to be disproportionately affected by these conditional discounts.<sup>10</sup> The ACCC Retail Electricity Pricing Inquiry Preliminary Report suggests that there has been a significant increase in pay on time discounts after prohibitions or caps were placed on late payment fees.<sup>11</sup> This suggests that despite the introduction of consumer protection measures to limit consumer detriment resulting from late payment fees, consumers are still at risk of receiving significant late payment fees as a result of pay on time discounts. The same report found that in January 2017, 90% of retailers offered deals with pay on time discounts, with the highest discount recorded at 40% of the bill.

The ACCC is further considering whether a regulatory limitation on pay on time discounts is necessary to ensure consumers are not paying higher prices due to the conditionality of offers. CHOICE welcomes the addition of indicator ‘S3.20. Number of residential customers that have missed one or more pay on time (or conditional) discounts.’ This will provide an important statistic to better understand how many customers are getting caught out by these offers, and are paying more for their energy bills as a result. In order to understand this indicator better, it would be valuable to know the number of residential customers that have a pay on time (or conditional) discount option applied to a bill. To better understand the financial detriment of pay on time discounts, it would be extremely beneficial to know the average cost that consumers incur when they miss pay on time (or conditional) discounts.

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<sup>9</sup> Department of Environment, Land Water and Planning Victoria (2017), [Review of Retail and Gas Markets in Victoria FINAL REPORT](#), Melbourne.

<sup>10</sup> *ibid.*

<sup>11</sup> Australian Competition and Consumer Commission (2017), [Retail Pricing Inquiry Preliminary Report](#), Canberra.

## Recommendations 4 and 5

CHOICE recommends:

- That the AER adds an indicator to the Guidelines that records the ‘number of residential customers who have a pay on time (or conditional) discount applied to their bill.’
- That the AER collects the ‘average dollar value of a pay on time (or conditional) discount for residential customers.’

## Smart meter disconnections

Smart meter technology enables re-energisation and de-energisation to happen quickly, as these processes can now be initiated and completed remotely. The 2016 report ‘Households in the dark’ by St Vincent de Paul Society and Alvis Consulting examined Australian postcodes where a high number of households have been disconnected multiple times over a three year period.<sup>12</sup> The report suggests that there is a strong link between the roll out of smart meters, and an increase in the disconnection completion rate - and therefore an increase in repeat disconnections. The Council on the Ageing has articulated a concern that remote disconnections through smart meter technology do not require a house visit, and therefore eliminate the possibilities of detecting last minute mistakes or raising health and safety concerns by distribution company representatives, increasing the possibility of wrongful disconnections.<sup>13</sup>

As smart meter technology becomes more widespread across Australia, it will be important to ensure that consumers, and particularly people in vulnerable circumstances, will not be experiencing increased disconnections from an essential service as a result of non-payment. It will be valuable to compare the rates of disconnections between customers who have smart meters installed, and those who do not. CHOICE notes the inclusion of indicator ‘S3.9 Complaints-meter contestability – de-energisation’, which records the number of complaints relating to the de-energisation of a Type 4 or 4A meter - as a result of the installation process. This indicator relates specifically to installations, and therefore does not capture the relationship between smart meter installation and disconnection as a result of non-payment. To better understand the relationship between smart meter use and disconnections as a result of non-payment, it would be useful to know whether the installation of smart meters affects the average length of time between a customer’s last payment and the time of disconnection as a result of non-payment.

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<sup>12</sup> Saint Vincent de Paul (2016), [Households in the Dark](#), prepared by Saint Vincent de Paul and Alvis Consulting, Canberra.

<sup>13</sup> Council on the Ageing (2009), [Submission to Review of Smart Meter Customer Protection and Safety Draft Policy Paper 1](#), Victoria.

## Recommendations 6 and 7

CHOICE recommends:

- That the AER amends Indicator S3.35 to include:
  - ‘(g) Residential customers who have Type 4 or 4A smart meters’
- That the AER adds an indicator to the Guidelines that measures ‘average time between customer’s final payment and disconnection as a result of non-payment’. The information required is the ‘average length of time between a customer’s final payment and disconnection as a result of non-payment, recorded in each jurisdiction during the reporting period, in each participating jurisdiction for:
  - (a) residential customers; and
  - (b) small business customers.’