



Issues Paper

Retail Market Performance Reporting

June 2010

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Shortened forms

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Business customer	A customer who is not a residential customer. <i>See also residential customer.</i> (Section 102 of the National Energy Retail Law – Second exposure draft.)
GJ	Gigajoule
Large customer	A business customer who consumes 100 MWh or more of electricity or 1 TJ or more of gas per annum. <i>See also business customer.</i> (Section 102 of the National Energy Retail Law – Second exposure draft.)
MIRN	Meter Installation Reference Number (gas)
MSATS	Market System and Transfers Solution
MWh	Mega-watt hour
NECF	National Energy Customer Framework
NMI	National Metering Identifier (electricity)
PPM	Prepayment meter
Residential customer	A customer who purchases energy principally for personal, household or domestic use at premises. (Section 102 of the National Energy Retail Law – Second exposure draft.)
Retail Law	National Energy Retail Law
Retail Rules	National Energy Retail Rules
SCONRRR	The Utility Regulators Forum Steering Committee on National Regulatory Reporting Requirements
Small customer	A customer who is a residential customer, or who is a business customer who consumes less than 100MWh of electricity or 1 TJ of gas per annum. <i>See also residential customer, business customer.</i> (Section 102 of the National Energy Retail Law – Second exposure draft.)
Small market offer customer	A small customer who is a business customer who consumes 40MWh or more of electricity or 400GJ more of gas per annum. <i>See also small customer, business customer.</i> (Section 102 of the National Energy Retail Law – Second exposure draft.)
TJ	Terajoule

Consultation on retail performance reporting

A National Energy Customer Framework (customer framework) for the regulation of electricity and gas retail markets (other than retail pricing) is being developed by the Ministerial Council on Energy (MCE). The framework will comprise the National Energy Retail Law (Retail Law), the National Energy Retail Rules (Retail Rules) and the National Energy Retail Regulations.¹ The legislation is expected to be introduced into the South Australian Parliament in the Spring 2010 sitting. Jurisdictions will introduce the customer framework progressively between July 2011 and July 2013.²

The AER will have new functions under the customer framework including the administration of a new performance regime. This issues paper is the first step in the AER's consultation on its approach to performance reporting and the development of the performance reporting procedures and guidelines.

It is based on the second exposure draft of the customer framework, which was released for consultation in November 2009.³ Any subsequent changes to the framework may result in changes to the proposed approaches set out in this paper.

Upon the passage of the Retail Law, the AER will seek stakeholder comment on draft performance reporting procedures and guidelines.⁴ This may have to occur within a tight timeframe. Accordingly, the AER is undertaking preliminary consultation in 2010 to provide stakeholders with as much opportunity as possible to consider the key issues and comment on the development of the procedures and guidelines.

How to make submissions to this issues paper

The AER invites interested stakeholders to submit responses to this issues paper. Submissions can be sent electronically to: AERInquiry@aer.gov.au or by mail to:

General Manager
Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

The subject of the email should state "Submission on AER retail market performance reporting — attention Lynley Jorgensen".

The closing date for submissions is **13 August 2010**.

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will therefore be treated as public

¹ Further information on the development of the National Energy Customer Framework, including the second exposure drafts of the National Energy Retail Law, Rules and Regulations, can be found on the MCE's website: www.ret.gov.au/documents/mce/emr/rpwg/default.html

² Ministerial Council on Energy 23rd Meeting Communiqué 11 June 2010 (<http://www.ret.gov.au/Documents/mce/about/meetingcomms.html>)

³ <http://www.ret.gov.au/Documents/mce/emr/rpwg/default.html>

⁴ Rule 1202, National Energy Retail Rules – Second exposure draft.

documents unless otherwise requested, and will be placed on the AER's website (www.aer.gov.au). Parties wishing to submit confidential information are requested to:

- clearly identify the information that is subject of the confidentiality claim and
- provide a non-confidential version of the submission, in addition to the confidential one.

The AER does not generally accept blanket claims for confidentiality over the entirety of the information provided and such claims should not be made unless all information is truly regarded as confidential. The identified information should genuinely be of a confidential nature and not be otherwise publicly available.

In addition, parties must identify the specific documents or relevant parts of those documents which contain confidential information. The AER does not accept documents or parts of documents which are redacted or 'blacked out'.

For further information regarding the use and disclosure of information provided to us, please refer to the *ACCC–AER information policy: the collection, use and disclosure of information* on our website under 'Publications'.

Stakeholder Forums

A stakeholder forum on the issues raised in this paper will be held in Melbourne at 13:00 AEST on **4 August 2010**, and by video conferencing facilities to Adelaide, Brisbane, Canberra, Hobart and Sydney.

Registration for this forum is essential. Attendance will be limited so we ask that each stakeholder nominates no more than one participant to attend. To register your attendance at the first forum, please email AERInquiry@ aer.gov.au by **21 July 2010**. The subject of the email should state "Registration of attendance for stakeholder forum — attention Lynley Jorgensen" and should specify the city in which you will attend.

Next steps

Depending on responses to this paper and any changes to the performance regime in the finalised Retail Law and Rules, the AER may conduct further preliminary consultation on the development of the procedures and guidelines later this year. We may also hold further stakeholder forums or workshops on the development of the procedures and guidelines. Following that, there will be further consultation through a 'formal' prescribed process once the Retail Law is passed.

Introduction

The Australian Energy Regulator (AER) is an independent statutory authority that is administratively part of the Australian Competition and Consumer Commission (ACCC). It monitors the wholesale electricity and gas markets and is responsible for compliance with and enforcement of the National Electricity Law and Rules and the National Gas Law and Rules. It is also responsible for the economic regulation of the electricity networks in the National Electricity Market (NEM) and gas pipelines in jurisdictions other than Western Australia.

A National Energy Customer Framework for the regulation of electricity and gas retail markets (other than retail pricing) is currently being developed by the Ministerial Council on Energy (MCE). The framework includes the National Energy Retail Law (Retail Law) and National Energy Retail Rules (Retail Rules). It is likely that the AER's functions under the proposed customer framework will include the administration of a national performance regime. This paper focuses on the AER's approach to that regime.

The AER is likely to be required⁵ to publish retail market performance reports that cover:

- the number of customers and retailers in the market, the number of customers transferring between retailers and between standard and market retail contracts, and the affordability of energy (retail market overview)
- the performance of energy retailers, including analysis of customer service and complaints, the handling of customers experiencing payment difficulties, prepayment meters, disconnections and reconnections, concessions and the number and value of security deposits held by retailers (retail market activities report)
- the performance of retailers under the National Hardship Indicators.⁶

The AER is also likely to be required to report on distributor performance by reference to distributor service standards and associated Guaranteed Service Level schemes, and in relation to the proposed small compensation claims regime.

The performance reports will provide an holistic commentary on the energy retail market and the businesses operating in it. The AER will report on market characteristics at a national and jurisdictional level to give context to more detailed discussion of the performance of specific retailers and distributors under the customer framework. Particular attention will be paid to retailer performance in assisting customers with payment difficulties and the effectiveness of retailers' hardship policies.

⁵ Sections 1213 and 1214, National Energy Retail Law – Second exposure draft.

⁶ The AER has consulted separately on the development of the National Hardship Indicators. See the AER Issues Paper at: <http://www.aer.gov.au/content/index.phtml/itemId/736022>

The AER will report on performance with reference to each participating jurisdiction. It is likely that jurisdictions will be added to the reporting regime on a staggered basis, in line with their implementation of the new customer framework.

We will also report on the above areas by reference to different customer categories, including small and large customers and residential and business customers.⁷ The draft Retail Law categorises customers by reference to the principal use of energy at premises (either business or residential purposes) and to levels of annual consumption⁸ so that:

- a small customer is any residential customer, or a business customer who consumes less than 100MWh of electricity or 1 TJ of gas per annum
- a large customer is a business customer who consumes 100MWh or more of electricity, or 1TJ or more of gas, per annum.

The AER's intention at this stage is to publish quarterly performance reports, with a consolidated annual report at the conclusion of each financial year. The content of the annual and quarterly reports may differ, so that some indicators may appear every quarter while others are included only every six months, or only in the annual report. However, we anticipate that the data and information reported by retailers and distributors at each interval will be on a monthly or quarterly basis to allow examination of seasonal and other trends.

The performance regime will be supported by AER Performance Reporting Procedures and Guidelines, which will prescribe the manner and form in which energy retailers and distributors will be required to provide data for the reports. Formal consultation on the procedures and guidelines will take place after the passage of the Retail Law. The submissions received by the AER on this issues paper will be used to inform that work.

In developing our approach to this new role, the AER will aim:

- to monitor the performance of the market, and of retailers and distributors, in specified areas, to inform interested stakeholders (including government, regulators, industry participants, consumer groups and the wider community)
- to provide sufficient and appropriate incentives for retailers and distributors, through comparative assessment of performance, to improve performance over time
- to highlight areas of industry best practice and any potential areas of concern where further assessment, investigation or audits of performance or compliance may be required.

⁷ Sections 1002(2) and 1003(3) of the National Energy Retail Rules – Second exposure draft.

⁸ Section 105, National Energy Retail Law – Second exposure draft. The consumption thresholds that define these categories are prescribed in the draft Retail Regulations.

This paper has been published to provide an opportunity for preliminary consultation on the development of the procedures and guidelines and our broader approach to performance monitoring. Part 1 considers the retail market overview. Part 2 considers the retail market activities report, and Part 3 considers additional information that must be reported in relation to distributor performance. The AER has consulted separately on the development of the National Hardship Indicators, and these indicators are not discussed in this paper.⁹

⁹ See the AER Issues Paper at: <http://www.aer.gov.au/content/index.phtml/itemId/736022>

1 Retail market overview

The retail market performance report published by the AER must contain a retail market overview, including:

- a statement of the number of retailers and the number of active retailers selling energy to customers
- an indication of the number of customers for each retailer
- an indication of the total number of customers with standard retail contracts and market retail contracts respectively, and the number by reference to each retailer
- an indication of the number of customers who have transferred from one retailer to another
- a report on energy affordability.¹⁰

This section discusses each component in turn.

1.1 Number of retailers and active retailers

The retail market overview will indicate the number of authorised electricity and gas retailers in the reporting period, and the number of those retailers that are actively selling energy to customers in each jurisdiction and customer category.

The draft Retail Law requires the AER to maintain a public register of authorised retailers on its website.¹¹ The AER proposes to summarise in each quarterly report the number and identity of authorised retailers in that reporting period by reference to this public register. However, the register will only provide a starting point for the information to be provided under this indicator.

Retailer authorisations under the customer framework are expected to be ‘national’, so that the holder of an authorisation under the Retail Law will be allowed to sell and supply energy in any participating jurisdiction. They are also expected to permit the sale and supply of energy to all customer categories, so that authorisations will not distinguish between sale and supply to residential, small business or large business customers.

The experience of jurisdictional regulators to date suggests that not all energy retailers begin actively selling energy to customers immediately on receiving authorisation. Retailers may also choose to sell energy in some jurisdictions but not others, or to sell energy only to particular categories of customers (e.g. to large business customers, but not to small or residential customers or vice versa).

This means that while the public register will identify the retailers permitted to sell energy in participating jurisdictions, it will not record the number of active retailers.

¹⁰ Rule 1002, National Energy Retail Rules – Second exposure draft.

¹¹ Section 533, National Energy Retail Law – Second exposure draft.

Nor will it record the participating jurisdictions in which a retailer is active or the categories of customers they are serving. To meet this gap, we propose to require retailers to separately report this information to the AER on a quarterly basis to satisfy this aspect of the retail market overview.

For the purposes of the retail market overview, we propose to define an ‘active retailer’ as an authorised retailer that is currently supplying energy services to customers (whether or not the retailer is seeking new customers), as well as any retailers who is actively marketing but do not yet have any customers.

We consider this definition to be appropriate because the customer framework will contain a range of obligations that will apply to energy retailers from the point of authorisation. These obligations (including, for example, participation in an energy ombudsman scheme, publication of consumer information on the retailer’s website and obligations on energy retail marketers) will be triggered before a retailer enters into a contract with its first customer.

Our preliminary view is that a retailer should be reported as active in a particular reporting period if it has supplied or marketed energy to customers at any stage within that period. All authorised retailers would be required to submit a statement of their activities by reference to jurisdiction and customer category in their first performance report to the AER. In subsequent quarterly reports, retailers would only be required to report on an ‘exception’ basis, to advise where the scope of their activity in the reporting period has changed from previous advice.

We are interested in stakeholders’ views on when a retailer should be considered to be actively selling energy to customers, and how frequently this information should be reported to the AER.

- Q 1. Is the definition of ‘active retailer’ proposed in this section appropriate for the purposes of the retail market overview?
- Q 2. How frequently should the AER report on the number of (i) authorised retailers? (ii) active retailers?
- Q 3. Is it appropriate for retailers to report whether they are actively selling energy in a particular jurisdiction or to a particular customer category on an ‘exception’ basis, by reference to an initial statement of activity?

Please provide reasons for your answers.

1.2 Number of customers

The retail market overview must include an indication of the number of customers of each retailer. Our preliminary view is that customer numbers should be presented for each retailer on a jurisdictional basis, and by reference to residential, small business and large business customer categories.

The number of customers a retailer has is usually defined as the number of active accounts held at a point in time. Adoption of a ‘point in time’ approach, by which the

number of customers is to be reported as at the last day of a quarterly reporting period, provides a simple and readily comparable measure of customer numbers between retailers. This number could be measured in two ways.

First, the AER could report on the number of metering points registered to each retailer. Each energy meter has a unique identifier. For example, electricity meters have a National Metering Identifier (NMI) and gas meters have a Meter Installation Reference Number (MIRN) or delivery point identifier (DPI). Under this approach, retailers would be required to report on their number of registered metering points in each jurisdiction.

This approach may not reflect the actual number of customers held. Where there is more than one metering point registered under a single name (for example if a customer has more than one gas and electricity meter at their property), the number of metering points would be taken as the number of customers. Alternatively, a single metering point may service a number of customer premises with separate energy retail contracts (e.g. apartment complexes serviced by bulk hot water systems). This may overstate or understate the exact number of individuals who are customers of a particular retailer (in that some customers may be counted more than once, while others are not counted at all).

Jurisdictions in the early stages of full retail contestability (FRC) will not have consistent metering point data for non-contestable customers. For example, non-contestable electricity customers in Queensland and Tasmania do not have registered NMIs. Information on customer numbers in those jurisdictions would therefore need to be collected on a different basis. In addition, the number of metering points registered to a retailer will not indicate the number of customers in each category (residential, small business and large business). This information would need to be collected separately and matched to the number of registered metering points.

An alternative approach would be to require retailers to report the number of customer contracts held on the final day of each reporting period for each customer category (residential, small business and large business) in each jurisdiction, by reference to retailer billing systems. This would more accurately reflect the number of customers choosing to contract with a particular retailer. It would also provide a more consistent basis for comparison between jurisdictions.

Our preliminary view is that a record of the number of customer contracts held by a retailer may be the more appropriate measure. However, we welcome stakeholder views on the relative merits of each approach.

There may be commercial sensitivities around the disclosure of retail customer numbers, particularly where a retailer has only a small number of customers in a particular jurisdiction or customer category. To address this concern, the retail market overview could:

- provide customer numbers for individual retailers with market share above a specified benchmark in a particular jurisdiction and/or customer category, but apply a customer threshold for public reporting below that benchmark — so that if a retailer has fewer than the threshold number of customers, it would be identified as having customer numbers within a band range (e.g. < 500 customers).

- provide the percentage of customers held by individual retailers with significant market share relative to others in a particular jurisdiction and/or customer category, but aggregate the percentage market share of all retailers below that benchmark (e.g. so that the percentage of customers held by the top 5 retailers in a jurisdiction or category would be identified, but the aggregate market share of ‘all other’ retailers would be presented as a single percentage.)

Our preliminary view is to publish the percentage market share of retailers by reference to the total number of customers in each category in a particular jurisdiction, with the aggregate market share of smaller retailers presented as a combined percentage relative to larger retailers. This will provide sufficient detail on the number of customers held by each retailer for the purposes of the retail market overview. It would also allow for the publication of different levels of detail for different jurisdictions and/or customer categories as appropriate. For example, the number of residential customers held by a retailer may be less sensitive than the number of large business customers. However, we seek input from stakeholders as to the level of detail that is appropriate and useful for these purposes.

Q 4. How should the number of customers of each retailer be measured for the purposes of the retail market overview? (e.g. by reference to registered metering points or the number of customer contracts)

Q 5. What level of detail on the number of customers a retailer has in each customer category should be included in the retail market overview?

Q 6. How frequently should this information be reported? (e.g. quarterly, six-monthly, annually)

Please provide reasons for your answers.

1.3 Number of customers with standard and market retail contracts

There are two types of contracts that retailers may offer under the proposed Retail Law:¹²

- Standard retail contracts will include terms and conditions prescribed in Schedule 1 of the Retail Rules. Each retailer must have a standard retail contract for small customers.
- Market retail contracts will be less prescribed, and may contain terms and conditions that vary from the regulated terms of a standard retail contract. For example, market contracts may depart from the standing offer tariff by offering discounts or alternative services (such as renewable energy products) with potential benefits for individual customers should they consent to moving away from a standard contract. There is no restriction on the number of market retail contracts that can be offered by a retailer.

¹² Section 202, National Energy Retail Law – Second exposure draft.

The retail market overview will include an indication of the number of customers of each retailer that are on standard retail contracts and market retail contracts respectively.

The Retail Rules require us to report this information by reference to jurisdiction and customer categories, distinguishing between small and large customers and residential and business customers.¹³ If our preliminary position on the reporting of customer numbers for each retailer by reference to contract numbers at the end of the relevant reporting period is adopted (see section 1.2 above), this additional layer of information could be added to quarterly data provided under that indicator for each jurisdiction and customer category. However, the usefulness of this data is likely to vary between customer categories.

Large customers would typically be on market contracts, as standard contracts are not intended to apply to them. Inclusion of large customer data under this indicator is therefore expected to add little value. In contrast, the majority of small customers can be expected to have the choice of a standard retail contract and one or more market contracts, so that movement between the two over time may provide insight into the attractiveness of market retail contracts to residential and small business customers. The Retail Law identifies a subset of small business customers as ‘small market offer customers’, which are business customers consuming between 40MWh and 100MWh of electricity or 400GJ and 1TJ of gas per annum. Retailers are not obliged to offer a standard retail contract to such customers, and can meet their obligations under the customer framework by offering them a market contract. This means that standard contracts may not be available to all small market offer customers.¹⁴ This may lead to an overstatement of the number of small business customers making a choice to move from a standard contract to a market contract. We therefore see potential benefit in distinguishing small market offer customers for the purposes of this part of the retail market overview.

We are therefore minded to require retailers to report to the AER on the number of their residential, small market offer and small business customers in each jurisdiction that are on standard retail contracts and market retail contracts respectively. Our preliminary position is to collect this data on a quarterly basis to complement quarterly reporting on retailer customer numbers. We welcome the views of stakeholders on this issue.

There may also be value in considering whether data is readily available on the number of residential customers on market retail contracts who are also receiving energy concessions, or who are on a payment plan or their retailer’s hardship program. This may provide an indication of whether the benefits of competition in the market, such as the range of market retail contracts available, are extending to the most vulnerable customers. Stakeholders are encouraged to offer suggestions on what data might be available for this purpose.

¹³ Rule 1002(2)(b), National Energy Retail Rules – Second exposure draft

¹⁴ Retailers can meet their obligation to supply small market offer customers through a market offer.

- Q 7. What customer categories are relevant for the purposes of comparing the number of customers on standard and market retail contracts?
- Q 8. How frequently should this information be reported to the AER? (e.g. quarterly, six-monthly, annually)
- Q 9. How might the number of customers on standard and market retail contracts reflect on retailer performance? On the retail market?

Please provide reasons for your response.

1.4 Customer transfers between retailers

The retail market overview will include an indication of the number of customers that transferred between retailers in the reporting period.¹⁵ The number of customer transfers will provide insight into the level of consumer participation in the market and the effectiveness of competition.¹⁶ Changes in the number of customers on standard retail contracts and market retail contracts will also be captured in the retail market overview (section 1.3 of this paper).

Transfer data recorded by the Australian Energy Market Operator (AEMO) is one potential data source on the number customer transfers from one retailer to another. AEMO oversees transfer activity for contestable retail customers in the National Electricity Market and in the retail gas markets in Queensland, New South Wales, South Australia, Victoria and the Australian Capital Territory.¹⁷ A transfer is typically registered by AEMO when the National Metering Identifier, Meter Installation Reference Number or Delivery Point Identifier changes from one retailer to another.

Use of transfer data derived from AEMO's markets systems may overstate the number of transfers between retailers by failing to take account of 'coincidental' transfers such as those arising from changes in occupancy at premises. For example, when a customer moves into different premises by retains their existing gas or electricity retailer, this would be 'counted' as a customer transfer of the previous occupant of those premises used a different retailer. Any such limitation will need to be taken into account in drawing conclusions from such data for the purposes of the retail market overview. However, we consider the use of pre-existing market data from a single source (AEMO) will provide a suitable basis for comparison within and between jurisdictions over time. It will also help to minimise the need to develop or augment record keeping requirements for this purpose. Our preliminary view is that the retail market overview should include the total number of retail customer transfers recorded by AEMO's market systems each month, and that this information be collected and reported on a quarterly basis. We welcome stakeholder views on this approach.

¹⁵ Rule 1002(1)(d), National Energy Retail Rules – Second exposure draft

¹⁶ AEMC 2007, Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in Victoria, First Final Report, 19 December 2007, Sydney

¹⁷ See, for example, the Market System and Transfer Solutions (MSATS) procedures developed under the National Electricity Rules, and gas retail markets procedures developed for each jurisdiction under the National Gas Law.

The above information is limited in its ability to record transfers within particular customer categories. If required, this additional layer of information would need to be provided by retailers.¹⁸ Information on customer transfers within a customer category could be collected specifically for this purpose. For example, retailers could be required to report on the number of residential, small business or large business customers gained in a reporting period. This would create an additional reporting burden on retailers, and for the reasons discussed in section 1.2 may not correspond to AEMO's market data. Some extrapolation may therefore be required to understand any differences in total transfer numbers. We seek stakeholder views on the value of collecting and reporting transfer information for each customer category.

Q 10. Is it appropriate to use transfer data from AEMO to inform this section of the retail market overview?

Q 11. Is there value in identifying the number of customer transfers within particular customer categories? If so, which categories (residential, small business or large business) are relevant?

Q 12. How can data on the number of customers transferring between retailers inform a discussion of retail market performance?

Q 13. If transfer data is collected from AEMO and from retailers, what considerations are relevant to an interpretation of overall trends in customer transfer data?

Please provide reasons for your answers.

1.5 Energy Affordability

The retail market overview must include a report on energy affordability.¹⁹ As with other indicators, the draft Retail Rules contemplate that the report will refer to individual jurisdictions and, where possible, different customer categories.

The term 'energy affordability' is not defined in the Retail Law or Rules. In plain english, the 'affordability' of a good or service is associated with having the means to meet, or being able to bear, the cost of that product.

In the context of energy services, this would suggest that affordability relates to the cost of energy services relative to a customer's capacity to pay.

Discussions of energy affordability have typically focused on low income and disadvantaged customers, who are more likely to have difficulty with their energy bills. Current jurisdictional reporting on energy affordability focuses on the effectiveness of the regulatory framework in providing mechanisms to manage issues for those customers. This includes information about:

- customer debt levels

¹⁸ Rule 107, National Energy Retail Rules – Second exposure draft.

¹⁹ Rule 1002(e) National Energy Retail Rules – Second exposure draft

- direct debit defaults
- payment plans
- disconnections for non-payment
- the number of customers receiving energy concessions.

Much of this information will be presented in the AER's retail market activities report (section 2 of this paper). The National Hardship Indicators will provide further information on the assistance provided by retailers to help customers experiencing hardship to better manage their energy bills. It will also provide an indication of the effectiveness of retailers' hardship programs.

Our preliminary view is that the analysis of energy affordability should cover all of these indicators. Our objective is not to provide definitive commentary on whether energy is affordable or not. Rather, we propose to comment on energy affordability in the market as a whole and by customer category, as well as factors that might impact on affordability. This will give context to the discussion of retailers' performance in assisting customers experiencing payment difficulties or financial hardship, and the effectiveness of the customer framework in protecting those customers. In turn, information from the National Hardship Indicators and from the retail market activities review will provide context and build an holistic picture of affordability.

This section of the issues paper considers possible approaches to reporting on energy affordability and seeks comments from stakeholders. We consider factors that may affect energy affordability and possible sources of information to monitor these factors.

Our preliminary view is that the energy affordability report should be published once a year, as part of the annual performance report, and not be included in reports during the year. We consider it unlikely that meaningful trends in affordability will be revealed within a reporting year. We seek stakeholders' views on whether this is appropriate, or whether the affordability report, or parts of it, should be published more frequently (e.g. quarterly, six monthly).

1.5.1 What factors are relevant to assessing energy affordability?

The affordability of energy services is influenced by the cost of energy and the income available to meet this cost. The cost of energy is determined by the price of energy and the amount consumed at that price. However, the amount of a customer's income that is available to meet energy costs (a customer's capacity to pay) will be affected by other costs (e.g. housing and food) that must be met at the same time. A discussion of energy affordability might therefore consider not only the relationship between energy prices and consumption, but also income levels and competing demands on customer income.

The information that can be gleaned from any of these factors in isolation is limited. For example, an increase in the price of energy is not of itself evidence that energy services are becoming less affordable. A customer's capacity to meet changes in the energy prices will be, in part, determined by concurrent changes in their available income. If, for example, the cost of energy rises at a faster rate than available income, this may indicate that energy services are becoming less affordable (as the portion of

income that must be made available for energy services will increase). Conversely, if energy prices don't change but other costs rise, customers would have less income available for energy bills, which would impact negatively on energy affordability.

A customer's ability to manage an increase in energy costs by reducing energy consumption also affects affordability. A number of factors may affect a customer's ability to manage energy costs in the short to medium term — for example, seasonal factors (e.g. periods of extreme heat or cold) and the quality and condition of housing and household appliances. Energy efficiency initiatives may also influence consumption in the medium to longer term, but are less likely to be effective in the short term. We welcome stakeholders' views on what other critical factors may affect affordability.

Q 14. How can the relationships between energy prices, energy consumption and available income be interpreted in the context of energy affordability?

Q 15. What factors should inform that interpretation, and how?

Please provide reasons for your response.

1.5.2 Possible sources of information

Cost of energy

The cost of energy varies for each customer depending on the price and terms of their energy supply contracts, the amount of energy they consume and potentially — depending on the tariff structure of their contracts — the time the energy is consumed.

The cost of energy might be measured by reference to:

- the actual cost of energy consumed over a defined period (total sales revenue of retailers divided by total consumption)
- a review of energy prices under available contracts in the market
- customer consumption surveys and consumption benchmarks.

For comparative purposes, the cost of energy can be expressed as either a cost per unit of consumption or an estimated annual cost for a 'typical' customer in a jurisdiction and/or customer category.

Information on the actual cost of energy consumed by reference to retailer sales revenue and total consumption in a defined period would allow for a retrospective assessment of energy costs in the relevant period. To report on this measure, the AER would require retailers to provide information on total sales revenue and consumption by customer category (residential, small business and large business) for each jurisdiction. The AER could aggregate the data for reporting purposes and use it to derive an indication of the amount paid per unit of consumption. The advantage of this measure is that it is simple to calculate. There are a number of disadvantages, however:

- by distilling the cost of energy to a single figure, the measure does not give an indication of the difference in costs between standing and market offers or the range of costs that a customer may face under different available contracts
- the measure includes all energy payments, including those under contracts where customers may pay a premium for features such as renewable energy, and may overstate the ‘basic’ cost of energy
- the measure does not distinguish between different customer demographics — for example, customers’ income levels.

A review of the available contracts in the market would allow for the estimation of the price that a ‘typical’ customer pays for energy. In contrast to the actual cost measure noted above, this method would draw on prices offered by retailers at the time of review (rather than average costs over the previous financial year). The data is therefore likely to be more current.

The review of contracts could be limited to standing offers, or could also incorporate market offers (or a sample thereof). Prices could also be identified for different tariff structures (for example, flat, peak/off-peak and time-of-use tariffs). The AER will already have access to all standing offer tariffs, which must be published on our website. It is also likely to have access to market offer tariffs for the purposes of developing a price comparator under new provisions proposed for inclusion in the customer framework. Prices under standard and market retail contracts will be available in a form suitable for comparison, as specified by the AER’s pricing information guideline.

The price of energy derived from this measure could be presented as an average price under all contracts (e.g. by combining standing offers and market offers in a single measure) or as a range of prices available under the various contracts (e.g. by providing separate measures for standing offers and market offers). This measure presents better opportunities to address the potential inflation of the ‘basic cost’ of energy, by allowing for selection of a representative tariff sample that could take premiums for features such as renewable energy into account.

By applying the indicative prices derived under this measure to the consumption profile of a ‘typical customer’, or a range of customer groups, the AER could provide an indication of the cost of energy to different customer categories. Customer consumption benchmarks developed under the energy bill benchmarking provisions proposed for inclusion in the new customer framework may provide an ideal source of information for such analysis. Alternatively, the AER could periodically survey a sample of customers to derive consumption profiles. Another method may be to develop a data set which combines Australian Bureau of Statistics (ABS) census demographic data by postcode (or census collection district) with average usage data for users in those areas. Econometric analysis may then be able to derive estimated consumption profiles for certain customer groups by analysing how average consumption varies with demographic profiles.

As tariff structures become more complex (e.g. as more sophisticated time of use tariffs are introduced) it will become more difficult to establish a consumption profile for a ‘typical’ customer within a particular customer category. This is because

incentives to shift or reduce energy consumption are likely to differ between tariff structures. The AER seeks input from stakeholders as to how these incentives could be taken into account in an analysis of energy affordability.

Q 16. Which approach provides the most valuable indication of cost for the purposes of assessing energy affordability? Are there other approaches to the estimation of energy costs that the AER should consider?

Q 17. If the estimation of energy costs is to be based on assumed consumption profiles for 'typical' customers, what customer groups can be reliably identified for this purpose?

Q 18. If the estimation of energy costs is to be based on available contracts in the market:

- (a) Should the assessment of energy affordability for small customers be limited to standing offer tariffs, or should market offers be included?
- (b) If standing and market offer tariffs are included, is there value in separating the two for the purpose of reporting on affordability?
- (c) Should all market offer tariffs be included in our assessment, or would a sample be sufficient?

Please provide reasons for your answers.

Capacity to pay

As discussed, a customer's capacity to pay for energy costs is determined by the portion of their income available to pay for energy services and competing demands for that income. Capacity to pay can therefore be considered at a number of levels.

At the highest level, the AER could measure the proportion of total income spent on energy by residential customers by reference to average weekly income or gross household income quintiles published by the ABS. This information may prove useful in identifying trends in energy costs relative to income over time, but would provide only limited insight into energy affordability.

Again at a high level, standard indexes such as the Consumer Price Index could be used to measure changes in energy prices relative to other goods and services. This may allow for simple conclusions on the impact of an increase in energy prices on customers' capacity to pay by identifying movement in competing demands on income over the same period of time.

More useful insight could potentially be gleaned from ABS household expenditure surveys, which examine the proportion of income spent on a range of goods and services, both on average and by reference to household income quintiles. Such surveys allow consideration of how energy expenditure levels relate to other competing costs such as housing, food and transport, and how expenditure is allocated by different income groups. ABS household expenditure does not currently distinguish between electricity and gas, which may pose difficulties.

The relative infrequency of key surveys may also limit their usefulness. These surveys are not published every year. The most recent ABS household expenditure survey was published in February 2006, and provided data for the year 2003–4. In order to make use of such surveys in its annual performance reports, the AER would need to investigate ways to bridge the periods between surveys.

Survey data collected specifically for the AER’s purposes may facilitate greater comparability, but is likely to be costly and the process of matching energy cost data to income data would be complicated. It may therefore be better to consider a range of indicators to provide an overall perspective on affordability, rather than combining all of the information discussed in this paper into a single measure. We welcome suggestions from stakeholders as to how income and general expenditure data can be combined with information on energy costs to provide useful perspectives on energy affordability.

Collecting data on energy affordability for business customers poses additional challenges. A business’s capacity to meet its energy bills is reflected through revenues. An assessment of energy affordability for business customers would therefore require a reliable measure of annual revenue for those customers. In the absence of an appropriate measure of revenue for small and large business customers, the AER’s ability to comment meaningfully on their energy affordability may be limited to a discussion of the energy costs to which they are exposed. We encourage suggestions from stakeholders as to what measures could be adopted for this purpose.

Q 19. What other data sources are available to the AER to assess customers’ capacity to pay for energy?

Q 20. Is it appropriate for the AER’s energy affordability reports to include information on affordability for business customers? If so, what sources of annual revenue data for business customers could the AER draw on?

Please provide reasons for your response.

Case studies

The AER could include case studies in its energy affordability reports to highlight the effects on individual customers or customer groups. Such case studies may not be indicative of the experience of customers in a particular category or jurisdiction, but could provide a useful commentary on how customers manage affordability issues, and how effective the protections in the new customer framework are in providing assistance to individuals. We have considered similar case studies to inform reporting on the National Hardship Indicators.

Q 21. Would case studies on customers’ experience of energy affordability be valuable to stakeholders?

Q 22. What should such case studies focus on?

Please provide reasons for your answers.

1.6 Reporting requirements

As has been discussed, several aspects of the retail market overview may require data from retailers, distributors and AEMO. Responses to this issues paper will inform our consideration of the information that should be collected. We seek information on what information is readily available, and whether there is benefit in the collection of additional information for this purpose. We also seek stakeholder input on the need to define terms used within the various indicators to ensure our requirements are clear and can be met consistently by all regulated entities. We welcome stakeholders' views on possible definitions and on areas where particular guidance may be required to ensure accurate and consistent reporting.

Our preliminary view is that most elements of the retail market overview will be published in each quarterly performance report. This will require submission of data and information to the AER on a quarterly basis. We seek stakeholder views on the appropriateness of this approach, and whether alternative approaches (e.g. six monthly, annually) may be more appropriate for some or all elements of the retail market overview.

An exception is likely to be the report on energy affordability, which we are currently minded to publish once a year as part of the annual performance report, and not in any interim reporting. This would suggest that material which informs the energy affordability report need only be collected once a year. We welcome stakeholder views on the costs and benefits of recording energy affordability data by reference to shorter periods within the relevant year. We also welcome the views of stakeholders as to whether there is value in publishing the energy affordability report, or elements of it, more than once a year.

We are also interested to explore the benefits of requiring data to be broken down into intervals within a reporting period (e.g. quarterly or monthly) for each measure, to allow identification of seasonal trends.

Finally, we are mindful in developing these indicators to balance the requirements of ensuring that market performance can be adequately monitored and assessed against the costs and burden of regulatory reporting. We welcome the views of stakeholders in this regard.

Q 23. Is publication of quarterly retail market overviews appropriate, or is less frequent publication (e.g. six monthly, annual) of some or all indicators preferable?

Q 24. Is the publication of a single, annual energy affordability report appropriate, or is more frequent publication (e.g. quarterly, six monthly) of some or all aspects of the report preferable?

Q 25. What are the costs and benefits of breaking data for the various indicators in the retail market overview into shorter intervals within a reporting period (e.g. monthly)?

Q 26. What concerns, if any, do you have regarding the ability to report data against the proposed indicators, and any costs associated with the reporting requirements?

Please provide reasons for your answer.

2 Retail market activities review

The proposed Retail Law will require the AER's performance reports to include a retail market activities review.²⁰ The proposed Retail Rules provide further detail on the required content of the review, which must include the following:²¹

- handling of customers experiencing payment difficulties
- de-energisation (disconnection) of premises for reasons of non-payment and re-energisation (reconnection) of these premises
- concessions for customers where retailers administer the delivery of concessions to customers
- the provision of prepayment meter (PPM) systems to customers, including the total number of customers using PPMs, self-disconnections and the numbers of PPMs removed due to customer payment difficulties
- the number and aggregate value of security deposits held by each retailer as at 30 June each year
- customer service and complaints, including complaints about billing, marketing and customer transfers.

Data reported on the handling of customers experiencing payment difficulties, de-energisation and re-energisation, must distinguish hardship customers and other residential customers experiencing payment difficulties.²² To satisfy this reporting requirement, the AER's preliminary view is to report on indicators in these areas for:

- customers on retailers' hardship programs (hardship customers)²³. In some instances it is likely this data may already be captured as part of the National Hardship Indicators, which have been separately consulted on.²⁴ We note where this applies in the discussion below.
- other residential customers experiencing payment difficulties such as those on payment plans or in receipt of energy concessions.

The Retail Rules also require the retail market activities review to provide information on these matters for each participating jurisdiction and by customer category — including residential and small and large business customers.²⁵ Not all obligations will apply to all customer categories. For example, a number of protections in the

²⁰ Section 1214, National Energy Retail Law – Second exposure draft.

²¹ Rule 1003, National Energy Retail Rules – Second exposure draft.

²² Rule 1003, National Energy Retail Rules – Second exposure draft.

²³ Under the proposed Retail Law, retailers must maintain and implement an approved hardship policy. The purpose of the hardship policy is to assist hardship customers to better manage their energy bills on an on-going basis.

²⁴ See AER Issues Paper: Developing National Hardship Indicators:
<http://www.aer.gov.au/content/index.phtml/itemId/736022>

²⁵ Rule 1003, National Energy Retail Rules – Second exposure draft.

customer framework are specific to residential customers only. The preliminary positions in the following discussion recognise this and consider which customer categories are appropriate to report against.

For each activity covered in the report, we have considered the reporting arrangements currently in place in each jurisdiction. We have also considered the recommendations of the Utility Regulators Forum Steering Committee on National Regulatory Reporting Requirements (SCONRRR) Retail Working Group in its *National Energy Retail Performance Indicators* paper.²⁶ The paper aimed to improve the consistency of data collected by regulators and enable better comparisons to be made across jurisdictions to assist in the transition to a national reporting framework.

In the following sections, we consider each element of the activities review. Where appropriate, we put forward alternative indicators for discussion and highlight any specific reporting considerations. We also set out preliminary views on how trends in retailer performance may be interpreted.

2.1 Handling of customers experiencing payment difficulties

The retail market performance report must contain information and statistics on the handling of customers experiencing payment difficulties.²⁷

Currently, all jurisdictions have protections for small customers experiencing difficulty in paying and managing their energy bills. These include requirements to offer payment arrangements which take account of a customer's capacity to pay, provision of appropriate advice and disconnecting only as a last resort. All jurisdictions have indicators in place to measure retailer performance in these areas.

The AER's preliminary view is that three key areas to monitor in relation to the handling of customers experiencing payment difficulties are:

- the number of customers in energy debt and levels of energy debt
- the number of direct debit plan terminations
- the number of customers on payment plans.

2.1.1 Customers in energy debt and energy debt levels

The AER's preliminary view is that collecting information on the number of customers in energy debt and their levels of energy debt will be a valuable indicator of the extent to which customers are experiencing payment difficulties. It may also provide an indication of the overall affordability of energy (section 1.5 of this paper). Tasmania is currently the only jurisdiction to collect information on energy debt

²⁶ SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007: <http://www.accc.gov.au/content/item.phtml?itemId=779487&nodeId=e759ad6cf20f258b73c09820458d62c7&fn=National%20Energy%20Retail%20Performance%20Indicators%20-%20Utility%20Regulators'%20Forum%20-%20May%202007.pdf>

²⁷ Rule 1003(1)(b), National Energy Retail Rules – Second exposure draft.

levels, reporting the number of customers repaying a debt and the number of customers in debt owing more than \$500. South Australia is currently reviewing its retail performance indicators and is considering collecting information on the average level of debt of customers.²⁸

Our preliminary view is that the AER should collect the following data:

- total number of customers repaying an energy debt
- for those customers, the average amount of their energy debt
- the number customers in energy debt who owe >\$500 and >\$1 000.

To ensure consistency between these indicators and the National Hardship Indicators, we propose to use the same definition of ‘debt’ for both. The definition proposed in the National Hardship Indicators issues paper is that ‘debt’ is the dollar amount which has been outstanding to the energy retailer for a period of 90 days or more.²⁹ This will enable comparison between the levels of energy debt of hardship customers with that of other residential customers experiencing payment difficulties. We would collect this data separately for electricity and gas customers.

These indicators are expected to provide valuable data on changes in the number of customers in energy debt and energy debt levels over time. Increasing numbers of customers in debt or increasing debt levels may suggest that retailers are not adequately identifying customers experiencing financial difficulties and providing an early and suitable response. It is also likely to reflect wider external factors, in particular general economic and employment conditions as well as the personal circumstances of the customer, which will need to be taken into account in any analysis of such data.

Our preliminary view is that this indicator would only need to be collected for non-hardship residential customers. We have separately consulted on monitoring the levels of debt of hardship customers upon entry and exit from the program as part of our recent issues paper on developing National Hardship Indicators. As levels of debt for business customers are likely to relate to economic and commercial considerations, our initial view is not to collect data for these customers. However, we welcome comment on this.

Should these indicators be adopted, it is proposed that the data be collected on a quarterly basis. This will provide information on any seasonal trends that may be occurring, for example more customers in debt or higher debt levels after winter gas bills or summer electricity bills. The number of customers in debt would be recorded as at the last day of each quarter.

The AER seeks feedback from stakeholders on these indicators and on their value in measuring the extent to which customers are experiencing payment difficulties and how retailers are handling these customers. We welcome views on any practical

²⁸ <http://www.escosa.sa.gov.au/library/100507-EnergyRetailerGuideline2-ProposedAmendments.pdf>
²⁹ AER Issues Paper: Developing National Hardship Indicators, April 2010.

issues in collecting and interpreting this information. The AER also seeks views on whether levels of debt for small business customers should be collected.

Another indicator that may help identify the extent to which customers are experiencing payment difficulties and how retailers manage this is the number of customers with overdue or deferred payments. This may be estimated, for example, from the number of reminder notices or disconnection warnings issued by retailers. This may give an indication of the measures undertaken by retailers to assist customers before they get into significant payment difficulties or financial hardship. We note that many customers often pay their bills late, after receipt of a warning or disconnection notice, and that this may not always reflect that the customer is experiencing payment difficulties. As such it is not clear how data from these indicators may reflect on retailer performance. The AER welcomes views on whether this information would be of value, or on alternative indicators in this area. For example, the number of bill or payment extensions granted by retailers may provide more useful information on the number of customers experiencing short-term affordability concerns and the actions taken by retailers to assist these customers.

Q 27. Do you support the inclusion of these indicators to monitor the number of customers in debt and their levels of debt? Which customer categories should be included?

Q 28. Is the proposed definition of 'debt' appropriate for the purposes of the retail market activities review?

Q 29. What other indicators should the AER consider to monitor customers experiencing payment difficulties?

Please provide reasons for your answers.

2.1.2 Direct debit plans terminated as a result of default/non-payment

The AER's preliminary view is that collecting information on the number of direct debit plans terminated as a result of default or non-payment would be a useful indicator to monitor customers experiencing payment difficulties. An occasional default on a direct debit payment may be due to human error or a customer oversight. But if a customer has a direct debit plan cancelled by the retailer following a number of missed payments, it likely indicates the customer is experiencing difficulties.

As highlighted by table 1, most jurisdictions collect data on the number of direct debit plan terminations. SCONRRR recommended adopting this as a national indicator.³⁰

³⁰ SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 17.

Table 1 – Direct debit reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Number of customers that pay by direct debit	✓			✓	✓	✓		✓
Number of direct debit plans terminated	✓			✓	✓	✓	✓	✓

The AER's preliminary view is to include the following indicators to monitor customers experiencing payment difficulties with regard to direct debit plan terminations:

- total number of customers using direct debit facilities to pay customer accounts
- number of direct debit plan terminations resulting from non-payment.

Data on the number of customers using direct debit facilities to pay accounts would provide a baseline measure which can be used when assessing the proportion of direct debit plans terminated.

It is anticipated that all terminations be included in these indicators, regardless of the account or institution from which they are paid, including Centrepay.³¹ It would however, exclude terminations by choice, which may not reflect customer payment issues. This is consistent with the SCONRRR recommendations.³² We also note there may be differences between retailers as to the circumstances in which they would terminate a direct debit agreement. Should this indicator be adopted and should some retailers report higher cancellation rates than others, the AER would seek further information to interpret the reported data.

Our initial view is to collect this information for residential customers only and to not require separate reporting on the number of direct debit plan terminations for hardship customers.

We consider it unlikely that a hardship customer's direct debit plan would be terminated whilst they are on the hardship program, given that payment plans are a key form of assistance in helping these customers to better manage their energy bills. In the event that a hardship customer fails to make or maintain agreed direct debit payments and does not contact the retailer to make alternative arrangements, it is likely that they will be removed from the hardship program for non-compliance (prior to, or at the same time as, having their plan terminated). We are therefore assuming that at the time a plan is terminated, the customer would not be a hardship customer and that retailers would report very few (if any) hardship customer direct debit plan terminations. We welcome stakeholders' views on this and on whether we should require retailers to report against these indicators for other categories of customers such as small business customers.

³¹ Centrepay allows customers to choose to pay their energy bills by having a regular amount deducted from their Centrelink payment.

³² SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 17.

We would collect this data for each jurisdiction and separately for electricity and gas customers. We seek comments on how dual fuel customers should be reported. We consider that data for this indicator should be recorded when the termination occurs; regardless of when the first default occurs. We also seek the views of stakeholders on whether quarterly reporting against this indicator is appropriate or whether there would be additional benefit in requiring monthly data.

Q 30. Do you support the inclusion of these indicators?

Q 31. What are your views on whether customers on retailers' hardship programs need to be reported separately as part of these indicators (given it is unlikely their payment plans will be terminated whilst on the hardship program)?

Q 32. For which categories of customers (in addition to residential customers) should retailers report on direct debit plan terminations? In particular, we welcome views on whether it is appropriate to report on these indicators for small business customers.

Please provide reasons for your answers.

2.1.3 Information on payment methods, including Centrepay

It is the AER's preliminary view that collecting information on the various payment methods customers use to pay their energy bills will not provide meaningful information about customers experiencing payment difficulties. This is because the way in which customers choose to pay their bills may not reflect their financial situation. The AER therefore does not propose to monitor the number of customers that use Centrelink's Centrepay option.

Centrepay is an optional direct bill-paying service offered to customers receiving payments from Centrelink. It allows customers to pay their energy bills by having a regular amount deducted from their Centrelink payment. Customers may opt in and out of the service as they choose, provided their retailer offers Centrepay. Given this, data reported against this indicator may be difficult to interpret. For example, a low number of customers using Centrepay may reflect poorly on a retailer as it may seem the retailer does not encourage its customers to use the service. Alternatively, it may be that their customers are choosing not to pay their energy bills using Centrepay. Further, the proposed Retail Law and Rules do not require retailers to offer Centrepay to customers. As such, not all customers may have access to this service.

It is the AER's preliminary view that other possible indicators considered will provide more valuable information about customers that receive government benefits and may be experiencing payment difficulties. Such indicators include:

- the number of customers in receipt of energy concessions (section 2.4)
- the number of customers in receipt of energy concessions that are disconnected and reconnected (section 2.2)

- the number of hardship customers in receipt of concessions.³³

The AER welcomes feedback from stakeholders on these issues.

Q 33. Do you support the AER's preliminary position not to collect information on payment methods, including Centrepay? Please provide reasons for your answer.

2.1.4 Payment plans

The final area in which we have considered indicators of retailers' handling of customers experiencing payment difficulties is payment plans.

Payment plans are a common solution provided by retailers to help customers with overdue accounts and arrears to avoid disconnection. This approach has proven relatively successful. As such, the proposed Retail Law requires retailers to offer and apply payment plans for hardship customers and other residential customers experiencing payment difficulties.³⁴

As highlighted in table 2, almost all jurisdictions collect information on the number of customers using payment plans. Most jurisdictions also collect information on the number of customers that were previously on a payment plan but were subsequently disconnected.

Table 2 – Summary of payment plan reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Number of customers using payment plans	✓	✓		✓	✓	✓	✓	✓
Reason for payment plan closure					✓			
Number of customers previously on a payment plan disconnected for non-payment		✓		✓	✓	✓	✓	✓
Number of customers previously on a payment plan disconnected and reconnected in seven days						✓	✓	✓

It is the AER's preliminary view that three possible indicators to monitor retailers' use of payment plans to assist customers experiencing payment difficulties are:

- the number of customers using payment plans
- the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bill

³³ AER Issues Paper: Developing National Hardship Indicators, April 2010.

³⁴ Section 231, National Energy Retail Law – Second exposure draft.

- the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bills and subsequently reconnected within seven days in the same name and address.

Monitoring the number of customers that use payment plans would indicate whether retailers are offering plans to assist customers experiencing difficulty and how accessible those plans are to customers. For example, if a retailer has a comparatively small proportion of customers on payment plans, this may indicate that it is not as proactive as other retailers in offering payment plans to its customers experiencing payment difficulties.

We would be in a position to consider the data from this indicator in conjunction with other indicators to gain additional information and context to retailer performance. For example, if the number of customers on payment plans increases, and the number of disconnections decreases, this may indicate that the support provided by the plans is assisting customers with payment difficulties to avoid disconnection.

The proposed Retail Law defines ‘payment plan’ as a plan for a hardship customer, or other residential customer experiencing payment difficulties, to pay a retailer by periodic instalments, in accordance with the Retail Rules, any amounts payable by the customer.³⁵ For the purposes of reporting against these indicators, we consider that a ‘payment plan’ should further be defined as an arrangement which must include at least three instalments and should not include customers who are using a payment plan for convenience or flexible budgeting purposes. This is consistent with the SCNRRR definition.³⁶ We would collect this data separately for electricity and gas customers and we seek comment from stakeholders on how dual fuel customers should be reported. Our initial view would be to require this data to be recorded by retailers as at the last day of each calendar month to enable comparisons with other indicators. This would then be reported to the AER on a quarterly basis.

We consider that information collected for these indicators should only relate to residential customers that are not hardship customers. The proposed Retail Law requires retailers to offer and apply payment plans to hardship customers and it is one of the primary forms of assistance provided by retailers. As such, we assume that all hardship customers are on payment plans and would therefore be monitored as part of the National Hardship Indicators.³⁷ We welcome the views of stakeholders on these issues.

The indicators relating to the disconnection and reconnection of customers previously on payment plans is discussed in more detail in sections 2.2 and 2.3.

Q 34. Do you support the inclusion of these indicators?

Q 35. What are your views on the definition of a payment plan?

³⁵ Section 102, National Energy Retail Law – Second exposure draft.

³⁶ SCNRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 17.

³⁷ AER Issues Paper: Developing National Hardship Indicators, April 2010.

Q 36. What are your views on reporting payment plan information for different categories of customers — in particular, residential, hardship and small business customers?

Please provide reasons for your answers.

2.2 De-energisation (disconnection)

The retail market performance report must contain information and statistics on the de-energisation (disconnection) of premises for reasons of non-payment.³⁸ The proposed Retail Law defines the “de-energisation” of a customer’s premise as preventing the flow of energy to the premises.³⁹

Table 3 shows that all jurisdictions currently require retailers to report on the number of customers that have been disconnected for non-payment of a bill. Most jurisdictions also collect information on customers that have been disconnected more than once in a one or two year period.

Table 3 – Summary of disconnection reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Number of customers disconnected for non-payment	✓	✓	✓	✓	✓	✓	✓	✓
Number of customers disconnected more than once in previous 24 months (12 months NSW)		✓		✓	✓	✓	✓	✓

The new customer framework will set out a number of preconditions that must be met before a customer can be disconnected for non-payment. In particular, the Retail Law is likely to require retailers to identify customers experiencing payment difficulties and to offer them assistance, such as a payment plan and, where appropriate, as part of their hardship program. The aim is to help these customers maintain their energy supply and better manage their bills on an ongoing basis.

The AER considers that the number of premises disconnected for reasons of non-payment is a critical indicator for monitoring retailer performance as it can have a significant impact on those customers affected. It is closely monitored by stakeholders, influences policy makers and will be an important input into the AER’s compliance and enforcement monitoring regime.

If a retailer is reporting a high proportion of customers being disconnected, it may indicate the retailer lacks adequate mechanisms to identify and assist customers with payment difficulties. It may also indicate a range of compliance concerns, particularly in relation to the customer hardship and payment plan provisions of the proposed

³⁸ Rule 1003(1)(d), National Energy Retail Rules – Second exposure draft.

³⁹ Section 102, National Energy Retail Law – Second exposure draft.

Retail Law.⁴⁰ We would also expect that any economy-wide effects, such as an economic downturn, will also influence this indicator.

The AER's preliminary view is to collect data of the number of disconnections in the following areas:

- *the total number of residential and small business customers disconnected for non-payment in the reporting period.* This would provide an indicator of total disconnection rates for these customer groups for each retailer and each jurisdiction. We welcome views on the importance of monitoring disconnection rates for small business customers, particularly given that numbers will generally reflect failure rates of small businesses. This is an economy-wide issue likely to be influenced by extrinsic factors that may make it difficult to draw any reliable conclusions on the retailer performance.
- *the number of residential customers on a retailer's hardship program who were disconnected for non-payment in the reporting period.* The proposed Retail Law states that de-energisation of hardship customers due to inability to pay energy bills should be a last resort option. As such, the AER anticipates that the number of hardship customers disconnected would be very few. Monitoring performance in this area will provide a ready check for us and for retailers to ensure they are complying with this obligation. If high numbers are reported, for example, it would signal that further information or investigation is required. As part of the National Hardship Indicators, we have also considered monitoring the number of customers disconnected while on a hardship program in the previous 24 months.⁴¹
- *the number of residential customers that were disconnected for non-payment in the reporting period and were in receipt of an energy concession administered by retailers.* Monitoring this area is important as these customers are typically on a limited and fixed income and may find it more difficult to manage their ongoing energy bills. For example, a survey cited by the Productivity Commission showed that 53 per cent of respondents who experienced disconnection from an essential service had been on income support when disconnected.⁴²
- *the number of customers who have been disconnected when they have been on a payment plan in the previous 24 months.* This indicator may highlight whether retailers are appropriately taking customers' capacity to pay and their circumstances into account when establishing payment plans, to ensure they are sustainable to help customers avoid disconnection. Alternatively, high numbers reported here may indicate that the retailer is particularly effective at identifying likely defaulters and establishing

⁴⁰ Part 2, Divisions 6 and 7, National Energy Retail Law – Second exposure draft.

⁴¹ See AER Issues Paper: Developing National Hardship Indicators, April 2010.

⁴² Productivity Commission Inquiry Report, Review of Australia's Consumer Policy Framework, Volume 2, April 2008.

payment plans to assist these customers. The AER welcomes views on the usefulness of this indicator and what may be inferred about retailer performance from the data reported.

The AER also proposes to collect information on the number of customers disconnected more than once in the previous 24 months for non-payment in the same name and address. This will indicate the effectiveness of the assistance provided to customers experiencing significant and ongoing payment difficulties. If a customer has previously been disconnected for non-payment, this could signal to the retailer that this is a customer to watch, and may require a further payment plan or referral to their hardship program. If these mechanisms and referral processes are in place as required by the new customer framework, they should assist these customers to better manage their ongoing energy bills. We would therefore expect the number of repeat disconnections in a 24 month period to be low. If the number of repeat disconnections is high it may indicate retailers lack adequate mechanisms to identify customers with ongoing payment difficulties. We note that this indicator only captures those customers that remain with the same retailer for two years following the initial disconnection, and will not capture those customers that subsequently switch retailer.

We have suggested a period of 24 months for some of these indicators, which is consistent with the SCONRRR recommendations and reporting requirements currently in place in Victoria and South Australia. A period of greater than 12 months was recommended by SCONRRR to develop some customer history, particularly given the time it can take to meet all procedural requirements such as warning notices prior to effecting a disconnection.⁴³ It is also consistent with other disconnection and reconnection indicators considered below and those considered as part of the National Hardship Indicators.

Our initial view is that this data should be collected separately for electricity and gas customers and to be recorded by retailers for each calendar month as this would allow any changes and seasonal trends to be readily identified. Data would then be reported to the AER on a quarterly basis.

Q 37. Do you support the inclusion of these disconnection indicators in the areas set out above?

Q 38. What are your views on monitoring repeat disconnections over a 24 month period?

Please provide reasons for your answers.

2.3 Re-energisation (reconnection)

The retail market performance report must contain information and statistics on the reconnection of premises following disconnection for reasons of non-payment.⁴⁴ The

⁴³ SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 22.

⁴⁴ Rule 1003(1)(e), National Energy Retail Rules – Second exposure draft.

proposed Retail Law defines “re-energisation” as when the flow of energy to the customer’s premises has been restored.⁴⁵

All jurisdictions currently require retailers to report on the number of customers that are disconnected for non-payment and subsequently reconnected in the same name and address. Retailers in Victoria and South Australia must also report on the number of customers disconnected and reconnected more than once in the previous 24 months.

Table 4 summarises the current reconnection reporting arrangements and the indicators recommended by SCONRRR.

Table 4 – Reconnection reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Number of customers disconnected and reconnected in same name and address	✓	✓	✓	✓	✓	✓	✓	✓
Number of customers disconnected and reconnected more than once in previous 24 months				✓		✓	✓	✓

The AER’s preliminary view is to collect data on the number of reconnections within seven days of disconnection for each area identified under the disconnection indicators in section 2.2, including:

- residential and small business customers. Again, we welcome stakeholders views on the importance of monitoring reconnection rates for small business customers.
- customers on a retailer’s hardship program (and in addition, as part of the National Hardship Indicators, customers on a retailer’s hardship program in the previous 24 months)⁴⁶
- the number of residential customers in receipt of an energy concession
- the number of customers that have been on a payment plan in the previous 24 months.

When a customer is reconnected shortly after being disconnected this may indicate the customer was disconnected as a result of financial hardship. In these circumstances, the disconnected customer is prompted to contact their retailer to arrange reconnection and seek assistance to better manage their energy bills on an ongoing basis. High levels of customers being disconnected and quickly reconnected may indicate the retailer is disconnecting a large number of customers experiencing

⁴⁵ Section 102, National Energy Retail Law – Second exposure draft.

⁴⁶ See AER Issues Paper: Developing National Hardship Indicators, April 2010.

payment difficulties or who are in financial hardship. It is also likely to indicate that the retailer's hardship policy is not being applied to effectively identify these customers prior to disconnection. Alternatively, low numbers reported against this indicator could signal poor retailer performance, suggesting that customers who have been disconnected are unable to quickly negotiate the reconnection of their gas or electricity supply. We welcome stakeholders' views on how we might interpret the data and trends reported for these indicators and how they might inform an assessment of retailer performance.

The AER also proposes to monitor the number of customers that are disconnected for non-payment and reconnected within seven days (in the same name and address) more than once in the previous 24 months. This scenario should indicate to a retailer that these customers are experiencing ongoing payment difficulties and require further assistance, possibly through the retailer's hardship program.

This indicator may provide a long term measure of retailers' ability to identify customers experiencing ongoing payment difficulties as well as the adequacy of the assistance provided. High numbers reported here may signal that the AER would require further information to interpret the data.

Should these indicators be adopted, we would apply the same reporting requirements as set out for the disconnection indicators (i.e. collecting monthly data and reporting it to the AER each quarter).

Q 39. Do you support the inclusion of these reconnection indicators in the areas set out above?

Q 40. How should data and trends from these indicators inform an assessment of retailer performance in this area?

Please provide reasons for your answers.

2.4 Concessions

The retail market performance report must contain information and statistics on concessions, where retailers administer their delivery to customers.⁴⁷

A concession is typically defined as a reduction, discount, subsidy, rebate, waiver, or exemption provided by the government on the value of goods, services or associated fees to an individual, family, household or organisation.⁴⁸ They are generally provided on the basis of low income, special needs or disadvantage or some other category such as age or war service.

Currently, all jurisdictions administer a concession scheme to provide assistance with the cost of energy bills and, in some jurisdictions, the cost of running life support

⁴⁷ Rule 1003(1)(f), National Energy Retail Rules – Second exposure draft.

⁴⁸ Definition provided by the ACT Council of Social Service (ACTCOSS) in their submission to the ACT Government Concession Policy:
http://www.actcoss.org.au/publications/Publications_2002/1302SUB.doc

machines. Generally, to be eligible for an energy concession, a person should hold a pensioners concession card, a health care card or a Department of Veteran Affairs Gold Card. The types and amounts of the various energy concessions are determined by respective state and territory governments, not the AER, and they vary across the jurisdictions.

While all jurisdictions offer energy concessions, only retailers in Victoria and South Australia are currently required to report on the number of disconnections (and reconnections) of concession card holders. SCONRRR recommended that these indicators should be collected nationally as the disconnection of financially disadvantaged customers had emerged as an issue in a number of jurisdictions.⁴⁹ Taking into consideration SCONRRR's recommendations and the indicators that retailers must currently report on in Victoria and South Australia, the AER is of the preliminary view that the following indicators could be adopted:

- total number of customers in receipt of an energy concession
- number of customers who were disconnected and are in receipt of an energy concession (discussed in section 2.2)
- number of customers in receipt of an energy concession and were disconnected for non payment of bills in the previous 24 months, and subsequently reconnected within 7 days in the same name and address (discussed in section 2.3)

Monitoring the total number of customers in receipt of an energy concession will allow us to determine the proportion of those customers that are disconnected (and of those that are subsequently reconnected). The AER considers the above indicators to be important to monitor as customers in receipt of energy concessions are more likely to be on a low or fixed income and experience payment difficulties or financial hardship. This data is also likely to be useful for the relevant state departments to verify their own data on energy concessions and to assess the effectiveness of their policies.

The AER does not propose to collect information on other state and territory government energy grant schemes such as the Utility Relief Grant Scheme (Victoria), the Emergency Energy Payment Scheme (South Australia), the Emergency Accounts Payment Assistance Scheme (New South Wales) and the Home Energy Emergency Assistance (Queensland). These grants typically provide ad hoc short term assistance in response to unforeseen financial circumstances rather than ongoing customer support. Further, as customers are required to submit an application for these grants, which is then assessed by government, it is likely that indicators monitoring these grants would not reflect retailers' performance.

We welcome the views of stakeholders on whether to further define the term "concessions" or to specify any relevant and applicable energy concessions for the purposes of reporting against this indicator. Views are also sought on whether data should be reported on the number of customers who are concession card holders,

⁴⁹ SCONRRR, Discussion Paper: National Energy Retail Performance Indicators, March 2006, p 9.

rather than customers in receipt of an energy concession. We note that retailers may not know in all instances whether a customer is a concession card holder. We also welcome views on whether it is problematic that energy concessions differ across the jurisdictions and whether this would affect our ability to interpret trends in retailer performance from this data at a national level. Our preliminary view is to require retailers to collect and report this data on a quarterly basis, given that significant monthly changes in the data are unlikely. We also propose to collect this data for residential customers only, as other customer categories (such as small business and large customers) are ineligible to receive the relevant concessions.

We note that indicators monitoring the number of hardship customers in receipt of energy concessions have been considered separately as part of the National Hardship Indicators Issues Paper.⁵⁰

Q 41. Do you support the inclusion of these concessions indicators?

Q 42. Given that the types and the eligibility for energy concession differ across jurisdictions, what issues might arise when seeking to identify trends in retailer performance at a national level?

Please provide reasons for your answers.

2.5 Prepayment meters

The retail market performance report must contain information and statistics on the provision of prepayment meter systems (PPMs) to customers, including the total number of customers using PPMs, self-disconnection rates and the number of PPMs removed due to payment difficulties.⁵¹

PPMs are currently used in South Australia, Tasmania and some very remote areas of Queensland. Tasmania and South Australia already collect data in relations to PPMs. Whilst their indicators differ, they cover similar issues. For example, both jurisdictions collect information on the installation of PPMs, removal of PPMs and rates of self-disconnection.

To satisfy the reporting requirements in the proposed Retail Rules, the AER's preliminary view is to collect data on:

- the total number of customers using PPMs
- the number of prepayment meters removed due to payment difficulties
- the number of customers who self-disconnect three or more times in any three month period for longer than 240 minutes on each occasion.

The AER considers that monitoring the total number of customers using PPMs will provide an overview of their uptake in various jurisdictions. It will also provide a

⁵⁰ AER Issues Paper: Developing National Hardship Indicators, April 2010.

⁵¹ Rule 1003(1)(c), National Energy Retail Rules – Second exposure draft.

baseline measure, to enable us to determine the proportion of PPM customers that are experiencing payment difficulties.

Under the proposed Retail Rules, in the event that a retailer becomes aware that a customer is experiencing payment difficulties, the retailer is required to offer to replace the PPM with a standard meter.⁵² Monitoring the number of prepayment meters removed due to payment difficulties may also provide an indication of whether retailers are complying with their obligations and offering customers the option to have the meters removed. For example, if the number of customers reported as self-disconnecting is high and the number of PPMs removed is low, the AER may question the retailer as to why this is the case.

The proposed Retail Rules also require the AER to collect information on PPM self-disconnections.⁵³ The nature of PPMs means that customers will be ‘self-disconnected’ when they run out of the credit they have stored on their meter. This can happen by accident, for example if the customer is away on an extended holiday and their credit expires, or if a customer forgets to top-up their credit. Customers can also be disconnected if they are unable to afford to top-up, or buy more credit, for their meter. It is this latter group of customers that we are seeking to monitor.

To do this, we propose to collect information on the number of customers that self-disconnect three or more times in any three month period for longer than 240 minutes on each occasion. This is in line with the requirements the proposed Retail Rules have placed on retailers to monitor PPM customers and provide them with advice and assistance if they self-disconnect on three or more occasions in any three month period for longer than 240 minutes at a time.⁵⁴

We also consider that retailers should collect and report this data on a quarterly basis, but we welcome views on whether more frequent reporting would be of value. We also welcome views on whether retailers should report on the number of customers using PPMs as at a specific date (for example, as at the last day of each quarter) or on the greatest number of customers using PPMs during the period. Finally, we welcome feedback on our proposed approach to monitoring rates of self-disconnection among PPM customers due to payment difficulties and which categories of customers to collect data on in relation to these indicators.

Q 43. What are your views on our proposed approach to monitoring PPM self-disconnection rates due to payment difficulties?

Q 44. What are your views on the other issues raised above in relation to reporting against these PPM indicators?

Please provide reasons for your answers.

⁵² Rule 816(2), National Energy Retail Rules – Second exposure draft.

⁵³ Rule 1003(1)(c), National Energy Retail Rules – Second exposure draft.

⁵⁴ Rule 816(2)(b), National Energy Retail Rules – Second exposure draft.

2.6 Security deposits

The retail market performance report must contain information and statistics on the number and aggregate value of security deposits held by each retailer as at 30 June each year.⁵⁵

Under the proposed Retail Rules,⁵⁶ a retailer may require a small customer to provide a security deposit only if:

- the customer owes money to that retailer in relation to the sale and supply of energy to other premises, unless the bill relating to the amount owed is (i) under review by the retailer under rule 217; or (ii) under consideration by the energy ombudsman as referred to in that rule or
- the customer has fraudulently acquired or intentionally consumed energy otherwise than in accordance with the energy laws within the past 2 years or
- the customer has refused or failed to provide acceptable identification to the retailer or
- the retailer reasonably considers that the customer has an unsatisfactory credit history or
- the customer has refused or failed to provide the retailer with the permission or other information requested under rule 224(1)(a).

A retailer may only use a customer's security deposit to repay any amount that the customer owes if:

- the customer is disconnected for non-payment and there is no contractual right to reconnection, or
- a final bill has been issued as a result of the customer vacating the premise, requesting disconnection or transferring to another retailer.⁵⁷

A retailer must repay the security deposit and the accrued interest when a residential customer pays one year's bills by the retailer's pay-by-dates (two years for business customers).⁵⁸ A retailer must also repay the security deposit if the customer vacates the premises, requests disconnection of the premises or transfers to another retailer, provided the security deposit or part of it is not required for the settlement of the final bill.⁵⁹

⁵⁵ Rule 1003(1)(g), National Energy Retail Rules – Second exposure draft.

⁵⁶ Rule 225, National Energy Retail Rules – Second exposure draft.

⁵⁷ Rule 229, National Energy Retail Rules – Second exposure draft.

⁵⁸ Rule 230(1)(a), National Energy Retail Rules – Second exposure draft.

⁵⁹ Rule 230(1)(b), National Energy Retail Rules – Second exposure draft.

Currently, all jurisdictions report on the number and value of security deposits held by retailers, which is consistent with the SCONRRR reporting template.⁶⁰ Retailers in the Australian Capital Territory are also required to report on the number of security deposits held longer than 12 months. Retailers in New South Wales report on the number of security deposits held longer than 12 months for residential customers and 24 months for business customers.

To satisfy the reporting requirements set out in the proposed Retail Rules, the AER's preliminary view is to include the following indicators:

- number and aggregate value of security deposits held by retailers for residential and business customers
- number and value of security deposits held for longer than 12 months for residential customers and 24 months for business customers.

These indicators would allow the AER to monitor trends in the use of security deposits by retailers and highlight any differences in performance across retailers. It would also assist in monitoring retailers' compliance in relation to the timely return of security deposits. Should these indicators be adopted, we would require annual reporting on the number and value of security deposits for residential and business customers held by retailers as at 30 June each year. We welcome views on whether more frequent reporting against these indicators would be of value.

Q 45. Do you support the inclusion of these security deposits indicators?

Q 46. What are your views on the timing and reporting issues raised in relation to the indicators?

Please provide reasons for your answers.

2.7 Customer service

The retail market performance report must review customer service by retailers.⁶¹ The AER's preliminary view is that a key customer service area is the timeliness of retailer response to customer telephone enquiries.

Most retailers have implemented Integrated Voice Response (IVR) technology in their call centres. This allows customers to service their own enquiries by following the instructions and navigating menu choices via the telephone keypad or by speech recognition. These systems allow retailers to better handle large call volumes.

To analyse retailer performance in this area we consider it appropriate to focus on calls that are forwarded to a live operator (or customer service officer) for response, including sales calls. Under this approach, the total number of calls to the call centre and calls handled by a retailer's IVR system where the customer does not opt to speak

⁶⁰ SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 46.

⁶¹ Rule 1003(1)(a), National Energy Retail Rules – Second exposure draft.

to an operator will not be monitored. This is consistent with current jurisdictional reporting requirements and with SCONRRR's recommendations.⁶²

At present, all jurisdictions report on retailer call centre performance. This includes the number of calls that were answered by a human operator within 30 seconds, the average length of time customers had to wait for their calls to be answered and the number of calls abandoned before speaking to an operator.

Table 5 below summarises the current customer service reporting arrangements, the indicators recommended by SCONRRR and possible indicators considered by the AER.

Table 5: Summary of customer service reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Total number of calls to an operator	✓	✓	✓	✓	✓	✓	✓	✓
Number and % of calls answered by operator in 30 seconds	✓	✓	✓	✓	✓	✓	✓	✓
Average wait before call answered by operator	✓		✓	✓	✓	✓	✓	✓
Number and % of calls abandoned	✓	✓	✓	✓	✓	✓	✓	✓
Calls not forwarded to an operator						✓		
Written enquiries responded to in 5 business days				✓				

The AER proposes the following indicators to monitor and assess retailers' levels of customer service regarding their telephone enquiries:

- Total number of calls to an operator. This will include all calls to an operator or customer service officer, including sales calls and any abandoned calls to an operator. Where retailers use an IVR system it will exclude any calls abandoned before the customer opts to speak to an operator.
- Number and percentage of calls forwarded to an operator that are answered within 30 seconds. Where retailers use an IVR system, monitoring should commence from when the caller chooses to speak to an operator. In the case of non-IVR systems, the time commences when the call is received by the switchboard. Where the call centres provide an option to call the customer back within a defined period of time (rather than have the customer wait on hold until the next operator is available), the call will be considered to have been answered within 30 seconds providing the caller selected the option within 30 seconds and the

⁶² SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 7.

telephone call was returned by the call centre within the defined time period.

- Average time before an operator answers the call, will be the total time spent waiting (measured as per above) divided by the total number of calls to an operator (measured as per above).
- Number and percentage of calls abandoned before being answered by an operator. Again, for retailers with IVR systems this will only include calls where the caller chooses to speak to an operator.

Our preliminary view is that these measures would provide a good indication of retailers' call centre performance and the service provided to customers, in particular how accessible retailers are to contact. We note, however, that these timing and responsiveness indicators will not measure the quality of the caller's experience or the operator's responses once the caller gets through. Furthermore, for retailers who use IVR systems, the indicators will not monitor customers' experiences from the time they dial their retailer and their experience in navigating the IVR system. The AER is interested in stakeholder views on whether there are other methods of assessing retailers' customer service, such as a survey of the useability of retailers' IVR systems by an independent expert.

The proposed indicators will demonstrate any differences in performance across retailers and should therefore highlight where service levels may be lagging. For example, if there are a large number of calls that remained unanswered within 30 seconds or a large number of calls abandoned before being answered, this may indicate poor customer service levels being provided by that retailer. This will provide useful comparative data across all retailers and across jurisdictions. Policy makers and other stakeholders may be particularly interested in any differences in performance reported between jurisdictions. Jurisdictional differences may reflect the strong incentives competition creates for retailers to provide an efficient mix of price and service quality to attract new customers and maintain their current customers.

Should the proposed indicators be adopted, the AER's preliminary view is to require retailers to collect data against these indicators for each jurisdiction. Where retailers operate more than one call centre in a jurisdiction, performance data for that jurisdiction would be combined. Where a call centre covers multiple jurisdictions, the retailer's system would need to allocate the calls to the appropriate jurisdiction. Our initial view is that requiring monthly data on these indicators will enable trends and changes to be easily identified — for example, whether there are more calls after a price increase. This will also allow us to reconcile call centre performance with extraordinary events such as retailer failure, which may place disproportionate levels of pressure on call centres relative to normal operation. Data would then be reported to the AER on a quarterly basis. Finally, the AER's preliminary view is that it would not be practical to report customer service indicators for different categories of customers and that overall call centre performance statistics will provide appropriate measures of customer service. We welcome the views of stakeholders on these matters.

To the extent that equivalent customer service indicators for distributors are not captured in distribution service standards, or guaranteed service level schemes

(discussed in section 3.1), we seek stakeholder input as to whether such indicators for distributors should be included in the retail market activities review.

Q 47. Do you support the inclusion of these customer service indicators?

Q 48. What other areas (if any) of retailer customer service might the AER seek to assess?

Q 49. What are your views on the reporting issues raised in relation to the above possible indicators?

Please provide reasons for your answers.

2.8 Complaints

The retail market performance report must contain information and statistics on customer complaints to retailers.⁶³ Information on customer complaints about billing, marketing and customer transfers must be included in this report.⁶⁴

All jurisdictions currently report on the overall number of complaints that retailers receive. Further information on the subject of the complaint is also captured, with all jurisdictions reporting on the number of complaints relating to billing matters and most jurisdictions reporting on marketing complaints and “other” complaints.

As part of its final report, SCONRRR defined a complaint as “an expression of dissatisfaction made to an organisation, related to its product/services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected”.⁶⁵ This is based on the International Standards Organisation (ISO 10002) definition of a complaint. SCONRRR recommended that data on billing, marketing, transfer and other complaints be collected and disaggregated for residential and small business customers. SCONRRR also developed a guideline to clarify the difference between an enquiry and a complaint, to improve consistency in reporting by retailers in this area.

Table 6 summarises current complaints reporting arrangements, the indicators recommended by SCONRRR and the indicators considered by the AER to satisfy the reporting requirements set out in the Retail Rules.

⁶³ Rule 1003(1)(a), National Energy Retail Rules – Second exposure draft.

⁶⁴ Rule 1003(3)(c), National Energy Retail Rules – Second exposure draft.

⁶⁵ SCONRRR, Final Paper: National Energy Retail Performance Indicators, May 2007, p 32.

Table 6: Complaints reporting arrangements

Indicator	ACT	NSW	QLD	SA	TAS	VIC	SCONRRR	Possible AER indicator
Total number of complaints	✓	✓	✓	✓	✓	✓	✓	✓
Billing	✓	✓	✓	✓	✓	✓	✓	✓
Marketing	✓	✓		✓	✓	✓	✓	✓
Transfers without consent				✓		✓	✓	✓
Affordability						✓		
Customer service					✓			
Disconnections					✓	✓		
Land					✓			
Privacy					✓			
Provision					✓			
Public image					✓			
Sales channels					✓			
Supply					✓			
Other	✓	✓	✓	✓		✓	✓	✓

The AER's preliminary view is to adopt SCONRRR's definition for each of the complaints categories required under the Rules as follows:

- total number of complaints
- marketing complaints — including sales approach or conduct, advertising campaigns, contract terms, sales techniques, misleading conduct
- billing complaints — regarding prices, overcharging, high bills, billing errors, payment terms and methods, failure to receive government rebates and debt recovery practices
- transfer complaints — may also include general transfer complaints such as failure to transfer within a certain period, disruption of supply due to transfer and billing problems directly associated with transfer
- other complaints — complaints about the quality and timeliness of retail service other than billing complaints, marketing complaints and transfer complaints. Examples may include poor service, privacy issues, failure to respond to complaints, and health and safety issues.

Monitoring these areas will capture the most common complaints made by customers and reported by retailers and ombudsman. It will also enable the AER and other stakeholders to measure trends in the types and number of complaints over time for both the industry overall and individual retailers. These complaint categories also cover areas where retailers have a range of obligations under the customer framework. This will therefore be useful for compliance monitoring. For example, a surge in the number of complaints of one type or to a particular retailer may indicate a systemic issue that warrants further investigation by the AER.

Should these indicators be adopted, our preliminary view would be to require retailers to record complaints data separately for residential and business customers for each jurisdiction on a monthly basis. This would then be reported quarterly to the AER and

would allow us to identify any changes or seasonal trends (for example increased billing complaints after high seasonal bills). We welcome the views of respondents on the level of detail required to define what a complaint is and the categories of complaint.

In addition to the number of complaints received, we also see potential value in monitoring retailer performance in responding to and resolving complaints. This could be measured, for example by reference to the number of complaints that are not resolved within a certain time period, or the average time taken to resolve a complaint.

The AER also seeks comments from stakeholders on the value of collecting data regarding complaints about affordability (currently collected in Victoria only) and whether this would provide valuable context to other elements of the performance reporting regime, particularly the analysis of energy affordability (see section 1.5).

We will also seek to review any complaints data submitted by retailers in the context of complaint data from jurisdictional energy ombudsman schemes. We would expect that the number of complaints dealt with by the ombudsman schemes to be significantly less than the number of complaints received by retailers themselves. If, for example, there was a large increase in the number of complaints recorded by the ombudsman for a particular retailer (relative to that recorded by the retailer itself), this may indicate that the retailer is not handling complaints effectively as its customers have felt obliged to contact the ombudsman. We welcome stakeholders' views on how we might best compare the data from ombudsman schemes with that reported by retailers, particularly where there may be differences in how data is categorised, recorded and reported by different ombudsman schemes. We note that the Australia and New Zealand Energy and Water Ombudsman Network (ANZEWO) has commenced work to align some high-level complaints reporting across their active member schemes. We will monitor this work and the data published as part of their first annual report to see if it can be used as a basis to align reporting across the energy ombudsman schemes for all participating jurisdictions.

Finally, we propose to seek information on complaints to distributors in relation to the small claims compensation regime (discussed in section 3.2). We seek stakeholder views as to whether we should include information on other categories of complaints for distributors in the retail market activities review.

Q 50. What are your views on the categories of complaints to be included for reporting in this area?

Q 51. What are your views on collecting complaints data separately for residential and business customers?

Q 52. What issues arise in relation to defining the complaint types, particularly given the need for consistent reporting?

Q 53. How might the AER effectively compare the data on complaints reported by retailers with that reported by energy ombudsman schemes?

Please provide reasons for your answers.

2.9 Reporting requirements

As highlighted throughout this paper, decisions will need to be made in relation to the frequency of retailers collecting and reporting information for each possible indicator. We have set out our initial views above for each indicator and welcome the views of stakeholders. In most instances, we propose quarterly reporting of data to the AER. How often retailers collect the data varies across the indicators, with some collected on a monthly, quarterly and annual basis. We welcome views on what is most appropriate for each indicator.

Once the indicators have been implemented and in operation for some time, it may be appropriate to consider reporting some data less frequently, for example on a biannual or annual basis.

Consistent with the proposed Retail Law and Rules,⁶⁶ we intend the retail market activities review to report data separately for each retailer in each jurisdiction. For each indicator, we have noted our preliminary views on the categories of customers (for example, residential, small business, small and large customers) that retailers should report against. We also seek views on where it may be appropriate to report gas and electricity customers together (for example, in relation to customer service and complaints) and how reporting for dual fuel customers should be recorded.

The AER must ensure that the definitions of terms used within the indicators enable the collection of information they have been designed to capture and that this is applied clearly and consistently across all retailers. We welcome stakeholders' views on possible definitions, including areas where a high level of guidance may be required to ensure accurate and consistent reporting.

Finally, we are mindful in developing these indicators to balance the need for adequate monitoring of retailer performance against the costs and burden of regulatory reporting. We welcome stakeholder views on this matter.

Q 54. What are your views on the reporting requirements considered above?

Q 55. What concerns, if any, do you have regarding the ability to report against the proposed indicators, and any costs associated with the reporting requirements?

Please provide reasons for your answers.

⁶⁶ Rule 1003(3), National Energy Retail Rules – Second exposure draft.

3 Additional information on distributor performance

The AER's performance reports will be required to include information on two additional areas that are specific to energy distributors.

3.1 Performance of distributors by reference to distribution service standards and GSL schemes

The draft Retail Law requires the AER to report on the performance of distributors by reference to distributor service standards and associated Guaranteed Service Level (GSL) schemes.⁶⁷

Distribution service standards are defined under the Retail Law as service standards imposed on distributors by or under energy laws. GSL schemes require distributors to make payments to customers where they fail to meet a specified service standard, or guaranteed service level.⁶⁸

There are currently no national distribution service standards or guaranteed service level schemes. All participating jurisdictions have retained the function of setting distribution service standards and guaranteed service levels and related payments for electricity and gas distributors, as contemplated in the Australian Energy Market Agreement.⁶⁹ Performance indicators for these standards and schemes are unlikely to form part of the national customer framework, and will instead be set out in various State and Territory laws and instruments. The frequency with which the AER reports on any such indicators will depend on the nature of the service standards set by jurisdictions, some of which may be annual performance measures. GSL schemes may lend themselves to more frequent reporting.

Where jurisdictional regulatory bodies retain responsibilities for monitoring and reporting on these issues, we will work closely with them to minimise unnecessary duplication of service standard reporting requirements on distributors. We will also avoid duplication of reporting requirements where there are overlaps with other reporting requirements that will apply to distributors under the performance regimes administered by the AER under the Electricity and Gas Laws.⁷⁰

3.2 Performance of distributors in relation to the small compensation claims regime

Part 7 of the draft Retail Law establishes a small compensation claims regime to enable small customers to make claims for compensation from distributors in relation to 'claimable incidents'⁷¹ and 'compensable matters'.⁷² The incidents and matters for which compensation will be available have yet to be determined, and will be

⁶⁷ Section 1214(d), National Energy Retail Law – Second exposure draft.

⁶⁸ Section 102, National Energy Retail Law – Second exposure draft.

⁶⁹ <http://www.ret.gov.au/Documents/mce/default.html>

⁷⁰ Section 64 in both the Electricity and Gas Laws.

⁷¹ Section 703, National Energy Retail Law – Second exposure draft.

⁷² Section 704, National Energy Retail Law – Second exposure draft.

established on a jurisdiction-by-jurisdiction basis.⁷³ No claimable incidents or compensable matters have been identified in the second exposure draft of the Retail Law or Rules.

The AER's retail market performance report must include a report on the performance of distributors in relation to the small compensation claims regime.⁷⁴

In the absence of identified 'claimable incidents' and 'compensable matters', it is difficult to say what indicators of distributor performance might be appropriate. Broadly, we consider that distributors' performance in this area could be measured against two generic indicators:

- the extent to which customers are aware of and able to access the small claims regime
- the extent to which customers accessing the regime receive an appropriate amount of compensation for claims.

The following information may assist us in establishing a starting point for this assessment:

- the number of compensation claims made within a reporting period in relation to particular incidents or categories of incident
- the amount of compensation paid by distributors within a reporting period in relation to particular incidents or categories of incident.

Any assessment of distributor performance in this area will necessarily involve qualitative assessment to determine how well the regime is implemented, and the drivers behind apparent trends. For that reason, we also consider the following information to be relevant:

- steps taken by the distributor to make customers aware of the small customer compensation claims regime
- the number of complaints received by a distributor in relation to its administration of the small compensation claims regime.

The AER could also seek information from energy ombudsman about the number of complaints made by customers to their schemes in relation to the small compensation claims regime, and the number of those complaints determined in favour of the complainant.⁷⁵

The number of incidents that occur and the number of customers affected will provide a basis for performance comparison over time, and within and between jurisdictions.

⁷³ See sections 703 and 704, National Energy Retail Law – Second exposure draft. These will be defined until the Retail Regulations or a local instrument as defined under the Retail Law.

⁷⁴ Section 1214(e), National Energy Retail Law – Second exposure draft.

⁷⁵ Section 722, National Energy Retail Law – Second exposure draft.

This will allow us to identify unexplained disparities in the operation of the regime from distributor to distributor, which may warrant further investigation.

As proposed for the collection of broader complaints data for the retail market activities review, discussed in section 2.8, our preliminary position is to collect and publish this information on a quarterly basis, by reference to individual distributors. While the frequency of claims for compensation will depend on the nature of compensable matters and incidents identified in each jurisdiction, we consider that timely reporting of performance in relation to the small compensation claims regime—at least initially—will provide valuable insight into the schemes operation.

Q 56. Are there other generic indicators that can be used to measure distributors' performance in relation to small compensation claims regimes? How might they be interpreted?

Q 57. Is quarterly reporting of the proposed indicators appropriate, or would less frequent reporting (e.g. six monthly, annual) be preferable.

Please provide reasons for your answer.