Quarterly Retail Performance Report Q3 2018-19

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AUSTRALIAN ENERGY REGULATOR

Australian Government

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The AER now publishes an expanded range of performance indicators

The AER reports quarterly on the performance of the retail energy market in Queensland, South Australia, NSW, the ACT and electricity in Tasmania[1].

The retail energy market is undergoing significant changes that impact retailers' practices and customer behaviour. To better monitor the market, the AER now collects a broader range of performance indicators. These improvements were introduced by the AER through amendments to the AER (Retail Law) Performance Reporting Procedures and Guidelines (April 2018), which came into effect on 1 January 2019.

Under the new guidelines, we receive new data around customers' tariff structures and offers, smart meters, customers in payment difficulties and customers on hardship programs. The Annual Report will take a deeper look into this new data, and we have included a brief overview of some indicators in this report.

Some retailers have informed us that the changes in reporting requirements have been a catalyst for them to reassess their methodology for certain indicators. We acknowledge and appreciate the efforts of retailers to increase the accuracy of their data. This quarter's data and trends may reflect the improved methodologies of retailers. We will work with retailers to ensure consistent interpretation of the new indicators.

In order to improve access to the retail quarterly performance data, the AER now publishes MS Excel data files that include the five most recent quarters and five years of data, and an accompanying report that highlights trends and themes identified in the data. The data sets may show nil results where there is no historical data reported.

Over recent years we have experienced unprecedented issues with the quality of data provided by retailers. In particular, while AGL has resubmitted a complete data set for 2017-18, it has indicated that previous years' data may still be inaccurate. This should be taken into account when drawing trends in jurisdictions where AGL is active.

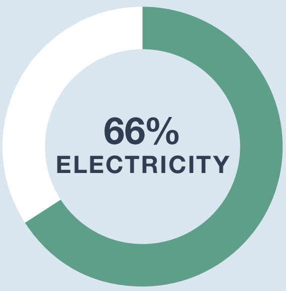
The accompanying data file contains a large amount of granular retail performance data, however to request additional data, email marketperformance@aer.gov.au.

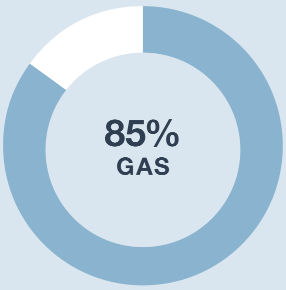
1 Where we refer to a "national" figure in this report we are including only those jurisdictions that are regulated by the AER.

Retail market at a glance
Q3 2018-19

Market structure

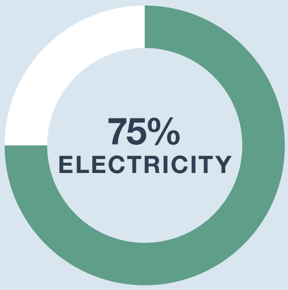
Tier 1 retailers dominate the residential market

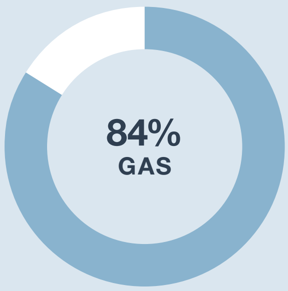




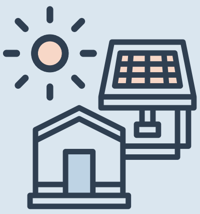
Customer behaviour

Most residential customers are on market contracts

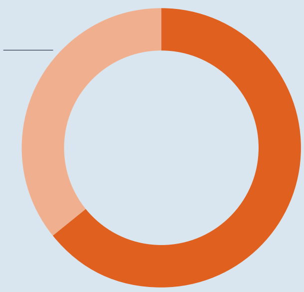




Transition to renewables



Over 1.1 million customers receive solar feed-in tariffs



Payment issues

A large number of households missed pay on time discounts

411,701
ELECTRICITY

153,491
GAS

Customers on hardship programs

1.2%
ELECTRICITY

0.7%
GAS

Average hardship debt

$1,219
ELECTRICITY

$654
GAS

Residential disconnections

16,726
ELECTRICITY

2,672
GAS

Credit defaulted customers

26,946
ELECTRICITY

6,699
GAS

1. Tier 1 retailers continue to dominate energy markets

The electricity retail market remains fairly concentrated with 66% of residential and 62% of small business electricity customers with Tier 1 retailers[2]. Gas continues to be more concentrated than electricity across all segments. 85% of gas residential customers and 93% of gas small business customers remain with Tier 1 retailers.

Although Tier 1 retailers continue to dominate the market, customers have increasingly switched away from Tier 1 retailers across most jurisdictions.

Figure 1.1: Market share — electricity residential customers

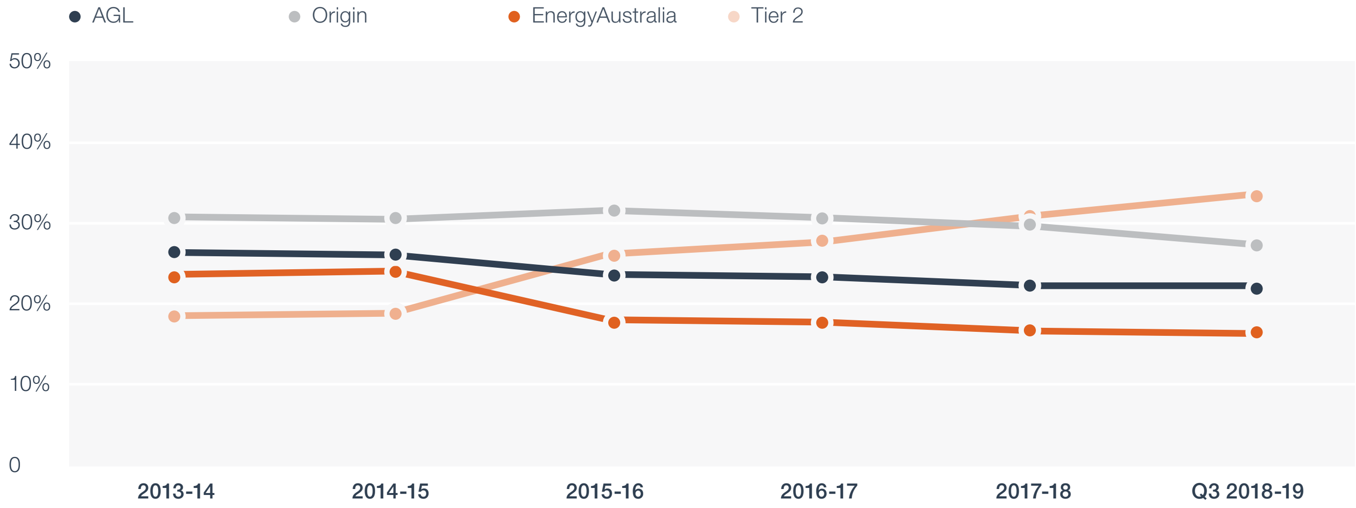
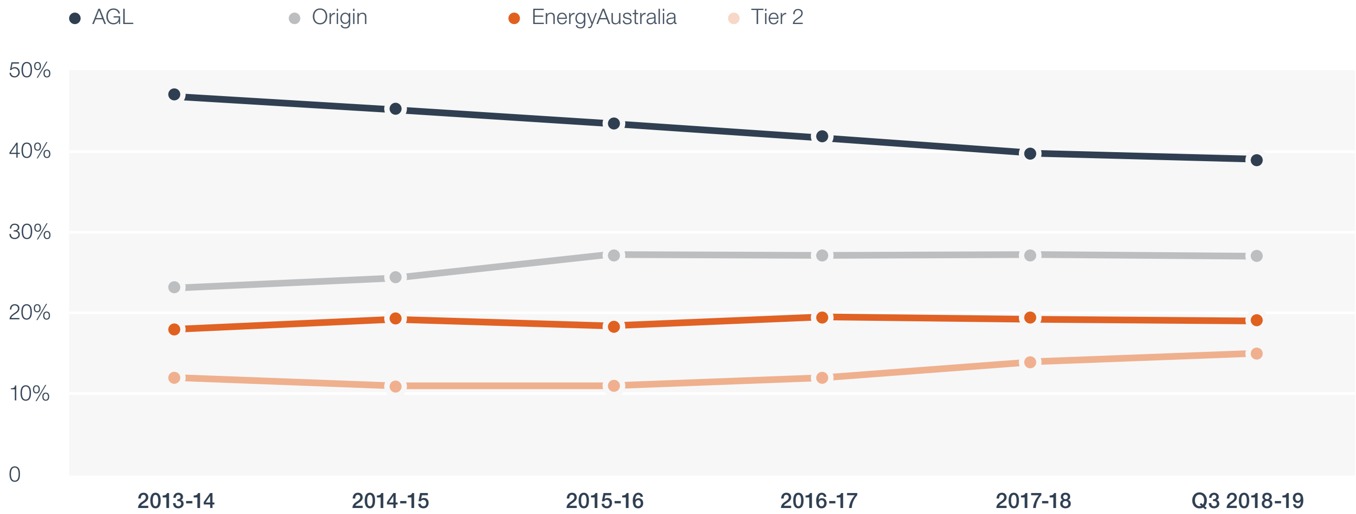


Figure 1.2: Market share — gas residential customers



2 Tier 1 retailers include AGL, Origin and EnergyAustralia.

2. Most customers are on market contracts

The number of electricity and gas residential and small business customers on market contracts continues to increase, except for electricity customers in Tasmania. This suggests that customers are increasingly shopping around and engaging with the market.

At March 2019, 667,377 residential electricity customers and 106,507 small business electricity customers in competitive markets remained on standard contracts.[3] From 1 July 2019 these customers will be affected by the AER's first Default Market Offer (DMO).[4] The DMO price is an annual price based on a set annual usage level, and is a cap on what retailers in competitive markets can charge residential or small business customers on standing offers.

Electricity prices are regulated in Tasmania where there is a limited range of contracts available to customers. 1st Energy has entered the residential electricity market in Tasmania (being the second active residential electricity retailer there). This quarter 1st Energy has gained 69 customers. We will continue to monitor competition in the Tasmanian retail market.

Gas customers across both residential and small business segments are more likely to be on market contracts than electricity customers.

NEW DATA

Many customers missed pay on time discounts

Pay on time discounts can represent up to 40% of a customer's bill[5]. A total of 411,701 residential and 14,635 small business electricity customers missed their pay on time discounts during the quarter.
In the gas market, 153,491 residential customers and 1,487 small business customers missed their pay on time discounts.

Shifts between market and standard contracts

New data available to the AER captures movement between standard and market contracts occurring internally within retailers.

This quarter 1.3% of electricity and 2.4% of gas residential customers switched from standard to market contracts with the same retailer. In contrast, less than 1% of electricity and gas customers switched from market to standard offers.

Solar feed-in tariffs

6% of customers are receiving a government funded feed-in tariff for their solar generation and 11% of customers are receiving a retailer only funded feed-in tariff.

Smart meter installations

There have been 84,023 smart meters installed this quarter.

3 This excludes customers in price regulated jurisdictions, including regional Queensland, Tasmania and the ACT.

4 DMO prices apply to standing offer customers on flat rate tariffs (residential and small business) and flat rate with controlled load (residential customers).

5 This reflects offers available on https://www.energymadeeasy.gov.au

3. Average non-hardship debt

Nationally, average non-hardship energy debt for residential customers has decreased from $820 to $793 over the past year. Small business energy debt increased from $2,049 to $2,178 over the same period.

There has been a change in methodology for non-hardship debt. Previously we split out electricity debt and gas debt, however due to an omission in drafting the new Guidelines we only collect a combined energy debt figure for non-hardship debt. We will rectify this in future guideline amendments. In order to have a comparable trend to analyse, we have combined previous debt figures which may result in an unexpected trend over the year. Hardship debt remains split out into electricity and gas.

NEW DATA

Credit collection

If customers have a high unpaid debt, retailers may refer their debt onto an external credit collection agency for debt recovery. The AER now collects data on the number of such referrals.

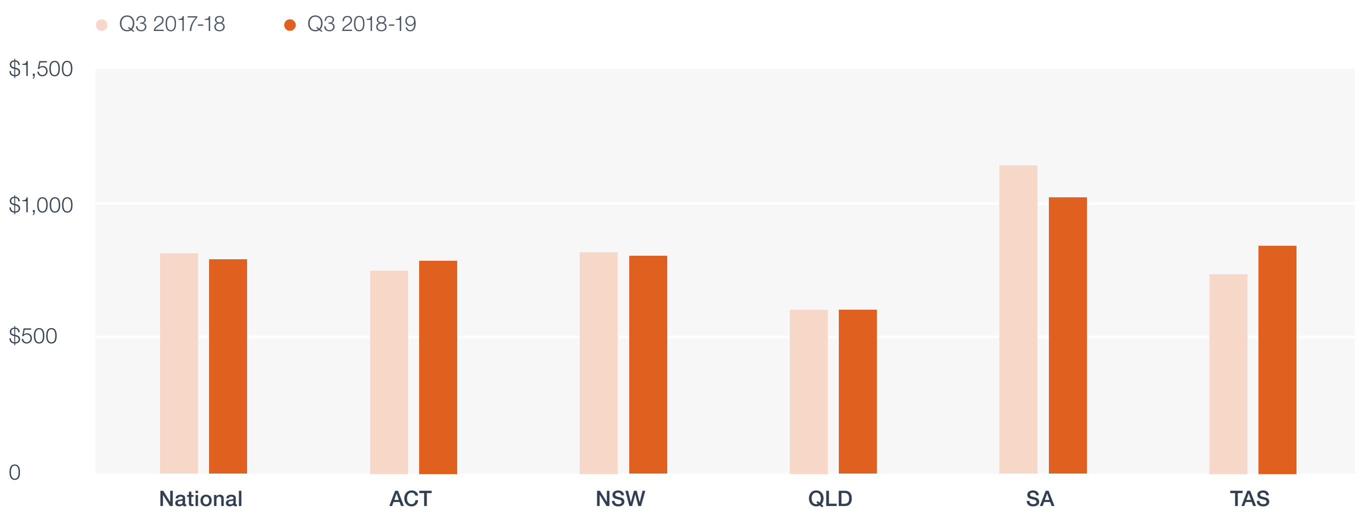
The number of customers referred for credit collection in Q3 are 47,927 for electricity and 12,375 for gas. Most customers that were referred had debt levels under $500.

Credit defaults

The AER now collects data on the number of credit defaulted customers. A credit default involves a negative listing on the customer's credit file and has an adverse affect on the customer's credit rating.

This quarter 26,946 electricity and 6,699 gas customers had a credit default listing by their retailer. 855 electricity and 219 gas customers had their credit default reversed in the same quarter.

Figure 3.1: Average non-hardship residential energy debt



4. Customers on payment plans

Customers are able to access payment plans when they need more time to pay their bills.

For most retailers, the number of residential customers on payment plans has remained steady for both electricity and gas over the past year. EnergyAustralia, however, reported a significant drop in the proportion of customers on payment plans due to an enhancement in their reporting method. EnergyAustralia's change in method has affected the overall figures, such that the overall proportion of residential electricity customers on payment plans significantly decreased from 2.3% of customers in Q3 2017-18 to 1.4% in Q3 2018-19 and for residential gas from 1.5% of customers in Q3 2017-18 to 0.6% in Q3 2018-19.

NEW DATA

The AER now collects an expanded range of data on payment plans. We now receive new data about the rate of successful completions of payment plans. This quarter, 41% of electricity and 47% of gas customers successfully completed their payment plans.

New data from retailers shows the amount that residential customers are paying per fortnight. 6% of electricity customers on payment plans are paying less than $50 a fortnight, 24% pay between $50 to $100 a fortnight, 44% pay from $100 to $200 and 26% pay more than $200 a fortnight. For gas, the amounts customers are paying are lower, with 76% of gas customers on payment plans paying less than $100 a fortnight.

5. Customers on hardship programs

Hardship programs are offered to customers who are experiencing payment difficulties due to hardship, and need increased assistance to better manage their bills on an ongoing basis.

One of the ways that retailers should help customers in hardship is by moving them onto a cheaper market offer, which 14% of customers experienced. The most popular assistance for hardship customers were incentive payments or discounts, which 65% of customers received.

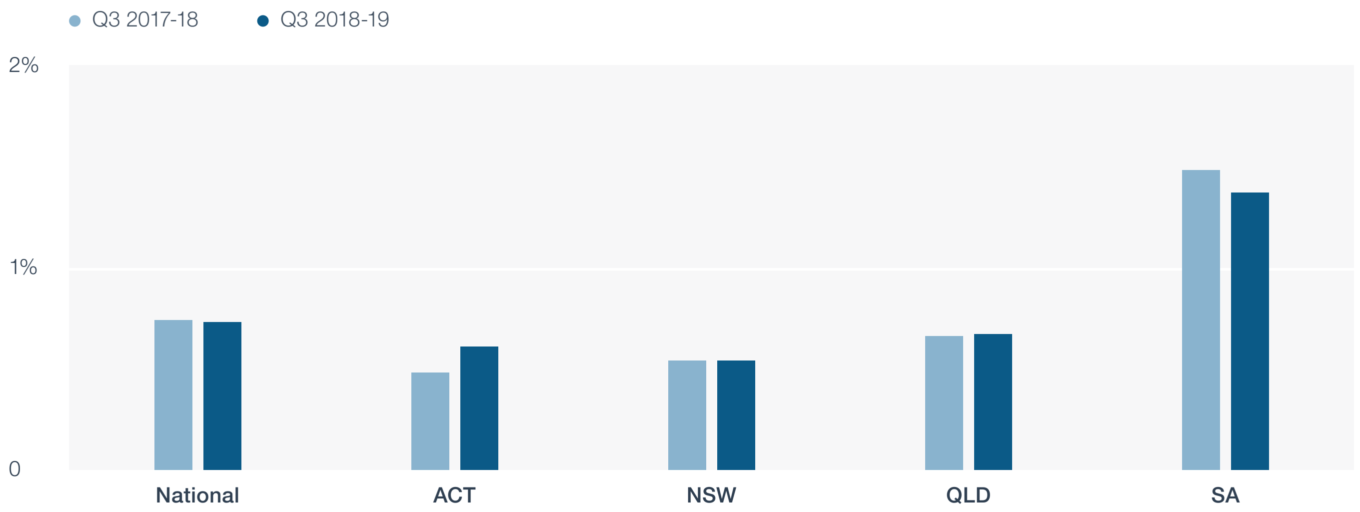
The number of customers on hardship programs for electricity has increased by over 4,000 customers (or by 6%) over the past year. This may be due to better take-up of hardship programs or an increase in the number of people struggling to pay their bills.

Unlike electricity customers, the number of gas customers on hardship programs remained steady nationally.

In electricity, there has been a general increase in the average debt on entry to retailer hardship programs and the average debt for those customers on hardship programs across the year. However for gas there have been decreases across both of these indicators.

Figure 5.1: Electricity customers on hardship programs as a % of total customers

Figure 5.2: Gas customers on hardship programs as a % of total customers



NEW DATA

Hardship programs

The AER's expanded data provides a clearer picture of customers' experiences on hardship programs. This is to help us better understand and monitor customers who need extra assistance in managing their bills.

Our new indicators include:

- **How customers enter a hardship program.**
  70% of customers self-identified that they need to be on a hardship program, 3% were referred via a financial counsellor or external agent, and 28% entered via retailer referral.[6]
- **Age of debt.**
  The most common age of debt was less than 6 months for electricity and gas.
- **Contract type.**
  15% electricity and 5% gas customers on hardship programs are on standard contracts.
- **The different ways in which retailers assist customers in hardship.**
  The most common assistance offered to customers on hardship was incentive payments or discounts.
- **The number of customers receiving government assistance in the form of concessions.**
  56% of electricity and 34% of gas customers on hardship programs are receiving government concessions.
- **The length of time customers spend on a hardship program.**
  The average length of time is under a year for both electricity and gas.
- **Why customers are excluded from hardship programs.**
  The most common reason for exclusion from hardship programs is that the customer did not make the requested payments, with 70% of exclusions occurring for this reason.

6 Due to rounding, these figures do not add up to 100%.

6. Disconnections

Total residential electricity disconnections (for non-payment) have dropped across the year, from 0.31% of residential electricity customers to 0.26%. All jurisdictions excluding the ACT, experienced a decrease in the rate of electricity disconnections.

Residential gas disconnection rates are lower than electricity disconnection rates. Over the past five quarters disconnections slightly decreased, dropping from 0.14% in Q3 2017-18 to 0.12% in Q3 2018-19.

Figure 6.1: Residential electricity disconnections as a % of total customers

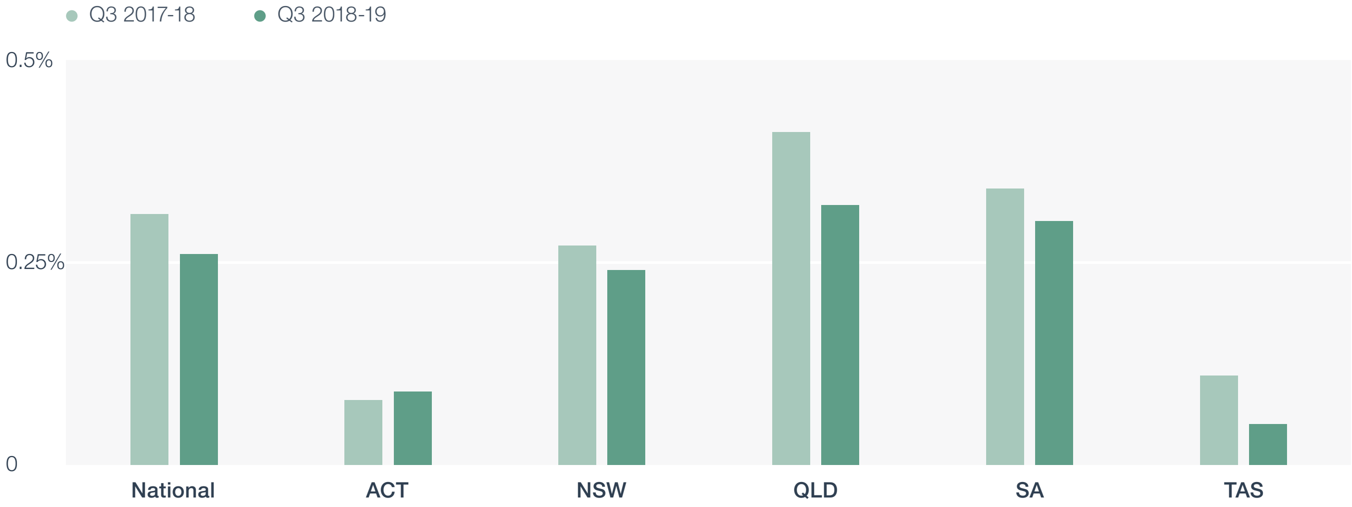
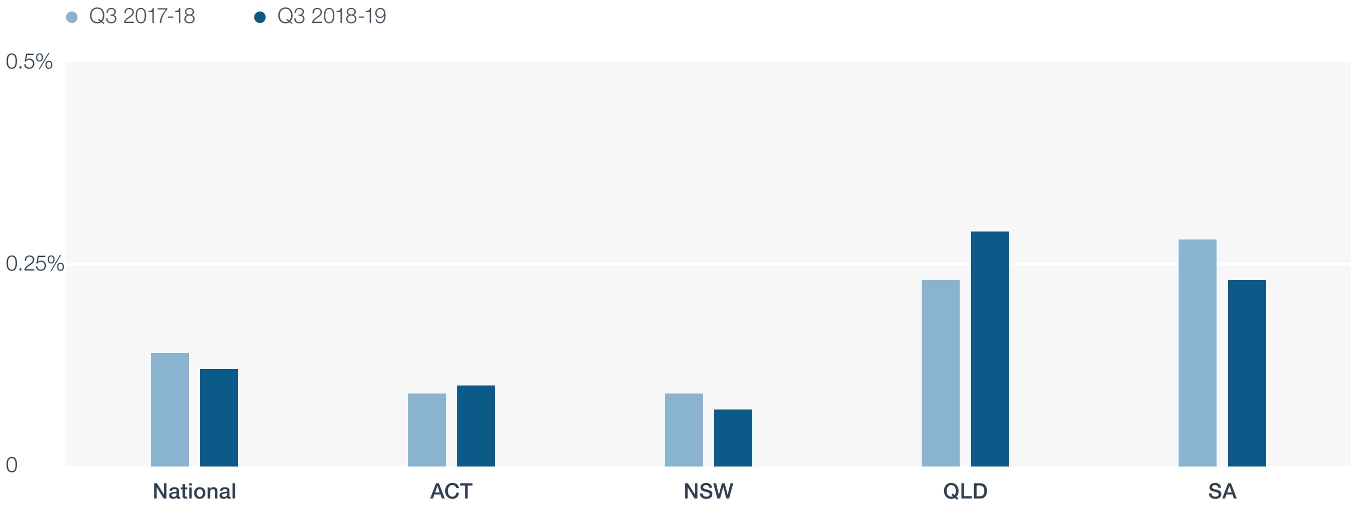


Figure 6.2: Residential gas disconnections as a % of total customers



The AER now collects new data regarding the amount of debt of customers that have been disconnected. The most common amount of debt for electricity and gas residential customers to be disconnected for is between $500 and $1,500.

Small business electricity disconnections (for non-payment) are up from 1,081 in Q3 2017-18 to 1,478 this quarter. Gas disconnections were also slightly up (increasing from 111 to 122).

Figure 6.3: Small business electricity disconnections as a % of total customers

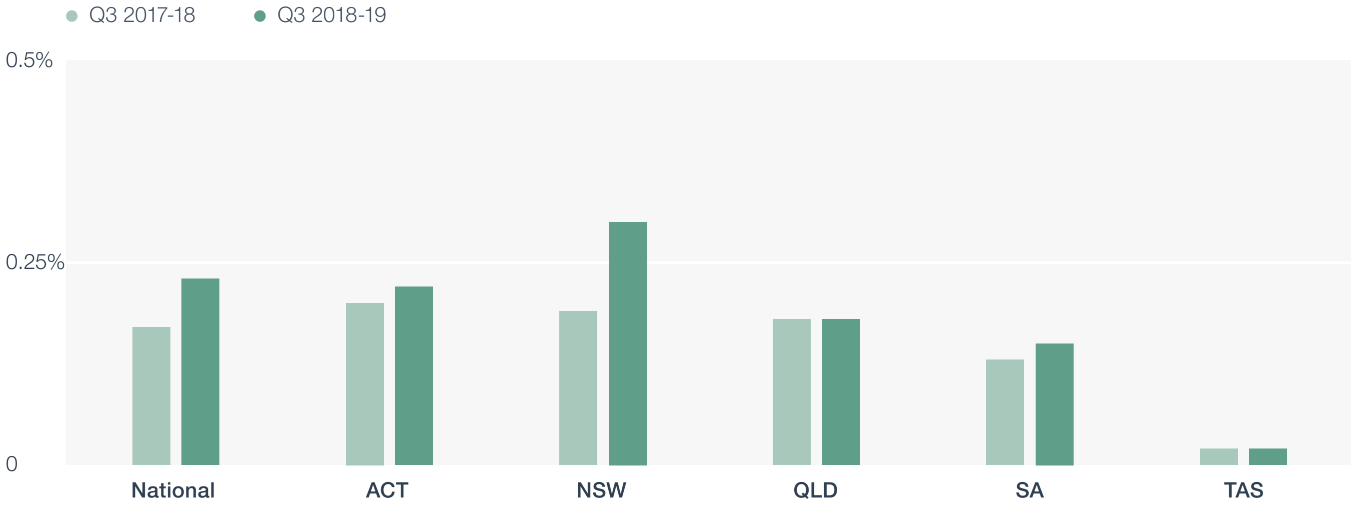
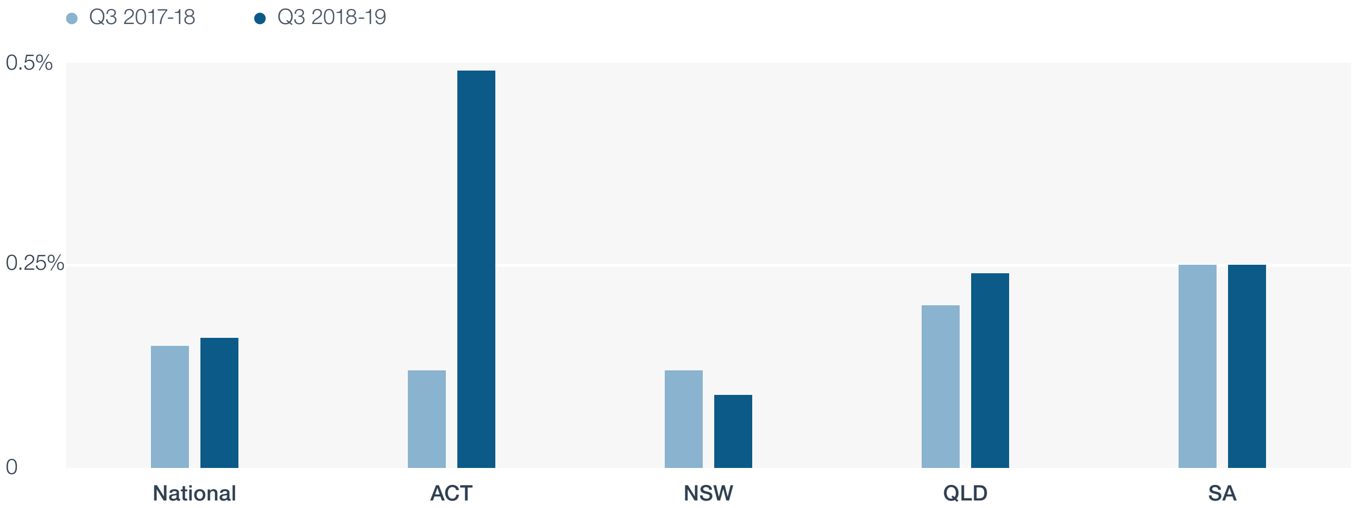


Figure 6.4: Small business gas disconnections as a % of total customers



7. Complaint levels have remained steady

Due to the seasonal nature of complaints, comparisons are most useful between like quarters. From Q3 last year to this quarter, complaints remained static at 0.8%[7] for residential and small business customers.

The AER now collects data about smart meter installation complaints from retailers. This quarter there have been 2,354 complaints about smart meters, overwhelmingly about installation delays.

Figure 7.1 shows national complaints for the quarter. Figure 7.2 provides a break down of smart meter complaints.

Figure 7.1: National residential and small business complaints

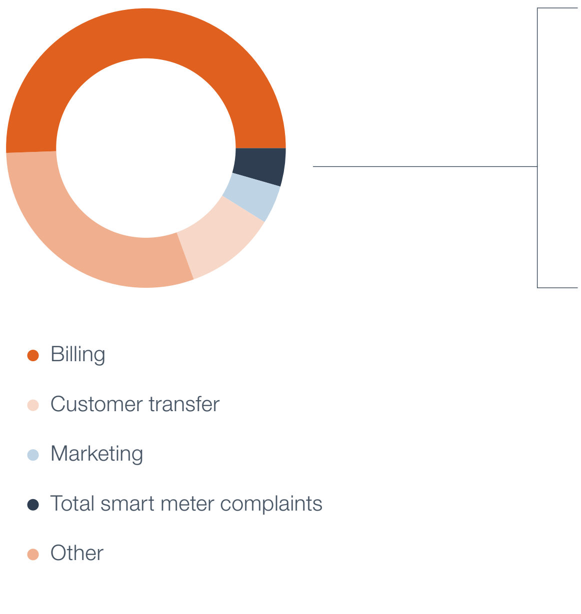
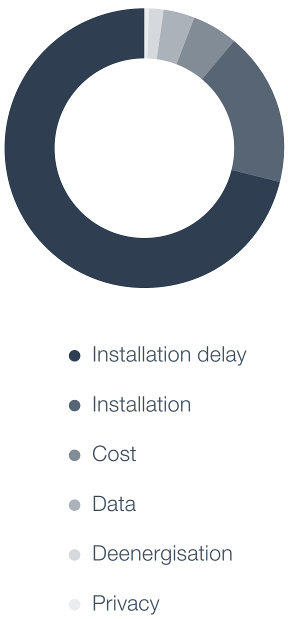


Figure 7.2: National residential and small business smart meter complaints



7 Electricity customer numbers are used to reference overall customer numbers as the large majority of gas customers also have electricity.