Quarterly retail performance report

Q3 2021–22

January—March

June 2022

AUSTRALIAN ENERGY REGULATOR

Australian Government

Retail market at a glance

Q3 2021–22 (as at 31 March 2022)

Customer numbers

RESIDENTIAL

6,727,602
Electricity

2,273,283
Gas

SMALL BUSINESS

657,744
Electricity

85,319
Gas

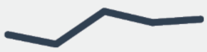
Customer debt (excludes hardship customers)

RESIDENTIAL

2.7%
of customers in debt

Down 0.02% on Q3 2020–21

$1,060
average energy debt



Up $37 on Q3 2020–21

SMALL BUSINESS

3.9%
of customers in debt

Up 0.6% on Q3 2020–21

$1,900
average energy debt

Down $274 on Q3 2020–21

Residential payment plans

Electricity
104,224
1.5% of customers

Up 5,118 on Q3 2020–21

Gas
20,306
0.9% of customers

Up 1,001 on Q3 2020–21

Residential hardship

Electricity

1.1% of customers on hardship programs

Up 0.1% on Q3 2020–21

$1,734 average hardship debt

Up $85 on Q3 2020–21

Gas

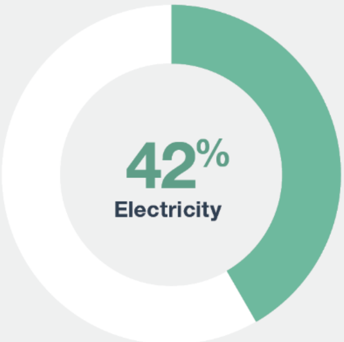
0.7% of customers on hardship programs

Up 0.1% on Q3 2020–21

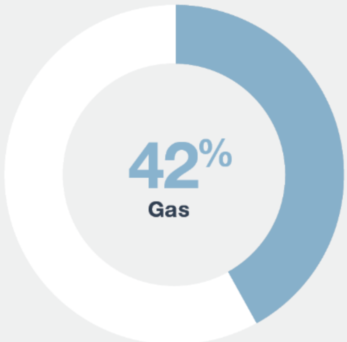
$845 average hardship debt

Up $61 on Q3 2020–21

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS



Down 4.4% on Q3 2020–21



Down 3.0% on Q3 2020–21

Residential disconnections

Electricity

9,146

0.14% of customers

Gas

2,880

0.13% of customers

Contents

Recent market events and key quarterly report trends

Since the reporting cut-off for the report, significant increases in wholesale prices and related events have begun impacting on the retail sector. As of 29 June 2022, there had been three Retailer of Last Resort (ROLR) events. We have also observed a number of small retailers advising their customers to transfer to another retailer and significantly reducing or removing discounting during June 2022.

These recent market events are not reflected in this quarterly retail market report. The key trends highlighted in this report include customer debt, hardship programs, payment plans, disconnections and market share. Considering the current volatility in the wholesale energy market, these indicators are likely to become an area of increased focus in the future as the retailers and customers face additional stress as a result of recent market pressures.

In the January to March 2022 quarter, increasing debt remained a concern and customers continue to hold more debt for longer and continue to accrue debt while on hardship programs. As hardship program participation increases, it is important for retailers to maintain effective hardship programs and assist customers to repay debt through this difficult period in the market.

Disconnections have been increasing following the end of stay-at-home requirements in 2021 in several jurisdictions but remain significantly below pre-pandemic levels in most areas.

Over the coming months, the AER will be monitoring market share and the number of customers on market offers as retailers adjust their competitive strategies and pricing to deal with current conditions in the wholesale energy market.

1 Customers are holding more debt for longer

The number of customers repaying energy debt and the average level of debt provides an insight into the extent that a customer is experiencing difficulty in paying their energy bill.

1.1 Number of customers repaying energy debt remains steady

The number of residential customers repaying energy debt remained steady, increasing by 0.7% from the quarter ending March 2021 (Q3 2020–21)[1] to 178,901 customers in the quarter ending March 2022 (Q3 2021–22). The marginal increase in the number of customers repaying energy debt was due to a combined increase of 5,079 customers in NSW, Queensland and Tasmania, offset by a combined reduction of 3,866 in South Australia and the ACT.

Compared with the previous quarter the number of customers repaying energy debt decreased by 2.5%. This appears to be driven by retailers[2] moving customers on to payment plans or hardship programs.

Average residential energy debt increased from 31 March 2021 to 31 March 2022 by 0.8%, up from $1,052 to $1,060. However, debt levels differed markedly between jurisdictions (Figure 1.1). Retailers' customers in NSW and Queensland continue to drive the overall average due to the size of their customer base. Tasmania saw a 6.9% reduction in average residential energy debt, which was primarily associated with the reduction in Aurora Energy's number of customers with energy debt.

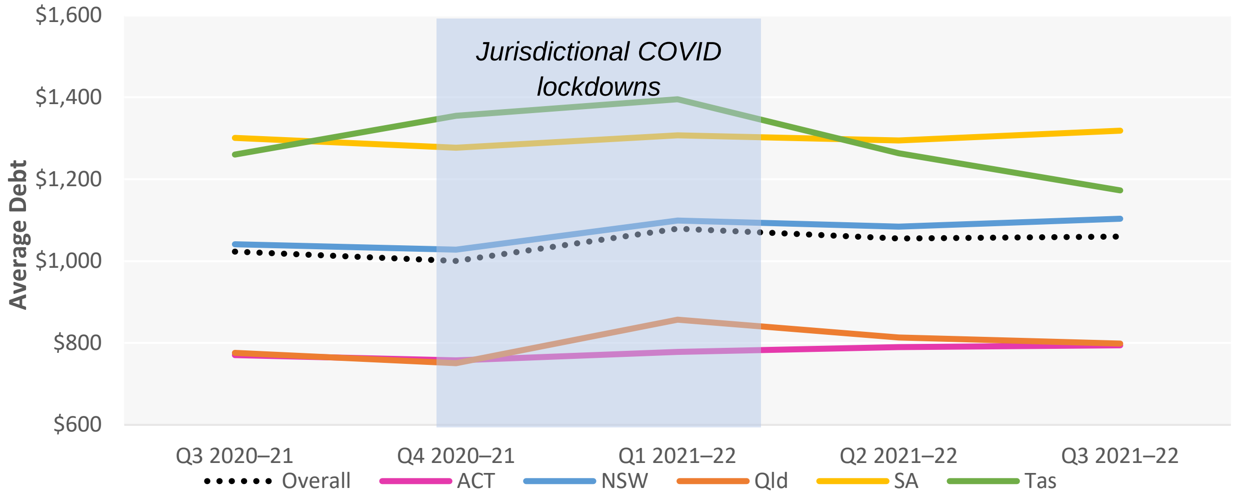
For this quarter, there was a $525 variation in average residential energy debt between the highest and lowest jurisdictions. There was also considerable variability in the size of average debt within each jurisdiction by retailer, with a number of retailers' customers having energy debt both below and above the national average.

The average debt for Tier 1 retailers' customers is above the overall average, which is driven by Tier 1 retailers' large customer bases, including the most customers on standing offer contracts – normally the highest priced contracts in the market. EnergyAustralia's high average debt is being driven by customers in South Australia, where debt levels are significantly higher than EnergyAustralia's overall average of $1,441.

Tier 2 and Primary regional retailers' customers' average debt remains below the overall average (Figure 1.2).

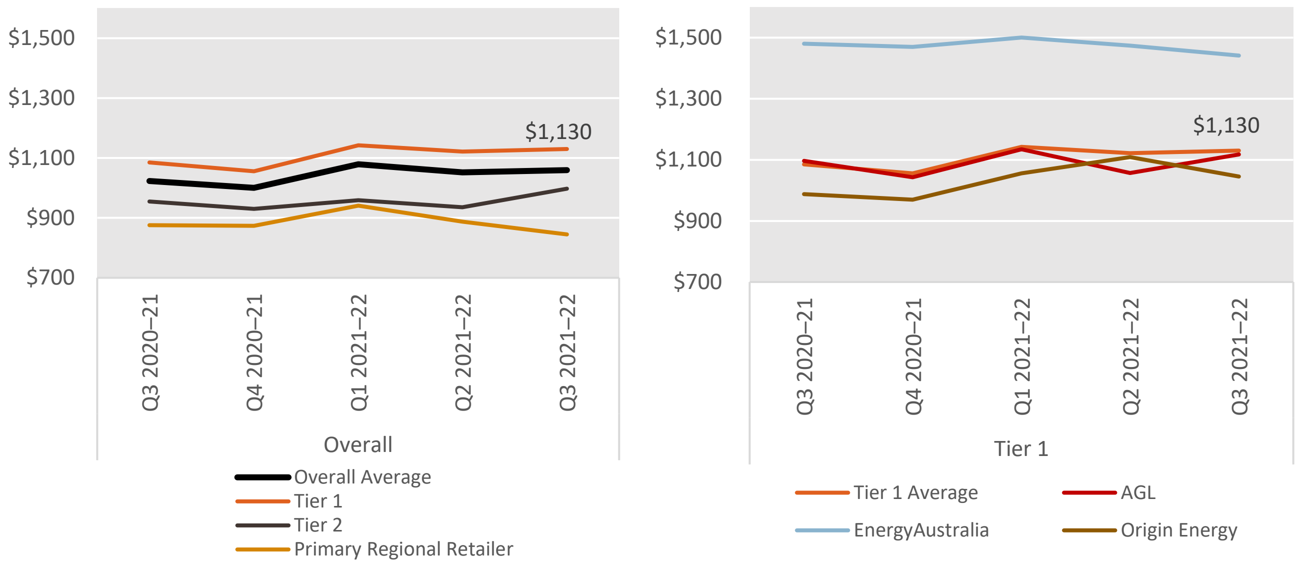
[1] Q3 2020–21 presents data as of 31 March 2021 and Q3 2021–22 presents data as of 31 March 2022.
[2] Throughout our analysis, we categorise retailers as Tier 1 retailers, Primary regional retailers or Tier 2 retailers. Tier 1 retailers comprise Origin Energy, AGL and EnergyAustralia. Primary regional retailers comprise Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania. Tier 2 retailers are all other retailers.

Figure 1.1 Average residential energy debt



Note: Excludes debt of customers on hardship programs.
Source: AER

Figure 1.2 Average residential energy debt, by retailer tier category and by Tier 1 retailers



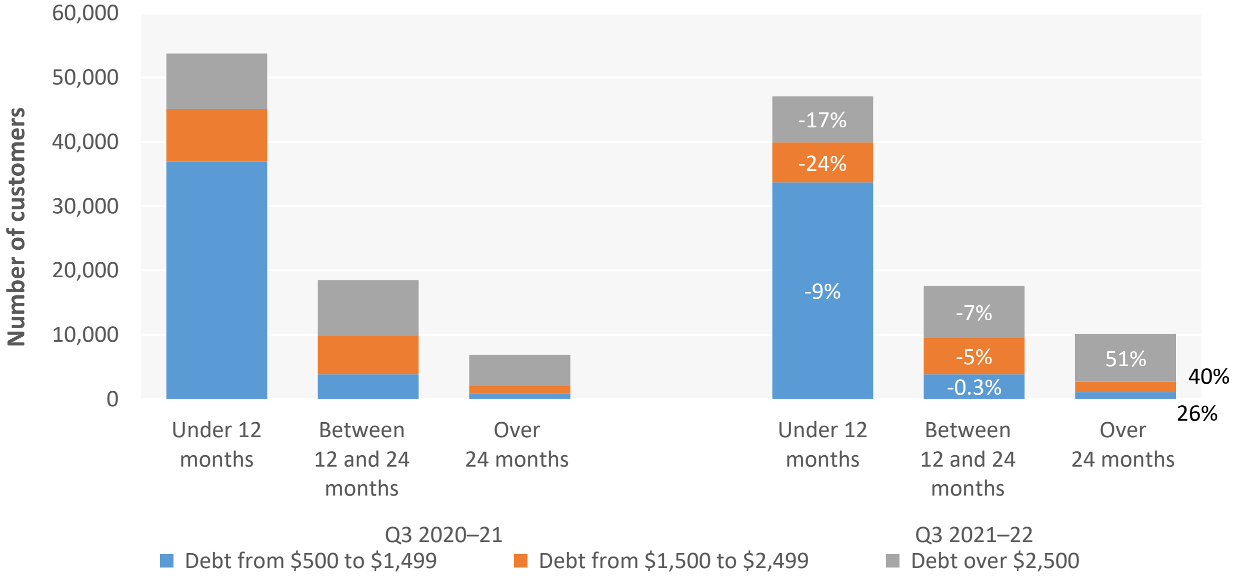
Note: Excludes debt of customers on hardship programs.
Source: AER

1.2 Customers continue to hold debt for longer

When comparing the age of debt for residential electricity customers against the same period last year, the number of customers holding debt of more than $500 and for more than 24 months continues to grow, up 46% since March 2021 (Figure 1.3). The increase was driven by those retailers' customers holding more than $2,500 in debt, up 51%. Although this is a large annual increase, on a quarter-to-quarter basis, there was only a 1.9% increase in the number of customers holding debt for more than 24 months. Coinciding with customers holding debt for longer, there has been an increase in customers on payment plans, up 9.2% on a quarterly basis.

Over the same period last year, the number of customers holding debt for more than 24 months compared with all customers with aged debt increased this quarter by 3,153 customers, further confirming that customers are holding more debt and for longer periods.

Figure 1.3 Number of residential energy customers repaying debt, by age



Note: Excludes debt of customers on hardship programs.
Source: AER

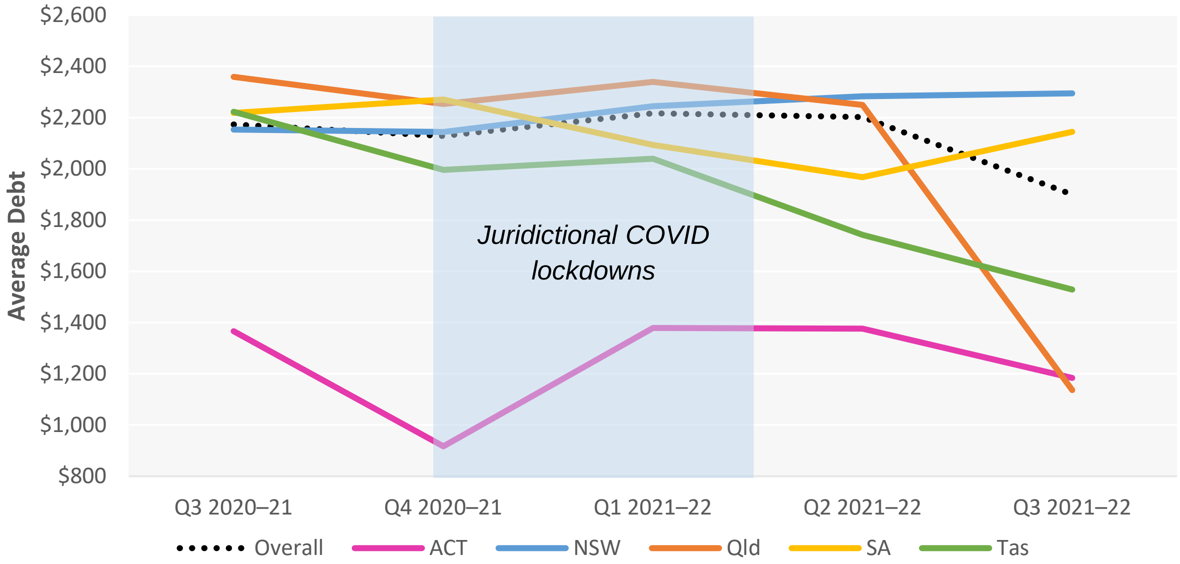
1.3 Number of small business in debt increases as average debt rises

The number of small business customers repaying debt increased by 14% to 25,745 customers over the last year. The increase was primarily driven by Tier 1 retailers' customers with debt in Queensland and South Australia, which represented the majority of the overall increase, partially offset by reductions in NSW, the ACT and Tasmania.

Over the 12 months prior to 31 March 2022, overall average small business debt decreased by 13% to $1,900 with NSW being the only jurisdiction with an increase in average small business debt, primarily from Tier 2 retailers' customers (Figure 1.4). As with residential, small business customers had material differences in debt across jurisdictions and by retailer.

Compared with the previous quarter, Queensland saw a 49% decrease in average small business debt due to a Tier 1 retailer changing payment terms for large multisite customers. This significantly increased the number of customers captured under the 90+ day debt definition and ultimately lowered the average debt figure.

Figure 1.4 Average small business energy debt



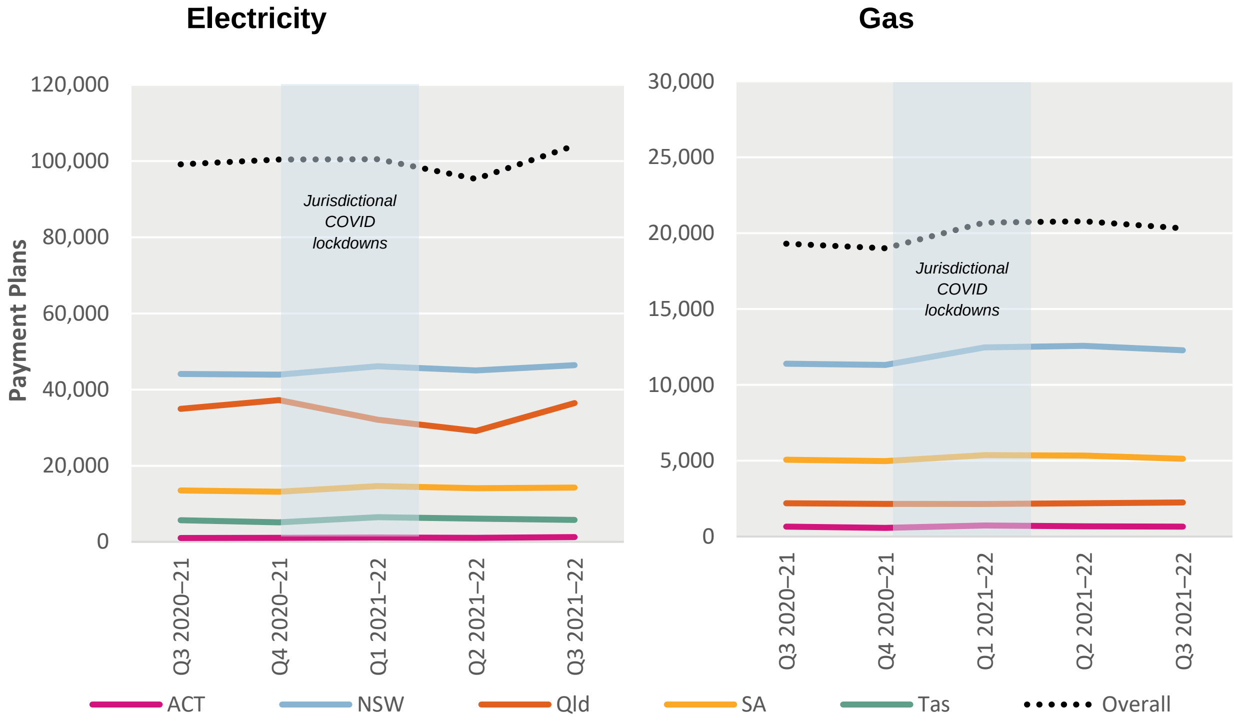
Note: Excludes debt of customers on hardship programs.
Source: AER

2 Payment plans remain steady with wider variations across jurisdictions

Overall, the number of electricity customers on payment plans increased by 5.2% between March 2021 and March 2022 largely driven by an increase of 8,824 in the last quarter (Figure 2.1). Queensland was the most prominent, experiencing an increase of 7,337 payment plans over the quarter. This was primarily driven by Ergon Energy.

The number of gas customers on payment plans increased by 5.2% from 31 March 2021 to 31 March 2022 (Figure 2.1). The majority of the increase occurred in NSW, driven by customers of Tier 1 retailers and of several Tier 2 retailers.

Figure 2.1 Number of residential electricity and gas customers on payment plans, by jurisdiction



Source: AER

For customers on payment plans, electricity customers continue to make higher repayments than gas customers per fortnight. This quarter, 57% of electricity customers made fortnightly repayments of greater than $100, whereas only 20% of gas customers made similar repayment amounts.

The number of customers having payment plans cancelled in the last 12 months is trending upwards. Over the last quarter, there was an increase of 4.8% electricity and 8.6% gas customer payment plans cancelled for non-payment.

3 Customers on hardship programs continue to increase as average debt rises

Hardship programs provide targeted assistance to eligible residential customers who experience ongoing financial difficulty.

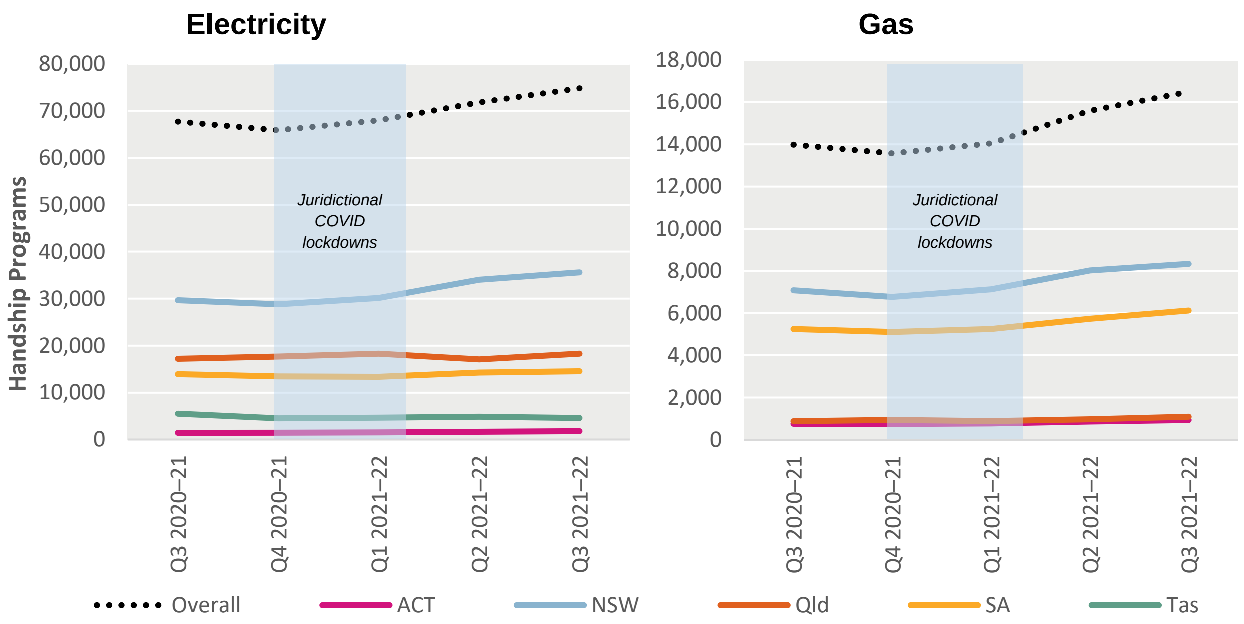
3.1 Hardship program participation is increasing

The number of electricity customers on hardship programs increased by 11% over the last 12 months to 31 March 2022, but trends have varied between jurisdictions (Figure 3.1).

In NSW, the number of customers on hardship programs has rapidly increased by 5,475 since 30 September 2021, after the end of COVID-19 lockdowns, largely driven by Origin Energy assisting customers identifying they are in hardship. The ACT, Queensland and South Australia also experienced an increase over the last 12 months but at a lesser magnitude than NSW. In contrast, Tasmania recorded a reduction in customers on hardship programs.

Following a similar trend in electricity, the number of gas customers on hardship programs increased by 18% from the same period last year (Figure 3.1). Gas hardship program numbers have increased in all jurisdictions, but the increase was most prominent in NSW, which saw an increase of 1,205 customers over the last 6 months since the end of the COVID-19 lockdowns. Origin Energy was particularly prominent in the increasing trend in NSW.

Figure 3.1 Electricity and gas customers on hardship programs, by jurisdiction



Source: AER

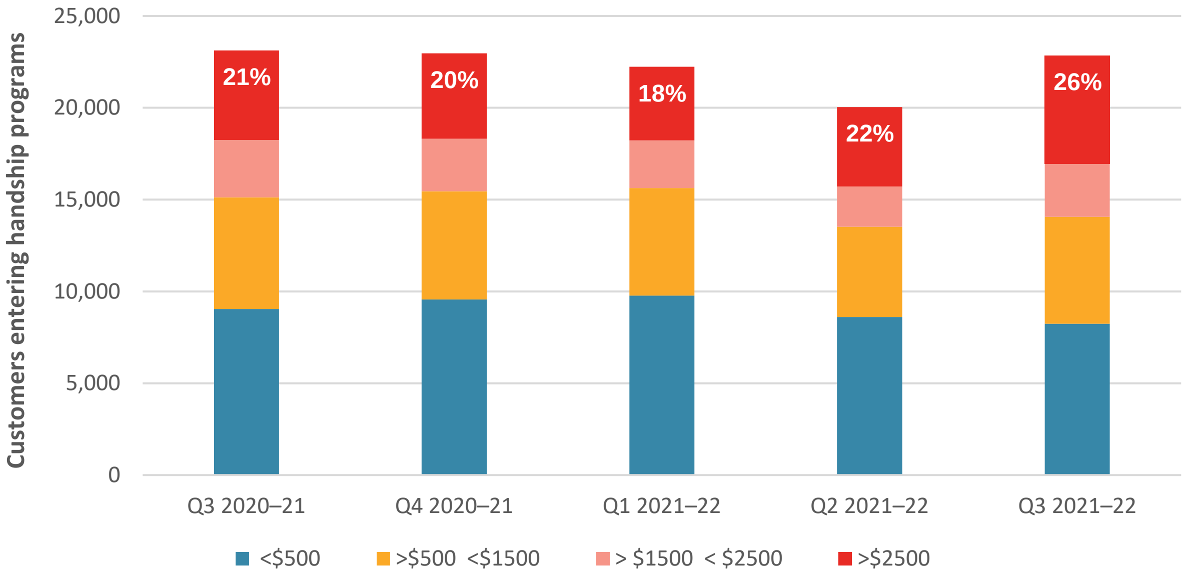
3.2 Customers are entering hardship programs with higher debt

This quarter, 26,833 electricity customers and 7,088 gas customers entered hardship programs. Of those customers entering hardship programs, an increasing number have larger debts. Customers with debt greater than $2,500 represented 26% of all customers entering electricity hardship programs in this quarter, compared with 21% during the same period last year (Figure 3.2). This is a 4% increase from the last quarter, which was consistent across all jurisdictions. Gas customers, by comparison, remained relatively unchanged over this period.

Overall, average debt on entry to hardship programs for electricity customers increased to $1,741 by 31 March 2022, compared with $1,558 at the same time last year. While the level of debt on entry fluctuated across jurisdictions, all experienced an increase in the 12 months. Average debt on entry to hardship for gas customers also increased to $824 by 31 March 2022, compared with $805 last year. However, after dropping to $634 by 31 December 2021, there was a $190 increase by 31 March 2022.

The number of customers entering hardship programs increased from the previous quarter, however less customers have entered hardship programs in the last 12 months than the previous year. Despite this decrease in customers entering in the last 12 months, the overall number of hardship program customers continues to increase, which highlights that customers are remaining in the programs longer and not exiting.

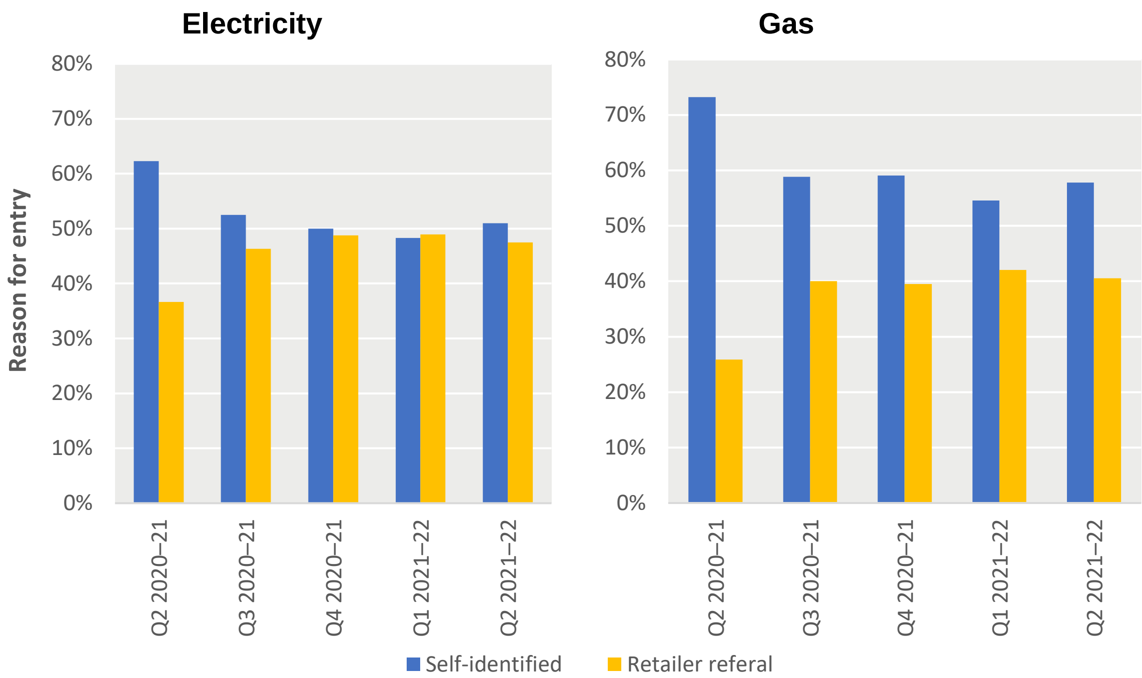
Figure 3.2 Electricity customers debt on entering hardship



Note: Percentages in text on each column relate to proportion of customers with debts greater than $2,500 when entering hardship.
Source: AER

Of the electricity customers that entered hardship this quarter, 51% of customers self-identified as being in hardship while 47% were referred by a retailer, compared with 62% and 37% respectively for the same period last year (Figure 3.3). A similar shift in referrals was observed for gas customers entering hardship. Retailers are providing more active assistance for their customers who are faced with payment difficulties but there has been a slight change in trend since last quarter, showing that a higher proportion of customers are self-identified as being in hardship. This trend is consistent across most jurisdictions except South Australia.

Figure 3.3 Electricity and gas customers reason for entering hardship programs



Source: AER

3.3 Level of hardship debt is increasing

Average debt for electricity customers on hardship programs has increased by $85 over the past year to $1,734 (Figure 3.4). The rise has occurred consistently across all jurisdictions except for the ACT.

The average debt of gas customers on hardship programs increased by $61 to $845 over the past 12 months as well (Figure 3.5). In all jurisdictions, except for the ACT, average debt levels were higher than at the same time last year.

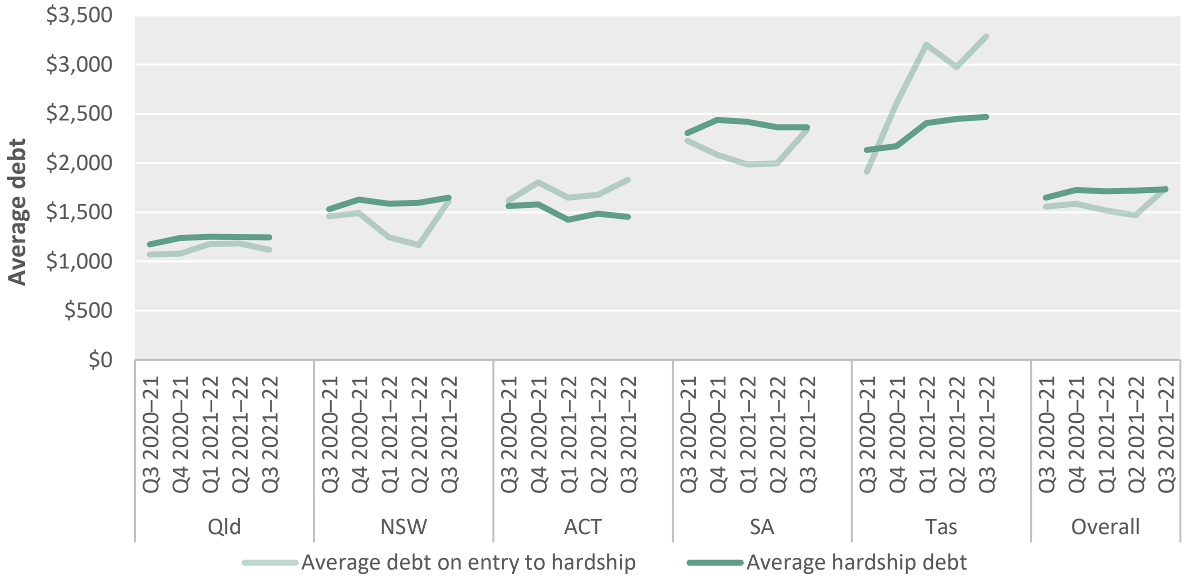
In Queensland, NSW and South Australia average hardship electricity debt is higher than debt on entry. This indicates that customers are still accumulating debt while on a hardship program, consistent with the last quarter. This is supported by data, which remains relatively unchanged over the past year and shows that 44% of electricity and 42% of gas customers on hardship programs did not meet their usage costs as of 31 March 2022.

However, in the ACT average hardship electricity debt continued declining while debt on entry to hardship increased rapidly. This was driven by a significant increase in Tier 1 customers' average debt on entering hardship programs and a slowing of ActewAGL[3] average hardship electricity debt compared with the previous quarter.

[3] ActewAGL holds 72% market share in the ACT.

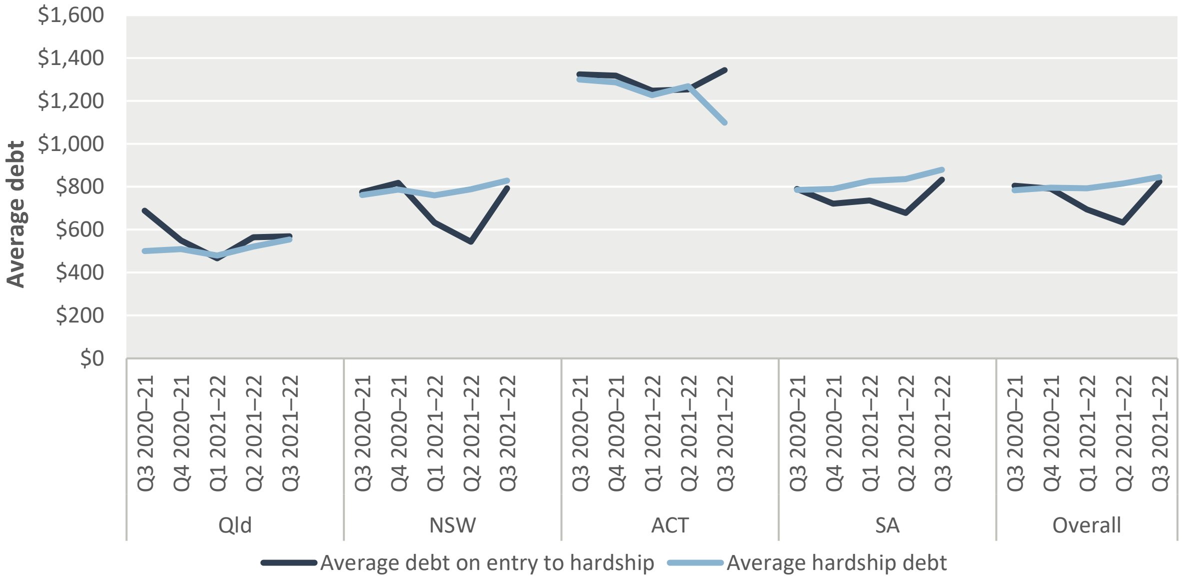
Average debt in Tasmania is higher than in other regions as a result of Aurora returning to normal debt management practices and increasing their customer engagement in hardship programs.

Figure 3.4 Average electricity hardship debt and average electricity debt at time of entry to hardship programs



Source: AER

Figure 3.5 Average gas hardship debt and average gas debt at time of entry to hardship programs



Source: AER

4 Disconnections have increased but below pre-pandemic levels

As stay-at-home requirements eased across each jurisdiction, energy retailers resumed normal debt management practices. This included disconnecting residential customers for non-payment, where all other options to engage with or assist the customer were not successful.

4.1 Residential electricity disconnections are increasing in many jurisdictions.

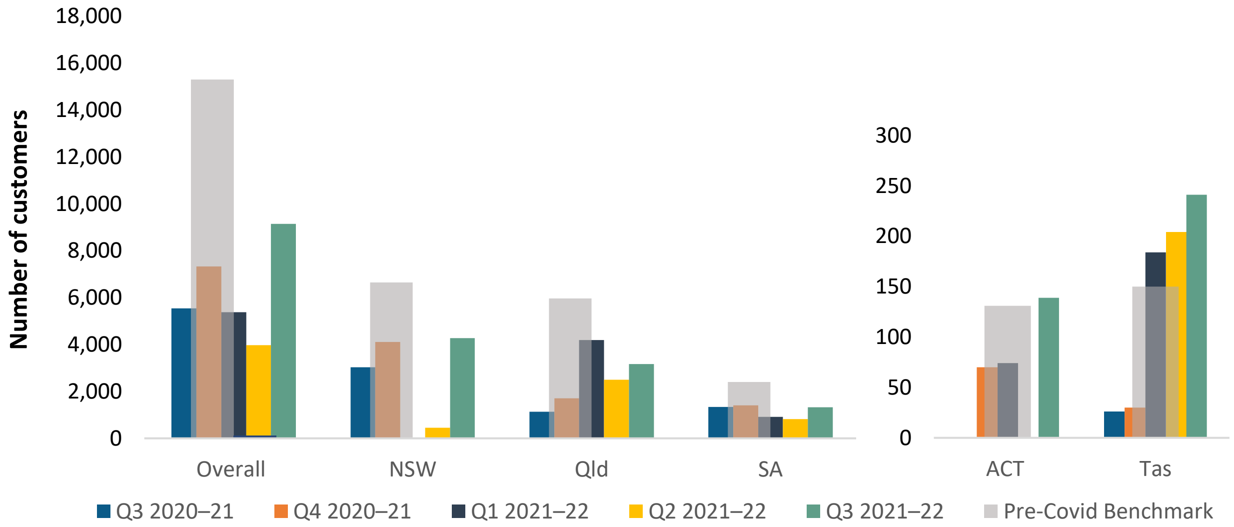
From January to March 2022, 9,146 electricity customers were disconnected. This is an increase of 65% compared with the same period in 2021, with significant variation between jurisdictions (Figure 4.1).

This increase was mainly driven by the resumption of normal debt management practices by retailers, particularly in NSW. Throughout 2021, stay-at-home orders continued to have an ongoing impact on disconnections in different parts of NSW.

As restrictions eased, retailers recommenced disconnecting customers for non-payment. During Q3 2021–22, 4,276 customers in NSW were disconnected, representing 47% of total disconnections for the quarter ending March 2022. Although increasing, this figure is 45% lower than pre-pandemic disconnections for NSW.

In contrast, South Australia experienced only minimal stay-at-home orders during 2021. This is reflected by more consistent numbers of disconnection across each quarter.

Figure 4.1 Number of residential electricity customer disconnections



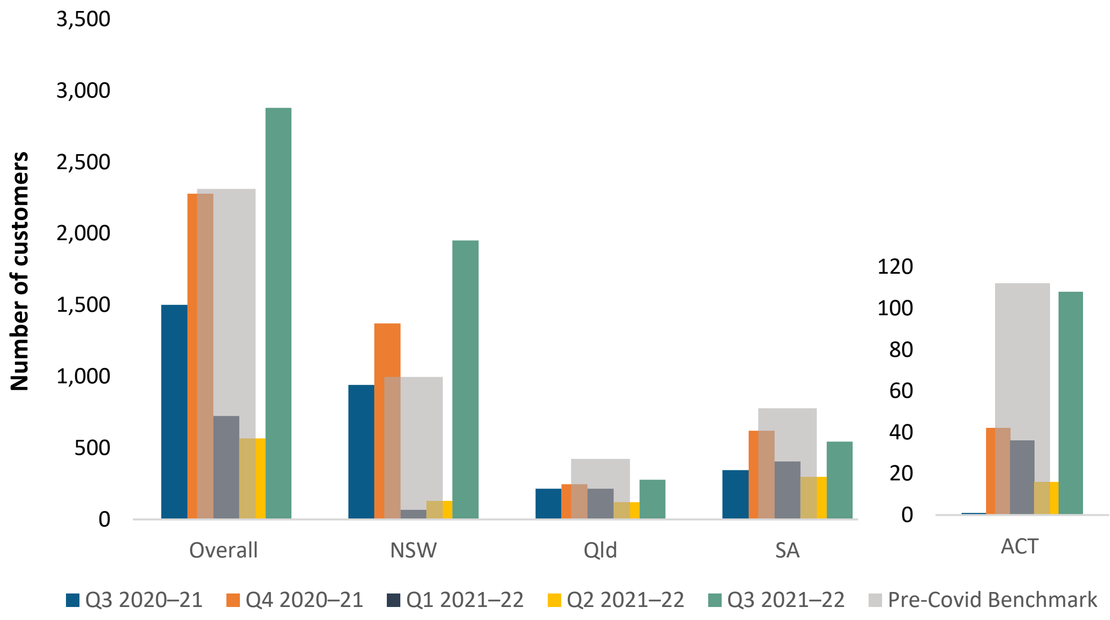
Source: AER

4.2 Residential gas disconnections are also increasing

As with electricity, residential gas disconnections have increased by 92% compared with the same period in 2021. From January to March 2022, 2,880 residential gas customers were disconnected, with NSW customers accounting for 68% of these disconnections (Figure 4.2).

NSW and the ACT both returned to normal debt management practices this quarter, after extended periods of stay-at-home orders from July to December 2021. There were 1,951 gas customers disconnected in NSW. This was mainly driven by AGL, who resumed disconnections for non-payment, after a lengthy pause during 2021.

Figure 4.2 Number of residential gas customer disconnections



Source: AER

5 Tier 2 retailers continue to grow market share

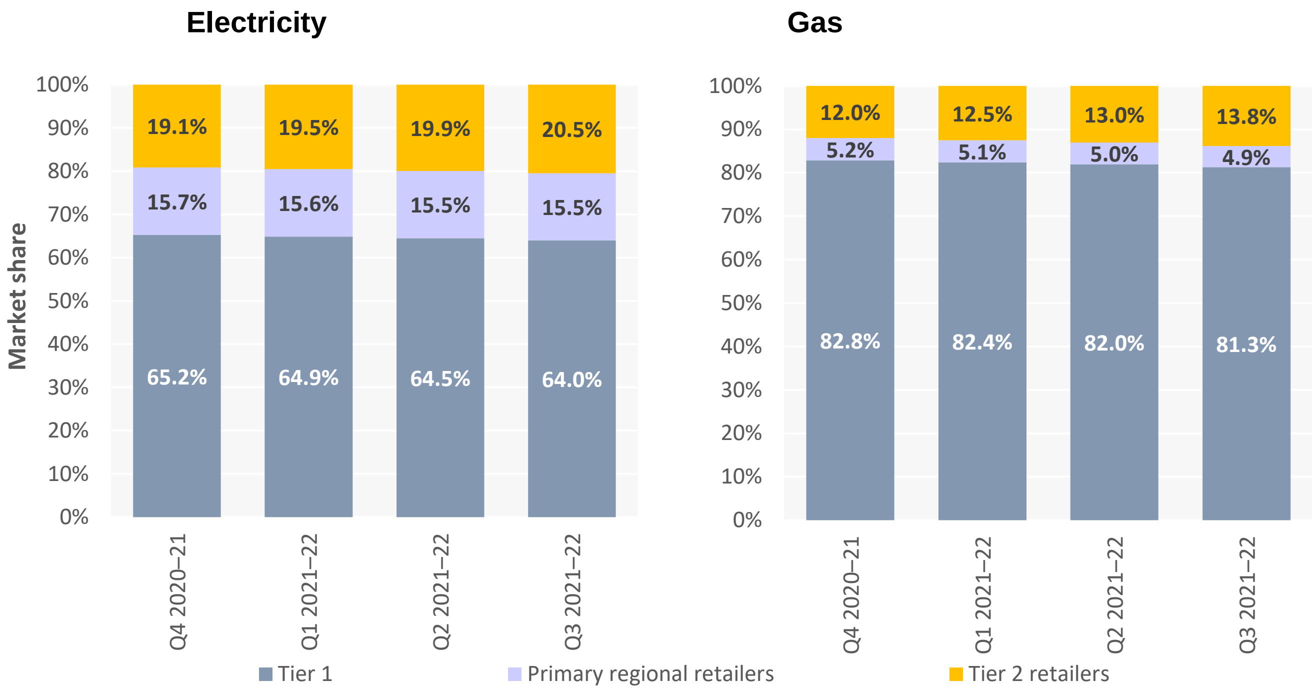
The electricity retail market continues to remain fairly concentrated and relatively unchanged, with 79.5% of residential electricity customers either with a Tier 1 retailer or a Primary regional retailer as of 31 March 2022 (Figure 5.1).

In terms of jurisdictional changes, Tier 2 electricity retailers achieved greater market share in NSW, the ACT and Tasmania since March 2021. This was offset be minor reductions in Queensland and South Australia.

The residential gas market recorded similar trends to electricity and has remained relatively unchanged, with 86.2% of residential gas customers either with a Tier 1 retailer or a Primary regional retailer as of 31 March 2022. Tier 2 retailers hold 13.8% of market share (Figure 5.1).

On a jurisdictional basis, Tier 2 gas retailers experienced an increase in their market share in NSW, the ACT, Queensland and South Australia over the last year.

Figure 5.1 Residential market share, by Tier 1, Primary regional and Tier 2 retailers



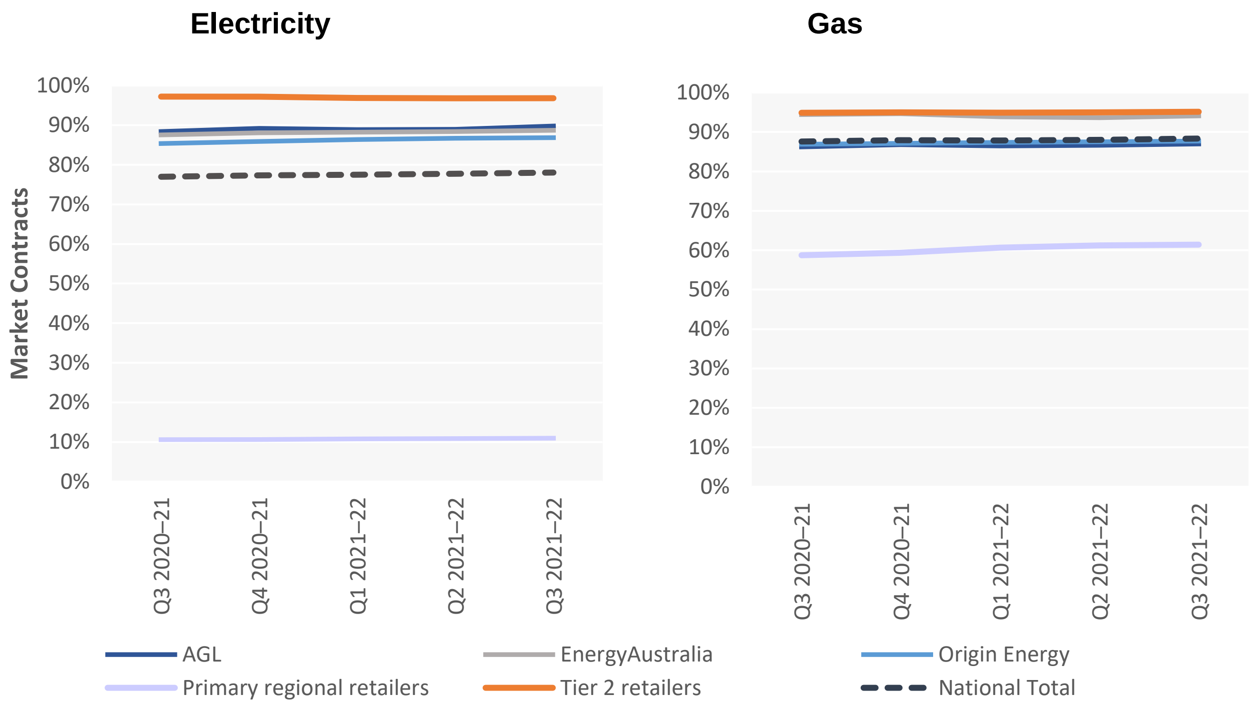
Note: Includes customers in Queensland, NSW, the ACT, South Australia and Tasmania.
Source: AER

6 Number of customers on market contracts remains steady

The number of customers on electricity and gas market contracts remains relatively steady at 78% and 88%, respectively, over the past 12 months.

The proportion of Tier 1 retailers' customers on market contracts for both electricity and gas remain lower on average than for Tier 2 retailers' customers (Figure 6.1). However, Tier 2 electricity retailers were the only group to see a minor decrease of 0.4% in overall percentage of customers on market contracts over the last year to 31 March 2021. Tier 2 gas retailers saw a minor increase over the same period.

Figure 6.1 Proportion of residential customers on market contracts



Note: Includes customers in Queensland, NSW, the ACT, South Australia and Tasmania.
Source: AER