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19 February 2018

Sarah Proudfoot
General Manager, Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Submitted electronically

Dear Ms Proudfoot,

Re: Draft Performance Reporting Guidelines

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to contribute to the Australian Energy Regulator's (AER's) consultation to amend its Performance Reporting Procedures and Guidelines. We acknowledge that access to information improves the quality of regulatory administration. We also recognise the AER's interest in collecting data to inform its analysis of two significant aspects of the energy market, namely, the commencement of competitive metering from 1 December 2017 and retailers' handling of customers experiencing financial difficulties.

However, we have some concerns about the additional obligations the AER is proposing both at a general level and with some of the specific obligations.

General observations about proposed reporting obligations

Collection and verification of this additional data is not without cost and is not, in every instance, something that most retailers can do with their current systems. It will take time and resources to comply, so we recommend the AER consider a more feasible implementation timeframe. We suggest it will take at least 6 months from the finalisation of new obligations for the majority of retailers so 1 January 2019 is a more appropriate commencement data. This might also mean adopting some flexibility in enforcing compliance.

The AER must also carefully consider the extent to which this additional information will be a basis for meaningful analysis, particularly in light of the level of granularity that it proposes. The more categories the AER proposes, the greater the cost.

Reporting on variations across reporting periods

One particular problem is the proposal for retailers to include an explanation when there is a 10% variance from the previous reporting period. This obligation applies regardless of the number of data points within each category and for sections in which there are numerous subcategories. If implemented, retailers will need to provide numerous explanations of relatively insignificant movements. Not only is this onerous - especially where retailers don't currently capture data to the level of detail the AER proposes - but it will be of little analytical use.

The consultation document indicates the AER wants to understand ‘*reasons for substantial changes within a retailer’s data*’. It may want to consider a threshold number of data points, increase the percentage above which retailers would need to provide an explanation (perhaps to 25%) or consolidate some of the proposed categories. Alternatively, the AER could provide more guidance on how retailers can comply, giving them the option of identifying the reason for some variations as movements in a small population size.

Collection and interpretation of data

We are very concerned that some of the information the AER is seeking is either not collected at all or not readily collected in a form that it is easy to collate and interpret. Relevant information is often recorded in notes to a customer’s account. Not only can it be difficult to extract information and but there is often subjectivity - and therefore judgement - in how retailers might allocate an issue to the proposed categories. As suggested above, this requires system changes in order to be able to collect it, requiring a longer implementation timeframe. There are two notable examples.

The AER is seeking information about a range of complaints regarding the installation of smart meters and how many customers entered a retailer’s hardship program, either after self-identifying or via retailer referral. These are both difficult to capture and the potential for simplistic analysis, misrepresentation or over-reporting is significant.

Our call centre staff manually record details of their conversations with our customers. Conversations that may start as a complaint or enquiry but then lead to resolution and a good customer outcome should not be registered as a complaint. This can be about smart meters, hardship or any other matter that a customer may wish to discuss with us.

Similarly, in terms of our hardship program, conversations about customers’ circumstances that lead to participation in a hardship program are not easily captured in simple metrics and could occur following numerous conversations between customer and retailer (or some other party, such as a financial counsellor) over a period of time. It is not as simple as categorising the driver for entry to a hardship program in such a binary way, i.e. either as a result of customer self-identification or retailer referral.

There is some subjectivity in these situations so while we understand the AER’s interest in understanding retailers’ practices, the level of granularity further raises the prospect of misinterpretation and/or duplication. This is a concern as, we assume, the data will be reported in some public way and potentially provide a misleading view of how the retail market operates. It also provides an unreliable or flawed basis for policy.

The remainder of this submission considers some of the AER’s specific proposals in more detail.

Section 2 - Reporting obligations

The AER proposes to bring forward the deadline for submitting the Quarter 4 and annual reports from 31 August to 31 July. The shorter timeframe for the preparation and review alters the trade-off between the timeliness and accuracy of these reports.

Furthermore, there is currently a misalignment between the lodgement deadline in Victoria and National Energy Customer Framework (NECF) jurisdictions, which gives retailers sufficient opportunity to collate and then verify the inputs to these respective reports. Aligning the deadlines increases the risk of error.

Schedule 2 - Retail market overview

We see little reason to introduce reporting obligations relating to large customers. They largely fall outside the scope of the NECF and many of the problems of disengagement and confusion that recent regulatory measures are seeking to address relate to small customers. Furthermore, the commercial and industrial retail market differs from that for residential and small business customers in many ways; contracts are generally tailored to a customer's specific circumstances or characteristics, for example. Grouping customers in this way is of limited use.

Schedule 3 - Customer service and complaints

The AER proposes that retailers report on complaints about the installation of Type 4 and 4A meters according to five different categories. Few retailers are likely to collect information to this level of detail in any systematic way. More importantly, metering competition has recently commenced so retailers are receiving numerous enquiries that relate to some or all of the categories that the AER is proposing. Some enquiries could initially be classified as complaints but are subsequently resolved through clarification of the new arrangements. Other complaints may relate to policy decisions and the broader regulatory framework, such as the installation of smart meters themselves, and have little to do with retailers' conduct or compliance with regulatory obligations.

We are therefore concerned about the number of categories, the need for retailers' to exercise judgement about what is a complaint, how to allocate complaints and the potential for overlap and duplication. As mentioned, we are concerned about the quality of this dataset for the purposes of analysis, reporting and regulatory decisions. The AER could consider alternative ways to mechanisms for assessing customers' satisfaction with metering competition in its specific areas of interest. This includes surveys and research, ombudsman complaints or reported privacy breaches.

Schedule 3 - Handling customers experiencing payment difficulties

In addition to the high level of granularity within each category, we note that retailers would require a third party to provide information about customers' credit ratings (S3.27). We do not consider it appropriate to impose such an obligation on retailers where they have little or no control over this decision or the timeframe within which they can obtain it.

Schedule 4 - Hardship program indicators

The AER is seeking a large volume of disaggregated information about how retailers' manage their hardship programs. As mentioned above, we do not expect that many retailers will collect this information in a systematic way, if at all. A particular example is the requirement for a retailer to identify one of five different reasons as to why a customer was denied access to its hardship program (S4.12). This would typically be the result of numerous factors, and some judgement about how best to manage a customer's specific circumstances. Details would usually be kept in notes to a customer's account.

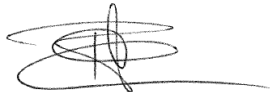
As a result, we expect these reporting obligations will be the most difficult, costly and time consuming to implement (and once implemented, to review and verify). We encourage the AER to reconsider the number of categories and sub-categories. We recognise the AER's keen interest in retailers' hardship programs but suggest it consult with retailers to better understand their respective policies and processes as a first step before mandating high specific reporting obligations that will impose considerable cost.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to approximately 1 million customers.

Red and Lumo thank the AER Commission for the opportunity to respond to this draft decision. Should you have any further enquiries regarding this submission, please call Geoff Hargreaves, Regulatory Manager on 0438 671 750.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal line extending to the right.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy Australia Pty Ltd