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Ref. BW

24 December 2010

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

Email: AERInquiry@aer.gov.au

Dear Mr Leuner,

Submission on AER Retail Market Performance Reporting – Position Paper

We refer to the Australian Energy Regulator's (AER) consultation on Retail Market Performance Reporting.

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd welcome the opportunity to provide a submission to this consultation and have provided responses to selected views and proposed reporting indicators raised in the AER's position paper.

Please do not hesitate to contact me on (07) 3228 2741 if you have any further queries.

Yours sincerely

Brad Waters
Acting Group Manager Regulatory Affairs

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Encl: Ergon Energy's submission

Ergon Energy Corporation Limited

and

Ergon Energy Queensland Pty Ltd

Position Paper: Retail Market Performance Reporting

Australian Energy Regulator

24 December 2010

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This submission, which is available for publication, is made by:

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd
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1 INTRODUCTION

Ergon Energy Corporation Limited (EECL) and Ergon Energy Queensland Pty Ltd (EEQ) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) on its *Position Paper: AER Retail Market Performance Reporting* (Position Paper).

This submission is provided by:

- EECL, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland; and
- EEQ, in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AER require.

2 SPECIFIC COMMENTS

Prepayment Meters

Ergon Energy noted in its submission on 13 August 2010 that prepayment meters currently in operation in remote parts of Queensland are not provided under market contracts and are only available to small customers to whom contestability does not apply. Further, prepayment meter customers will not fall under the National Electricity Customer Framework (NECF) and the Queensland Government has proposed that the NECF prepayment meter obligations will not be implemented in Queensland.

In light of this, Ergon Energy submitted that:

- the AER's proposed reporting obligations with respect to prepayment meters should only apply in those jurisdictions that have determined that the NECF framework for prepayment meters should apply; and
- the AER should clarify that the proposed reporting indicators and the obligation to report against these indicators will not apply to Queensland's card operated (i.e. prepayment) meters.

On page 50 of the AER's Position Paper, the AER recognised that the prepayment meter provisions in the NECF will only apply where a jurisdictional local instrument permits their use. However, the AER considered that data on the number of prepayment meters in use that are able to detect and report self-disconnections will be useful in providing context to the data reported against the other prepayment meter indicators, and proposed to consider the ability to collect this data once it is clear how the NECF (and in particular the prepayment meter provisions) will apply in each jurisdiction.

The AER also stated that it understood that some jurisdictions (such as Queensland) may permit the use of prepayment meters but not apply the appropriate NECF provisions, and that further consultation on monitoring in this area may be required once transitional arrangements are in place.

Ergon Energy welcomes the opportunity for further consultation in relation to reporting of prepayment meter indicators, but reiterates its position that these indicators should not apply to Queensland's card operated meters. Whilst Ergon Energy does have a small number of grid connected customers with card operated meters (308), Ergon Energy does not consider that reporting on the prepayment meter indicators for these customers will yield meaningful results because:

- Ergon Energy would only be able to report on the indicator relating to the number of prepayment meters. Ergon Energy currently does not have the technical or administrative ability to collect data in a robust and consistent manner for any of the other indicators proposed by the AER in section 3.7.4 of the Position Paper;
- There are too few customers to gain robust and meaningful trends over time; and
- Implementing the reporting systems required to report on the indicators proposed by the AER in section 3.7.4 of the Position Paper would impose significant upfront and ongoing costs to Ergon Energy.

Debt on Exiting the Hardship Program

In section 4.6.4 of the Position Paper, the AER sought views on respondents' preferred option in relation to the calculation of the number of hardship program customers who are:

- Not meeting their ongoing energy costs (debt increasing)
- Matching their ongoing energy costs (debt stable) and
- Covering their ongoing energy costs and a portion of their arrears (debt reducing)

The AER gave the following options for each of the three scenarios (the titles "Option 1" and "Option 2" have been added by Ergon Energy for ease of reference):

Not meeting their ongoing energy costs (debt increasing) – calculated as:

- **Option 1:** the number of hardship program customers where their regular payment amount (for example, weekly, fortnightly, monthly etc) **does not equal** the payment amount (for the required payment frequency) calculated by the retailer to meet the customer's expected energy bill costs over the next 12-month period;
- **Option 2:** the number of hardship program customers where their debt at the end of the quarter is **more than 10 per cent higher** compared to debt levels 6 months prior.

Matching their ongoing energy costs (debt stable) – calculated as:

- **Option 1:** the number of hardship program customers where their regular payment amount (for example, weekly, fortnightly, monthly etc) **is equal to** the payment amount (for the required payment frequency) calculated by the retailer to meet the customer's expected energy bill costs over the next 12-month period;
- **Option 2:** the number of hardship program customers where their debt at the end of the quarter is **between 10 per cent lower and 10 per cent higher** compared to debt levels 6 months prior.

Covering their ongoing energy costs and a portion of their arrears (debt reducing) – calculated as:

- **Option 1:** the number of hardship program customers where their regular payment amount (for example, weekly, fortnightly, monthly etc) **exceeds** the payment amount (for the required payment frequency) calculated by the retailer to meet the customer's expected energy bill costs over the next 12-month period;
- **Option 2:** the number of hardship program customers where their debt at the end of the quarter is **more than 10 per cent less** compared to 6 months prior; and the number who were not in the hardship program 6 months prior or for whom data on debt levels 6 months prior is not available.

Ergon Energy prefers Option 1 in each scenario for calculating the measures associated with this indicator. This is because Option 2 in each scenario proposed by the AER would involve retaining records of, and tracking trends associated with each customer's quarterly electricity bills. This would involve a significant modification to Ergon Energy's current data systems and would be costly to implement and to administer on an ongoing basis.

Ergon Energy considers that Option 1 is both administratively simpler and less costly to implement as the data is already available and the calculations can be readily implemented.