

24 December 2010

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

By email: AERInquiry@aer.gov.au

Dear Mr Leuner

Retail market performance reporting position paper

Integral Energy welcomes the opportunity to comment on the retail market performance reporting position paper (the Position Paper) released by the AER in November 2010.

Integral Energy is the second largest state owned energy corporation in New South Wales, serving some of Australia's largest and fastest growing regional economies. It provides distribution network services to almost 860,000 customers or 2.1 million people and has a significant retail presence in New South Wales and Queensland.

Integral Energy supports the operation of a national, light-handed retail market performance reporting system. Properly designed and implemented, such a system can deliver benefits to energy customers and other market stakeholders. With this objective in mind, Integral Energy has several comments on the Position Paper.

Indicators and retailer performance

As a broad comment, Integral Energy notes that a number of the indicators proposed in the reporting framework still bear a weak link with retailer performance. They are in fact more about measuring customer demographics or broader economic circumstances (for example, the number of customers on payment plans).

The AER's statements in the Position Paper that it intends to provide appropriate context around drawing conclusions regarding retailer performance from those indicators is helpful. However, this serves only to highlight the limited relevance of the information for such a purpose in the first place.

More importantly, while the information may be useful in certain contexts, its acquisition comes at a cost to both retailers and customers. In many cases in the Position paper, the AER has simply asserted, rather than demonstrated, that there is a net benefit in proposing the particular indicator or reporting resolution for the purpose of assessing retailer performance.

Going further for you is what we do

If a clear demonstration is not possible now, Integral Energy is willing to support the collection of information for those indicators that are not mandatory under the new Customer Framework. This is on the proviso that a review be conducted in three years' time regarding whether collecting the information in fact contributes to making an informed assessment of retailers' performance.

Data resolution

For a number of indicators, the Position Paper also seeks to impose a set of reporting requirements with higher "resolutions" than currently exist under most jurisdictional equivalent schemes. Again, the issue for Integral Energy is whether the AER has demonstrated the net benefits likely to be obtained from collecting the additional data in terms of measuring retailer performance.

For example, the AER proposes to collect monthly disconnection and reconnection statistics (collected quarterly). The rationale provided in the Position Paper for monthly (as opposed to annual or quarterly) statistics is to generate greater awareness of seasonal trends. However, those trends are already readily apparent in quarterly data. The AER has not demonstrated that the higher "resolution" will deliver a meaningful benefit in terms of assessing retailer performance. Integral Energy also notes that the AER has concluded that quarterly reporting for complaints data will suffice to highlight seasonal trends. If so, why do connection statistics require monthly reporting?

Again, unless the net benefit of doing so can be demonstrated now, Integral Energy suggests that any move to the collection of monthly statistics be trialled and then reviewed for effectiveness in three years' time.

Complaints information

Finally, the AER proposes to collect information regarding customer complaints classified according to the nature of the complaint. It has already been noted in the Position Paper that it is difficult to tell if there is an issue of substance regarding retailer performance contained in complaints statistics, however classified. Drawing comparisons between retailers on the basis of the statistics alone is also potentially unfair.

Integral Energy's concerns are that collecting the information is likely to:

- involve material additional costs;
- suffer from an inherent degree of imprecision (customer calls often involve multiple matters, not all of which are necessarily "complaints"); and
- possibly even have a negative impact on customer service delivery timeframes if additional records are required to be generated by customer services staff.

Rather than collect the information directly, Integral Energy supports the proposal made at the Issues Paper stage that the AER instead look to the issues that go to the energy ombudsman schemes and compare retailers on that basis.

Integral Energy looks forward to further participating in the remainder of the AER's process. If you have any questions with respect to this matter, please contact me on telephone number (02) 9853 6598.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Frank Nevill', written in a cursive style.

Frank Nevill
Acting Manager Network Regulation