

To: Australia Energy Regulator
From: UnitingCare Australia

Re: Retail Market Performance Reporting Position Paper
(November 2010)

Introductory Comments

Uniting Care Australia commends the AER on the direction taken in the Position Paper and is supportive of the thrust of the “AER updated proposals.” The AER has listened carefully to stakeholders in developing the position paper from the earlier issues paper and video forums and has effectively balanced a wide range of interests in developing their proposals.

The AER is very much heading in the right direction with its proposals for retail market performance reporting, this brief submission presents some views about data collection, data sources and the structure of reporting. Comments are made in response to some of the ‘updated proposals’ as given in the Position Paper.

Uniting Care Australia has focussed comments on energy affordability reporting, partly because other consumer groups have given attention to hardship program reporting and partly due to the growing significance of broader affordability issues across a range of policy and regulation debates (including energy efficiency, concessions programs, tariff shapes and regulated price paths)

Data collection, data sources and structure of reporting

The following dot points provide some general comments relating to data and report structure.

- AER should continue to talk to the ABS about what data each collects (or intends to collect) and where there may be overlapping or complementary data sets, for example the ABS recently issued a discussion paper for comment: “Towards an Energy Account, Australia - Drivers and Approaches.” In our response to the AER Issues paper, we also mentioned the ABS energy data work program and the value of adhering to the Oslo group’s international approach to energy data reporting
- Satisfaction with the structure and ‘perspective’ of the reporting with three broad layers or levels proposed, this is consistent with the ‘babushka dolls’ approach that we outlines in our response to the Issues Paper
 - 1) whole state / overview of the market (100% customers)
 - 2) those customers with some broader affordability issues (includes customers with energy bill debt or in receipt of concessions ~ 25% of households / customers)
 - 3) those customers experiencing hardship (currently less than 0.05% of customers on retailer customer hardship programs);

Note: UnitingCare Australia believes that the understanding of the distinction between affordability issues and hardship program participation is very important. For example, the National Energy Customer Framework (NECF), provides some

very specific protections to customers on hardship programs; for example no disconnection due to inability to pay, but we are concerned that in practice, the protections will only apply to a very small subset of customers, those on formal retail hardship programs, who are experiencing significant affordability problems, and so need to consumer protections afforded 'hardship customers'. This is why data collection focused on both affordability and hardship programs is crucial.

- Important that all of the above three areas are captured and with data coming from a range of sources (not just retailers);
- The application of the report will be different for different stakeholders and different sections of the community. It will inform the appropriateness of hardship programs; contribute to answering broader affordability questions; provide valuable information and data to inform jurisdictional concessions programs and policies;
- UnitingCare is particularly interested in using these reports to inform policy development and program development, including for concessions, welfare assistance and a range of other energy affordability measures.

Purpose of retail market performance reporting and individual indicators

- UnitingCare Australia supports the purpose of these retail market performance reports and indicators, as outlined and the four broad areas listed on page 2 of the AER's Position Paper; measuring retailer performance, measuring the effectiveness of the Customer Framework, measuring how the market evolves over time and provision of contextual information to inform consideration of other indicators . In particular, support using these reports and indicators to measure how the market is evolving over time;
- We expect, and are quite comfortable with the understanding that reporting in this area will evolve and improve over time, especially with the first two or three iterations of AER reports published. This will be especially important in building and understanding the contextual information to help explain the trends in the data reported;
- Understand that there may be some change to the reports and indicators over time but we're comfortable with the base set of indicators. Whilst not many indicators will change over time, some will;
- We suggest that the AER acknowledges more explicitly that a key part of the purpose of these indicators is to help stakeholders inform and develop public policy and programs in response to trends or issues that arise in the data reported. Expects that will find it being used for quite a range of policy inputs;
- UnitingCare's position is that it is important wherever possible for reporting to be on a broad geographic breakdown. The question of the experience of country versus city customers is quite important, especially regarding issues of affordability where different issues are likely to arise for rural and regional customers when compared to those customers living in metro areas.

Comments on individual indicator areas

Retail market overview (pgs 6 -13)

- Customer transfers—we note that retailers don't see any benefit of reporting transfers for customer categories. UnitingCare disagrees with this approach and believes that this data will be of benefit. We understand that there is likely to be a range of factors which influence why certain types of customers transfer between retailers or the rate at which they transfer. There will not be that 'granularity' of data if relying solely on AEMO transfer data. Think that it is important to also examine individual retailer transfer reports. Believe that this could tie back to issues that are coming through with energy ombudsman schemes, for example regarding marketing campaigns and rates of complaints etc. Therefore think it would be useful to have individual retailer transfer data, at least in broad-brush terms, and not just rely on AEMO data.
- Active retailers—we would prefer more geographic breakdown of data; and a reporting of active retailers as opposed to licensed retailers. We observe that in some rural locations there are notionally many retailers, when in practice there is very high retailer concentration in that region, and so market failure. It is crucial that effective market failure, at a regional level, is recognised and responded to.
- We also believe that concentration ratios should be presented as part of the retail market overview. We believe that there is a high risk that over time, effectively competitive markets become oligopoly markets. Established market concentration ratios act as a useful indicator of any drift toward oligopoly.
- In some 'headline' indicators, including overseas data for comparable indicators will help with benchmarking Australian market performance.

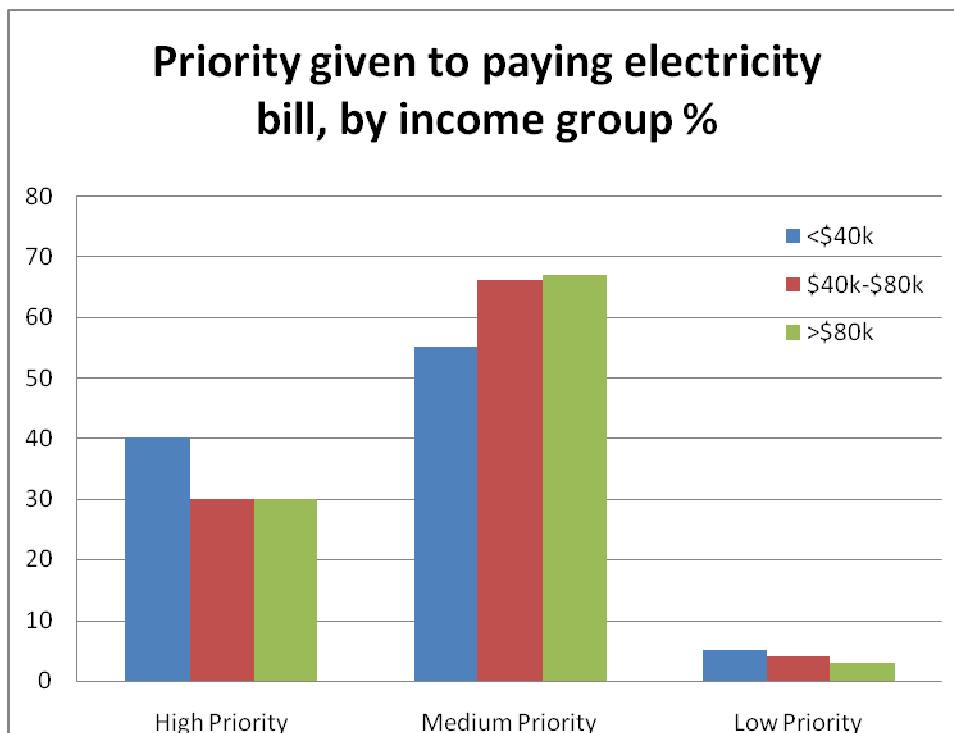
Energy affordability (pgs 14 – 61)

As with the sections above, the following provides brief dot points on specific aspects of the Position paper

- UnitingCare Australia highlights that this section of the report is not just about the performance of retailers, however they are one of the key stakeholders. UnitingCare is particularly interested in this aspect of the report, believing that it will relate directly to at least 25% of customers, probably growing to about 33% of all residential customers over the next 3-5 years
- Support annual reporting and recognise that it would be difficult to make such a report meaningful on a less than an annual basis, particularly where the timing of this reporting is linked to data availability and volatility. With 'social data', as compared with economic data, there is less likelihood of seeing significant changes on a quarterly basis, social data is less volatile, in the short term, than many economic data series.
- UnitingCare's view is that the energy affordability report is quite different to that discussing hardship issues given that the affordability report will cover a broader group of customers than those being assisted by retailers' hardship programs.
- It will be important to disaggregate small business, rural/regional, and metro customers for the energy affordability report. This is because in a

number of rural locations, the distinction between a rural/regional farming customer, residential customer and small business is not always clear.

- The availability of energy concessions; levels of energy bill debt; and bill paying priority provides important context to the energy affordability report. UnitingCare has been researching the bill paying priorities of different customers from an omnibus survey. This highlighted that 30% of middle-high income householders attributed a high priority to paying their energy bills on time. This compares to 40% of low income households who rated paying their energy bill on time as high priority (second only to paying for accommodation). High priority was defined as paying bill upon receipt, medium priority was defined as paying on time, Low priority was defined as “pay when I get around to it.” We suggest that these findings are different to retailer expectations, some of whom regard low income households (less than \$40,000 household income per annum) as less likely to make energy bill paying a priority.



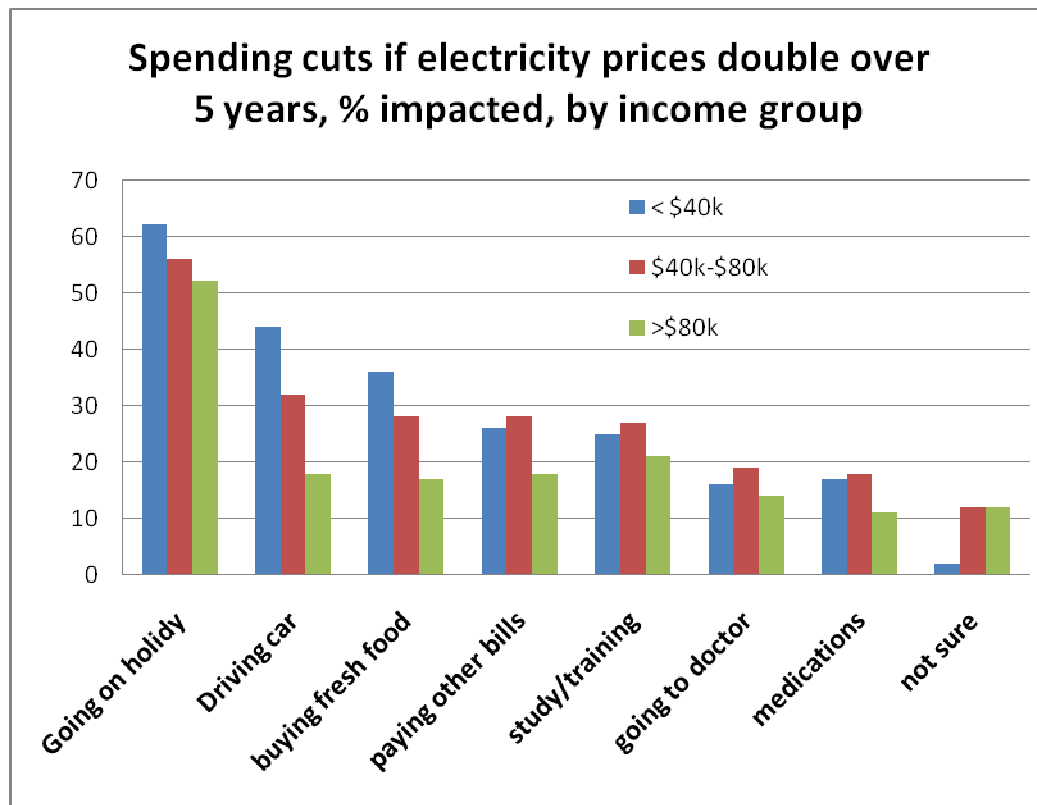
Graph 1, Source, Omnibus survey commissioned by UnitingCare Australia, 2010, n= 1611

- UnitingCare note that reporting on energy affordability over time will be critical and believes that the AER should develop an “energy affordability benchmark” as that would be important and useful—for example, to monitor whether more or less people were paying 8-10% of their income on energy, similar to the fuel poverty measure used in the UK. We believe that a “line in the sand” would be helpful to understand changes in affordability over time. Unclear whether the AER has the authority to establish a standard or benchmark such as this but thinks it important.
- Also believe that the AER’s proposals to monitor changes in energy prices against changes in CPI will be a useful measure;
- Case studies will be useful and would also like to see a “standard customer” identified to understand energy affordability although this is a complex and fraught question, particularly how to benchmark income for

an 'average family' is quite difficult to apply in practice, but worth the effort as indicators are most useful when measured against a benchmark.

- In looking at the percentage of income taken up on energy for residential customers, UnitingCare using equivalised income deciles. However, if using ABS data, then also supports the use of income quintiles, though deciles would give greater precision to the data.
- UnitingCare Australia supports separate analysis for electricity and gas, and would also like water included.

In attempting to better understand aspects of energy affordability, particularly for lower income households and to explore metropolitan / rural differences (if any), Uniting Care Australia surveyed 1786 households, Australia wide, during mid 2010, through an omnibus survey. The results are tabulated in Appendix 1, for information. A question was asked about perceived impacts of a doubling of electricity prices over 5 years, the results are given in graph 2, below. This sort of perception question / 'consumer sentiment indicator' is likely to be useful overtime and is an example of the sort of qualitative indicator that the AER could usefully consider reporting from time to time.



Graph 2, Source, Omnibus survey commissioned by UnitingCare Australia, 2010

Retail market activities review

The following list indicators that are strongly supported

- Proposed indicators (on page 29) monitoring levels of energy bill debt and the number of customers with energy bill debt. Seeks clarification as to whether the definition should specify that it refers to debt that has been "billed" by the retailer.

- ‘QCOSS indicator’ monitoring a wider range of flexible payment arrangements that are terminated for non-payment as believes there is value in that data in terms of understanding the degrees of “affordability angst”.
- Centapay indicator. (refer to our omnibus survey data re payment methods, in appendix 1, for information)
- Reporting payment plan indicators by jurisdictions, and again would like to see regional data on this as well.
- The proposed disconnection and reconnection indicators.
- The concessions indicators and believes they will be helpful in informing policy proposals in jurisdictions regarding concessions and assistance programs. High priority indicator
- the PPM indicators.
- Security deposits indicators.
- Customer service indicators, noting that this has been a big issue in South Australia and that they have been helpful for the energy ombudsman there in establishing good practice and to work out whether a customer has been dealt with fairly and appropriately.
- The complaints indicators.

Hardship

In general, UnitingCare Australia believes this is an important area and that it has been covered well. This is likely to be one area of the report that may need to be more iterative and will become more refined over time and as context is built.

How the AER approves hardship policies and programs, what they should deliver and look like will be an important input in this area. Will need to spend more time of this over coming months and note that the AER is consulting on this area currently.

Collecting concessions data here is important. In particular, recognising that the relationship between energy concessions and hardship is an important one. If people on hardship programs are in a dire way and if they are not able to access concessions then this is likely to raise questions about who both hardship programs and concessions programs are targeting and whether customers are getting the help that is available to them?

For questions or further information

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Appendix 1:
Results from Uniting Care Australia commissioned omnibus survey 2010

Questions on household bills

Q. Are you responsible for paying the bills in your household? (n=1786)

	%
Yes, all of them	62
Yes, some of them	32
No	6
Total	100

Note: only people who pay some or all of the bills in their household were asked the following questions. (n=1672)

Q. When you receive the following kinds of bills, how much priority do you give each one? (n=754-1611) (%)*

	Electricity	Doctor/ medical centre	Car Insurance	Car rego	Council rates	Health insurance	Home phone/ internet	Mobile phone	Rent
High priority - try to pay immediately	33	49	30	33	24	33	29	27	60
Medium priority - pay by the due date	63	44	67	65	70	63	66	65	37
Low priority -pay when I get around to it	4	7	3	2	6	6	5	8	3
Total	100	100	100	100	100	100	100	100	100
n	1611	1369	1483	1511	1281	1134	1610	1467	754

* Respondents answering not sure/not applicable removed for purposes of comparison between different types of bills.

Q. How often do you use your credit card(s) to pay the following kinds of bills? (n=719-1459) (%)*

	Electricity	Doctor/ medical centre	Car Insurance	Car rego	Council rates	Health insurance	Home phone/ internet	Mobile phone	Rent
Always	28	25	34	32	27	27	30	29	6
Often	6	10	7	9	6	5	7	8	3
Sometimes	9	13	10	11	7	5	8	7	4
Rarely	9	12	8	9	10	7	9	8	7
Never	48	40	41	39	50	56	46	48	80
Total	100	100	100	100	100	100	100	100	100
n	1459	1371	1414	1402	1279	1187	1452	1400	719

* Respondents answering not sure/not applicable removed for purposes of comparison between different types of bills.

Q. How much priority do you give to paying your electricity bill (n=1611) (%)

	Less than \$40,000	\$40,000 - \$80,000	More than \$80,000	Metropolitan	Regional/Rural	All
High priority - try to pay immediately	40	30	30	33	32	33
Medium priority - pay by the due date	55	66	67	62	65	63
Low priority - pay when I get around to it	5	4	3	5	3	4
Total	100	100	100	100	100	100

Q. How often do you use your credit card(s) to pay your electricity bill? (n=1459) (%)*

	Less than \$40,000	\$40,000 - \$80,000	More than \$80,000	Metropolitan	Regional/Rural	All
Always	21	25	37	31	21	28
Often	6	6	8	7	4	6
Sometimes	7	9	8	9	7	9
Rarely	9	10	7	9	10	9
Never	58	50	40	44	58	48
Total	100	100	100	100	100	100

* Excludes respondents who answered 'not sure/not applicable' to this question.

Q. How often do you use your credit card(s) to pay your electricity bill? (n=290) (%) (Respondents in low income households)*

	Always pay credit card bill in full	Don't always pay credit card bill in full	All
Always	39	11	21
Often	7	6	6
Sometimes	4	13	7
Rarely	4	16	9
Never	45	54	58
Total	100	100	100

* Defined as households with a combined income before tax of less than \$40,000 per annum.

Q. How much of your credit card bill do you usually pay each month? (n=607) (%) (Respondents who usually use their credit card to pay their electricity bill)*

	Less than \$40,000	\$40,000 - \$80,000	More than \$80,000	All
Always pay credit card bill in full	65	58	70	66
Don't always pay credit card bill in full	35	42	30	34
Total	100	100	100	100

* Defined as respondents who answered that they 'always', 'often' or 'sometimes' use their credit card to pay their electricity bill

Q. How often does your household pay the electricity bill by the due date? (%)

	Less than \$40,000	\$40,000 - \$80,000	More than \$80,000	Metropolitan	Regional/Rural	All
Always	70	70	69	70	71	70
Most times	21	19	24	21	20	21
Sometimes	3	6	4	5	3	4
Rarely	4	4	2	3	4	4
Never	2	1	1	1	2	1
Total	100	100	100	100	100	100

Q. If electricity prices double over the next five years, would you need to cut back on any of the following? Please select all that apply. Figures are those people answering yes.

	Less than \$40,000		\$40,000 - \$80,000		More than \$80,000		All	
	n	%	n	%	n	%	n	%
Going on holiday	312	62	278	56	266	52	995	56
Driving your car	221	44	159	32	91	18	539	30
*Buying fresh food	185	36	138	28	86	17	462	26
Paying other bills	131	26	139	28	91	18	409	23
Doing studying/training	125	25	133	27	108	21	428	24
None of these	81	16	86	17	127	25	347	19
Going to the doctor	80	16	94	19	71	14	275	15
Buying prescription medications	87	17	87	18	54	11	260	15
Not sure	10	52	58	12	58	11	12	212

Q. Please indicate which of the following best describes how you usually pay your credit card bill each month. Do you usually...? (n=1390)

	Less than \$40,000	\$40,000 - \$80,000	More than \$80,000	All
Make less than the minimum payment	2	1	0	1
Make only the minimum repayment	9	11	8	9
Make more than the minimum repayment, but less than the whole balance	28	30	30	29
Repay the whole balance	51	50	55	52
It varies a lot	6	5	6	6
Not sure	4	3	1	3
Total	100	100	100	100