

18 August 2010

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

By email: AERInquiry@acr.gov.au

Dear Mr Leuner,

AER Issues Paper Retail Market Performance Reporting (June 2010)

The Consumer Utilities Advocacy Centre Ltd (CUAC) is an independent consumer advocacy organisation. It was established to ensure the representation of Victorian consumers in policy and regulatory debates on electricity, gas and water. In informing these debates, CUAC monitors grass roots consumer utilities issues with particular regard to low income, disadvantaged and rural consumers.

CUAC welcomes the opportunity to comment on the Australian Energy Regulator's (AER)'s Issues Paper Retail Market Performance Reporting (June 2010) (Issues Paper). Performance reports are important as they provide an overview on how the retail market is performing. These indicators highlight customer experience; enable trend analysis over time and comparisons between energy businesses in the services they provide to customers. CUAC is particularly concerned with retailers' performance in relation to customers with payment difficulties and those who are experiencing hardship.

CUAC acknowledges the research undertaken by the Queensland Council of Social Service (QCOSS) on retail market performance reporting. CUAC was a member of the Steering Committee for this project. QCOSS' submission to the Issues Paper (QCOSS submission) included input from CUAC, Consumer Action Law Centre (CALC), the Public Interest Advocacy Centre (PIAC), the St Vincent de Paul Society and Wesley Uniting Care. Where appropriate, CUAC has referred to the QCOSS submission.

There are a few overall comments which CUAC would like to make before responding to the Issues Paper. These relate to additional information which CUAC believes should be

collected and publicly reported on. This information relates to the retail market in general rather than specifically to an individual retailer's performance.

Small businesses

CUAC notes that the Issues Paper has asked, in relation to various indicators, whether reporting should extend to small businesses. CUAC acknowledges that data collected and reported on small businesses would generally be a reflection of the wider economic conditions likely to be driven by extrinsic factors. However, data collected and reported on consumption, amount of debt and debt level, payment plans, disconnections for non-payment etc is also reflective of the state of the energy retail market during the reporting period.

Information on energy affordability for small businesses should be included in the energy affordability report. For some small businesses, energy costs constitute a major component of their operating costs. In the context of rising energy prices, if data collected indicates that more small businesses are offered flexible payment options or payment plans, and disconnection rates are increasing, policy responses might be required. Information collected and publicly reported on small businesses would be useful for policy makers, Government, consumers and industry.

Spatial reporting

One basis for reporting against customer numbers, transfers and type of contracts is to assess the level and effectiveness of competition in the retail market. In this regard, reporting some indicators by distribution network, especially those indicators in the Retail Market Overview (customer numbers, standard and market retail contracts, disconnections, and reconnections within 7 days) would be useful.

Each distributor has different network characteristics; the different cost drivers give rise to different network charges. Retail offers are impacted by network tariffs. The different network tariffs result in variations on the range of energy offers from retailers. Competition is affected if retailers choose not to actively market energy offers in a particular network because of the higher network charges. Collecting such information in the Retail Market Overview allows an assessment on whether the benefits of competition are being realised. This information is useful to policy makers and Government. Reporting by postal codes would allow a spatial analysis on a more disaggregated basis. CUAC supports QCOSS in its recommendation that the AER undertake research to examine whether reporting by postal codes will reveal socio-economic or spatial bias which adds value to the Retail Market Overview or energy affordability reporting.¹

CUAC supports Uniting Care Australia in its recommendation that the AER publish information on Market Concentration Ratio (largest 3). This ratio can be obtained from data collected on customer numbers. A Market Concentration Ratio provides an indication on whether the retail market has become more concentrated by becoming oligopolistic. The

¹ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 14.

ratio indicates whether competition is reaching customers and whether customers have sufficient choice. A lack of choice is relevant information for the Retail Market Overview.

Reporting energy consumption data

CUAC notes that energy consumption data will likely be included in the energy affordability report. Notwithstanding this, CUAC suggests quarterly reporting on energy consumption data in the Retail Market Overview as this will provide context for other indicators. Annual and seasonal variations in consumption will, for instance, be reflected in quarterly reporting on the number of customers experiencing payment difficulties. Identification of customers would allow reporting of consumption by mean (average), mode (highest frequency amount) and median (50 per cent of customers above and below), which would then provide an indication of consumption distribution across the customer base.

CUAC also recommends quarterly reporting of energy consumption data for customers participating in retailers' hardship programs. It allows a comparison of energy consumption between customers experiencing hardship and those from the overall residential customer base.

Reporting average energy bill (\$)

CUAC recommends including the average bill amount in the energy affordability report. That is, the average bill over the last year for all customers in the market. This provides context to other indicators.

Exemptions

CUAC submits that performance reporting must include data about small customers that are connected to the National Energy Market (NEM) but supplied under an exemption. Currently, there is a lack of information available on the types and numbers of customers that are supplied under an exemption and the number of exempt networks there are. Therefore, there is inadequate or no information about customer experience in exempt selling situations. CUAC, had in its submission on the AER Issues Paper Approach to Retail Exemptions, raised the need for the AER to have a monitoring, compliance and enforcement role with regard to exempt operators, including a reporting framework to facilitate the monitoring role of the AER. Without this framework, any customer protection provisions or conditions imposed on exempt operators become meaningless and in the worst case scenario, obsolete.

Smart meters

There are currently no smart meter provisions in NECF 2. It is likely that these would be included into the NECF through rule changes through the Australian Energy Market Commission (AEMC). The AER needs to consider at some stage whether changes to the reporting framework are required in the context of smart meters. For example, as smart meters are expected to reduce the number of estimated accounts, there should be a reporting requirement in relation to the number of bills which are derived from estimated and substituted data. In Victoria, the Essential Services Commission (ESC) has, in its Smart

Meters Regulatory Review Draft Decision (Draft Decision) recommended expanding its performance indicators to include the number and proportion of bills issued with substituted data. The ESC also stated that it would recommend to the AER that “the extent to which the distributors substitute data in the interval data provided to the retailers is also monitored.”² CUAC supported the ESC’s recommendations in its submission on the Draft Decision. CUAC believes that the AER’s process should be informed by the Draft Decision. (See CUAC’s response to Q29 for comments on estimated accounts).

CUAC’s submission does not address all the questions posed by the AER but those areas where CUAC has a particular concern.

Retail Market Overview

Number of retailers and active retailers

- Q 1. Is the definition of ‘active retailer’ proposed in this section appropriate for the purposes of the retail market overview?
- Q 2. How frequently should the AER report on the number of (i) authorised retailers? (ii) active retailers?
- Q 3. Is it appropriate for retailers to report whether they are actively selling energy in a particular jurisdiction or to a particular customer category on an ‘exception’ basis, by reference to an initial statement of activity?

Please provide reasons for your answers.

CUAC supports the AER’s definition of “active retailer” - an authorised retailer that is currently supplying energy services to customers, as well as any retailer who is actively marketing but does not yet have any customers. This is in line with section 408(1) of the proposed National Energy Retail Law (NERL).³

The number of authorised retailers and active retailers should be reported by the AER on a quarterly basis.

However, CUAC believes that an “active” retailer should report on the actual number of customers they have, as well as marketing activity to recruit new customers. The type of marketing activity should be reported separately (for example: door-to-door, telemarketing etc). In CUAC’s experience, marketing, especially door-to-door marketing remains a significant area of concern. Vulnerable customers (including the aged, non-English speaking consumers, those with disabilities etc) are particularly susceptible to marketing. Misleading

² Essential Services Commission (ESC), Regulatory Review – Smart Meters, Draft Decision (July 2010), at 23.

³ Section 408(1), National Energy Retail Law (NERL): A retailer must be a member of, or subject to, an energy ombudsman scheme for each jurisdiction where it sells energy to small customers or engages in marketing to small customers

and unconscionable marketing behaviour and pressure tactics have resulted in inappropriate customer transfers. CUAC strongly recommends that retailers be obliged to notify the AER when they commence marketing to small customers within a jurisdiction. Information on new marketing activities should be available as soon as possible. Quarterly public reporting of marketing activity that has occurred in a jurisdiction within the reporting period is also essential.

Reporting on an “exception” basis requires retailers to report to the AER of any change in the scope of their activity by reference to jurisdiction and customer category. This approach is acceptable provided that the scope of activity reported distinguish between the types of marketing undertaken by the retailer within that jurisdiction. This allows the AER to report on retailers who are actively marketing in each jurisdiction and the customer class.

Number of customers

Q 4. How should the number of customers of each retailer be measured for the purposes of the retail market overview? (e.g. by reference to registered metering points or the number of customer contracts)

Q 5. What level of detail on the number of customers a retailer has in each customer category should be included in the retail market overview?

Q 6. How frequently should this information be reported? (e.g. quarterly, six monthly, annually)

Please provide reasons for your answers.

In CUAC’s view, the number of customers of each retailer should be measured by reference to the number of customer contracts (standing offers, market contracts) held on the last day of the reporting period.

CUAC recommends reporting customer numbers by reference to fuel type (gas or electricity) rather than fuel contract. That is:

- Electricity only + dual fuel
- Gas only + dual fuel

There should be separate reporting of customer numbers for residential customers and small businesses. Actual numbers allow more accurate data analysis and comparisons with other indicators. However, in view of commercial sensitivities about customer numbers, a threshold (such as < 500 customers, proposed in the Issues Paper) is acceptable for retailers with small market share. An aggregate of small retailers is appropriate for publishing percentage of market share.

The number of customers should be published quarterly, and annually in the consolidated report. This is important as the other indicators will be measured against the number of customers. For example, the percentage of customers disconnected or reconnected within 7 days out of the retailer's customer base.

Number of customers with standard and market retail contracts

- Q 7. What customer categories are relevant for the purposes of comparing the number of customers on standard and market retail contracts?
- Q 8. How frequently should this information be reported to the AER? (e.g. quarterly, six-monthly, annually)
- Q 9. How might the number of customers on standard and market retail contracts reflect on retailer performance? On the retail market?

Please provide reasons for your response.

CUAC supports the AER's proposal to require retailers to report to the AER on the number of their residential, small market offer and small business customers in each jurisdiction who are on standard retail contracts and market retail contracts.

CUAC agrees that it is useful to track the take up of market contracts by customers on hardship programs, payment plans and those who receive energy concessions as this provides an indication as to the extent these customers are able to access choice.

CUAC agrees that data on customer categories should be collected on a quarterly basis to complement quarterly reporting on retailer customer numbers. A customer may receive various concessions at different times during the year. It might, therefore, be more appropriate to report on the number of residential customers on energy contracts receiving concessions administered through the same retailer, at the end of the year.

The number of customers on standard and market retail contracts provides contextual information about the state of our energy retail market. It reveals which retailers are able to move customers from standard to market retail contracts. It may not directly reflect on whether a retailer is or is not performing well.

Customer transfers between retailers

- Q 10. Is it appropriate to use transfer data from AEMO to inform this section of the retail market overview?
- Q 11. Is there value in identifying the number of customer transfers within particular customer categories? If so, which categories (residential, small business or large business) are relevant?
- Q 12. How can data on the number of customers transferring between retailers inform a discussion of retail market performance?
- Q 13. If transfer data is collected from AEMO and from retailers, what considerations are relevant to an interpretation of overall trends in customer transfer data?

Please provide reasons for your answers.

CUAC agrees that the number of customer transfers will provide some insight into the level of consumer participation in the market and the effectiveness of competition. However, it is important to note that this is not a conclusive measurement. Customers who churn might not be moving to energy offers which are more appropriate to their circumstances. CUAC refers the AER to its submission on the AER Issues Paper Retail Pricing Information Guidelines:

Anecdotal evidence suggests that, while consumers have taken the opportunity to seek cheaper offers in the competitive market, they are overwhelmed by the extent of choice and complexity. From a small consumer's perspective, energy is a homogenous product. The energy they receive from one retailer is indistinguishable from the next. Through CUAC's interaction with consumers and their representatives, it has become clear that consumers are frustrated that in order to find a better deal for this homogenous product they need to compare an amazing array of complex offers that are accompanied with incomprehensible fine print detailing terms and conditions. Not only is this an information asymmetry that limits consumers' ability to make the right choice, it also imposes significant search costs (a transaction cost) that reduces the attractiveness of switching.⁴

CUAC notes the limitations mentioned in the Issues Paper regarding using transfer data from the Australian Energy Market Operator (AEMO). However, given the lack of alternatives, transfer data from AEMO can be used to inform this section of the Retail Market Overview.

The discussion around competition is centred on whether competition is reaching small customers. Therefore, the focus should be on identifying the number of small customer (residential and small business) transfers. Each small customer category should be separately reported because the marketing strategies for each, is different.

⁴ CUAC, Submission to the AER Issues Paper Retail Pricing Information Guidelines (March 2010), dated 30 April 2010, at 2.

Data on the number of customers transferring between retailers provides background information about the state of the retail market. The transfer rate may indicate which retailers are actively marketing and to which customer class.

Customers who move premises may retain their existing retailer. AEMO data would capture this as a “transfer.” Collecting data from AEMO and retailers, and comparing the data, would therefore indicate the extent of transfers arising from a change in premises rather than a change in retailer.

Energy Affordability

What factors are relevant to assessing energy affordability?

Q 14. How can the relationships between energy prices, energy consumption and available income be interpreted in the context of energy affordability?

Q 15. What factors should inform that interpretation, and how?

Please provide reasons for your response.

CUAC supports the recommendations made by QCOSS on the energy affordability report:⁵

- A focus on lower income households.
- Reporting by jurisdiction since energy prices, fuel availability, and consumption profiles vary greatly between jurisdictions.
- An absolute perspective, based on the proportion of household income spent on energy by low income households.
- A relative perspective, making an assessment of whether energy affordability is getting worse, better, or staying constant based on changes in the proportion of household income spent on energy, changes in energy prices (including changes in average energy bills based on actual data), changes in prices of other essential goods and services (housing, food, water and transport), and changes in income and debt for low income households.
- A consumption perspective through consumption profiles for typical households.

CUAC also notes that energy affordability is impacted by the extent to which customers are able to access energy efficiency programs, energy efficient appliances, energy advice etc. CUAC acknowledges the complexities involved in measuring this factor. Access to energy efficiency initiatives could, for example, be included in the development of consumption profiles for typical households.

⁵ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 18-23.

Possible sources of information

Cost of energy

- Q 16. Which approach provides the most valuable indication of cost for the purposes of assessing energy affordability? Are there other approaches to the estimation of energy costs that the AER should consider?
- Q 17. If the estimation of energy costs is to be based on assumed consumption profiles for 'typical' customers, what customer groups can be reliably identified for this purpose?
- Q 18. If the estimation of energy costs is to be based on available contracts in the market:
- (a) Should the assessment of energy affordability for small customers be limited to standing offer tariffs, or should market offers be included?
 - (b) If standing and market offer tariffs are included, is there value in separating the two for the purpose of reporting on affordability?
 - (c) Should all market offer tariffs be included in our assessment, or would a sample be sufficient?

Please provide reasons for your answers.

CUAC supports QCOSS in its recommendations on Q16-Q18.⁶

Capacity to pay

- Q 19. What other data sources are available to the AER to assess customers' capacity to pay for energy?
- Q 20. Is it appropriate for the AER's energy affordability reports to include information on affordability for business customers? If so, what sources of annual revenue data for business customers could the AER draw on?

Please provide reasons for your response.

CUAC supports QCOSS in its recommendations on Q19-Q20.⁷

⁶ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 23-24.

⁷ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 24.

Case studies

Q 21. Would case studies on customers' experience of energy affordability be valuable to stakeholders?

Q 22. What should such case studies focus on?

Please provide reasons for your answers.

CUAC supports QCOSS in its recommendations on Q21-Q22.⁸

Reporting requirements

Q 23. Is publication of quarterly retail market overviews appropriate, or is less frequent publication (e.g. six monthly, annual) of some or all indicators preferable?

Q 24. Is the publication of a single, annual energy affordability report appropriate, or is more frequent publication (e.g. quarterly, six monthly) of some or all aspects of the report preferable?

Q 25. What are the costs and benefits of breaking data for the various indicators in the retail market overview into shorter intervals within a reporting period (e.g. monthly)?

Q 26. What concerns, if any, do you have regarding the ability to report data against the proposed indicators, and any costs associated with the reporting requirements?

Please provide reasons for your answer.

CUAC supports quarterly publication of Retail Market Overviews and annual publication of the energy affordability report. Quarterly submission of data to the AER will allow seasonal trends to be taken into account and assist more timely identification of potential systemic issues.

CUAC expects the energy affordability report to be a comprehensive document. A single, annual energy affordability report is appropriate given the amount of information it is to contain.

Most of the indicators proposed in the Retail Market Overview can be collected on a quarterly basis.

During the AER forum on 4 August 2010, retailers questioned the need to have the range of performance indicators proposed in the Issues Paper, suggesting that regulatory costs arising from reporting obligations would be passed on to consumers. For performance reporting to

⁸ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 24.

be meaningful, there must be a sufficient number of indicators from which the state of the retail market and overall customer experience can be gauged. Most of the indicators suggested in the Issues Paper are not new to industry. Retailers currently report on most of the proposed indicators in some jurisdictions, and systems should already be in place to accommodate reporting. While the initial regulatory costs may be higher because of the establishment costs, relative costs should fall over time. If there is to be a reduction in the number of performance indicators solely because of the regulatory cost argument, alternative methods of monitoring performance and obtaining customer feedback must be established. This may include regular customer surveys (representative of the entire customer base) or auditing of, and reporting on, customer service centres.

Retail Market Activities Review

CUAC supports QCOSS in its recommendation to introduce into the Retail Market Activities Review the following:

- Annual reporting of audits of retailer activity (number and type of audits, summary of audit outcomes);
- Annual qualitative (including quantitative data) reporting of retailers' engagement with third parties and the community (for example, financial counsellors) and assistance with energy consumption and use (including the provision of energy audits).⁹

It allows competition by comparison and can provide information to consumers about key areas of retailer performance.

Handling of customers experiencing payment difficulties Customers in energy debt and energy debt levels

Q 27. Do you support the inclusion of these indicators to monitor the number of customers in debt and their levels of debt? Which customer categories should be included?

Q 28. Is the proposed definition of 'debt' appropriate for the purposes of the retail market activities review?

Q 29. What other indicators should the AER consider to monitor customers experiencing payment difficulties?

Please provide reasons for your answers.

⁹ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 25-26.

Customers in debt and debt levels:

This section is entitled “handling of customers experiencing payment difficulties.” Data on the number of customers with an energy debt and their debt level is an indication of the number of customers who are experiencing payment difficulties. CUAC recognises that these indicators could reflect wider socio-economic conditions (for example: employment market, individual customer circumstances etc). However, these indicators partly indicate whether retailers have been pro-active in identifying customers with payment difficulties. Increases in the number of customers in debt and a rising debt level could suggest that a retailer is not providing enough assistance to customers with payment difficulties, such as early identification of customers who need a payment plan.

CUAC agrees that data should be collected on the total number of customers repaying an energy debt and their debt level. CUAC recommends an additional tier of energy debt to identify customers who have accumulated a large amount of debt over time or who have significant bills – number of customers in energy debt who owe >\$3,000.

Given that the AER has separately consulted on monitoring debt levels of customers experiencing hardship under the National Hardship Indicators, CUAC agrees that the proposed indicator should be collected for customers who are not in a retailer’s hardship program.

CUAC agrees that data should be collected on a quarterly basis, with the number of customers in debt recorded on the last day of each quarter. Quarterly reporting allows seasonal trends to be identified and more timely identification of systemic issues.

CUAC acknowledges that the debt levels for business customers are likely to relate to business conditions and commercial considerations. Notwithstanding this, the number of business customers with an energy debt and their debt level could indicate whether retailers have taken initiatives and extended assistance to them. This is relevant information in a Retail Market Activities Review. CUAC recommends collecting data on the number of small businesses with an energy debt and their debt level.

Definition of debt:

CUAC agrees that “debt” can be defined as per the proposed definition in the Issues Paper. That is, the dollar amount which has been outstanding to the energy retailer for a period of 90 days or more. A consistent definition of “debt” with that used in the National Hardship Indicators would allow a meaningful comparison of debt levels between customers experiencing hardship (who are in a hardship program) and residential customers with payment difficulties.

Other indicators:

On page 25 of the Issues Paper, the AER suggested that reminder and disconnection notices “may not always reflect that the customer is experiencing payment difficulties” and that “it is not clear how data from these indicators may reflect on retailer performance.” CUAC

strongly supports including indicators on “billing and notice path.” CUAC agrees with QCOSS in its recommendation to include data on the following:

- Number of bills issued and number of bills paid by the due date;
- Number of payment extensions given;
- Number of late payment fees charged and number paid;
- Number of reminder notices sent out;
- Number of disconnection warning notices sent out;
- Number of customers on a shortened collection cycle.¹⁰

Changes in the this data over time will help identify the extent to which customers are experiencing payment difficulties and the initiatives retailers have taken to manage this. An increase in the number of reminder and disconnection notices could indicate that energy affordability is worsening and that the risk of disconnection is rising. CUAC agrees that the number of bill or payment extensions granted by retailers could provide useful information on the number of customers experiencing short-term financial difficulty.

Generally, bills are issued on a quarterly basis. Under NECF 2, retailers are obliged to issue bills to small customers on a standard retail contract at least once every 3 months.¹¹ Given the time frames around bill issue, reminder and disconnection notices, it would be more appropriate to collect and report data on a 6 monthly basis rather than on a quarterly basis. If there is a move to monthly billing which might arise in a smart meter environment, more frequent reporting (quarterly) will be warranted.

Reporting on the number of bills which are based on estimates is essential as under-estimations can result in a customer receiving a large “catch-up” bill once an actual meter reading is taken. An unexpected larger account can cause payment difficulties for some small customers. Reporting on estimated bills occurs in Victoria, for residential customers and small businesses. CUAC submits that an indicator on estimated accounts be included.

¹⁰ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 27.

¹¹ Rule 212, National Energy Retail Rules (NERR).

Direct debit plans terminated as a result of default/non-payment

- Q 30. Do you support the inclusion of these indicators?
- Q 31. What are your views on whether customers on retailers' hardship programs need to be reported separately as part of these indicators (given it is unlikely their payment plans will be terminated whilst on the hardship program)?
- Q 32. For which categories of customers (in addition to residential customers) should retailers report on direct debit plan terminations? In particular, we welcome views on whether it is appropriate to report on these indicators for small business customers.

Please provide reasons for your answers.

CUAC recommends expanding this indicator to flexible payment options. That is, to report on the total number of customers using flexible payment options (aggregate, except for CentrePay which is addressed separately below) to pay ongoing accounts at the end of the reporting period; and the number of such arrangements terminated because of non-payment during the reporting period.

Flexible payment options can help customers manage their payments and prevent them from accumulating debt. Terminations of such arrangements should be reported; a high rate of terminations might indicate that affordability is a concern.

Reporting (aggregate numbers) and publishing should be on a quarterly basis. However, it would be useful to provide a breakdown of the number of customers using each mode of flexible payment option in the annual report. "Flexible" should also be defined by the retailers in their commentary.

Customers experiencing hardship would be on some form of payment plan as part of the hardship assistance package. CUAC notes that retailers' performance in relation to customers experiencing hardship, are addressed by the National Hardship Indicators. It is therefore appropriate that the proposed indicator on flexible payment options apply to customers in general (that is, those outside a hardship program).

CUAC believes it is appropriate to extend this proposed indicator on flexible payment options to small businesses. Data will indicate which retailers are extending assistance to small businesses.

Information on payment methods, including Centrepay

Q 33. Do you support the AER's preliminary position not to collect information on payment methods, including Centrepay? Please provide reasons for your answer.

CUAC strongly disagrees with the AER that the number of customers using CentrePay as a payment method will not provide meaningful information about customers experiencing payment difficulties. Notwithstanding that retailers are not obliged to offer CentrePay to all customers, CentrePay is a critical tool to assist low income households, meet their payment obligations by having regular payments deducted from Centrelink. CentrePay empowers low income customers to better manage their bills on an ongoing basis and may help them avoid the need to access assistance through hardship programs. CUAC recommends collecting information on the number of customers using CentrePay for their energy bills. Its use should be encouraged. Including an indicator on CentrePay will indicate which retailers are offering this payment method to customers.

Payment plans

Q 34. Do you support the inclusion of these indicators?

Q 35. What are your views on the definition of a payment plan?

Q 36. What are your views on reporting payment plan information for different categories of customers — in particular, residential, hardship and small business customers?

Please provide reasons for your answers.

Payment plan indicators:

Under NECF 2, payment plans are to be offered to customers experiencing hardship as well as those with payment difficulties.¹² CUAC supports the AER's proposed indicators:

- Number of customers using payment plans;
- Number of customers on a payment plan in the previous 24 months who were disconnected for non-payment;
- Number of customers on a payment plan in the previous 24 months who are disconnected for non-payment of bills and subsequently reconnected within 7 days in the same name and address

¹² Section 231, National Energy Retail Law (NERL); Rule 221, National Energy Retail Rules (NERR).

The AER's proposed disconnection and reconnection indicators will provide more context for the indicators around disconnections.

However, CUAC believes that there should be more indicators on payment plans, given the fact that payment plans are the main form of assistance extended to customers with payment difficulties. CUAC supports QCOSS in its recommendation to include the following:

1. Number of new payment plans created during the period -
 - a. For new plans created, average weekly repayment rate in \$ (arrear component only, not ongoing consumption);
 - b. For new plans created, average number of weeks to complete the plan at the repayment rate (pay off the arrears);
2. Number of payment plans successfully completed during the period;
3. Number of payment plans cancelled by retailer and a new plan established;
4. Number of payment plans terminated by retailer due to non-payment by customer;
5. Number of customers who have had two or more payment plans cancelled due to non payment in the last 12 months.¹³

Under NECF 2, payment plans must be established having regard to – (i) the customer's capacity to pay; (ii) any arrears owing by the customer; and (iii) the customer's expected energy consumption needs over the following 12 month period.¹⁴ Retailers should not be offering “one-size-fits all” payment plans to customers. The proposed indicator 1 will allow an assessment of whether a customer's personal circumstances are being taken into account in the payment plan offered to him/her. This is currently reported by Ofgem in the United Kingdom.

NECF 2 stipulates that retailers are not obliged to offer customers a payment plan if the customer has had two payment plans cancelled due to non-payment in the previous 12 months.¹⁵ The proposed indicators 4 and 5 are therefore relevant. It is a measure of the extent of vulnerability. A high number of customers falling within the proposed indicators could suggest that the retailer has not taken the customer's personal circumstances into consideration in the payment plan offered.

The proposed indicator 2 (number of payment plans successfully completed during the reporting period) indicates whether the payment plan offered by the retailer is appropriate to the individual needs of the customer. It is a measure of success both for the customer and retailer.

¹³ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 31.

¹⁴ Rule 302, National Energy Retail Rules (NERR).

¹⁵ Rule 221(2), National Energy Retail Rules (NERR).

Definition of payment plan:

NECF 2 defines payment plan as a plan for – “(a) a hardship customer; or (ii) a residential customer who is not a hardship customer but who is experiencing payment difficulties; to pay a retailer by periodic instalments in accordance with the Rules, any amounts payable by the customer.”¹⁶ On page 29 of the Issues Paper, the AER has, for the purposes of reporting, further defined payment plans as “an arrangement which must include at least three instalments and should not include customers who are using a payment plan for convenience or flexible budgeting purposes.”

For reporting purposes, CUAC agrees that a payment plan should refer to arrangements where there are arrears (arrears + ongoing consumption). Where there are no arrears, the arrangement for ongoing consumption is a flexible payment option. The types of payment plans offered by retailers vary; each retailer might have multiple types of payment plans. Customers may move from one payment plan to another when their circumstances change. Each retailer’s understanding of the term “payment plan” may differ. The AER needs to take these factors into consideration in the definition of payment plan for reporting purposes.

Reporting payment plan information for small customers:

CUAC agrees that reporting on payment plans should exclude customers who are participating in a retailer’s hardship program as they would be monitored by the National Hardship Indicators.

In Victoria, the number of small business customers on payment plans, are reported in the ESC’s Energy Retailers Comparative Performance Report – Customer Service. Although retailers are not obliged under NECF 2 to provide payment plans to small businesses, reporting on the number of payment plans for small businesses shows which retailers have extended assistance to small businesses.

De-energisation (disconnection)

Q 37. Do you support the inclusion of these disconnection indicators in the areas set out above?

Q 38. What are your views on monitoring repeat disconnections over a 24 month period?

Please provide reasons for your answers.

¹⁶ Section 102, National Energy Retail Law (NERL).

Disconnection indicators:

CUAC strongly supports the AER's proposed set of indicators around disconnection; they are as acknowledged in the Issues paper, a critical indicator for monitoring retailer performance:

- Total number of residential and small business customers disconnected for non-payment in the reporting period;
- Number of residential customers on a retailer's hardship program who were disconnected for non-payment in the reporting period;
- Number of residential customers that were disconnected for non-payment in the reporting period and were in receipt of an energy concession administered by retailers;
- Number of customers who have been disconnected when they have been on a payment plan in the previous 24 months.

The AER's proposed indicators above look at disconnection rates of vulnerable customers and add context to the total disconnection numbers. CUAC is of the view that disconnection rates for small businesses should be reported as they partly reflect what is happening in the energy retail market.

Given the adverse impact of disconnection, CUAC supports QCOSS in its recommendation of an annual customer survey to examine customer experience in the disconnection process.¹⁷ A survey would provide some insight as to whether retailers have complied with the NECF 2 requirements around disconnection.

CUAC also supports QCOSS in its recommendation to report on the following – Disconnections by network; contact with a customer before disconnection and disconnections that should not have been arranged.¹⁸

Reporting disconnections for non-payment by network by retailer (where the retailer requests disconnection) allows the identification of any spatial or market bias in the data which requires further investigation.

NECF 2 requires retailers to use their "best endeavours to contact the customer" before actual disconnection.¹⁹ Retailers and customers often hold contrary opinions as to whether contact was made prior to disconnection. It would therefore be useful to track the number of reciprocal contacts that have been made and the mode of such reciprocal contact.

¹⁷ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 33-34.

¹⁸ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 34-35.

¹⁹ Rule 605(1)(d), National Energy Retail Rules (NERR).

“Reciprocal contact” would be where the customer responds to the retailer (for example: by phone, email etc).

NECF 2 prohibits retailers from arranging disconnection in certain cases.²⁰ Notwithstanding that these instances are likely to be captured by compliance reporting, the performance of retailers in relation to the proposed indicator is warranted given the severe impact of disconnections to households. It is essential that the jurisdictional regulatory obligations (such as the wrongful disconnection payment scheme in Victoria) be included in the performance reports. Its inclusion would provide a more accurate picture of how retailers are performing (see CUAC’s response to Q54).

Monitoring repeat disconnections:

CUAC strongly supports collecting information on the number of customers disconnected more than once in the previous 24 months for non-payment in the same name and address. CUAC recognises that the proposed indicator does not capture customers who subsequently switch retailers. However, an increase in these numbers could indicate that retailers are not indentifying customers with ongoing payment difficulties.

Re-energisation (reconnection)

Q 39. Do you support the inclusion of these reconnection indicators in the areas set out above?

Q 40. How should data and trends from these indicators inform an assessment of retailer performance in this area?

Please provide reasons for your answers.

Reconnection indicators:

CUAC agrees with the AER’s proposed set of reconnection indicators. That is, to collect data on the number of reconnections within 7 days of disconnection for:

- Residential and small business customers;
- Customers on a retailer’s hardship program (additional to the reporting on reconnection of customers who have been on a retailer’s hardship program in the previous 24 months under the National Hardship Indicators);
- Number of residential customers in receipt of an energy concession;
- Number of customers that have been on a payment plan in the previous 24 months.

²⁰ Rule 610, National Energy Retail Rules (NERR).

The AER's proposed 7 calendar days for reconnection is an appropriate time frame to measure vulnerability. CUAC supports collecting reconnection data for small business customers; this can be compared with the disconnection data for small business customers.

CUAC supports QCOSS in its recommendation to include four additional reconnection indicators:

- Reconnections in same name and address, total (to compare to reconnections after 7 days);
- Reconnections in same name and address, total, by distribution network and by retailer;
- Reconnections in same name and address within 7 days, by distribution network and by retailer;
- Average reconnection fee paid for reconnections within 7 days.²¹

A higher number of customers reconnected in the same name and address after 7 days (delay in reconnection) may need further investigation. Reconnections by distribution network allow an examination of any spatial variation in the data. Distributors would report on these two indicators.

Customers with payment difficulties may not be able to afford the reconnection fee. The amount of the reconnection fee is relevant for reconnections; distributors may report on this indicator.

Assessment of retailer performance from data and trends:

Reconnections in the same name at the same address shortly after disconnection partly measures customers who may be struggling with their payments (unable to pay), rather than customers who refuse to pay (unwilling to pay). Retailers are expected to engage with customers with payment difficulties and help them avoid disconnection by providing opportunities to manage their bills. For example: payment plans, flexible payment options, hardship assistance etc. The reconnection indicators, therefore, partly measure a retailer's performance in identifying and engaging with customers with payment difficulties and assisting them to remain on supply.

Concessions

Q 41. Do you support the inclusion of these concessions indicators?

Q 42. Given that the types and the eligibility for energy concession differ across jurisdictions, what issues might arise when seeking to identify trends in retailer performance at a national level?

Please provide reasons for your answers.

Concessions indicators:

CUAC strongly support the AER's proposed set of concession indicators:

- Total number of customers in receipt of an energy concession;
- Number of customers who were disconnected and are in receipt of an energy concession;
- Number of customers in receipt of an energy concession and were disconnected for non-payment of bills in the previous 24 months, and subsequently reconnected within 7 days in the same name and address.

Information on the characteristics of customers disconnected and reconnected provides more insight into customers who may be experiencing financial hardship. It indicates whether vulnerable customers are disproportionately being disconnected from supply.

CUAC notes that the Issues Paper mentions concessions either in the context of customers who are in receipt of an energy concession through their retailer or those who are concession cardholders. CUAC also notes that one of the proposed National Hardship Indicators refers to recipients of an energy concession who are on a hardship program - "number of hardship program participants who receive any appropriate Government energy concession." Any indicator used in the reporting framework must be an accurate and consistent measure of potential vulnerability. A consistent measure would allow meaningful comparisons between indicators.

Concession cardholders are a wider measure of customers who are from low income households rather than customers who are in receipt of an energy concession. However, retailers may not always be aware that a customer is a concession cardholder. Retailers will only be aware of the number of customers who are in receipt of an energy concession delivered by them. Retailers will not know whether their customer is a concession cardholder if the relevant jurisdiction does not offer an energy concession for that customer's concession cardholder class. In light of this, an indicator on the number of customers receiving an energy concession might be a more appropriate method of identifying potentially vulnerable customers.

CUAC supports the collection and reporting of data on residential customers in receipt of an energy concession, on a quarterly basis. As previously submitted, CUAC also supports: reporting on concessions by standard and market retail contracts; reporting concessions data in relation to disconnections and reconnections, and for hardship program participants.

Assessment of retailer performance from data and trends:

CUAC acknowledges that as energy concessions vary between jurisdictions, interpretation of data and trends would be difficult. Additional context to the set of concessions indicator will help in data analysis. CUAC notes that QCOSS has suggested listing the concessions

eligibility criteria and payment details for each jurisdiction in the energy affordability report.²² This would allow a retailer's performance to be measured against the availability and amount of Government energy concessions within that jurisdiction. CUAC supports this approach.

Prepayment meters

Q 43. What are your views on our proposed approach to monitoring PPM self disconnection rates due to payment difficulties?

Q 44. What are your views on the other issues raised above in relation to reporting against these PPM indicators?

Please provide reasons for your answers.

CUAC has not responded to this section as CUAC does not support the use of prepayment meters.

Security deposits

Q 45. Do you support the inclusion of these security deposits indicators?

Q 46. What are your views on the timing and reporting issues raised in relation to the indicators?

Please provide reasons for your answers.

CUAC supports the AER's proposed set of indicators on security deposits:

- Number and aggregate value of security deposits held by retailers for residential and business customers;
- Number and value of security deposits held for longer than 12 months for residential customers and 24 months for business customers.

Most jurisdictional regulators collect security deposit data on a monthly or quarterly basis. CUAC recommends more frequent reporting (that is, quarterly) of the security deposit indicators so that seasonal variations and trends can be identified.

²² QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 37.

Customer service

- Q 47. Do you support the inclusion of these customer service indicators?
- Q 48. What other areas (if any) of retailer customer service might the AER seek to assess?
- Q 49. What are your views on the reporting issues raised in relation to the above possible indicators?
- Please provide reasons for your answers.

Customer service indicators:

CUAC supports the AER's proposed set of indicators on customer service:

- Total number of calls to an operator;
- Number and percentage of calls forwarded to an operator that are answered within 30 seconds;
- Average time before an operator answers the call (total time spent waiting divided by the total number of calls to an operator);
- Number and percentage of calls abandoned before being answered by an operator.

CUAC supports QCOSS in its recommendation to include two additional customer service indicators:

- Use of interpreter service for customers from a non-English speaking background;
- Use of a TTY (text telephone) or use of the National Relay Service for customers who have difficulty communicating by telephone.²³

Other customer service areas for assessment:

Apart from the two additional customer service indicators proposed above, CUAC recommends regular customer surveys to gauge customer experience with call centres, such as a survey of the usability of retailers' IVR systems by an independent consultant. A survey is useful given that the indicators cannot capture the quality of a customer's experience or the call centre operator's response once the call gets through to them. It will also allow a customer's experience in navigating the IVR system to be examined. In Victoria, for

²³ QCOSS submission to AER Issues Paper Retail Market Performance Reporting (13 August 2010), at 39.

example, 10 energy retailers participated in 4 quarterly independent surveys during 2008-2009 to measure their call centre performance.²⁴

Reporting issues:

CUAC agrees with the AER's preliminary view to require retailers to collect data against the indicators for each jurisdiction – where retailers operate more than one call centre in a jurisdiction, performance data for that jurisdiction would be combined. Where a call centre covers multiple jurisdictions, the retailer's system would need to allocate calls to the appropriate jurisdiction.

CUAC supports monthly collection of data on these indicators as this will allow trends and changes to be identified more easily. CUAC recommends that the AER report on the data quarterly.

CUAC believes that indicators for distributors should be included in the Retail Market Activities Overview if equivalent customer service indicators for distributors are not captured elsewhere.

Complaints

- Q 50. What are your views on the categories of complaints to be included for reporting in this area?
- Q 51. What are your views on collecting complaints data separately for residential and business customers?
- Q 52. What issues arise in relation to defining the complaint types, particularly given the need for consistent reporting?
- Q 53. How might the AER effectively compare the data on complaints reported by retailers with that reported by energy ombudsman schemes?

Please provide reasons for your answers.

Complaints categories:

CUAC supports the AER's proposed set of indicators on complaints categories:

- Total number of complaints;
- Marketing complaints;
- Billing complaints;

²⁴ Essential Services Commission (ESC), Energy Retailers Comparative Performance Report – Customer Service 2008-2009 (December 2009), at 43-44.

- Transfer complaints;
- Other complaints.

NECF 2 requires retailers and distributors to deal with and handle complaints in accordance with their standard complaints and dispute resolution procedures which are to be consistent with the Australian Standard AS ISO 10002-2006.²⁵ Therefore, CUAC recommends the inclusion of an additional indicator on the number of complaints which are resolved within specified time frames.

Table 6 (Complaints reporting arrangements) on page 43 of the Issues Paper, reports that data on affordability and disconnections is collected in Victoria. In Victoria, there are four categories of complaints data reported by retailers – billing, transfers, marketing and other. Disconnection and affordability complaints are not reported as a separate category by retailers in Victoria. Disconnections (as a subset of affordability complaints) and affordability complaints for full investigation are reported by the Energy and Water Ombudsman (Victoria) (EWOV).²⁶ It is therefore unclear what the AER means on page 44 of the Issues Paper - comments on the “value of collecting data regarding complaints about affordability (currently collected in Victoria only).” It is unclear whether the question relates to reporting of complaints by retailers or by EWOV.

CUAC recommends that the AER work with jurisdictional ombudsman to review the categories of complaints to consider whether there should be additional complaints categories included in the indicators.

Collecting complaints data separately for residential and business customers:

CUAC agrees that retailers should record complaints separately for residential and business customers for each jurisdiction on a monthly basis. CUAC also agrees that the data should be reported quarterly to the AER as this permits the identification of seasonal trends and systemic issues.

Definition of complaints types:

CUAC supports the definition of complaints in the issues Paper – an expression of dissatisfaction made to an organisation, related to its product/services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected.

²⁵ Sections 403 and 404, National Energy Retail Law (NERL).

²⁶ Essential Services Commission (ESC), Energy Retailers Comparative Performance Report – Customer Service 2008-2009 (December 2009), Table D2 (Retailers’ Complaints Data by Complaint Category) and Table D8 (Complaints received for full investigation by EWOV).

There might be multiple issues in relation to one complaint. For example, a customer may be complaining about a high bill and a wrongful transfer. In such a scenario, CUAC recommends that the complaint be logged in two categories – transfer and billing.

Comparison of complaints data – retailers and energy ombudsman:

The AER should work closely with jurisdictional energy ombudsman around complaints data and what such data may be revealing about the energy retail market.

CUAC agrees that it is useful to compare complaints data reported by retailers with that reported by energy ombudsman. Most complaints should be addressed by the retailers. Therefore, the number of complaints reported by energy ombudsman should be less than the numbers reported by retailers. Any discrepancies should be investigated.

Reporting requirements

Q 54. What are your views on the reporting requirements considered above?

Q 55. What concerns, if any, do you have regarding the ability to report against the proposed indicators, and any costs associated with the reporting requirements?

Please provide reasons for your answers.

It would be helpful for the AER to develop guidelines on each indicator including definitions of terms used within the indicators to enable the collection of information they have been designed to capture.

The overall reporting requirements should report against the following:

- Small customers as defined under NECF2, but also include small market offers when reporting against numbers of small business customers;
- Both electricity and gas;
- Each customer class, unless the indicator is specific to a class (such as concessions for residential customers only), or the indicator can be combined for all customer classes (such as customer service indicators);
- Each jurisdiction as a total for all retailers;
- Each retailer within each jurisdiction.

As mentioned above, customer numbers and disconnections/reconnections within 7 days should also be reported by distribution network to identify any spatial variations.

CUAC supports retailers collecting data either monthly or quarterly (although there are a few annual indicators). Retailers should report data to the AER quarterly. The AER should report on a quarterly basis with a consolidated report issued annually.

As mentioned above (see CUAC's response to Q37), jurisdictional regulators are likely to have continued responsibilities in the energy market. Therefore, it is essential that the jurisdictional regulatory obligations be included in the performance reports. Its inclusion would provide a more accurate picture of how retailers are performing. CUAC submits that all data relevant to a retailers' performance under NECF 2 and jurisdictional obligations, should be contained in one report. This makes it accessible to the public and allows the reader to assess a retailer's performance accurately from reading just one report.

Retailers' ability to report and costs:

CUAC notes that retailers currently report on a large number of indicators. This suggests that they will be able to report on the indicators proposed in the Issues Paper as well as those which CUAC has suggested to be included. The regulatory costs associated with the reporting requirements may be higher initially with the set up costs, but should fall progressively over time (see our response to Q26).

Additional information on distributor performance

Performance of distributors by reference to distribution service standards and GSL schemes

Performance of distributors in relation to the small compensation claims regime

Q 56. Are there other generic indicators that can be used to measure distributors' performance in relation to small compensation claims regimes? How might they be interpreted?

Q 57. Is quarterly reporting of the proposed indicators appropriate, or would less frequent reporting (e.g. six monthly, annual) be preferable.

Please provide reasons for your answer.

CUAC agrees with the AER's proposed set of indicators to measure distributors' performance in relation to the small compensation claims regimes:

- Number of compensation claims made within a reporting period in relation to particular incidents or categories of incident;
- Amount of compensation paid by distributors within a reporting period in relation to particular incidents or categories of incident.

The proposed indicators would measure the extent to which customers are aware of and able to access the small compensation claims regime and the extent to which customers accessing the regime receive an appropriate amount of compensation for claims.

CUAC agrees that qualitative data on how well the small compensation claims regime is operating is useful. This could be determined by steps taken by distributors to raise their customers' awareness of the regime and complaints numbers regarding the administration of the regime.

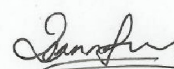
Information from jurisdictional energy ombudsman about the number of customer complaints about the small compensation claims regime and the number of such complaints resolved would also be useful.

CUAC supports quarterly reporting of the proposed indicators by reference to individual distributors.

CUAC thanks the AER for the opportunity to comment on the Issues Paper. If you have any queries, please do not hesitate to contact the undersigned.



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