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General Manager
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By E-Mail: AERInquiry@aer.gov.au

Re: AER Retail Market Performance Reporting

EnergyAustralia thanks the Australian Energy Regulator (AER) for the opportunity to comment on this Issues Paper.

We appreciate that the release of this paper constitutes the AER's preliminary consultation on the development of performance monitoring and reporting requirements. We commend the AER on this consultative approach and look forward to being involved in subsequent discussions as the AER further considers its approach to performance monitoring.


We note that this paper does not address hardship indicators reporting, which is the subject of a separate AER consultation. EnergyAustralia has previously lodged a submission as part of that consultation.

EnergyAustralia supports the views put forward in the ERAA's submission. Our own comments on a number of the questions put forward in the Issues Paper are also attached. Due to time constraints, we cannot comment on all 57 questions at this stage. However, we look forward to expanding our views more generally during ongoing discussions with the AER. Some of the key points we would like to highlight at this point in time include:

- The reporting and publication of indicators must serve demonstrably good public policy purposes.
- The temptation to request "nice to have" information must be avoided, as it imposes unnecessary costs on retailers that customers ultimately bear for no real benefit at all; and
- Our strong preference is for annual reporting, with no less than a two-month period to prepare and submit those statistics.

If you have any queries about this submission, please contact Mal Jones on (02) 9269 2575.

Yours sincerely,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Nicholas Convery
Executive Manager Retail Regulation

DETAILED COMMENTS ON AER ISSUES PAPER

1. Retail market overview

1.1 Number of retailers and active retailers

Q1: Is the definition of “active retailer” proposed in this section appropriate for the purposes of the retail market overview?

The definition of “active retailer” is supported.

Q2: How frequently should the AER report on the number of (i) authorised retailers? (ii) active retailers?

The “authorised retailers” information is constantly available on the AEMO website. Annual publication of that listing by the AER in its performance report should be sufficient, (with simple cross references being made to the AEMO website in any other AER performance reports that might be published during the year). Any readers of the performance reports are more likely to be interested in active retailers only.

Q3: 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?

The AER will have other ways of determining a retailer’s activity in the market without requiring a retailer to itemise their activities explicitly in a statement (eg. via customer number reporting to the AER; via retailers’ obligations to publish offers on websites; etc). Nevertheless, this proposal is not opposed.

1.2 Number of customers

Q4: How should the number of customers of each retailer be measured for the purposes of the retail market overview? (eg by reference to registered metering points or the number of customer contracts)

Q5: What level of detail on the number of customers a retailer has in each customer category should be included in the retail market overview?

Q6: How frequently should this information be reported? (eg quarterly, six monthly, annually)

The question of how one defines a customer is not really an issue in the mass-market sector, where one contract almost always equates to one NMI or one DPI/MIRN. It really becomes an issue in the commercial and industrial customer segments, where one customer can have many NMIs or DPIS/MIRNs. So, it all depends upon what the AER intends to monitor or provide an overview of in the C&I segments which, after all, are not going to be subject to the detailed “performance” reporting requirements dealt with elsewhere in this paper. From a systems point of view and our own internal reporting arrangements, EnergyAustralia’s preference is for all customer number statistics to be reported on a billable connections basis (ie. transferred NMIs/DPIS/MIRNs), not contracts.

While, it is one thing to provide detailed statistical information to the AER for the purposes of calculating a retailer's performance statistics, what purpose would publishing exact numbers and market share information for each retailer serve? The case has not been made within the paper. If only an "indication" of customer numbers is required in the overview for each retailer (as stated on p.8), why would it be necessary or desirable to publish detailed statistics? Are there examples from other comparable industry sectors or other countries where regulators publish this kind of detailed reporting on a regular basis?

EnergyAustralia's preference is for reporting to occur no more often than annually for any of the statistics canvassed in this paper (including customer numbers). Quarterly reporting would require the diversion of finite resources that are much better used elsewhere within the business in terms of maximising customer service and regulatory compliance outcomes.

1.3 Number of customers with standard and market retail contracts

- Q7: What customer categories are relevant for the purposes of comparing the number of customers on standard and market retail contracts?**
- Q8: How frequently should this information be reported to the AER? (eg. quarterly, six-monthly, annually)**
- Q9: How might the number of customers on standard and market retail contracts reflect on retailer performance? On the retail market?**

This particular requirement to report on standard and market contract customer breakdowns is of dubious value. It will be necessary to develop this reporting functionality, as it does not currently exist across the board at EnergyAustralia. We have no internal need to produce these kinds of statistics in every market that we sell.

The Paper poses the question of how the number of customers on standard and market retail contract might reflect on retailer "performance". In most cases, probably not at all, or in no way that the AER would be able to determine. It could simply reflect consumers' preferences to be on "no frills/no ties" supply arrangements at any given point in time. Perhaps it might reflect retailers' ability/inability to make worthwhile market offers to existing, renewing customers from time to time. Certainly neither of those reasons reflect upon a retailer's "performance".

As explained earlier, a frequency of no more often than annual reporting is preferred.

1.4 Customer transfers between retailers

- Q10: Is it appropriate to use transfer data from AEMO to inform this section of the retail market overview?**
- Q11: 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?**
- Q12: How can data on the number of customers transferring between retailers inform a discussion of retail market performance?**
- Q13: If transfer data is collected from AEMO and from retailers, what considerations are relevant to an interpretation of overall trends in customer transfer data?**

Our understanding aligns with the view put in the Issues Paper that AEMO transfers data is not totally reliable as a barometer of market activity. However, the suggestion of extrapolating or

reconciling AEMO data against data supplied by retailers sounds ominous. One can envisage a small team of AER staff devoted to this one exercise if, as suggested in the paper, these statistics will be required in a monthly form for quarterly publication. There would then be a significant impact on retailer staff resources to help the AER reconcile its transfer data.

Rather than striving for statistical purity and completeness on every indicator, perhaps there are indicators (like this one) where the AER should use other methods to inform their overview or analysis of the market, such as consumer surveys of switching behaviour.

1.5 Energy Affordability

Q14: *How can the relationship between energy prices, energy consumption and available income be interpreted in the context of energy affordability?*

Q15: *What factors should inform that interpretation, and how?*

Q16: *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?*

Q17: *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?*

Q18: *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?*

Q19: *What other data sources are available to the AER to assess customers' capacity to pay for energy?*

Q20: *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?*

Q21: *Would case studies on customers' experience of energy affordability be valuable to stakeholders?*

Q22: *What should such case studies focus on?*

1.6 Reporting requirements

Q23: *Is publication of quarterly retail market overviews appropriate, or is less frequent publication (eg. six monthly, annual) of some or all indicators preferable?*

As explained earlier, our preference is for annual reporting.

In our experience with the current jurisdictional reporting, the more frequent that regulators ask us to submit data, the more likely it is that we subsequently need to submit revised, updated data. For example, see the comments we make later in this submission in response to the proposed complaints indicators.

Q24: *Is the publication of a single, annual energy affordability report appropriate, or is more frequent publication (eg. quarterly, six monthly) of some or all aspects of the report preferable?*

See earlier comments about our preference for annual reports.

Q25: *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 (eg. monthly)?*

We have not done a cost/benefit review to be able to comment here. It all depends upon whether the AER decides to leave unchanged, or change, the frequency of currently reported indicators. If there are new indicators coming out of this consultation process, they will certainly impose costs on retailers. But again, we have not done any costings at this stage.

Q26: *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?*

Concerns primarily relate to implementation timing and whether there will be available staff resources to develop and implement any new reporting requirements. As the AER would appreciate, the energy retail sector is in a constant state of "reform" in so many ways, not just nationally but also at the jurisdictional level (eg. introduction of smart meters; imposition of new or revised concessional or green schemes). The resource demands of these regulatory changes compete with our normal, business-as-usual resource demands, ie. the tasks and projects that actually help us improve our customer service offerings. We do not have idle staff waiting for regulatory-related projects. This underscores the imperative that the AER only introduce "performance" reporting requirements that are truly essential and can demonstrably serve the public interest.

2. Retail market activities review

2.4 Concessions

The exclusion of energy concessions from the proposed NECF is one of the more regrettable aspects of these reforms. It could have been an opportunity to rationalise concessions into one national, well-targeted scheme.

Why a consumer in one part of the country should receive financial assistance to pay their energy bills (or a higher level of financial assistance) than someone in similar circumstances in another part of the country is puzzling.

That a retailer will have to continue dealing with several different sets of jurisdictional requirements and agencies rather than one is disappointing. These current disparate concessions and associated administrative arrangements adversely impact the efficient running of so many aspects of a retailer's business (eg. call centre service, billing, sales teams, customer transfers teams, finance operations, regulatory team operations, etc).

As the jurisdictions have chosen to retain concessions responsibility, the AER should leave monitoring of concessions delivery performance to the relevant jurisdictional concessions agencies. Retailers' contracts with those agencies already contain performance measures.

Q41: Do you support the inclusion of these concessions indicators?

"Total number of customers in receipt of an energy concession."

Retailers report the number of customers in receipt of various energy concessions to jurisdictional concessions agencies on a monthly basis as part of their reimbursement claims. As such, the AER could easily obtain that data from those agencies directly without reference to retailers, thereby relieving retailers from reporting on that obligation.

"Number of customers who were disconnected and are in receipt of an energy concession."

It is not a given that a high or low level of disconnection of concession recipients necessarily reflects on a retailer's performance in terms of engaging with their low/fixed income customers and complying with hardship obligations. The demographics of each retailer's customer base can vary. For example, a retailer may have traditionally served in a default retailer role in an area that has a higher than average proportion of concession card holders than elsewhere. Retailers that have served in a default role historically may also have a higher proportion of concession customers owing to the fact that Tier 2 retailers have been able to decline customers following a credit assessment.

It would be preferable to focus the definition of "energy concession" upon the primary concession in each jurisdiction. This is either a flat rate, cents per day, year round concession ("Government Energy Rebate – NSW; Pensioner Rebate – ACT; Pensioners and Seniors Rebate – Qld) or a seasonal discount off bills (Winter Energy Concession - Vic). Not all energy concessions are means tested (eg. the Life Support Electricity Rebate in NSW). Many recipients of that rebate do not hold any kind of concession card. Also, Queensland's life support and medical cooling concessions are delivered directly to eligible recipients by the relevant Qld Government department. Retailers have no record of who is receiving such concessions.

Q42: 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?

"Performance" comparisons between the states would be problematic, because the jurisdictions probably have lower or higher proportions of "energy concession" customers, owing to the eligibility differences. These differences would need to be factored into any comparative analyses, along with any impact that traditional default/Tier 2 retailer roles might have had (see previous question).

2.8 Complaints

Q50: *What are your views on the categories of complaints to be included for reporting in this area?*

EnergyAustralia has developed the reporting ability to capture complaints data by jurisdiction and by the four categories listed in the issues paper (ie. billing, marketing, transfers and other).

Q51: *What are your views on collecting complaints data separately for residential and business customers?*

EnergyAustralia has developed the reporting ability to capture data separately for residential and business customers.

Q52: *What issues arise in relation to defining the complaint types, particular given the need for consistent reporting?*

The proposed complaint categories (and the types of complaints that fit into those categories) were published some years ago by the jurisdictional regulators. EnergyAustralia has developed complaints reports to align with those categories.

Q53: *How might the AER effectively compare the data on complaints reported by retailers with that reported by energy ombudsman schemes?*

Clarification is necessary about whether retailers must include ombudsman matters within their "complaint" statistics to the AER. For example, until recently, the NSW reporting requirements explicitly excluded ombudsman matters. The 2009/10 reporting manual was then amended midway through the period to require inclusion of ombudsman matters.