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Ref. CP

13 August 2010

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

Attention: Lynley Jorgensen

Email: AERInquiry@aer.gov.au

Dear Ms Jorgensen

#### Submission on AER Retail Market Performance Reporting – Issues Paper

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

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

Please do not hesitate to contact me on (07) 4121 9545 if you have any further gueries.

Yours sincerely

C.A. Pina.

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Encl: Ergon Energy's submission.

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd

Issues Paper: Retail Market Performance Reporting Australian Energy Regulator 13 August 2010

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

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## 1 INTRODUCTION

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

This submission is provided by:

- Ergon Energy Corporation Limited (EECL), in its capacity as a distribution network service provider in Queensland; and
- Ergon Energy Queensland Pty Ltd (EEQ), in its capacity as a non-competing area retail entity in Queensland.

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

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

## 2 RETAIL MARKET OVERVIEW

### 2.1 Number of Retailers and Active Retailers

Ergon Energy supports the AER reporting the number of retailers actively selling energy within a jurisdiction, rather than simply the number of authorised retailers. The AER's proposed definition of 'active retailer' appears appropriate for this purpose.

Clarification is however required as to what 'customer categories' will need to be reported. Ergon Energy suggests that this should be limited to 'residential', 'small business' and 'large business'.

### 2.2 Number of Customers

Ergon Energy supports a 'point in time' approach to the reporting of customer numbers (e.g. as at the end of the reporting period). A requirement to report against an indicator over a period of time (e.g. during the month) would be administratively onerous for little demonstrated benefit.

Ergon Energy has assigned a NMI to each connection point in its internal systems, although it is only required to 'register' with the Australian Energy Market Operator (AEMO) those NMIs that are classified as 'LARGE' or have been the subject of a transfer request (i.e. under Ergon Energy's Minimalist Transitioning Approach)<sup>1</sup>. Ergon Energy could therefore report the number of customers, based on the number of NMIs identified in its internal systems.

### 2.3 Number of Customers with Standard and Market Contracts

Ergon Energy has no comment on the proposed indicator, noting that it is precluded by legislation from offering market retail contracts<sup>2</sup>.

Queensland Government, Electricity Industry Code (Seventh Edition), section 6.8.5.

Electricity Act 1994 (Qld), section 55G.

## 2.4 Customer Transfers between Retailers

It is unclear how data to support this indicator could be reliably obtained. As noted in the Issues Paper, the use of transaction data held by AEMO is likely to overstate the number of customer transfers, e.g. through the inclusion of transfers associated with error correction and the exclusion of 'move-ins' where the customer adopts the same retailer as the previous occupier. Ergon Energy suggests that changes in the number of customers on standard and market contracts over time is a more accurate measure of market activity.

## 2.5 Energy Affordability

With respect to energy affordability:

- there are a number of issues with the proposed identification of the cost of energy (with respect to the definition of energy affordability). These being:
  - the difficulty in making like-for-like, meaningful comparisons for customers across various jurisdictions due to differences including climate and fuel sources;
  - o possible confidentiality issues in disclosing market prices;
  - o complexity in developing and maintaining / updating assumed load profiles; and
  - o onerous obligations placed on retailers for limited benefit.

Ergon Energy believes the AER should make use of the Standing Offer tariffs across jurisdictions to report on the cost of energy, as proposed in the Issues Paper. Further, the AER should have regard to its pricing information guideline as well as other information reported by retailers in order to avoid duplication and additional onerous requirements placed on retailers;

- the AER should use existing information provided by retailers in order to assess customers' capacity to pay. That is, for residential customers, the AER should look to its NHI in particular the number of customers entering retailers' hardship programs. For business customers it could use, as a reasonable indicator, the number of disconnections; and
- the reporting of energy affordability for business customers is likely to be of limited benefit given the vast range of business types and their underlying characteristics.

## 2.6 Reporting Requirements

Ergon Energy broadly supports the concept of the quarterly reporting of data to the AER, with the data segmented on a basis that is appropriate for the indicator (e.g. monthly, quarterly or annually).

As general principles however:

- electricity and gas data should be recorded / reported separately. This is the only way to ensure that there is consistency in reporting between dual fuel customers and those who receive their electricity and gas supply from different retailers;
- data should be collected and reported on a state basis, rather than a national basis. This will ensure the effectiveness of the indicators between retailers, e.g. as a consequence of socio economic, cultural and geographic circumstances and variations between states;



- frequency of reporting to the AER should be driven by the immediate actions (e.g. compliance audits), that would be undertaken by the AER in response to the data received. Given the costs to retailers associated with the collation and provision of data, reporting should not be more frequent than is necessary to meet the objectives of the reporting framework; and
- reporting against each indicator should be as at a specific date (e.g. as at the end of the month). A requirement to report against an indicator over a period of time (e.g. during the month) would be administratively onerous for little demonstrated benefit.

## 3 RETAIL MARKET ACTIVITIES REVIEW

### 3.1 Customers Experiencing Payment Difficulties

Ergon Energy does not support the inclusion of the proposed indicators relating to energy debt and energy debt levels. In particular:

- the level of debt will be materially influenced by customer-specific circumstances, geographic considerations and seasonality, making it difficult to identify underlying trends;
- it will be difficult, for any given period, to report against these indicators separately from those proposed to apply to hardship customers, as the precise coverage and application of each retailer's hardship program will differ, including with respect to the criteria for entry and exit; and
- by establishing a monetary threshold (i.e. the number customers in energy debt who owe >\$500 and >\$1,000), the reporting indicators suggest a point beyond which a customer should be considered as a 'hardship' customer, rather than a customer experiencing a short-term payment difficulty. It is Ergon Energy's practice to identify customers who may be appropriate for participation in its hardship program across a time continuum that extends from when the bill is issued through to the possible disconnection and subsequent reconnection of customers for failure to pay. The level of debt or the period for which payment has been outstanding are only two of a range of factors considered by Ergon Energy when identifying the appropriate method for managing a customer's existing and future debt.

Ergon Energy does not support the inclusion of the proposed indicators relating to the disconnection and reconnection of customers previously on payment plans because:

- it is difficult to see how the AER could reliably apply the data to measure the effectiveness of a retailer's management of customers experiencing payment difficulties. 24 months represents a considerable lag between the customer's participation in a payment plan and disconnection, with a range of factors over the intervening period impacting the customer's ability to meet its financial commitments;
- it is unclear how the indicator will have regard to those customers that have changed retailers over this period; and
- it would be administratively difficult and costly to track, over a 24 month period, whether a customer was previously on a payment plan.

The AER should have regard to the retailer's polices and processes for the management of customers experiencing financial difficulties as a clearer indication of responsiveness to customer need. For example, Ergon Energy proactively attempts to contact all customers



when they are facing disconnection. If appropriate, this may result in the customer moving to (or back to) Ergon Energy's hardship program. Ergon Energy also has an escalation review process prior to disconnection for customers who are identified as having two consecutive broken arrangements within the previous 12 months.

## 3.2 De-energisation

Consistent with the comment provided in section 3.1 of this submission, Ergon Energy does not support reporting the number of disconnections, where the customer has been on a payment plan in the previous 24 months.

## 3.3 Re-energisation

Consistent with the comment provided in section 3.1 of this submission, Ergon Energy does not support reporting the number of reconnections, where the customer has been on a payment plan in the previous 24 months.

## 3.4 Concessions

As a general comment, Ergon Energy notes that the receipt of a concession is not an indicator of either the customer's ability to pay or whether the retailer is fulfilling its obligations to provide information on concessions. Ergon Energy's experience is that the vast majority of customers on Government concessions satisfactorily manage payment of their electricity accounts.

However, should this indicator be adopted, Ergon Energy suggests that 'concessions' should be defined:

- in terms of the concessions applying in the state in which customer retail services are provided. This will naturally vary between states and further supports the suggestion that reporting should be collected on a state basis, rather than a national basis; and
- be limited to those concessions that are processed and administered by the retailer and for which the retailer will therefore have a record with respect to the customer for reporting purposes. For example, in Queensland an Electricity Life Support Concession is available to contribute to the electricity costs of running life support equipment. This concession is processed and administered through the Department of Communities, including direct payment by the Department of Communities to the customer. Such concessions should be explicitly excluded from the reporting requirement.

### 3.5 **Prepayment Meters**

The Issues Paper refers to the use of prepayment meters in remote areas of Queensland (referred to in Queensland as 'card operated meters'). It is crucial to note however that:

- card operated meters are only available to small customers to whom retail contestability does not apply (i.e. the customers are supplied at notified prices under the Standard Retail Contract under the Queensland Electricity Industry Code). This is in contrast to section 238 of the National Energy Retail Law (NERL), which provides that customers with prepayment meter systems can only be sold energy under a market retail contract;
- card operated meters are installed in limited circumstances with the agreement of the retailer, distributor and local government authority, as opposed to the customer. This contrasts with the National Energy Retail Rules (NERR), which provides that once prepayment meter systems are permitted in a jurisdiction, installation is done by way



of agreement between the retailer and the customer;

- card operated meters are applied to all small premises within a community, with no
  option for individual customers to 'opt in' or 'opt out' of the metering arrangement.
  Again, this is in contrast to the NERR, where customers have the ability to both 'opt in'
  and 'opt out' of a prepayment meter arrangement; and
- card operated meters have very limited functionality. These meters are regulated under the NEM Metrology Procedure for grid connected sites, and are regulated under Chapter 9 of the Queensland Electricity Industry Code for isolated networks. However, in addition to technical requirements at a national level, the NERR and the AER's proposed reporting indicators envisage that prepayment meter systems will have the functionality to allow for the active identification and management of customers experiencing payment difficulties and hardship (e.g. management systems capable of identifying every instance of self-disconnection). Card operated meters do not have this functionality.

Further to this, section 237 of the NERL provides that individual participating jurisdictions may determine when to permit the use of prepayment meter systems under the National Energy Customer Framework (NECF) within their jurisdiction. The Queensland Government has proposed that<sup>3</sup>:

The NECF pre-payment market retail contract regime will not be implemented in Queensland.

Ergon Energy firmly believes that:

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

### 3.6 Security Deposits

Ergon Energy supports the AER's preliminary view that the number and value of security deposits should be reported annually because there is no demonstrated benefit from more frequent reporting of this data.

The AER should also clarify that 'business' customers should in fact refer to 'small business' customers to align with the intended coverage of the security deposit obligations within NECF.

### 3.7 Customer Service

Ergon Energy believes that customer service data should be reported on a basis that is consistent with the existing Steering Committee on National Regulatory Reporting Requirements (SCONRRR) framework (including definitions).

With respect to the collation of customer service data, Ergon Energy supports the AER's preliminary view that:

Department of Employment, Economic Development and Innovation, National Energy Customer Framework –



- the data should be collected and reported on a state basis, rather than a national basis. This would ensure that the data is reflective of the regulatory (e.g. price changes), socio economic, cultural and geographic variations that exist between jurisdictions; and
- it would be impractical to report these indicators by customer segment. Reporting on this basis would impose a material regulatory burden on retailers and result in significant compliance costs.

Ergon Energy does not support the provision of comparable data by distributors. In particular:

- retailers will continue to act as the primary point of customer contact under NECF, with retailers referring or transferring customers to their distributor only to the extent that this is required; and
- distributor service delivery is separately regulated and monitored, including though guaranteed service level schemes, minimum service standards and complaint management.

## 3.8 Complaints

The reporting of complaint data at a national level will not be effective without an alignment of complaint indicators and their definitions. In relation to this:

- Ergon Energy currently defines 'complaint' consistently with the SCONRRR definition and applies this when capturing, reporting and monitoring customer complaints. Ergon Energy supports the continued use of this definition within the national reporting framework;
- alignment of definitions will be required not only across energy retailers, but also across the jurisdictional energy ombudsman schemes. While there may be similarities in the terminology used, data comparison should not be undertaken until such time as consistent definitions are applied; and
- while the practice of separately capturing and reporting complaint data for residential and business customers may provide an additional dimension for data analysis and continuous improvement:
  - the internal capability for separating complaints on this basis may vary markedly between retailers, necessitating a period of transition before reporting commences on this basis; and
  - it should be clarified whether 'business' customers should in fact refer to 'small business' customers to better align with the intended coverage of the consumer protection mechanisms of NECF and existing jurisdictional ombudsman schemes.

To mitigate the risk of varying interpretations, it would be advisable for the AER to convene a group with representatives from the complaints management areas of the retail entities and jurisdictional ombudsman schemes, to ensure that data is accurately captured and reported.

### 3.9 Reporting

Please refer to Ergon Energy's response in 2.6 Reporting Requirements.



## 4 ADDITIONAL INFORMATION ON DISTRIBUTION PERFORMANCE

## 4.1 Distribution Service Standards and GSL Schemes

Ergon Energy believes that, in recognition of the fact that the responsibility for monitoring and reporting on these issues currently remains with the jurisdictions:

- distributors should not be required to report to the AER on indicators that are separate or additional to those captured under the relevant jurisdictional guaranteed service level scheme;
- duplication of material produced should be avoided. Distributors should merely be required to provide the AER with a copy of the data and accompanying report that has been provided to the relevant jurisdictional regulator, by way of information;
- reporting should occur on the same frequency as at a jurisdictional level;
- the AER should merely reference the information published by the jurisdictional regulator, when producing its Retail Market Performance Report. It would not be appropriate for the AER to provide commentary on the data provided until such time as it assumes responsibility for setting, monitoring and enforcing these service standards; and
- if commentary is provided (which is not supported) comparisons regarding distributor performance should not be drawn between or within jurisdictions given the variations that exist between distributor service standards, the underlying performance indicators and associated reporting exemptions. For example in Queensland, the service obligation may vary by 'feeder type' (i.e. CBD feeder, urban feeder, short rural feeder, long rural feeder and isolated feeder).

## 4.2 Small Claims Compensation Regime

Ergon Energy believes that the AER should clarify that:

- data will not be sought from distributors in circumstances where a jurisdiction has not
  opted-in to the small claims compensation scheme under the NERL; and
- comparisons of distributor performance between or within a jurisdiction will not be appropriate where 'claimable incidents' and 'compensable matters' are differently defined or where their volume or value are materially influenced by geographic, climatic or other circumstances.

For those jurisdictions where the small claims compensation regime is applied, Ergon Energy considers that reporting against the proposed indicators on a quarterly basis would be appropriate.

