origin

13 August 2010

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

By email: AERInquiry@aer.gov.au

Dear Mr Leuner,

ORIGIN SUBMISSION TO AER PERFORMANCE INDICATORS ISSUES PAPER

Origin welcomes the opportunity to provide a response to the AER's *Issues Paper: Retail Market Performance Reporting*. We are pleased to see the AER is taking an early lead in understanding the issues and developing a performance reporting framework.

We recognise that much of the AER's proposed approach is either (a) required under the proposed national Law and Rules, or (b) based in some way on precedent from jurisdictional approaches to date, and the work of the Steering Committee on National Regulatory Reporting Requirements. Given this, we understand the AER's conceptual framework.

However, we believe that the AER should seek to take performance reporting as we know it in a new direction, and that it can do this while staying true to the policy and regulatory framework. Origin would like to see a renewed focus on data that can be accessed and interpreted clearly and cost-effectively, and a clear definitional split between data collection to inform social policy versus data collection to inform a regulatory view of retailer performance (which we note is also separate from compliance).

We also believe that there is a need for the industry to spend time with AER staff to provide information about our systems, internal performance metrics, and specific customer data concerns, and we welcome the opportunity to have these discussions in the future to help inform the AER'S decision-making.

We would be happy to discuss any aspect of this submission further with the AER, and at your convenience. If you have any queries about this submission please contact me on (03) 8665 7865.

Yours sincerely

[signed]

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Retail Market Performance Reporting - Issues Paper

Submission of Origin

August 2010

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Executive Summary

Origin welcomes the opportunity to provide a response to the AER's *Issues Paper: Retail Market Performance Reporting*. We are pleased to see the AER is taking an early lead in understanding the issues and developing a performance reporting framework.

Overall, we can understand the approach taken by the AER and also recognise the conceptual basis of the questions asked. By and large, much of what the AER is proposing is either (a) required under the proposed national Law and Rules, or (b) based in some way on precedent from jurisdictional approaches to date, and the work of the Steering Committee on National Regulatory Reporting Requirements, or SCONRRR.

However, we note that the AER is also seeking to go beyond the current approaches in several areas, and also that the AER is subject to considerable pressure from stakeholders to collect data on a comprehensive range of metrics to inform broader social policy. When these factors are combined with the current lack of clarity about the purpose of performance reporting, the lack of policy direction to the AER about social policy aspects of reporting, and the general lack of understanding about retailer systems' capacities to deliver comprehensive data, the situation becomes quite concerning. Further, we suggest that the existing performance reporting regimes are also not the ideal starting point to develop the most effective national regulatory policy.

Origin has already submitted its views on a related consultation process, which is the development of the National Hardship Indicators. In this submission we made a range of arguments about the logic of performance reporting and how claims about retailer performance and 'effectiveness' need to be based on evidence and also should not address more than what the retailer is able to control. We ask the AER to consider that submission as also applying for this process, as we have chosen to not go over the arguments again in the same detail.

Establishing effective performance indicators

In Origin's view, efforts to identify effective performance indicators should focus on answering the following questions:

1. What are we trying to find out - that is, what are the expected (observable) characteristics of effective retailer performance?
2. How does the indicator in question demonstrate effective performance, or a failure?
3. How does this indicator interact with other indicators? Is it a primary indicator or just one that is interesting when in combination with others?

In our hardship indicator submission we noted that most of the proposed hardship indicators were *not* indicators of the effectiveness of retailers' programs as such, as these questions could not be answered. We suggest that many of the indicators in this current consultation fall into the same category. In fact, we seem to be at risk of merging retailer performance reporting into social policy reporting in general, and yet still calling the final product a retailer 'performance' report.

The question that then arises is whether it is reasonable for the AER to collect significant quantities of data from retailers to largely support a social policy agenda. We suggest that this depends on what social policy is being considered and the capacity for change, and will need to be determined also by the costs incurred by the industry and the AER to arrive at any meaningful conclusions.

Costs of collecting and interpreting data

If there are to be costs incurred by the industry (and thus customers), there needs to be a way of prioritising the 'nice to know' data from the information that is more likely to be able to be accessed, understood and acted upon. Data should also reliable and consistent. The benefits need to be clear; we believe that the AER should be able to articulate how any given data set is likely to be able to guide its decision making for either social policy analysis or for retailer performance reporting. Data sets that are collected 'just in case' they tell us something are obviously less important to collect than data that have some genuine capacity to guide social policy (within the AER's remit) and regulatory thinking on compliance and performance in general. This latter type is the information that will justify cost, but there still needs to be a case made.

'Just in case' data collection may seem like a good idea where the environment is complicated, such as for retail energy bill issues, but this never provides the policy or regulatory clarity that was perhaps originally anticipated. There is a difference between data and *information*. Unless the AER has planned significant time and resources to collect and analyse data to create meaningful information we caution against this way of doing things. In fact, it would seem that for most of the data currently contemplated to make any sense, the AER would really need an integrated customer data set from each retailer - which would cost millions of dollars across the industry to create - which would then need to be subject to comprehensive and expensive data mining by the AER if it is to point to the specific customer types and debts that might actually tell us something. Even if this was to happen, we note that many of the data sets currently anticipated will not provide anything like a 'pure' version of the circumstances that AER wishes to address.

We would be happy to discuss further with the AER what is and is not possible for our systems, and the costs of systems changes. We expect that systems capability and costs will also vary across retailers. The main point to note here is that any systems costs will be paid by the customer in the end, which will unintentionally reinforce the very bill (un)affordability problem that the community is concerned about.

Origin's views on the proposed indicators

As a general statement, Origin would like the proposed performance reporting framework to be recalibrated to address the collections and customer management 'pipeline' at a high level, rather than drilling into detail about debts and disconnections that will not provide much insight. Retailers' own internal reporting is more likely to be aligned to this approach, and so systems change requirements will be lower and it will also be easier to have the industry internalise and value the intent of the AER's performance reporting. High-level indicators are the best means of establishing a cost-effective means of understanding the industry, and will also be less likely to become irrelevant or hard to interpret as practices change and new tools become available to assist customers with payment difficulties.

Key metrics could address the percentage of customers who:

- pay before the reminder notice;
- make active contributions to payment plans (of the group who are on payment plans);
- are disconnected for non-payment; and
- are on hardship programs.

It will be important to see each of these as establishing trends per retailer, where, as we noted in our submission on hardship indicators, this will be the best way to understand the industry and also observe broader issues affecting bill affordability. As we noted in that submission, indicators are likely to be interpreted and reported on in different ways by different retailers and so comparison across retailers will be problematic.

Our views on the indicators are summarised on the following pages. We have shaded the duplicated indicators for ease of reference.

Category	AER's proposed indicators	Origin view
Retail market overview	• a statement of the number of retailers and the number of active retailers selling energy to customers • an indication of the number of customers for each retailer • an indication of the total number of customers with standard retail contracts and market retail contracts respectively, and the number by reference to each retailer • an indication of the number of customers who have transferred from one retailer to another • a report on energy affordability.	Support AER's position generally, but prefer customer data to be by active NMI/MIRN. There will also be systems costs associated with collecting some of the proposed data. Energy affordability will be complex but the AER has made reasonable suggestions about how to tackle this report. The reporting for the retail market overview should be annual.
Customers in energy debt and energy debt levels	• total number of (non hardship) customers repaying an energy debt (using the same definition of 'debt' for both these indicators and the National Hardship Indicators) • for those customers, the average amount of their energy debt • the number customers in energy debt who owe >$500 and >$1 000.	Do not support as this will not be meaningful, and will also be comprised of different debt types. This is also not retailer 'performance'.
Direct debit plans terminated as a result of default/non-payment	• total number of customers using direct debit facilities to pay customer accounts • number of direct debit plan terminations resulting from non-payment.	Do not support as this will not be meaningful. This is not retailer 'performance' and it is not going to assist in social policy analysis given the complexities of the issue.
Payment plans	• the number of non-hardship customers using payment plans (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) • the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bill • the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bills and subsequently reconnected within seven days in the same name and at the same address.	Support collection of payment plan customers. Do not support disconnection and reconnection in the previous 24 months. These latter numbers will not be able to shed light on to either retailer performance or social policy. Further, disconnection/reconnection information over 24 months will likely be problematic for reasons of lack of customer data integration (no 'one view of the customer'), and will also only be one part of the picture given customers also churn.
De-energisation (disconnection)	• the total number of residential and small business customers disconnected for non-payment in the reporting period • the number of residential customers on a retailer's hardship program who were disconnected for non-payment in the reporting period • the 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 • **the number of customers who have been disconnected when they have been on a payment plan in the previous 24 months**	Support the first two indicators but do not support the last two. See concessions section below and payment plan section above. Do not support collection of multiple disconnections and reconnections for the same reasons as discussed in the hardship consultation, also because of lack of customer data integration as addressed in payment plan section above.
Re-energisation (reconnection)	Number of reconnections within seven days of disconnection for each area identified under the disconnection indicators, including: • residential and small business customers	Support first two indicators (with some reservation) and do not support last third and fourth indicators for reasons in disconnection section above.

Category	AER's proposed indicators	Origin view
	• customers on a retailer's hardship program (and in addition, as part of the National Hardship Indicators, customers on a retailer's hardship program in the previous 24 months) • the number of residential customers in receipt of an energy concession • **the number of customers that have been on a payment plan in the previous 24 months**	We do not support the indicator addressed by the National Hardship Indicators consultation - see Origin's separate submission on this matter.
Concessions	• 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**	Support first indicator but question what information it provides. Other indicators have already been addressed.
Prepayment meters	• the total number of customers using PPMs • the number of prepayment meters removed due to payment difficulties • the number of customers who self-disconnect three or more times in any three month period for longer than 240 minutes on each occasion.	No comment at this time.
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.	Support in light of Rules requirement but do not see performance or policy benefit.
Customer service	• total number of calls to an operator, including sales calls and any abandoned 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 • number and percentage of calls abandoned before being answered by an operator	Support.
Complaints	• total number of complaints • marketing complaints • billing complaints • transfer complaints • other complaints	Support the indicators as proposed, and do not support affordability indicators given overlap with billing complaints components. Ultimately the best means of comparing retailers will be by comparing ombudsman data across retailers within each jurisdiction.
Reporting requirements	Most requirements are for monthly data collection, provided to AER quarterly.	Half yearly at most (except for safety related issues) -otherwise numbers are too influenced by temporary factors and are a major burden to retailers and the AER.
Distributor performance	• the extent to which customers are aware of and able to access the small claims regime • the extent to which customers accessing the regime receive an appropriate amount of compensation for claims.	Extend existing reporting requirements to cover where the performance directly impacts on the retailer's ability to deliver effective service to the customer.

1. Introduction

Origin welcomes the opportunity to provide a response to the AER's *Issues Paper: Retail Market Performance Reporting*. We are pleased to see the AER is taking an early lead in understanding the issues and developing a performance reporting framework.

We have provided our responses to the questions asked in section 2 of this response. In this section we would like to address the philosophical and practical issues underpinning our views, which can be summarised as a request to the AER to:

- revisit Origin's submission to the National Hardship Performance Indicators consultation on some matters;
- address the nature of performance reporting from first principles and specifically ask how any given data set will inform a view of retailer 'performance';
- consider the costs of data collection 'just in case' it's useful and be clear that the benefits of any data requirement will outweigh the costs, including the costs to the AER of the level of analysis required to convert data into meaningful information for consumers and the market in general; and
- clarify the AER's position on its role in assessing competition and affordability, and specifically address.

These issues are discussed below.

A further concern for Origin in responding to the AER's questions in its Issues Paper has been the current lack of clarity about the national regulatory framework and the inevitable questions about where and when the NECF is rolled out to jurisdictions. We have concerns about the potential for the NECF to just provide another layer of regulation while the transitional issues are addressed. However, we will not address this matter in this submission as we recognise that these discussions are occurring at the RPWG level and that the AER is also largely unable to intervene in this matter.

1.1 Links to the National Hardship Performance Indicators

Origin has already provided a comprehensive submission to the AER on our view that performance indicator data should be contextualised, and also that the AER must be careful not to use language in public reporting that discusses the 'effectiveness' of retailers' processes while there is no clarity on what is 'effective' for any particular outcome.

As stated in that submission, our overall view on the proposed hardship indicators is that the data can be collected, but this is more to inform social policy than a view of the effectiveness (or otherwise) of a retailer's hardship program. The indicators are thus just information that is 'nice to know'. In fact, many of the data sets addressed in the hardship program context might be better suited to the AER's Affordability Report - while the information is not able to demonstrate retailer program effectiveness, it might enhance understanding of the societal issues and the complexity of customer circumstances.

For this submission we want to reiterate this position from the National Hardship Performance Indicators consultation - that is, that we do not believe that the evidence is there that the various data sets tell us much about retailer performance in any unambiguous sense. This is discussed further in sections 1.2 and 1.3 below.

Further, we again caution the AER in making assumptions about retailers' capacity to proactively identify or manage complex customer issues through systems, or for retailers to also be able to make judgements on customers' circumstances based on limited interactions. For example, and as we noted in the recent public forum, the current Issues Paper refers to 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. According to the AER:

> This will indicate the effectiveness of the assistance provided to customers experiencing significant and ongoing payment difficulties. If a customer has previously been disconnected

> for non-payment, *this could signal to the retailer that this is a customer to watch, and may require a further payment plan or referral to their hardship program.* If these mechanisms and referral processes are in place as required by the new customer framework, they should assist these customers to better manage their ongoing energy bills. We would therefore expect the number of repeat disconnections in a 24 month period to be low. If the number of repeat disconnections is high it may indicate retailers lack adequate mechanisms to identify customers with ongoing payment difficulties. (page 32, emphasis added)

While we recognise how the AER has arrived at these conclusions from a conceptual basis, the assumptions here need to be unpicked and understood. First, there is a belief that retailers are capable of proactively monitoring customers' bills based on the customer having been disconnected for non-payment in the past. This is then apparently reinforced by the AER's interpretation of the proposed Retail Law and Rules. Second, based on this interpretation, the AER suggests that repeat disconnections for non-payment "should be low" where a retailer is doing the right thing. We disagree with each of the conclusions reached on these points - we do not run systems that identify customers in this manner, our practical reality is far more complex, and cause and effect relationships stated by the AER do not necessarily hold true in any measureable way.

It would seem that there is a need for retailers to spend more time with the AER to address how our systems and processes work, and to also reiterate the discussions we have already had through the Hardship Indicators process about the difficulty in engaging with some customers. Given the degree to which we made those arguments previously we will not pursue this further in this submission, other to say that the dual issues of (a) retailer capability to proactively identify customers in hardship, and (b) customer willingness to engage, require much more discussion before the AER can make assumptions like the ones in the paragraph quoted above.

1.2 Social policy or retailer performance?

In Origin's view, efforts to identify effective performance indicators should focus on answering the following questions:

1. What we are trying to find out - that is, what are the expected (observable) characteristics of effective retailer performance?
2. How does the indicator in question demonstrate effective performance, or a failure?
3. How does this indicator interact with other indicators? Is it a primary indicator or just one that is interesting when in combination with others?

In our hardship indicator submission we noted that most of the proposed hardship indicators were *not* indicators of the effectiveness of retailers' programs as such, as these questions could not be answered. We suggest that many of the indicators in this current consultation fall into the same category. In fact, we seem to be at risk of merging retailer performance reporting into social policy reporting in general.

Further, many of the indicators have not been shown to add value to regulators' or customers' understanding of the industry in a performance sense (which should surely be the point). Over the years there has been little to no public discussion about the objective of retailer performance reporting, what 'performance' means, and whether the performance of performance reporting is itself effective. The appropriate role for retailer performance reporting in a competitive market has never been addressed (to our knowledge), with the original model of reporting in pre-competitive environments remaining as the status quo.

This would not be such a problem if the objectives of, and language relating to, public performance reporting were clearer and the list of potential indicators did not continue to expand. We suggest that retailer 'performance' is a misnomer for many (if not most) of the indicators (as is the word 'indicator' given the lack of information any indicator tends to provide). The use of the word 'performance' would imply that there are expectations to be met, which we would have to assume are customer expectations. However, as we note within this submission, many of the indicators are not about meeting reasonable customer expectations, such as timely telephone answering and access to payment plans, but about broader matters that are either about (a) basic demographics, or (b) areas where retailers can, and should, have discretion and where any customer or community expectations are entirely unclear.

As we stated in our previous submission on hardship indicators, we believe that much of the data proposed by the AER, when collected over a period of time, might help establish expectations about what is 'normal', and show trends in energy bill affordability. We do not doubt that there is value to this type of data collection, but we ask that the following is clear in the view of the AER, and also established clearly in any reporting: *at the moment this is about data collection and not an 'indicator' of any predetermined definition of retailer effectiveness (or otherwise).* To be clear, this is data collected to inform social policy about service provision in an essential service, not retailer performance according to community expectations.

The question that then arises is whether it is reasonable for the AER to collect significant quantities of data from retailers to purely support a social policy agenda. We suggest that this largely depends on what social policy is being considered and the capacity for change, and will need to be determined also by the costs incurred by the industry and the AER to arrive at any meaningful conclusions.

1.3 The costs and benefits of data collection

As a preliminary point, it was apparent at the recent AER performance reporting public forum that consumer advocates are seeking for the AER to collect a great deal of information at quite detailed levels. Data about debt levels by postcode have been suggested, for example, as have marketing activity and contractual information per customer type and postcode/region. Origin has no doubt that this information could be interesting, and also that it might help inform social policy at some level. In this way we can understand why these forms of information are being sought by some stakeholders. In theory we would also like this information as it might bolster our own arguments to governments about required social support, and also support our case that low income customers are not missing out on market offers.

However, we need to temper this enthusiasm with context about what retailers can actually provide without the costs exceeding the benefits, and also what retailers even have access to. Some of the data raised as 'nice to know' at the forum are not actually in the control of retailers, such as credit card debt statistics. Other data are very far removed from what retailers' systems actually collect and would require *significant* systems changes to provide. Some data requirements do not account for the issues with the likely duplication of customer accounts over time and the resulting lack of 'one view of the customer' (as discussed further in section 2 of this submission). We also suggest that some of the proposed data requirements go beyond what retailers should be asked in any event.

We would be happy to discuss further with the AER what is and is not possible for our systems, and the costs of systems changes. We expect that systems capability and costs will also vary across retailers. The main point to note here is that any systems costs will be paid by the customer in the end, which will unintentionally reinforce the very bill (un)affordability problem that the community is concerned about.

Leading from the above, if there are to be costs incurred there needs to be a way of prioritising the 'nice to know' data from the information that is more likely to be able to be understood and acted upon. The benefits need to be clear; we believe that the AER should be able to articulate how any given data set is likely to be able to guide its decision making for either social policy analysis or for retailer performance reporting. Data sets that are collected 'just in case' they tell us something are obviously less important to collect than data that has some genuine capacity to guide social policy (within the AER's remit) and regulatory thinking on compliance and performance in general. This latter type is the information that will justify cost, but there still needs to be a case made.

We welcome the AER opening up the range of indicators for discussion but ask that the AER also takes the analysis further than it has been taken before - this is the opportunity for a more robust and meaningful performance reporting framework to evolve and we need to be careful to not just perpetuate the approaches taken to date. The direct debit termination data requirement of Victoria and South Australia is an example of an indicator that has never been truly explained or shown to have value. The information has been collected for a few years now but it is yet to be used in any meaningful way by a regulator, and many within the industry are still unclear as to why this is collected in the first place. We note also that this is a social policy indicator and not a retailer performance indicator.

'Just in case' data collection may seem like a good idea where the environment is complicated, such as for retail energy bill issues, but this rarely provides the policy or regulatory clarity that was perhaps originally anticipated. There is a difference between data and *information*. Unless the AER has planned significant time and resources to collect and analyse data to create meaningful information we caution against this way of doing things. In fact, it would seem that for most of the data currently contemplated to make any sense, the AER would really need an integrated customer data set from each retailer - which would cost millions of dollars across the industry to create - which would then need to be subject to comprehensive and expensive data mining by the AER if it is to point to the specific customer types and debts that might tell us something. Even if this was to happen, we note that many of the data sets currently anticipated will not provide anything like a 'pure' version of the circumstances that AER wishes to address.

Therefore, at what point do we say that a given indicator would have been 'nice to have' but is too contaminated to be of any use? That the cost of dealing with this indicator (in every sense, by retailers *and* the AER) is then not warranted? This is not an easy issue and we don't suggest that we have the answers at this stage; however, we would like to spend time with the AER developing its knowledge base.

1.4 The AER's position on FRC and hardship

In Origin's view, the role of the AER and the policy intent behind its retail market report and affordability report need to be clarified for this consultation process to be most effective. Certainly some of the discussions had to this point in public fora have shown an apparent belief from some stakeholders that the AER is going to delve into the detail of competition effectiveness (almost as a regular AEMC-style FRC effectiveness expert) and also to become the 'expert' on bill affordability, potentially even leading to the creation of an National Affordability Benchmark as raised by one stakeholder. These beliefs have then prompted the comprehensive 'just in case' data collection approach contemplated by some, where there is an aim to inform social policy at all levels rather than just guide regulatory views of, and provide context to, retailer performance.

Origin welcomes a more informed social policy as we would like to better target our own responses to customer in hardship, as well as to have some of the myths dispelled about customer behaviour and retailer capacity. However, as noted above, this is not costless, and we first require some guidance about what the AER wants to achieve. This information will then guide our own suggestions about the data that can be processed in a cost-effective manner to become relevant *information* and not just remain as empty statistics about retailers' business activities. At its best this can be an iterative process where the more detailed conversations about data availability and meaning should also inform the position of the AER. Certainly given our experience to date we caution the AER about willingly stepping into either of the competition or hardship 'expert' roles without closely reviewing the capacity of the data to 'tell the story' to the satisfaction of the various stakeholders.

2. Retail market overview

2.1 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?

Origin agrees with the definition of 'active retailer' proposed by the AER, which is an authorised retailer that is currently supplying energy services to customers (whether or not the retailer is seeking new customers), as well as any retailer who is actively marketing but does not yet have any customers. However, if the AER is to verify numbers it can only do so through MSATS FRMP status, where retailers with no active customers would not appear.

The AER has proposed that all authorised retailers be required to submit a statement of their activities by reference to jurisdiction and customer category in their first performance report to the AER. In subsequent quarterly reports, retailers would only be required to report on an 'exception' basis, to advise where the scope of their activity in the reporting period has changed from previous advice. We agree with this general approach in principle, but believe that six monthly reporting is more appropriate, as addressed elsewhere in this submission. Further, we expect that the exceptions reporting will be high level statements about marketing activities, and not customer numbers.

2.2 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)

Origin does not support a customer count based on the number of contracts. We would instead prefer to use active NMI and MIRN information. This has been the industry approach taken to date, where a change will mean costs to all retailers. Further, everything we measure in Origin's systems is linked to MIRNs or NMIs.

While it is possible to count contracts - and we would do this from an initial NMI or MIRN basis - providing for this outcome will mean additional costs across the industry. It is likely to be more complicated and open to error compared to using active NMI or MIRN data alone, as it will depend on definitional consistency across retailers, which may be problematic. The costs may well outweigh the benefits of avoiding the NMI/MIRN interpretation issues outlined by the AER.

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)

Origin would prefer total customer numbers at a specific point in time to be reported, as this is the basis on which we currently have our systems built, and also meets the proposed national Rules requirement - at least before Rule 1002(2)(b) is taken into account, as discussed below. We could split out residential from business, but we do not have a further sub-category that accounts for the different sized business customers currently contemplated by the AER (based on the proposed Retail Law, which defines a group of customers as 'small market offer customers'). If this becomes a compliance requirement of retailers, Origin (and other retailers we expect) will incur further costs for systems changes.

As per our comments elsewhere, we support six-monthly reporting from retailers to the AER at the most frequent.

As a final point, Origin supports the suggestion by the AER that it could publish the percentage market share of retailers by reference to the total number of customers in each category in a particular jurisdiction, with the aggregate market share of smaller retailers presented as a combined percentage relative to larger retailers.

2.3 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)

We note that the proposed national Rule 1002(1) requires the AER to publish performance reports that provide 'an indication of the total number of customers with standard retail contracts and market retail contracts, respectively, and the numbers by reference to each retailer'. If this becomes a regulatory compliance requirement we would comply, although as we note above, we would derive these numbers starting from a NMI/MIRN basis, as this is how our systems are configured.

The proposed national Rule 1002(2)(b) also requires the AER's retail market overview to report on different categories of customers, including small customers and large customers, and residential customers and business customers. Given this, and given the presence in the Law of the 'small market offer' group, the AER's proposed approach makes sense and we agree it would be the most logical way to address the issues.

However, we again raise the issues of systems capacity and complexities that will arise from these additional layers of reporting. Origin's customer category flags are not necessarily based on consumption, the main categories are based on tariff type or meter class. In our opinion, this would be a more accurate way of determining customer category if required. On this basis we would also again suggest that data should not be collected any more frequently than 6 monthly, and preferably on an annual basis.

The AER also suggests that it might collect the number of residential customers on market retail contracts who are also receiving energy concessions, or who are on a payment plan or their retailer's hardship program. We do not support this suggestion, as, once again, while this information may be 'nice to have', we are getting further into onerous systems changes, and the costs associated with this will be high. The end customers are the ones who will bear these costs.

Q 9. How might the number of customers on standard and market retail contracts reflect on retailer performance? On the retail market?

This issue requires further clarification about terminology, but we believe that the retail market overview is exactly that - a retail market overview - and as such this is not the place to identify and discuss specific retailer activity or 'performance'. Origin is not comfortable with the AER forming links between the data on customer contract numbers and retailer performance unless these are generic and factual statements about non-commercially sensitive retailer activity, such as "retailers appear to be offering market contracts to most customers".

We hold this view because retailer 'performance' is an unclear concept unless specifically defined per performance metric, and tends to be loaded with the meaning of the observer. The nature of the word implies meeting someone's expectations and we suggest that other than regulatory requirements regarding obligations to offer contracts (and everything that then flows from that) there should not be expectations of retailers against which 'performance' can be judged. For example, retailers largely have the freedom to determine who and when they market to. The above is not an expectation-based set of metrics, unlike those relating to disconnections for non-payment (where the view is lower is better), and they also do not provide necessary context for other metrics, such as the data on concessions card holders and payment plans that provide context for customers with payment difficulties.

Regarding the second part of the question, which asks about how the number of customers on standard and market retail contracts might reflect on the retail market, this raises the question of how far into this territory the AER wants to proceed. It is interesting to note that much of the information addressed by the retail market overview is information that would usually be collected and analysed as part of a more comprehensive review of competition, such as the competition reviews carried out by jurisdictional regulators and by the AEMC. This was also clearly demonstrated in the recent performance indicator public forum, where a number of stakeholders suggested metrics to evaluate the market's performance that required significant detail from a range of sources and comprehensive analysis by the AER.

Origin does not have a specific view about how far the AER should take an assessment of the retail market, other than we want the AER to be clear where it is making assumptions compared to where it is making statements of fact. We expect the AER itself will be aware of (and seek to avoid) any overlap between it and the AEMC in terms of market assessments. What we do feel strongly about, however, is not wanting to report comprehensive data to multiple sources on the basis that this is 'nice to know' or the information is being asked for 'just in case' it shows some pattern. We would like our reporting to be as streamlined and efficient as possible. What this means for us is that we do not provide versions of essentially the same metrics to different parties, and that we do not spend significant amounts of money building systems that provide data that no one can use or understand.

2.4 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?

Origin supports the AER's proposal to collect the total number of retail customer transfers recorded by AEMO's market systems each month. However, while such data provide information on the level of competition they should not provide an indication of individual retailer performance in any direct way - certainly we believe that transfer data sets that identify individual retailers should not be published.

2.5 Energy Affordability

Overall, Origin supports the approach taken by the AER on how it tackles the Affordability Report, and so we will not address the specific questions in any detail. We do have questions about how far this is to be taken, as addressed in section 1, but we realise that we are in the early stages of this consultation. We are also happy to spend more time with the AER in the coming months to share our perspective on what information might be the most useful.

The one further suggestion we have for the AER in its information collection is to speak with financial counsellors to understand the effects of other creditors on how energy bills are paid - we have it on good advice that as other creditors are putting more pressure on consumers that energy bills are being put last as consumers know they will be less likely to be cut off. Our internal research also supports this, with banks and telecommunications bills being prioritised ahead of energy because of the difference in collection activity.

An interesting question then arises: how can we view energy debt in isolation of other household debts? Further, how can energy retailer performance be judged when trends in the indicators might be explained by factors entirely unrelated to energy use? As an issue this is perhaps no different from raising questions about unemployment/underemployment, income support and other household consumption (which according to ABS data is more than 95 per cent of household expenditure), but it provides a more immediate comparison with the provision of other services to the consumer and what is seen as acceptable practice.

Our remaining comments go more to the issue we addressed earlier, and in person at the performance reporting forum, which is how the AER manages the expectations of the various stakeholders in developing this report. We are aware that this task is a major one and will require some clear demarcation of the issues that the AER will and will not be likely to comment on. Some stakeholders have raised metrics to understand affordability that may be 'nice to have' in an ideal world just in case they tell us something, but there needs to always be a clear understanding of the trade-offs that will occur in reality, such as the trade-offs between cost/time/resources of data collection and analysis and the likely value of the given data set.

As noted above, there is a danger that the AER will be looked to as the 'expert' on energy hardship and be expected to arrive at solid numbers about affordability, when this is, in fact, a highly contentious area. Even the experts in this area frequently disagree about the issues, such as the different definitions of poverty used by Australian community welfare experts.

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?

Origin supports the use of case studies, and will give further consideration to the appropriate focus of case studies. The development of case studies can often turn into a highly contested environment about what is truly representative, and there is always a tension between the need to account for everything (which can then make a case study unworkable) versus providing the bare bones of a case study to be broadly applicable (but then lose the necessary complexity). We are happy to work with the AER to suggest possibilities.

2.6 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?

Origin would prefer six monthly or annual market reports to be released by the AER. Ideally if there is an annual affordability report (which we support) the entire package could be published annually. The costs of shorter reporting periods are difficult for Origin to determine at this point, but we are happy to discuss this further with the AER.

3. Retail market activities review

As a general statement, Origin would like the proposed performance reporting framework to be recalibrated to address the collections and customer management 'pipeline' at a high level, rather than drilling into detail about debts and disconnections that will not provide much insight. Retailers' own internal reporting is more likely to be aligned to this approach, and so systems change requirements will be lower and it will also be easier to have the industry internalise and value the intent of the AER's performance reporting. High-level indicators are the best means of establishing a cost-effective means of understanding the industry, and will also be less likely to become irrelevant or hard to interpret as practices change and new tools become available to assist customers with payment difficulties.

Key metrics could address the percentage of customers who:

- pay before the reminder notice;
- make active contributions to payment plans (of the group who are on payment plans);
- are disconnected for non-payment; and
- are on hardship programs.

It will be important to see each of these as establishing trends per retailer, where, as we noted in our submission on hardship indicators, this will be the best way to understand the industry and also observe broader issues affecting bill affordability. As we noted in that submission, indicators are likely to be interpreted and reported on in different ways by different retailers and so comparison across retailers will be problematic.

We will now address the AER's proposed indicators in detail.

3.1 Handling of customers experiencing payment difficulties

3.1.1 Customers in energy debt and energy debt levels

The AER has suggested that it will collect the following data:

- total number of (non hardship) customers repaying an energy debt (using the same definition of 'debt' for both these indicators and the National Hardship Indicators)
- for those customers, the average amount of their energy debt
- the number customers in energy debt who owe >$500 and >$1 000.

> 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?

Origin does not support the inclusion of these indicators as they are unlikely to provide any meaningful information. For Origin, we would include payment plans (our combined plans that pay off arrears) in the debt category, which would provide little clarity on debt that is being 'managed' versus debt that may lead to disconnection.

This is 'nice to know' data that we believe will prove itself to be essentially meaningless if the intricacies of actual customer circumstances are not taken into account. However taking the additional data into account would require an integrated customer data set per retailer that was capable of being interrogated about debt by customer types. This would likely cost the industry millions of dollars. As noted in section 1 above this is a costly approach that would also require data mining capability by the AER.

We also do not support capturing data on the number of customers with overdue or deferred payments. This will also not show the difference between customers who choose to pay bills late, or forget, and those who cannot pay, which is the entire point of the exercise.

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

The AER has advised that it will monitor residential customers experiencing payment difficulties with regard to direct debit plan terminations with:

- total number of customers using direct debit facilities to pay customer accounts
- number of direct debit plan terminations resulting from non-payment.

All terminations are to be included in these indicators, regardless of the account or institution from which they are paid, including Centrepay, however termination by choice to not be included.

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.

Origin is not clear about the purpose of this set of indicators in any retailer performance sense, as direct debit is merely a payment channel and use of direct debit does not imply payment difficulties. We have a range of products that can be paid by direct debit, whether this is payment in full per billing period, or bill smoothing where the customer pays a 'smoothed' amount per month to reduce bill volatility through the year. We recognise that there is a precedent to direct debit terminations being collected but suggest that the links that some have made to payment difficulties are not clear, and they cannot be 'acted on' in any meaningful way. Certainly we have no evidence of these metrics being used to 'tell a story' by any regulator who has collected them to date.

Further, and perhaps more importantly, there may be numbers reported in this category that relate to payment plans where the payment plan data have already been collected as part of another indicator.

There may be some argument that this set of metrics might inform the broader affordability analysis to be carried out by the AER. For example, if there are data collected over time that show a higher rate of default by energy customers (which we reiterate, will be across our customer base and may be double counted with other indicators) perhaps this may help the AER to form an opinion that energy is becoming less affordable. However, we question whether this would be a reasonable assumption given the range of factors that go into organising a direct debit arrangement, and also the other factors we addressed previously about pressure from other creditors.

We also note that some consumer groups submitted to the SCONRRR[1] that direct debit defaults would be problematic as an indicator of hardship, as (a) industry practice varies in relation to when a plan will be terminated for default, and (b) there are other indicators of personal financial stress which would serve as a better indicator of financial distress.

Origin remains unconvinced that direct debit terminations tell us anything meaningful about customer experiencing payment difficulties, and as such these metrics purely reflect additional costs to retailers (that are passed on to customers) about information that might be 'nice to have' but is unlikely to be useful given the other data to be collected. Therefore we do not support the inclusion of direct debit termination data in any way.

[1] Utility Regulators Forum (2007), *National Energy Retail Performance Indicators - Final Paper*, Steering Committee on National Regulatory Reporting Requirements - Retail Working Group, May.

3.1.3 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?

Origin supports this preliminary position.

3.1.4 Payment plans

The AER has suggested three possible indicators to monitor retailers' use of payment plans to assist customers experiencing payment difficulties, as follows:

- the number of non-hardship customers using payment plans (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)
- the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bill
- the number of customers on a payment plan in the previous 24 months who were disconnected for non-payment of bills and subsequently reconnected within seven days in the same name and at the same address.

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?

Origin supports information about payment plans being collected and reported. We also support the definition of a payment plan 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.

We also support an indicator that shows the effectiveness of payment plans, such as one which measures customers who maintain their plans. Origin has found this to be a useful measure and believe that a high figure should go some way to demonstrating where payment plans are affordable, and therefore adequately address a customer's capacity to pay.

We are concerned about the 24 month aspect of the proposed indicators, and this is a concern we have about all of the indicators that propose for the previous 24 months to be addressed. There are two key reasons for this:

- **The policy implication**: We have already made a comprehensive submission to the AER's National Hardship Indicators Issues Paper that addresses our concern about the previous 24 months being used as an indicator of a retailer's 'performance'. We direct the AER to that submission to see our full argument. As we noted in that submission, customer circumstances change all the time and retailers cannot be held responsible for customer behaviour. While the information about whether customers are disconnected within two years of being on a payment plan may be 'nice to know' from a social policy perspective, it does not relate to the effectiveness of retailers' policies and programs.

  If this argument is not accepted and we *are* to focus on the retailer's 'performance', there is likely to be confusion in what element of performance is described. Does this metric tell us about the lack of affordability of a payment plan, or the swiftness of disconnection? Is this about a retailer not doing enough to promote its hardship program, or could this number include the people who were on the hardship program at some point but did not engage? As with the debt data discussed above, this is 'nice to know' information that we believe will prove itself to be essentially meaningless if the intricacies of actual customer circumstances are not taken into account. If these data are to be useful in any way the AER would need an integrated customer data set per retailer that was capable of being interrogated by customer types and cut in different ways. As noted in section 1 above this is a costly approach (to the point where it is not feasible) that would also require data mining capability by the AER.

If this data set is to be collected for social policy purposes, then the question is: what can it tell us? Once again, unless there is comprehensive cross-referencing with other customer characteristics, what policy recommendation could flow from this indicator?

- **Tracking 'one view' of the customer:** As briefly mentioned at the public forum, the indicators that assume that two years' data are available per customer are likely to be problematic in practice. This assumes that retailers each have effective customer data integration (CDI), which provides 'one view of the customer'. However, this assumption is unlikely to be correct. Problems with CDI are common across all retail industries,[2] and in particular for companies which inherit a range of legacy systems such as those in the retail energy industry.

  Unless a retailer has customer data integration programs, and processes that require call centre operators to use a customer's previous data when the customer calls to connect (and nothing will be absolute in achieving this), there is always a chance that a customer calling to reconnect will have a new account made for them. If they have been disconnected and reconnected a number of times this might mean that one active account has several 'ghost' accounts from previous periods that no one will know about. Unless the retailer goes through a complex and expensive data cleansing process these accounts will not be seen as belonging to the one person, and so will not be picked up by indicators such as those discussed by the AER.

  When we combine this issue with the fact that some customers will also be transferring retailer (and our own experience is that over 20 per cent of customers who did not complete their payment plans successfully as part of our hardship program changed retailer), and therefore will not be picked up, it seems that the sizeable amount that we *don't know* might outweigh any benefits of collecting data on this type of indicator.

3.2 De-energisation (disconnection)

The AER considers that the number of premises disconnected for reasons of non-payment is a critical indicator for monitoring retailer performance as it can have a significant impact on those customers affected. The AER's preliminary view is to collect data of the number of disconnections in the following areas:

- the total number of residential and small business customers disconnected for non-payment in the reporting period
- the number of residential customers on a retailer's hardship program who were disconnected for non-payment in the reporting period
- the 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
- the number of customers who have been disconnected when they have been on a payment plan in the previous 24 months

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?

[2] See Russom. P. (2008) *Customer Data Integration: Managing Customer Information as an Organizational Asset*, TDWI, fourth quarter 2008, downloaded from http://tdwi.org/research/2008/09/customer-data-integration-managing-customer-information-as-an-organizational-asset.aspx . A summarised version is at http://tdwi.org/articles/2008/10/29/customer-data-integration-the-state-of-cdi.aspx?sc_lang=en .

Origin supports the inclusion of the first two disconnection indicators, and we do not support the third and fourth indicators. Our reasons for not supporting these latter indicators are discussed below in the concessions section (regarding dot point three) and above in the discussion of payment plans (regarding dot point four).

We note that the AER also proposes to collect information on the number of customers disconnected more than once in the previous 24 months for non-payment in the same name and address, and this is based on certain assumptions about the way retailers do business, and customers' willingness to engage. We have addressed this issue in section 1.4 of this response and also direct the AER to our submission on the National Hardship Indicators, where the issues are discussed at length. In summary however, we do not support these metrics as in any way providing information about retailer 'performance'. Further, as social policy indicators they suffer from the same problems with a likely lack of 'one view of the customer' as other data to be collected over 24 months.

We also ask the AER to note another measurement issue, which is that of the total number of customers that retailers direct distributors to disconnect, there is a group of customers who are still not disconnected by distributors for a variety of reasons. We address this matter again below.

3.3 Re-energisation (reconnection)

The AER has suggested that it will collect data on the number of reconnections within seven days of disconnection for each area identified under the disconnection indicators, including:

- residential and small business customers
- customers on a retailer's hardship program (and in addition, as part of the National Hardship Indicators, customers on a retailer's hardship program in the previous 24 months)
- the number of residential customers in receipt of an energy concession
- the number of customers that have been on a payment plan in the previous 24 months.

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?

We support the first two indicators (with some reservations), and do not support the third or fourth indicators for the same reasons as covered in the disconnection section above. We do not support the indicator addressed by the National Hardship Indicators consultation - see Origin's separate submission on this matter.

Origin has reservations about reconnections within seven days as being relevant, as while this is generally considered a proxy for customers in hardship, it is not a very good proxy. It has never been demonstrated to be effective for this purpose, but in the absence of something better it has prevailed.

As we noted in our submission to the Victorian Committee of Inquiry into Financial Hardship of Energy Consumers, as part of its performance monitoring and reporting regime, the Victorian Essential Services Commission (ESC) commissioned in 2003 an independent consultant's report on performance indicators for financial hardship.[3] The consultants did not find any objective evidence that reconnection in the same name effectively captured hardship as a performance indicator, and essentially recommended further research to be carried out. In our experience, it is precisely those customers who can afford to pay, but choose not to, that are likely to arrange for reconnection. In fact, the ESC's own

[3] The Allen Consulting Group (2003) *Draft report to the Essential Services Commission (Victoria) Disconnection and financial hardship: Performance indicators*, 11 November.

consultant's report on this issue states UK evidence that supports this view,[4] where Ofgem found that 'forgetting to pay' was the most prominent reason for self-disconnection (through pre-payment meters) in the United Kingdom.

However, the industry has made this argument for some years and has not yet been able to shift the general perception of customers who fall into this category as reflecting people who are in hardship. While we accept the indicators we believe that they provide anecdotal or circumstantial links at best, and merely add to the confusion around the issue.

As a final point, we want to take up the issue mentioned in section 3.2 above regarding disconnections that do not occur even though a retailer has sent through a request. Where this happens (and the frequency is not insignificant) this means that there may be measurement issues around time periods to reconnect. The 'within seven days' element of this indicator may mean that customers in this situation are not picked up, particularly if they are actually disconnected some time after the retailer made the request.

3.4 Concessions

The AER has advised that the following indicators could be adopted:

- total number of customers in receipt of an energy concession
- number of customers who were disconnected and are in receipt of an energy concession (discussed in section 3.2)
- 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 (discussed in section 3.3)

The AER does not propose to collect information on other state and territory government energy grant schemes.

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?

As we noted in our submission on the National Hardship Indicators, we do not find concessions indicators to be particularly meaningful: these are more about the AER collecting interesting information than about retailer performance.

We can understand why these data would be sought, as they might help inform social policy about concessions provision. There is also a belief among many stakeholders that people on concessions are, by definition, more likely to experience payment difficulties, so this is the group to watch.

While this may be the case, we do not believe that concessions metrics are particularly meaningful, as they merge quite different customer types into a large population of up to 40 per cent of customer households. For example, in Victoria the concessions population is mostly comprised of aged pensioners (around half) and recipients of other benefits such as Commonwealth Health Care Cards (around half), and these concessions cardholders have been shown to have very different capacities and perspectives. While Health Care Card holders are less likely to manage their bills and be able to pay on time than the mainstream population, aged pensioners are *more* likely to pay on time and manage their bills than the mainstream population (see the 2007 Victorian DHS Household Expenditure Survey). Aged pensioners may well struggle to afford their energy bills, but because they ration their use and prioritise energy bill payment, retailers may never know. While we can continue to offer support, pride will play a role in what people choose to share about their personal circumstances.

[4] Electricity Association (2001) *Affording Gas and Electricity: Self Disconnection and Rationing by Prepayment and Low Income Credit Consumers and Company Attitudes to Social Action.*

As we also noted in our earlier submission, there is a large number of 'working poor', and these people would not generally hold concession cards. In 2004, 29 per cent of employees were identified as earning less than $500/week by the ABS. 'Underemployment' is a problem, where in late 2009 ABS figures showed that 13.4 per cent of Australians were working fewer hours than they would have liked to, whether through unemployment or being asked to take part-time hours against their preference. Underemployment, like unemployment, will necessarily add pressure to household finances, which will also affect capacity to pay energy bills.

We do not expect that concessions indicators will be taken off the reporting list, and also recognise they are a regulatory requirement under the proposed Retail Rules. Therefore Origin is comfortable to continue reporting on this indicator in a general sense: that is, on customer numbers. We would also prefer to report on customers who are *eligible for* concessions rather than *in receipt of* concessions, as the latter version would likely be interpreted as the number of concessions in a reporting period (which may be more than one) rather than the one customer who is eligible for a concession of some type.

However, we do *not* support the collection of the concessions disconnection and reconnection data because this is unlikely to shed any light on to retailer performance and is also not going to inform social policy while customer types are not able to be explored in any detail. Once again, if these data are to be of any real use we need to have fully integrated customer data sets that can then be mined by the AER. While this might be 'nice to have' it will cost millions of dollars and take years to create and implement, and we doubt that this kind of development is in any way consistent with basic principles of compliance and performance monitoring of a competitive market.

3.5 Prepayment meters

The AER has advised that its preliminary view is to collect data on:

- the total number of customers using PPMs
- the number of prepayment meters removed due to payment difficulties
- the number of customers who self-disconnect three or more times in any three month period for longer than 240 minutes on each occasion.

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?

Origin does not currently have a view on this issue.

3.6 Security deposits

AER's preliminary view is to include the following indicators:

- 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.

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?

Origin is not clear about the value of these indicators, and on that basis we do not support their inclusion. However, we recognise that the AER has been asked to report on security deposits in the proposed Retail Rules, and so accept these indicators and the AER's proposal for annual reporting on the number and value of security deposits for residential and business customers held by retailers as at 30 June each year.

3.7 Customer service

The AER has proposed the following indicators:

- Total number of calls to an operator, including sales calls and any abandoned calls to an operator.
- Number and percentage of calls forwarded to an operator that are answered within 30 seconds. Where retailers use an IVR system, monitoring should commence from when the caller chooses to speak to an operator. Where the call centres provide an option to call the customer back within a defined period of time (rather than have the customer wait on hold until the next operator is available), the call will be considered to have been answered within 30 seconds providing the caller selected the option within 30 seconds and the telephone call was returned by the call centre within the defined time period.
- Average time before an operator answers the call, will be the total time spent waiting (measured as per above) divided by the total number of calls to an operator (measured as per above).
- Number and percentage of calls abandoned before being answered by an operator. Again, for retailers with IVR systems this will only include calls where the caller chooses to speak to an operator.

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?

Origin supports the collection and reporting of the customer service indicators as proposed by the AER. We agree that it is not practical to report customer service indicators for different categories of customers and that overall call centre performance statistics will provide appropriate measures of customer service. This also means that it will not be possible to separate electricity from gas calls.

We do not have suggestions about other areas of retailer customer service that the AER might seek to assess.

3.8 Complaints

The AER has proposed to adopt the SCONNR's definition for each of the complaints categories required under the Rules as follows:

- total number of complaints
- marketing complaints – including sales approach or conduct, advertising campaigns, contract terms, sales techniques, misleading conduct
- billing complaints – regarding prices, overcharging, high bills, billing errors, payment terms and methods, failure to receive government rebates and debt recovery practices
- transfer complaints – may also include general transfer complaints such as failure to transfer within a certain period, disruption of supply due to transfer and billing problems directly associated with transfer
- other complaints – complaints about the quality and timeliness of retail service other than billing complaints, marketing complaints and transfer complaints. Examples may include poor service, privacy issues, failure to respond to complaints, and health and safety issues.

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?

Overall, Origin supports the categories of complaints to be included for reporting in this area, and we support this information being collected separately for residential and business customers.

We do not support collecting complaints information on affordability as is currently the practice in Victoria, as this tends to blend into the 'billing complaints' category. Given that 'billing complaints' includes high bills, failure to receive rebates, and debt recovery practices, we suggest that assigning a complaint to 'billing complaints' or 'affordability' will be a highly subjective process. Even if the AER can develop an objective definition of affordability complaints, the variations in interpretation by call centre operators both within a business and between businesses will render this category unhelpful at best and misleading at worst.

We also do not support the suggestion that there is value in monitoring retailer performance in responding to and resolving complaints. The AER has said that this could be measured, for example, by reference to the number of complaints that are not resolved within a certain time period, or the average time taken to resolve a complaint. In our view, time to resolve a complaint will not lead to any useful information for two reasons:

- The majority of complaints are received and handled by our call centre's front line, with the resolution negotiated on the call. Details of the complaint are recorded to maintain an accurate customer history and the complaint category is recorded for reporting purposes, however there is no reportable start or end time to the complaint. In our experience, very few organisations across a range of industries could provide this type of information for the majority of complaints handled at the call centre frontline.
- Those complaints that are escalated from the call centre, and/or are referred by the relevant Ombudsman are case managed and accordingly a start and end time is recorded. However these data may not necessarily reflect the accurate time taken to resolve a complaint as they include administrative times allowable under the various state ombudsman schemes to respond to a retailer's investigation of a complaint. This time frame varies between 14 to 21 days depending on the scheme. In our experience, time to resolve an issue is not as important to a customer as keeping them informed.

Regarding how comparison might occur between the data reported by retailers and data reported by energy ombudsman schemes, in principle a simple metric of ombudsman complaints divided by retailer complaints should provide some sense of how well complaints are being managed. As noted by the AER, if this number is low (that is, complaints received by ombudsman schemes are much lower than those received by retailers) then perhaps it might be assumed that a retailer's means of handling complaints is relatively good, because only a small number of people found it necessary to go to the Ombudsman after having found the retailer's assistance ineffective.

However, this is not as easy as it sounds, as different businesses are likely to have quite different means of understanding and measuring complaints depending on their complaints culture. A positive complaints culture will welcome and measure a complaint and be more open to providing customers with specific access information about external complaints agencies such as the Ombudsman, but a negative complaints culture will be more likely to avoid this. What this means is that a business which has a positive complaints culture will have higher complaints recorded than one with a negative culture. It will thus be difficult for the AER to form *any* view about the effectiveness of complaints handling generally on complaints statistics, and this problem will be compounded if the AER puts too high a value on comparing data across retailers and complaints mechanisms (such as between retailer and ombudsman).

Overall, if the AER would like to better understand how retailers manage complaints, we suggest it look at the issues that go to the relevant energy ombudsman and compare retailers on that basis. This will provide a greater chance of an 'apples with apples' comparison, at least per jurisdictional ombudsman scheme.

3.9 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?

Origin would prefer six monthly reporting on all indicators currently proposed by the AER to be reported quarterly. This would reduce some of the costs involved for the industry and also provide a better opportunity to see trends per period.

We also suggest that most of the data should not be reported as raw numbers but as percentages of the customer base.

4. Additional information on distributor performance

The AER has proposed to measure two generic indicators:

- the extent to which customers are aware of and able to access the small claims regime
- the extent to which customers accessing the regime receive an appropriate amount of compensation for claims.

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.

Origin supports the indicators proposed by the AER and also proposes that the AER collect data from distributors about their service delivery to retailers, via the service agreements. Given that retailer and customer outcomes - particularly regarding timeframes - are largely driven by distribution businesses' performance, we think it is reasonable that some high level indicators are also developed to measure distributors' performance. For example, we would like to see some transparency of distributor times to fulfil requests to connect meters, de-energise and manage service calls.

While it might be argued that these are issues that should be managed between the contracting parties to the service agreement, we suggest that this is not always appropriate given the unequal power of retailers and distributors. Given that the service agreements have their basis in the Access Arrangements regulated by the AER, we believe there could be some regulatory 'anchor' for such reporting requirements to be made of distributors.