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**Submission in response to
AER's Retail Market Performance Reporting: Issues Paper**

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on issues raised in the AER's *Retail Market Performance Reporting: Issues Paper*. We recognise that the development of a robust performance reporting guideline to accompany the National Energy Customer Framework will result in better public information about energy markets, retailer performance, customer behaviour and energy affordability. Better information will, in turn, allow for improved regulation to ensure a fairer market for all consumers.

Our particular interest in performance reporting lies in its ability, through regular reporting of performance indicators over time, to reveal levels and patterns of financial hardship in relation to household energy supply, and to indicate areas where social policy and other interventions might be most effective in alleviating hardship.

TasCOSS welcomes, and is particularly interested in the annual affordability report that the AER is required to prepare.

This submission will not address all of the questions posed in the *Issues Paper*, but will recommend, from our experience in working for a number of years with a broad performance reporting regime in Tasmania, some useful indicators that contribute to monitoring both energy-related hardship and related retailer performance. We will also provide some comment on the energy affordability report.

Reporting requirements

While we see the value in an annual energy affordability report, it would be useful to have most other information reported on quarterly. However, most of the indicators proposed for the retail market activities review, and especially those pertinent to affordability and hardship, should be collected monthly and reported on quarterly. This will reveal any seasonal factors affecting hardship and capacity to pay. Indicators in the retail market overview are probably best collected and reported quarterly to provide context, and aggregated for an annual performance report.

TasCOSS response to the AER's *Retail Market Performance Reporting: Issues Paper, August 2010*

Retail market activities review

The indicators detailed in the *Issues Paper* for reporting in the 'Retail market activities review' are generally acceptable to TasCOSS; however, we recommend additional indicators to allow for a more comprehensive understanding of hardship issues. As we stated in our response to the AER's recent ***Developing National Hardship Indicators: Issues Paper***,

. . . specific hardship indicators . . . cannot stand alone, and to be meaningful, must be reported, viewed and considered in context with other indicators, especially those related to customers experiencing financial difficulties such as the creation and progress of payment plans and numbers of customers disconnected for inability or failure to pay.(TasCOSS, May 2010)

Firstly, we would like to see a number of the indicators here broken down by concession status, for instance, the indicators relating to energy debt and levels thereof would be reported for all residential customers *and* for those in receipt of concessions. This would provide an indication of the adequacy, or otherwise of concessions in the various jurisdictions.

In relation to **customers in receipt of concessions**, we would like to see the following information provided (collected monthly and reported quarterly):

- Total number of customers in receipt of concessions
- Number of customers in receipt of concessions with market and standard contracts
- Number of customers in receipt of concessions repaying an energy debt
- Average amount of debt for concession recipients
- Number with an energy debt greater than \$500 and greater than \$1,000
- Number of concession recipients on active payment plans
- Number on retailer's Hardship Program
- Number granted payment extensions
- Number disconnected for non-payment
- Number reconnected within 7 days after a disconnection for non-payment
- Number with prepayment meters
- Number 'self-disconnected' from prepayment meters
- Average energy consumption by concession recipients.

Other indicators that would be useful in assessing hardship are those associated with **billing and payment behaviour**. These include:

- Number of bills paid on time
- Number of payment extensions granted by retailer
- Number and value of late payment fees paid
- Number of late payment fees waived (for any reason)
- Number of reminder notices sent
- Number of disconnection warning notices sent.

We are particularly interested in the number of **payment extensions** granted by retailer since this is a form of assistance offered by retailers to those who may be experiencing temporary financial difficulties and which may obviate the need for entry into a Hardship Program.

More details would be useful regarding **payment plans** – and should include data from payment plans both within and outside of a retailer’s Hardship Program . As well as the number of active payment plans per month and quarter, Aurora Energy in Tasmania currently reports the following:

- Number of new plans created
- Number of plans completed
- Number of plans cancelled and a new plan created
- Number of plans terminated by retailer for default
- Number of customers with two or more plans cancelled or terminated in 12 months.

These figures are useful in assessing the extent of hardship and its seasonality, as well as the efficacy of payment plans as a tool to address hardship. The number of cancellations and terminations of payment plans can also indicate the extent to which plans are established according to a customer’s capacity to pay.

TasCOSS supports the suggestion in the *Issues Paper* for reporting of **direct debit arrangements terminated as a result of default or non-payment**. With some retailers, including Aurora Energy, offering discount incentives for payment by direct debit, this has become a popular option for many consumers. However, it is also a dangerous option for those living on low incomes. In circumstances where account balances or available credit are insufficient to cover direct debit commitments, not only do consumers default on their payments, but they also can incur substantial penalties from their financial institutions, thereby compounding hardship.

The *Issues Paper* seeks views on whether or not direct debit terminations for default or non-payment should be reported for Hardship Program participants as well as for other customers. We believe that *all* terminations of direct debit arrangements should be reported. We would not, however, include Centrepay in this since to default with Centrepay arrangements in place would be a choice to terminate the arrangement or would be the result of the loss of one’s Centrelink pension or allowance.

TasCOSS believes that the suggestions made in the *Issues Paper* for reporting on the use of prepayment meters (PPMs) do not go far enough. A long-standing concern of the community services sector in Tasmania, where PPMs have been widely available for more than ten years, is their proliferation among low income and vulnerable households. It should be noted that the majority of Tasmanian PPMs (98.5%) do not have the capacity to monitor ‘self-disconnection’ events and, with around 40,000 households using PPMs in the state, we are concerned that hardship evidenced by disconnection from electricity among these households is hidden from view. We therefore recommend that the national reporting regime include: **the number of PPMs in use that are capable of recognising disconnection events**.

In addition, it would be useful to have further information about PPMs in order to monitor hardship among their users. In addition to the indicators required in the Rules and discussed in the *Issues Paper*, we recommend reporting on the following:

- Number of concession recipients with PPMs (as mentioned above)
- Total number of PPM self-disconnection events
- Number of PPM customers self-disconnecting in the period
- Number of concession recipients self-disconnecting once and more than once
- Average duration of self-disconnection events

- Number of repeat self-disconnection events and duration of each event
- Number of PPM customers accessing emergency credit
- Number of PPM customers accessing emergency credit more than once in the period
- Number of customers reverting to a standard meter (for any reason).

We recommend that these and other PPM-related indicators be collected monthly and reported on quarterly.

Other indicators we would like to see reported on are **usage and cost indicators**, that is, average household usage in kilowatt hours for ‘typical customer’ classes (low, medium and high use) and average cost of energy for these ‘typical customers’, for both electricity and gas, by jurisdiction. This information would best be reported quarterly and aggregated in an annual performance report. This information would obviously be useful in the annual affordability report, for context and to identify instances of significant deviations in use and/or cost from the ‘typical customer’ profile.

Energy affordability report

As mentioned above, TasCOSS welcomes the requirement in the second exposure draft of the National Energy Retail Rules for the AER to include an energy affordability report as part of its annual retail market overview. The preparation of an annual affordability report provides an opportunity for the AER to bring together relevant performance indicators from its reporting regime, as well as information from other sources to assess, both in absolute and in relative terms, the affordability of household energy.

We believe that energy affordability must be assessed at a jurisdictional level, given the differences in climate, energy prices, incomes and the availability of gas. It should also focus on the ability of low income households in particular to afford adequate, uninterrupted energy supply. ‘Low income’ could be defined as the three lowest income deciles in each jurisdiction. We believe that an annual affordability report would be most appropriate and agree with the view expressed in the *Issues Paper* that it is unlikely that meaningful trends in affordability will be revealed by more frequent reporting.

Affordability should be considered in absolute terms, that is, the proportion of total income spent on energy (electricity and gas) by households at a given time – and the capacity to pay. Obviously, these will vary depending on prices and income levels and it therefore might be useful, as suggested in the *Issues Paper*, to develop a number of ‘typical customer’ profiles for each jurisdiction for both consumption levels and household income levels.

Relative affordability over time should also be considered, that is, changes in the relationships between relevant factors – energy prices, incomes, competing demands on household income and consumption – to determine whether, and to what extent, energy affordability has changed over time.

We also support the inclusion in affordability reports of case studies, these would provide an insight into consumers’ experiences of affordability – how it is managed and at what expense, financial and otherwise. We believe that it would be most appropriate for the AER to commission research, based on interviews with a sample of consumers in each jurisdiction, to develop case studies for this purpose. This could be carried out in conjunction with similar research associated with National Hardship Indicators.

Another obvious consideration for both absolute and relative affordability must be the contribution made by government energy concessions, subsidies and grants – and the eligibility and reach of such assistance.

A useful function of a comprehensive annual energy affordability report will be its role in assisting policy-makers and advocates to determine the efficacy of existing concessions and other financial assistance schemes.

We hope that our comments are useful. Please contact Kath McLean at TasCOSS if you have any questions concerning our views expressed here or if you require any further information.

Yours sincerely

A handwritten signature in black ink that reads "Ann Hughes". The signature is written in a cursive style with a large, looping "H" and "G".

Ann Hughes
Acting Chief Executive Officer
TasCOSS