

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

Marjorie Black House  
47 King William Rd  
Unley SA 5061

P. 08 8305 4222  
F. 08 8272 9500  
sacoss@sacoss.org.au  
www.sacoss.org.au

ABN 93 197 662 296

Via email to: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

13 August 2010

Dear General Manager,

**Re: AER Retail Market Performance Indicators**

SACOSS is pleased to contribute to the consultation process around the creation of Retail Market Performance Indicators. We strongly believe that the Indicators are an important step in assisting and protecting low income and disadvantaged South Australians under the National Energy Customer Framework (NECF).

As the peak non-government representative body for the health and community services sector in South Australia, SACOSS believes in justice, opportunity and shared wealth for all South Australians. We have a strong membership base representing a broad range of interests in the social services arena. Our core activities include analysing social policy, and advocacy on behalf of vulnerable and disadvantaged South Australians; providing independent information and commentary; and assisting the ongoing development of the health and community services sector. SACOSS has a key interest in the protection of low income and vulnerable consumers, extending to the interaction between essential service providers and energy consumers.

SACOSS supports QCOSS' detailed submission and proposed set of additional 'Retail Market Performance Reporting Indicators' to the AER (see attached). Our submission will not provide a detailed analysis of the 57 questions asked in the AER Issues Paper. It will, however, outline a number of key issues as seen from a South Australian perspective. These issues will be arranged under six headings: Purpose and Measure of Indicators; Key Indicators Missing from Issues Paper; Collecting Spatial Data; Reporting on Hardship Indicators; Reporting on Socio-Economic Conditions; and Alternative Forms of Performance Review and Reporting.

**1. Purpose and Measure of Indicators**

SACOSS emphasise that information indicators highlighted in material produced by the AER can form an avenue to inform social policy. For example, energy customers experiencing long term payment difficulty struggle to match consumption to their capacity to pay. Providing assistance to help move customers out of short term payment difficulties and to manage ongoing energy bills is certainly something that an energy retailer should be judged on through performance indicators. From a consumer advocacy perspective information reporting that can help identify systemic or chronic problems in the energy retail market would be very valuable to influence social policy makers.

Following on from this, to be able to adequately assess consumer care, SACOSS believe that the retailer performance indicators should measure both:

- the extent to which retailers meet the obligations on them under NECF2 (processes), and
- the effectiveness of a retailer meeting their obligations (outcomes).

By examining outcomes we can understand what processes are actually working, partly assess the quality of any requirements, and encourage a focus on both meeting obligations and on making the customer better off. For example, there is no current obligation under NECF2 to report the number of successful payment plans completions. Therefore we strongly encourage the inclusion of reporting indicators on the rate of successful completions and the rate of 'broken' payment plan arrangements.

## **2. Key Indicators Missing From Issues Paper**

SACOSS strongly argues that additional indicators are required in all areas but especially around the handling of customers in payment difficulties. While the AER's energy debt indicators are welcomed, more needs to be done around payment plans and the billing and notice path.

Collecting and reporting on additional indicators will have a regulatory cost, but these must be balanced against the long term costs and benefits to consumers of performance and information reporting. SACOSS notes that there are potential costs to consumers by not reporting on certain indicators. For example by not reporting on payment plans, some retailers will continue to ignore a consumer's capacity to pay when establishing a payment plan, which will lead to continued failure to complete payments and lead to growing energy debt. This could be avoided if the retailer remains accountable to the AER and the public for doing this.

## **3. Collecting Spatial Data**

Spatial data is a useful tool for both consumer advocacy and retailer-driven service improvement. Reporting some indicators by postcode would allow for linking with data from the Australian Bureau of Statistics, creating the potential to examine any socio-economic biases in the retail market or in the performance of retailers.

SACOSS highlights that reporting by postcode would also allow for analysis of problems like:

- the extent to which the benefits of retail competition are actually accessible to customers
- the extent to which spatial location impacts on the proportion of customers in financial difficulty (to potentially allow for better targeting of assistance measures), and
- spatial biases in the performance of retailers, particularly in regard to the handling of customers in payment difficulties.

#### **4. Reporting on Hardship Indicators**

As mentioned in our submission to the AER on the National Hardship Indicators Issues Paper<sup>1</sup>, SACOSS acknowledges that meaningful comparisons cannot be made between the hardship program indicators of each retailer, as each hardship program will operate under different conditions and these conditions alone can dictate variations in data. To limit meaningless comparisons, and to potentially assist the AER in developing case studies for their reporting, SACOSS recommended a reporting process that allows retailers to give explanation of their figures alongside the indicator results.

We support the AER's intention to include the hardship program indicators with the wider Performance Reporting Guidelines. The hardship program should not be examined in isolation.

#### **5. Reporting on Socio-Economic Conditions**

It is vital that we include the subset of energy hardship within the broader context of hardship issues, particularly in understanding indicators such as rising energy bill debt, and in developing hardship programs that are accessible and genuinely assist consumers to manage their debts. Given the importance of the energy affordability report, the AER should consult with stakeholders on the content and approach of the energy affordability report.

For the Energy Affordability report, SACOSS recommends:

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

#### **6. Alternative Forms of Performance Review and Reporting**

There are significant limitations to what indicator data can be collected, and therefore there are limits to what a set of indicators can address.

SACOSS are particularly concerned about missing data on:

- customers who pay energy bills but go without other essential goods and services such as physical comfort, food, or transport (will not be identified by the indicators on payment difficulties)

---

<sup>1</sup><http://www.aer.gov.au/content/item.phtml?itemId=737113&nodeId=a0ed53183acb116f529c6b68aa96831a&fn=Submission%20-%20National%20hardship%20indicators%20-%20South%20Australian%20Council%20of%20Social%20Service.pdf>

- areas of the market not covered by the indicators, such as the number of contact attempts made by a retailer using 'best endeavours' to contact a customer;
- obligations not carried out when they should have been such as payment plans offered to customers before a disconnection for non-payment is carried out;
- errors in data reporting, and
- the quality of the customer experience, such as access to payment extensions, the ease of use of the call centre, the 'readability' of bills, or the availability of flexible payment methods.

We strongly recommend that the AER establish an annual research program to examine these areas of concern, with a central element of the program being a customer experience survey. This survey would act to fill in some of the gaps from the performance and information reporting regime, and to examine those customers that have 'slipped through the cracks'.

SACOSS believes it is essential for the AER to continue to undertake consultation with consumer advocates throughout the development and drafting of retail market performance indicators and reporting structures, to ensure that affordable access to essential services is maintained for low income and disadvantaged households.

Please do not hesitate to contact me on (08) 8305 4222 or email [ross@sacoss.org.au](mailto:ross@sacoss.org.au) if you have any questions regarding this submission.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Ross Womersley', with a large, stylized flourish at the end.

Ross Womersley  
Executive Director

*This work was funded by the Consumer Advocacy Panel ([www.advocacypanel.com.au](http://www.advocacypanel.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.*

*The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.*

**SACOSS supports QCOSS' full set of proposed indicators:**

<b>Customer numbers</b>	<b>Proposal</b>
Number of authorised retailers (national, so all participating jurisdictions)	<b>AER</b>
Number of retailers selling energy or actively marketing but no customers <ul style="list-style-type: none"> <li>• By jurisdiction and customer class</li> </ul>	<b>AER</b>
Number of customers <ul style="list-style-type: none"> <li>• By retailer for each jurisdiction and for each fuel type</li> <li>• By retailer for each jurisdiction and fuel type, by customer class</li> </ul>	<b>AER</b>
Number of residential customers that are NEM connected but supplied by an exemption holder rather than by an authorised retailer.	<b>Additional</b>
Standard and market retail contracts <ul style="list-style-type: none"> <li>• By residential and small business, and by small market offer (business using 40-100 MWh or 0.4-1TJ pa)</li> <li>• By retailer and jurisdiction</li> </ul>	<b>AER</b>
Standard and market retail contracts <ul style="list-style-type: none"> <li>• Residential customers on a concession</li> <li>• Using a PPM</li> </ul>	<b>Additional</b>
By distribution network in each jurisdiction <ul style="list-style-type: none"> <li>• Number of customers for each retailer for each fuel type</li> <li>• Number of standard and market retail contracts for each fuel type</li> </ul>	<b>Additional</b>
Transfers by month <ul style="list-style-type: none"> <li>• Total retail customers (small and large)</li> </ul>	<b>AER</b>
Energy consumption for residential customers (mean, median and mode) <ul style="list-style-type: none"> <li>• All customers and customers on the hardship program</li> </ul>	<b>Additional</b>

<b>Additional areas of retail market activity</b>	<b>Proposal</b>
Compliance and Performance Audits (from the AER) <ul style="list-style-type: none"> <li>• By jurisdiction and retailer (number and description)</li> <li>• Summary of annual activity</li> </ul>	<b>Additional</b>
Assistance to customers. Qualitative report on: <ul style="list-style-type: none"> <li>• Engagement with third parties and the community (arrangements with community or financial counselling organisations, and provision of services for disability, equity, or access).</li> <li>• Energy consumption and use, including the provision of energy audits.</li> </ul>	<b>Additional</b>

<b>Handling of customers in payment difficulties</b>	<b>Proposal</b>
<b>Energy debt</b> for residential customers not in a retailer hardship program <ul style="list-style-type: none"> <li>• Number of customers repaying an energy debt</li> <li>• Average amount of energy debt</li> <li>• Number of customers with energy debt &gt; \$500</li> <li>• Number of customers with energy debt &gt; \$1,000</li> </ul>	<b>AER</b>

<ul style="list-style-type: none"> <li>○ Collected and reported quarterly</li> </ul>	
<b>Energy debt</b> <ul style="list-style-type: none"> <li>• Number of customers with energy debt &gt; \$3,000</li> </ul>	<b>Additional</b>
<b>Billing and notice path</b> for residential customers <ul style="list-style-type: none"> <li>• Number of bills issued and number of bills paid by the due date</li> <li>• Number of payment extensions given</li> <li>• Number of late payment fees charged and number paid</li> <li>• Number of reminder notices sent out</li> <li>• Number of disconnection warning notices sent out</li> <li>• Number of customers on a shortened collection cycle.</li> </ul>	<b>Additional</b>
<b>Flexible payment arrangements</b> , residential customers only, quarterly <ul style="list-style-type: none"> <li>• Number of customers using a flexible payment arrangement <ul style="list-style-type: none"> <li>○ Number of customers using Centrepay</li> </ul> </li> <li>• Number of customers where the flexible payment arrangement was terminated by the retailer as a result of non-payment</li> </ul>	<b>Additional</b>
<b>Payment plans</b> , residential customers only <ul style="list-style-type: none"> <li>• Number of customers using a payment plan, as at end of month</li> </ul>	<b>AER</b>
<b>Payment plans</b> <ul style="list-style-type: none"> <li>• New plans established during the period. For new plans: <ul style="list-style-type: none"> <li>○ Weekly \$ repayment rate (the arrears component only)</li> <li>○ Number of weeks to complete the plan at that rate</li> </ul> </li> <li>• Plans successfully completed</li> <li>• Plans cancelled by retailer and a new plan established</li> <li>• Plans terminated by retailer for non-compliance, no new plan</li> <li>• Customers with 2 or more plans cancelled for non-payment in last 12 months</li> </ul>	<b>Additional</b>
<b>Estimated accounts</b> <ul style="list-style-type: none"> <li>• Number of bills issued in the quarter that are estimated</li> </ul>	<b>Additional</b>

<b>Disconnection and Reconnection</b>	<b>Proposal</b>
Customers <b>disconnected</b> for non-payment in the period, and Customers then <b>re-connected</b> within 7 days, same name and address <ul style="list-style-type: none"> <li>• Residential and small business, monthly</li> </ul>	<b>AER</b>
Residential customers <b>disconnected</b> for non-payment in the period, and Residential customers <b>re-connected</b> within 7 days, same name and address <ul style="list-style-type: none"> <li>• Currently on a retailers hardship program</li> <li>• Previously on hardship program in last 24 months</li> <li>• Previously on payment plan in last 24 months</li> <li>• Receiving government energy concession through retailer</li> </ul>	<b>AER</b>

<ul style="list-style-type: none"> <li>Previously disconnected for non-payment in the last 24 months</li> </ul>	
<b>Number of disconnections for non-payment</b> <ul style="list-style-type: none"> <li>By distribution network by retailer</li> <li>Where reciprocal contact made with customer after disconnection warning notice issued</li> <li>Retailer should not have arranged for disconnection (Rule 610)</li> </ul>	<b>Additional</b>
<b>Number of reconnections, same name and address, after disconnection for non-payment</b> <ul style="list-style-type: none"> <li>Reconnections, total (to compare to reconnections after 7 days)</li> <li>Reconnections, total, by distribution network and retailer.</li> <li>Reconnections within 7 days, by distribution network and retailer.</li> <li>Average reconnection fee paid for reconnections within 7 days.</li> </ul>	<b>Additional</b>

<b>Concessions</b>	<b>Proposal</b>
Residential customers in receipt of an energy concession, quarterly	<b>AER</b>
Also, residential customers in receipt of an energy concession <ul style="list-style-type: none"> <li>Disconnected for non-payment</li> <li>Reconnected within 7 days after a disconnection for non-payment</li> <li>On hardship program</li> </ul>	<b>AER</b>
Residential customers in receipt of an energy concession <ul style="list-style-type: none"> <li>Using a PPM</li> </ul>	<b>Additional</b>

<b>Security Deposits</b>	<b>Proposal</b>
Number and value of security deposits held by retailers <ul style="list-style-type: none"> <li>Residential and small business, total</li> <li>Residential, held for longer than 12 months</li> <li>Small business, held for longer than 24 months</li> </ul>	<b>AER</b>
Collected and reported quarterly, not annually	<b>Additional</b>

<b>Prepayment Meters (PPMs)</b>	<b>Proposal</b>
Total number of residential customers using a PPM <ul style="list-style-type: none"> <li>Number of PPMs removed due to payment difficulties</li> <li>Number who self-disconnect three or more times in any 3 month period for longer than 240 minutes on each occasion</li> </ul>	<b>AER</b>
Total number of residential customers using a PPM <ul style="list-style-type: none"> <li>Number of PPMs removed for any reason</li> <li>Number of customers on a concession</li> </ul>	<b>Additional</b>
For customers using a PPM where the PPM can report a self-disconnection <ul style="list-style-type: none"> <li>Number who self-disconnect by: 1, 2, 3 or 4+ times per quarter <ul style="list-style-type: none"> <li>Average duration of the self disconnections for each group</li> </ul> </li> <li>Customers who accessed emergency credit during the quarter <ul style="list-style-type: none"> <li>average number occasions accessed</li> </ul> </li> <li>Average number of recharges per customer</li> <li>Average amount of credit on the PPM, end of the quarter</li> </ul>	<b>Additional</b>

<b>Customer Service (call centre)</b>	<b>Proposal</b>
For all customer categories combined; collect monthly and report quarterly <ul style="list-style-type: none"> <li>• Number of calls to operator</li> <li>• Number and % of calls to operator answered within 30 seconds</li> <li>• Average time before an operator answers the call</li> <li>• Number and % of calls abandoned before answered by operator</li> </ul>	<b>AER</b>
For all customer categories combined <ul style="list-style-type: none"> <li>• Use of the interpreter service for customers from a non-English speaking background</li> <li>• Use of a TTY (text telephone) or use of the National Relay Service for customers who have difficulty communicating by telephone</li> </ul>	<b>Additional</b>

<b>Complaints</b>	<b>Proposal</b>
Collect monthly, for residential and business customers <ul style="list-style-type: none"> <li>• Total number of complaints, and for each of:               <ul style="list-style-type: none"> <li>○ Marketing, Billing, Transfer, and Other</li> </ul> </li> </ul>	<b>AER</b>
For each complaint category: <ul style="list-style-type: none"> <li>• the number of complaints that are concluded or resolved within specified time limits</li> </ul>	<b>Additional</b>