



State of the South Australian Retail Energy Market 2014

**A review of retail price deregulation in SA from the perspective of household consumers
June 2015**

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Executive Summary

The State of the Energy Market Report is published by SACOSS annually with the 2014 report as the second edition. The purpose of this report is to highlight issues in the retail market that impact on consumers and to provide an overview of the information consumers need to make financially sound decisions regarding retail energy contracts.

The scope for this report is the South Australian retail energy market. South Australian energy consumers have now experienced more than two years of price deregulation and consumer protections via the National Energy Customer Framework (NECF). This coincides with strong consumer interest in market issues, particularly electricity pricing and the regulated processes that impact on these costs.

This 2014 report has four main themes:

- Retailer market shares and customer switching;
- Retail energy contracts;
- Retailer performance on hardship indicators and,
- The ACCC's legal action against two major retailers in South Australia regarding "discounts off what?"

In summary, SACOSS is of the view that the first two years of price deregulation and the NECF has provided some very concerning results for consumers in the retail energy market.

Key observations are:

- AGL's electricity market share, with just over half of the customer base, significant generation assets and expansion into new products and services represents a dominant position that presents ongoing challenges to effective competition in the market;
- Declining levels of customer switching between retailers and less volatile wholesale prices indicate a relatively subdued electricity market over the past 12 months;
- Retail energy contracts are offered as standing or market contracts, with a noticeable decrease in the annual costs for market offers. SACOSS cautions price discounts available on market contracts are usually conditional that can often result in extra fees for the consumer if these conditions are not met;
- The Federal Court of Australia has found two SA energy retailers have engaged in false or misleading representations concerning the level of discounts residents would receive and,
- The majority of small SA retailers appear to be performing better than average on disconnections however this is offset by below average performance on hardship programs and payment plans by these same retailers

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Background and Introduction

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services. Our research demonstrates that the cost of basic necessities like electricity and gas impacts greatly and disproportionately on vulnerable and disadvantaged people. Our advocacy is informed by our members, organisations and individuals who witness these impacts in our community.

South Australian households spend over a billion dollars each year on electricity and it is well known that the cost of electricity has significantly increased over the past five years. In line with increased prices is a commitment from consumer groups to actively engage in market processes to promote the needs and expectations of consumers. Recently the consumer-related community has shown unprecedented interest in the SA Power Networks (SAPN) Revenue Determination process with the Australian Energy Regulator (AER), with 11 submissions made to SAPN's revenue proposal¹. To be heard at the highest levels of decision-making in the energy market is good news for consumers.

The retail energy market in SA has undergone some significant changes over the past 12-24 months that have potential to impact on consumers. These changes include the removal of price regulation and adoption of the National Energy Customer Framework (NECF) on February 1st, 2013 and the expiration of the 2-year price freeze negotiated with incumbent electricity supplier AGL by the South Australian Government as part of price deregulation in SA on February 1st 2015. South Australians are now solely reliant on a competitive electricity market to contain prices with protections in place via the NECF.

With multiple retailers offering a variety of energy products and services to South Australian customers, it appears that competition in the market place is evident post the price deregulation decision. The NECF is now due for its two-year review and this process is currently underway with the Essential Services Commission of South Australia (ESCOSA)². The extent of competition following these substantial retail market changes in SA is unclear and SACOSS is of the view further price and market monitoring is required to identify emerging trends and the associated consumer impacts.

Consumers are now, more than ever significant players in a rapidly changing energy market. The emergence of new products and services are revolutionising how small electricity consumers generate, deliver and monitor their electricity – all of which will have significant impact on the cost of electricity. More choice however does indicate more complexity for consumers to negotiate and it is vital consumers have the knowledge and confidence to engage at all levels of the energy market. SACOSS believes accurate, timely and relevant information such as this report provides a vital conduit for consumer education and representation.

¹ AER 2015, SA Power Networks Determination 2015 – 2020, <http://www.aer.gov.au/node/20941>.

² ESCOSA 2015, Review of NECF in South Australia, <http://www.escosa.sa.gov.au/projects/222/review-of-necf-in-south-australia.aspx>. SACOSS has submitted to this review, <http://www.sacoss.org.au/sites/default/files/public/150512%20SACOSS%20Submission%20to%20the%20ESCOSA%20Review%20of%20the%20NECF%20in%20SA.pdf>.

Retailer Market Shares and Customer Switching

Market share

In June 2014 the South Australian energy market operated with 16 authorised energy retailers³ selling electricity and/or gas to approximately 840,000 and 425,000⁴ small energy customers⁵. This is an increase of 25% on the number of active retailers since August 2013⁶.

The retail market share of small electricity customers in SA at June 2014 is demonstrated in Table 1 below. These figures indicate AGL's customer base comprised of just over half of all customers at 51.1% (a slight decrease of 1.3% from the previous year). The next 47% of customers were spread across Origin Energy, Energy Australia, Simply Energy, Lumo and Red Energy⁷ and Alinta Energy. These two figures combined represent 98% of the total small electricity customer base in SA. Effectively the vast majority of small electricity consumers in SA receive their power from one of 6 retailers. Whilst this figure may allude to the presence of retail competition in the SA electricity market, it is important to examine the market structures of these retailers to fully understand their market strength.

| Retailer | Customer Numbers 30 June 2013 | Customer Numbers 30 June 2014 | Market Share 30 June 2013 | Market Share 30 June 2014 |
|----------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|
| AGL+ PowerDirect | 438,948 | 431,134 | 52.4% | 51.1% |
| Origin | 157,927 | 164,147 | 18.9% | 19.5% |
| EnergyAustralia | 95,315 | 85,575 | 11.4% | 10.1% |
| Simply | 68,958 | 73,004 | 8.2% | 8.7% |
| Lumo + Red | 52,093 | 49,637 | 6.2% | 5.9% |
| Alinta | 14,095 | 25,505 | 1.7% | 3.0% |
| Momentum | 9,265 | 12,362 | 1.1% | 1.5% |
| Sanctuary | 612 | 644 | 0.1% | 0.1% |
| QEnergy | 134 | 463 | <0.1% | 0.1% |
| Diamond | 137 | 339 | <0.1% | 0.0% |
| M2 Energy (dodo) | - | 297 | - | 0.0% |
| PacificHydro Retail | - | 112 | - | 0.0% |
| ERM Power | 37 | 83 | <0.1% | 0.0% |
| Progressive Green | - | 2 | - | 0.0% |
| Total all retailers | 837,521 | 843,304 | 100% | 100% |

Table 1: Retailer's small customer electricity customer numbers and market shares⁸.

³ ESCOSA, South Australian Energy Retail Prices Ministerial Pricing Report 2014, <http://www.escosa.sa.gov.au/library/140831-EnergyRetailPricesInSA-MinisterialPricingReport2014.pdf>, p. 7.

⁴ Ibid, pp. 46 & 47.

⁵ Defined as 'all South Australian electricity and gas consumers who are connected to the national energy networks and who consume less than 160MWh of electricity per annum and/or 1TJ of gas per annum respectively'. Typically residential and small business customers. <https://www.sa.gov.au/topics/water-energy-and-environment/energy/energy-providers-and-bills/national-energy-customer-framework#title4>.

⁶ ESCOSA, South Australian Energy Retail Prices Ministerial Pricing Report 2013, http://www.escosa.sa.gov.au/library/130829-EnergyRetailPricesInSA-MinisterialPricingReport_2013.pdf p. 7.

⁷ Red and Lumo are owned by Snowy Hydro, <http://www.snowyhydro.com.au/blog/2014/11/21/lumo-energy-acquisition-helps-snowy-hydro-reach-major-milestone/>.

⁸ ESCOSA, South Australian Energy Retail Prices Ministerial Pricing Report 2014, <http://www.escosa.sa.gov.au/library/140831-EnergyRetailPricesInSA-MinisterialPricingReport2014.pdf>, pp. 45 & 46.

All of the abovementioned retailers operate as vertically integrated energy businesses ('gentailers'), where they have a power generation and retail component to their business. This effectively means that each retailer holds economic interest in two main components of the supply chain, the wholesale and retail markets. The impact of gentailers on competition is recognised by the AEMC who in 2013 stated that the SA market is "... *potentially more prone to inhibiting efficient investment and promoting the likelihood of substantial market power*"⁹. In examining competition more closely, SACOSS is of the view that the gentailer model comprehensively dominates the SA market and the wholesale and retail electricity markets in SA should be analysed together. Whilst this report is focused on the retail market SACOSS has completed separate analysis on the wholesale market¹⁰.

AGL's presence in the SA electricity market also presents a unique set of circumstances for energy consumers. AGL holds just over half of SA's retail electricity small customer base and also owns significant power generation assets including the state's largest electricity generator at Torrens Island. SACOSS is concerned that such market dominance carries a risk of market power that is not in the long-term interests of consumers. In addition to this SACOSS notes that AGL have established an 'energy services' company that will operate solar power systems and sell electricity directly to customers from 'behind the meter'¹¹ – bypassing the wholesale market for at least part of their demand.

The spread of small gas retail customers paints a similar picture to the electricity market, with five of the seven dominant electricity retailers servicing the entire gas customer base (Table 2). Over 75% of all customers are serviced by either Origin Energy (46%) or AGL (30.9%). Given these figures, SACOSS is of the view that competition in the SA retail small gas customer market is weak.

| Retailer | Customer Numbers 30 June 2013 | Customer Numbers 30 June 2014 | Market Share 30 June 2013 | Market Share 30 June 2014 |
|----------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|
| Origin Energy | 195,373 | 196,537 | 46.5% | 46.0% |
| AGL | 131,077 | 131,764 | 31.2% | 30.9% |
| Energy Australia | 61,051 | 56,176 | 14.5% | 13.2% |
| Simply Energy | 28,905 | 32,434 | 6.9% | 7.6% |
| Alinta Energy | 4,050 | 10,044 | 1.0% | 2.4% |
| Total all retailers | 420,456 | 426,955 | 100% | 100% |

Table 2: Gas retailers' small customer numbers and market shares¹².

⁹ AEMC 2013, Potential Generator Market Power in the NEM, <http://aemc.gov.au/getattachment/3bed8068-c828-4604-8527-51f74a070662/Information-Sheet-South-Australia.aspx>.

¹⁰ SACOSS 2015, Market Power Update Report - A SACOSS Energy Briefing Paper, <http://www.sacoss.org.au/market-power-update-report-sacoss-energy-briefing-paper>.

¹¹ AER, AGL Energy Services Pty Limited retail exemption, p. 3, <http://www.aer.gov.au/node/27633>.

¹² ESCOSA, South Australian Energy Retail Prices Ministerial Pricing Report 2014, p. 47, <http://www.escosa.sa.gov.au/library/140831-EnergyRetailPricesInSA-MinisterialPricingReport2014.pdf>.

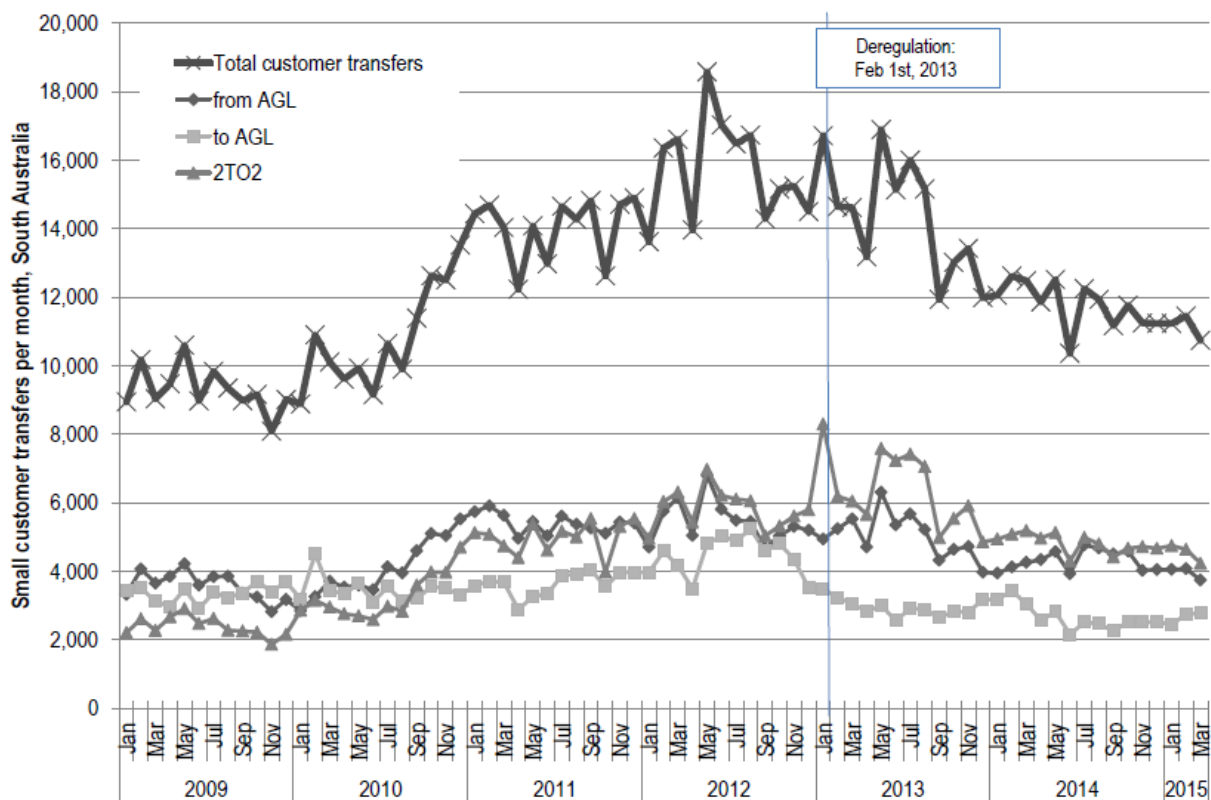
Customer switching

Whilst customer switching between retailers is viewed as an indicator of participation in the market and competitive activity¹³ this data needs to be interpreted with care. Peaks and troughs in switching levels are also indicators of market maturity and the levels of satisfaction with retailer customer service¹⁴.

The Australian Energy Market Operator (AEMO) publishes monthly customer switching data in the NEM that distinguish transfers based on the two tiers of retailers. The first tier (or incumbent retailer) in South Australia is AGL Energy and the second tier retailers are all of the other retailers that supply to small customers (15 others as at June 2014). The three relevant switching statistics therefore are:

- From AGL Energy to one of the other retailers (including to Powerdirect even though it is wholly owned by AGL Energy);
- To AGL Energy from one of the other retailers and,
- Between the second tier retailers ('2TO2')

Trends in these numbers and the total number of transfers are shown in Graph 1.



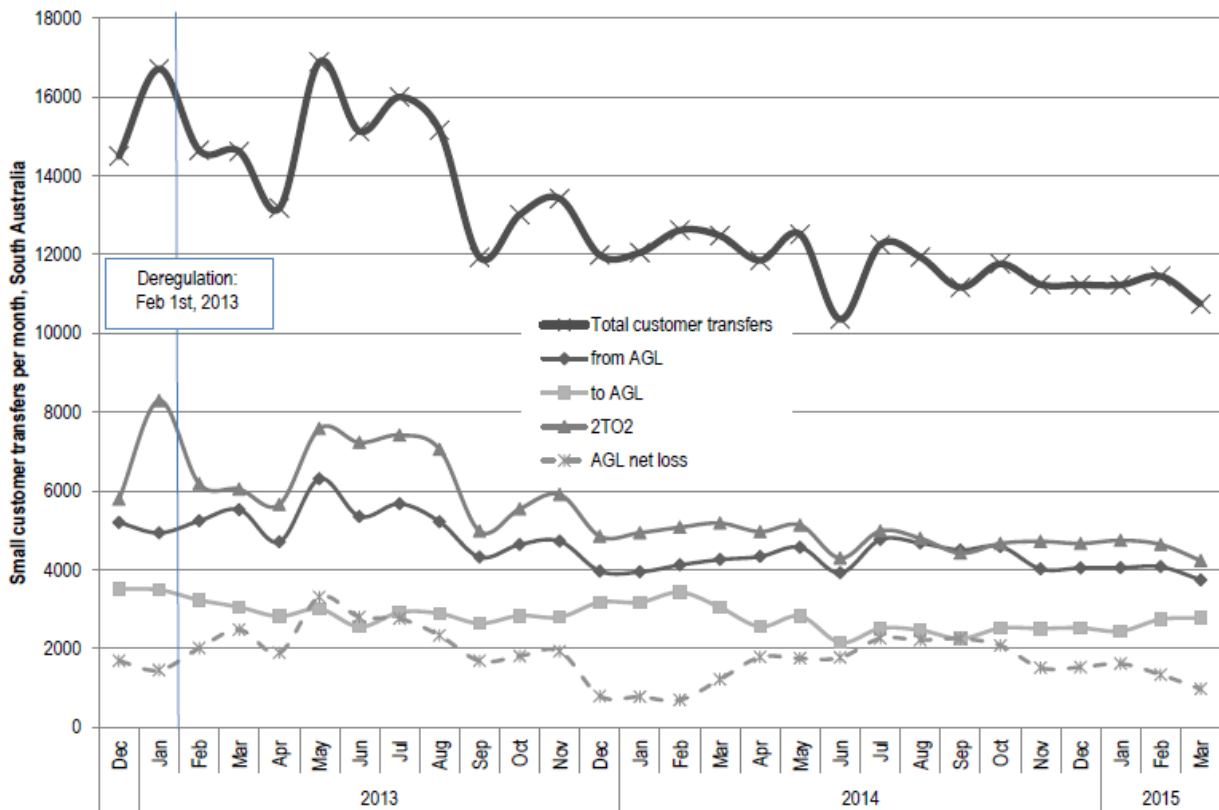
Graph 1: South Australian small customer transfers per month from January 2009¹⁵.

¹³ AEMC, <http://www.aemc.gov.au/Australias-Energy-Market/Markets-Overview/Retail-energy-market>.

¹⁴ AER 2011, State of the Energy Market, Retail Energy Markets, Chapter 4, <https://www.aer.gov.au/sites/default/files/Chapter%204%20Retail%20energy%20markets.pdf>, p. 108.

¹⁵ Data sourced from AEMO, National Electricity Market Monthly Retail Transfer Statistics, <http://www.aemo.com.au/Electricity/Data/Metering/Retail-Transfer-Statistical-Data>.

Graph 2, below, focuses on the period of time since deregulation was announced in December 2012 and demonstrates clear indications of a relatively subdued electricity market over the last year. AGL continues to slowly lose customers from its starting position of 100% coverage in 2003. However AGL is managing to capture significant numbers of new customers to largely offset this - keeping them in a dominant position on the market.



Graph 2: Small customer transfers since deregulation announced in February 2013, South Australia¹⁶.

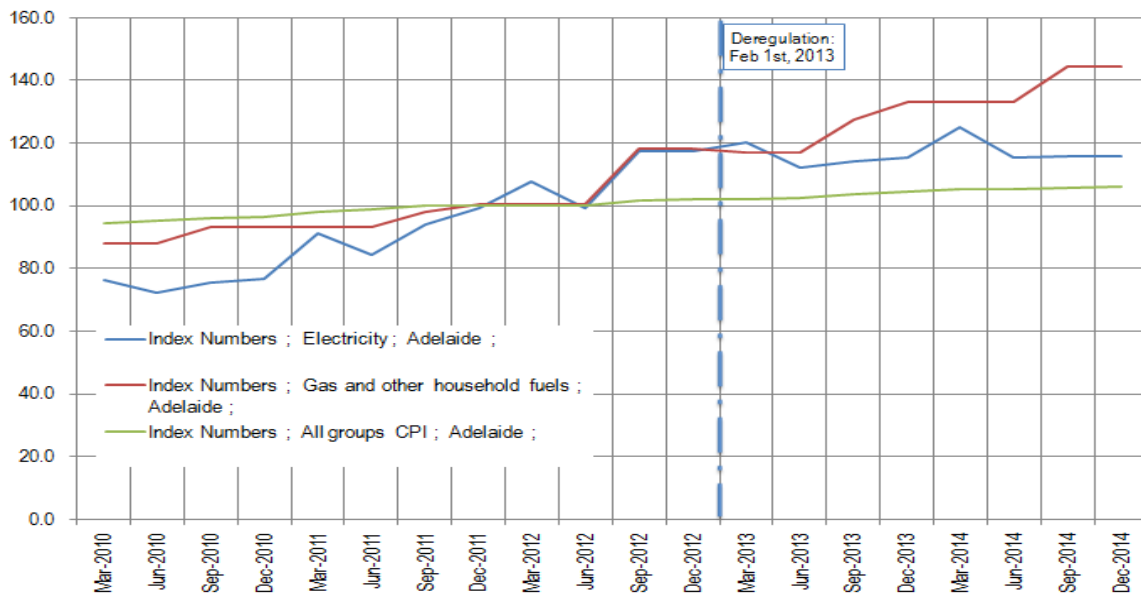
It will be important to see how the market reacts to the expiry of the agreement between the SA Government and AGL (for electricity) and Origin (for gas) to fix the standing contract price for 2 years (to 1st Feb, 2015). At this early stage, AGL Energy is looking like holding on to a dominating market share of around 50% for a while yet. SACOSS recommends further monitoring of customer switching transfers to assess the effects of the agreement expiry.

¹⁶ Ibid.

Pricing

Electricity

The focus for energy consumers in SA over the past few years has been on the significant increases to electricity prices, as demonstrated in the graph below. However, CPI data from the Australian Bureau of Statistics (ABS) reveals electricity prices in South Australia have stopped growing since price deregulation and the introduction of the NECF in 2013. With the exception of the seasonal peak increase during the summer months of December to March 2014, prices have either dropped or increased minimally since February 2013 and completely flattened from around May/June 2014.



Graph 3: CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City¹⁷.

There are no clear indications of why prices are flattening. SACOSS believes that price deregulation may not be solely responsible and suggests further monitoring on prices and market structures to form a conclusive view.

Gas

The gas data in graph 3 presents a different narrative to electricity, as gas prices have continued to grow. In its 2014 Ministerial Pricing Report, ESCOSA noted:

“Average price offerings available to gas residential and small business customers increased by 14% and 12% respectively, substantially greater than the rate of inflation in South Australia of 3.1%.”¹⁸

SACOSS expects this trend to persist due to the following factors¹⁹:

¹⁷ Australian Bureau of Statistics 2014, *Consumer Price Index, Australia, Dec 2014*, cat. No. 6401.0, Canberra, Table 11.

¹⁸ ESCOSA 2014, *Energy Retail Prices in SA Ministerial Pricing Report*, <http://www.escosa.sa.gov.au/library/140831-EnergyRetailPricesInSA-MinisterialPricingReport2014.pdf> p. 1.

¹⁹ SACOSS 2014, *The South Australian Gas Market Consumer Fact Sheet*, http://www2.sacoss.org.au/sites/default/files/public/141007_SACOSS%20The%20SA%20Gas%20Market%20Consumer%20Fact%20Sheet%202014_0.pdf, pp. 1, 4 & 5.

- Australia’s emerging export market of Liquefied Natural Gas (LNG) which is increasing the cost of wholesale gas to levels closer to that achieved for exports;
- Increases in the cost of gas distribution²⁰ and,
- Weak competition in the SA retail gas market for small customers, particularly pertinent given the removal of retail price regulation and small customers now rely on competitive processes to contain prices.

Implications for households

Whilst the flattening of electricity prices is good news for SA households, the trend of increasing gas prices is particularly concerning for low-income dual fuel households who already spend up to 5% of their household budget on energy²¹. Renters and low-income home owners, who are locked into using gas for hot water and cooking purposes and cannot shift their usage to all electric appliances, are particularly vulnerable to increasing gas prices. These households also have the extra burden of paying a supply charge for both electricity and gas. These supply charges can represent hundreds of dollars per year²² that households have little choice in paying. Whilst some consumers are eligible for the state government energy concession, the \$215²³ annual concession payment will not even cover one of the supply charges. In some cases the supply charge can be higher than consumption costs and SACOSS through its membership base has been informed of consumers going without hot water and/or cooking appliances to avoid paying the gas supply charge.

Energy contracts and consumer choice

A competitive market relies upon consumers to actively engage with the retail energy market. The opportunity for consumers to participate in the market has been made easier with the introduction of comparator websites that assist consumers to identify energy contracts that align with their consumption and expenditure needs. However SACOSS is concerned that consumers may become overloaded with the amount and content of the information available. This section of the report highlights some of the factors consumers need to consider when assessing energy contracts on the AER’s Energy Made Easy comparator website.

A recent examination of the energy contracts available on Energy Made Easy highlights an enormous amount of choice for consumers. Based on a standard set of household criteria²⁴ 88 energy contracts from 16 retailers were presented. Of these 88 contracts 8 were dual fuel, 63 were electricity only and 17 were gas only. Only 19 of the 88 contracts were identified as standing offers, highlighting the need for consumers to understand the contractual differences between market and standing offers.

²⁰ ESCOSA 2014, Energy Retail Prices in SA Ministerial Pricing Report, <http://www.escosa.sa.gov.au/library/140831-EnergyRetailPricesInSA-MinisterialPricingReport2014.pdf> p. 1.

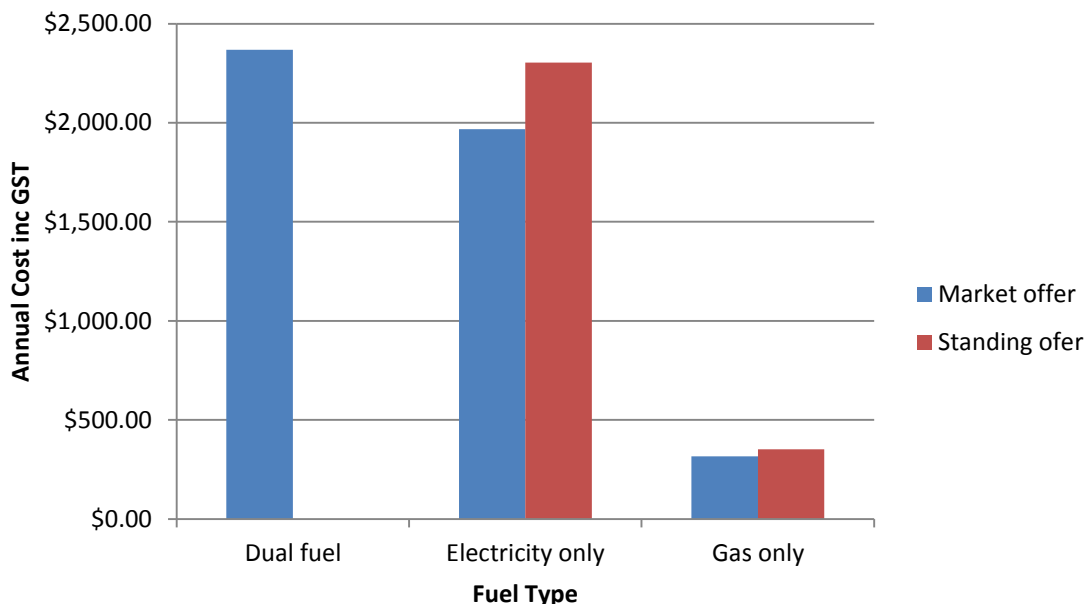
²¹ Australian Bureau of Statistics 2011, *Household Expenditure Survey Australia, South Australia 2009-10*, cat. No. 6530.0, Canberra, Table 5.

²² Data from energy contracts on Energy Made Easy 24/4/2015 demonstrate daily gas supply charges range between 71 – 99cents (GST inclusive) equating to \$259 - \$361/year. Electricity daily supply charges range between 67 – 98 cents equating to \$244 - \$357/year. The combined daily charges range from \$503 - \$718 per year.

²³ SA Government 2015, Energy bill concessions, <https://www.sa.gov.au/topics/employment-and-finance/financial-support/concessions-and-benefits/concessions/energy-bill-concessions>.

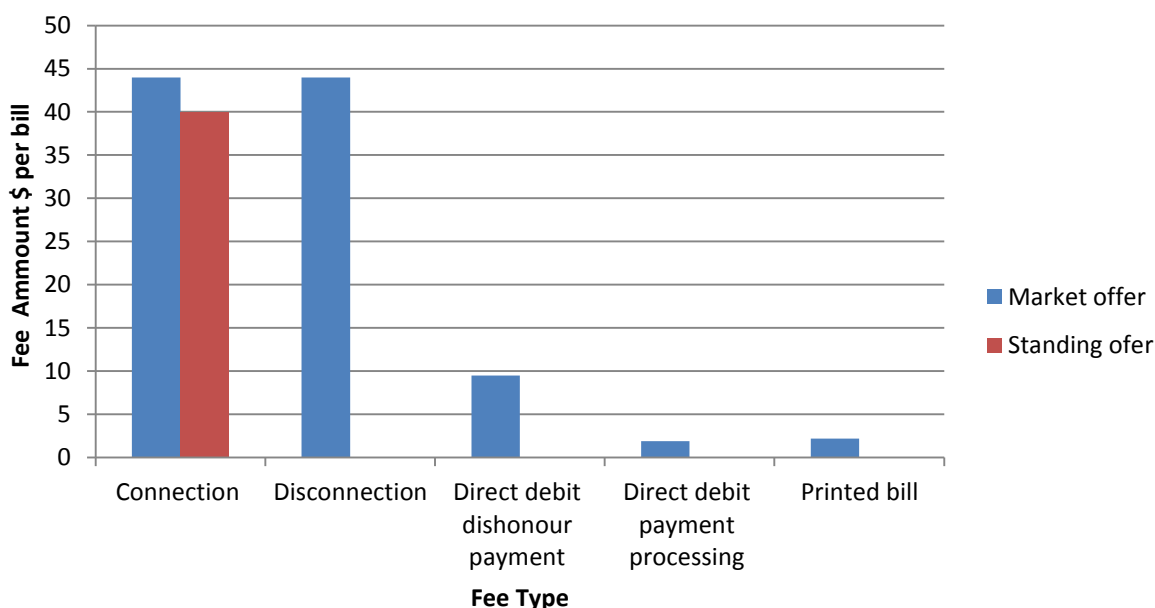
²⁴ Postcode 5000, date range: 1/1/2014 – 31/12/2014, Peak electricity consumption average 6000kWh, off peak electricity consumption average 2000kWh and gas consumption average 21GJ (2100MJ).

In comparing the least expensive market and standing offers for households connected to both electricity and gas, the cheapest option was a market offer for electricity and gas bills with different retailers (\$86/annum less expensive than the dual fuel option). There were no dual fuel standing offers available (see graph 2). However it is critical that consumers are aware the market offer annual costs are completely dependent on discount conditions that must be met by the consumer (analysis on contract discounts is explored on page 9 of this report).



Graph 2: Cheapest market and standing energy offers in South Australia²⁵.

Further analysis of the cheapest market and standing electricity contracts, reveals a raft of extra charges consumers may accrue if they sign up for the market offer, effectively eroding the value of the discount (graph 3). Excluding connection and disconnection fees, the combined total of all other fees could be up to \$13.60 per bill.



Graph 3: Electricity contract fees for market and standing offers²⁶.

²⁵ Energy Made Easy Comparator Data Results 24 April 2015, <https://www.energymadeeasy.gov.au/>. The “dual fuel” column refers to a particular offer by some retailers to bundle electricity and gas services in the one offer.

Differences in the fees attached to the cheapest market and standing contracts for gas were minimal, although it needs to be noted the two offers were from the same energy provider. However in comparing the combined fees (excluding connection and disconnection fees) for the above market offer (Retailer A) against the second cheapest gas standing offer from a competing retailer, a stark difference is noted. At a minimum the consumer could be charged an extra \$27.00 by Retailer A per bill if certain conditions prevail²⁷. This amount erodes the \$43.00 annual saving available on the market offer²⁸.

Contract terminology

Overall the terminology used by retailers regardless of whether it is a standing or market contract needs to be considered, especially if consumers are comparing multiple offers.

Electricity tariff rates or consumption charges can be charged in different ways. Analysis of the tariffs on offer from the 63 electricity energy contracts on Energy Made Easy reveals some retailers charge consumption as a seasonal tariff (based on time of year), a peak tariff (based on time of day) or a general tariff (based on blocks of kWh's). This can present a significant challenge for consumers who in comparing energy offers must first understand how tariffs are charged before they even start to look at tariff prices.

Gas tariffs are simplified to the extent that consumption is charged according to the amount of mega joules consumed in 2 – 3 blocks (4500MJ or 2506MJ as the first block, then either the balance, or next 2005MJ and the balance) regardless of season or time.

Contract discounts and fees and charges

Moving from a standing contract to a market contract may provide a price incentive for consumers. However it is important to note the value of the discount is dependent on conditions that must be met by the customer. If these conditions are not met the customer loses the discount and may also accrue extra charges. Some examples of this are identified below²⁹:

Example 1

Discount condition: pay on time and in full and receive 14% off consumption charges

Penalty if the condition isn't met:

1. Discount is lost;
2. \$12.73 late payment fee added to the bill and,
3. \$8.64 cheque dishonoured fee or \$2.27 direct debit dishonour fee (dependant on the payment method) may be added to the bill.

²⁶ Ibid.

²⁷ Payment cheque is dishonoured and/or the payment is late Source: Energy Made Easy Comparator Data Results 24 April 2015, <https://www.energymadeeasy.gov.au/>.

²⁸ Ibid.

²⁹ Ibid.

Example 2

Direct debit payment method: pay on time and by direct debit and receive 3% off daily supply and consumption charges

Penalty if the condition isn't met:

1. Discount is lost;
2. \$15.00 late payment fee and,
3. \$10.00 direct debit dishonour fee added to the bill.

Other fees and charges that impact on contract discounts include:³⁰

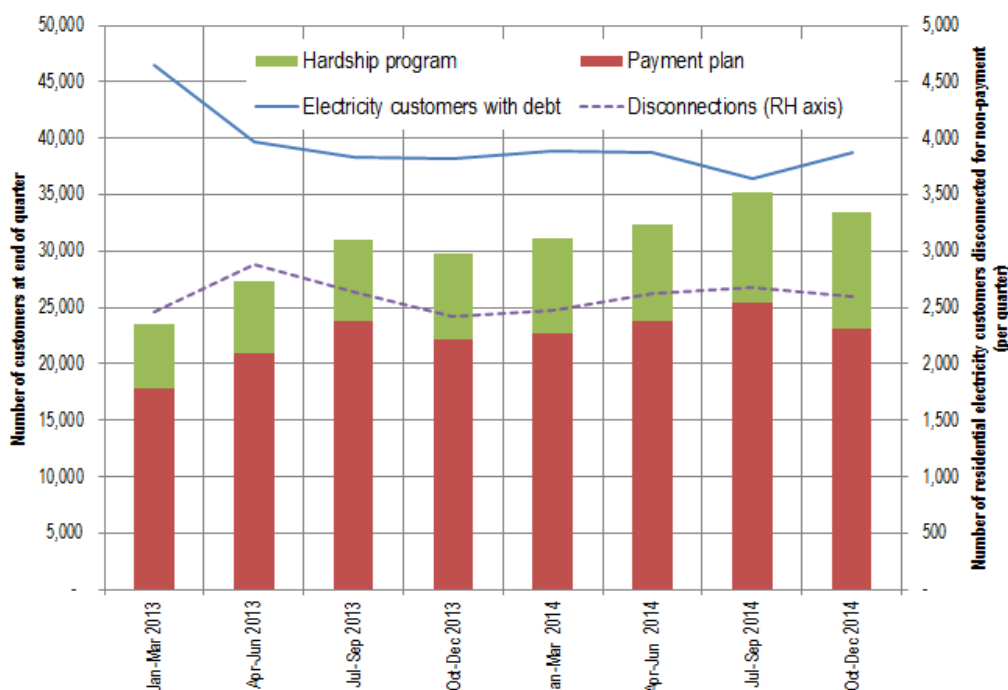
- Payment processing on direct debit payments (\$1.90)
- Payment processing on credit or debit card payments (0.6% - 4.125% of the total bill)
- Payment processing on cheque payments (\$5.00)
- Printed bill fee (\$2.20 - \$2.95)
- Special meter read fee (\$13.14 - \$40.00)
- Disconnection fees (\$10.78 - \$64.00)
- Reconnection fees (\$10.78 - \$64.00)
- Early termination fees (\$45.00 - \$104.50)

³⁰ Ibid.

It's not always about the lowest price

SACOSS is of the view that price alone is not the only factor consumers should consider when choosing an energy contract and/or retailer. How retailers manage and support their customers is vitally important, particularly when customers experience payment difficulties. SACOSS advocates for retailers to support their vulnerable customers through a framework of 'respectful and meaningful conversations that result in fair, reasonable, sustainable, and flexible arrangements for consumers'³¹. As such SACOSS continues to monitor retailer performance on several hardship indicators in the retail energy market and report on the best and worst performers.

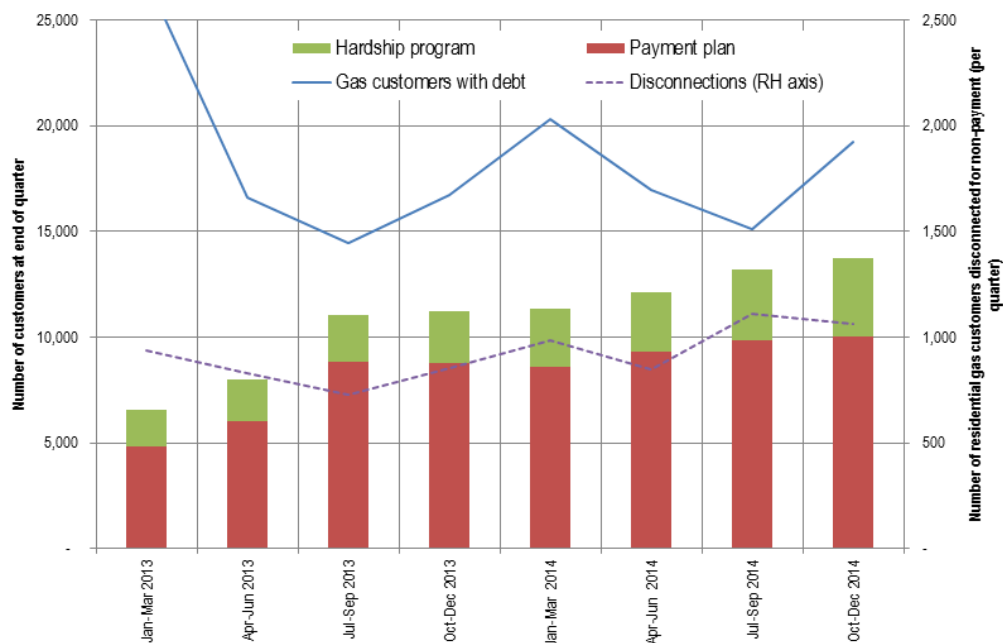
Overall analysis of retail performance data from the AER (graph 4 and 5) indicates both electricity and gas (to a lesser extent) exhibiting decreasing numbers of customers in debt from February to around May 2013. However since this time there have not been further decreases in numbers that would be expected given the number of customers on hardship programs and payment plans. Overall disconnection numbers are not reducing and, for gas they appear to be rising (there is a seasonal aspect to gas use and gas disconnections so a trend is harder to measure). The amount of energy debt per customer for the last two years is also concerning with an average electricity debt of \$600.00 to \$700.00 and gas \$200.00 to \$300.00 per quarter (graph 6). A combination of high energy debts and disconnection numbers that are not reducing does not forecast a healthy outlook for vulnerable energy consumers.



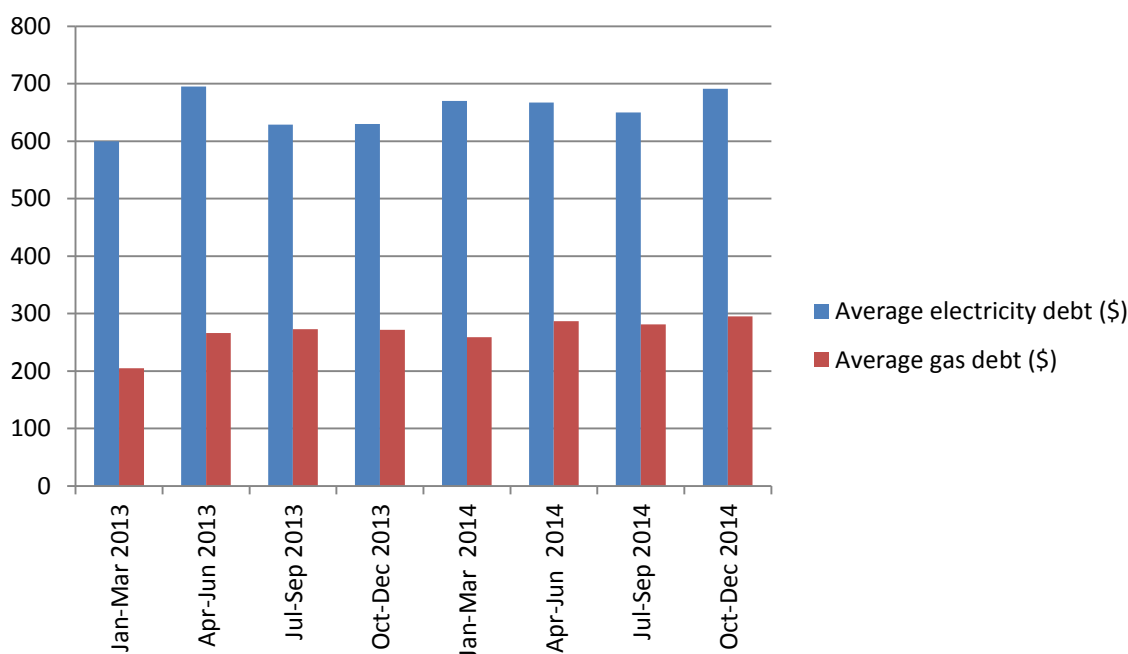
Graph 4: Retailer performance indicators for SA electricity customers³².

³¹ SACOSS 2014, Better Practice Guidelines for Energy Retailers, p. 9, http://www.sacoss.org.au/sites/default/files/public/documents/Reports%20copy%201/Better_Practice_Guidelines_FINAL-min2.pdf.

³² Australian Energy Regulator, Retail Statistics, <http://www.aer.gov.au/Industry-information/industry-statistics/retail>.



Graph 5: Retailer performance indicators for SA gas customers³³.



Graph 6: Average energy debt of SA customers³⁴.

Comparative performance of individual retailers provides a snapshot of how well retailers are managing and supporting their vulnerable electricity customers. Table 2 presents data on three fundamental hardship indicators from the NEM jurisdictions: number of customers on payment plans to repay arrears; number of customers on hardship programs and, numbers of disconnections. The table also contains weighted average results across the NECF jurisdictions for

³³ Ibid.

³⁴ Ibid.

the three indicators. The colour coding in the table highlights in red those retailers whose performance falls short of the average: below the average for the number of customers on payment plans and on hardship plans³⁵ or above the average for disconnections.

The only retailer who scores better than average performance on all three indicators (i.e. no red marks) is ActewAGL who do not operate in the South Australian energy retail market. This is in contrast to the analysis conducted in 2013, where Origin Energy was the only retailer with better than average performance on the same indicators³⁶.

| Electricity | Payment Plan | | Hardship Program | | | Disconnections | | Total NECF Customers (estimated) |
|------------------|-------------------|------------------|-------------------|------------------|---------------------------|---|------------------|----------------------------------|
| | Customers per 100 | No. of customers | Customers per 100 | No. of customers | Average debt of customers | Residential customers for non-payment per 100 | No. of customers | |
| ActewAGL | 0.27 | 485 | 0.57 | 1,037 | \$1,256 | 0.040 | 72 | 180,500 |
| AGL | 0.64 | 6,753 | 0.94 | 9,963 | \$1,819 | 0.380 | 3,985 | 1,054,600 |
| Alinta Energy | 6.71 | 1,951 | 0.86 | 251 | \$841 | 0.670 | 196 | 29,200 |
| Aurora Energy | 1.09 | 2,554 | 0.60 | 1,393 | \$1,641 | 0.100 | 236 | 234,200 |
| Click Energy | 0.20 | 41 | 0.13 | 26 | \$400 | 0.250 | 50 | 20,200 |
| Diamond Energy | 0.67 | 19 | 0.07 | 2 | \$180 | 0.000 | - | 2,800 |
| EnergyAustralia | 4.03 | 40,471 | 0.51 | 5,154 | \$1,292 | 0.070 | 713 | 1,011,100 |
| Lumo Energy | 3.54 | 3,302 | 0.48 | 446 | \$1,094 | 0.380 | 352 | 92,900 |
| M2 Energy | 0.16 | 38 | 1.32 | 320 | \$1,122 | 0.160 | 39 | 24,100 |
| Momentum Energy | 7.83 | 1,022 | 0.90 | 118 | \$1,185 | 0.370 | 48 | 13,000 |
| Origin Energy | 2.95 | 37,602 | 1.19 | 15,147 | \$1,209 | 0.330 | 4,148 | 1,268,200 |
| Powerdirect | 1.74 | 571 | 0.50 | 165 | \$1,777 | 0.100 | 34 | 33,300 |
| QEnergy | 3.45 | 39 | 2.48 | 28 | \$1,080 | 0.620 | 7 | 1,100 |
| Red Energy | 3.47 | 2,021 | 0.54 | 315 | \$169 | 0.170 | 96 | 57,700 |
| Sanctuary Energy | 0.95 | 53 | 0.36 | 20 | \$1,147 | 0.050 | 3 | 5,700 |
| Simply Energy | 3.39 | 3,075 | 1.75 | 1,589 | \$1,070 | 0.920 | 835 | 90,800 |
| Weighted Average | 3.33 | | 0.99 | | | 0.375 | 10,814 | 4,119,400 |

Table 2: Comparative performance of Electricity Retailers in NECF jurisdictions Q2 2014 – 2015³⁷.

Based on these results the following comments can be made:

- There is a large variation in the number and proportion of hardship customers and disconnection rates across the retailers;
- The majority of small retailers are performing better than the average on disconnections, however this is off-set by the same retailers performing worse than the average on payment plans and/or hardship programs and,
- Customers at risk of having payment difficulties may be taking a risk by pursuing the lowest prices on offer.

³⁵ On the assumption that all retailers have a customer base with a similar probability of getting into arrears, higher numbers of customers on payment and hardship plans is encouraged. Under the disconnections as a last resort philosophy of the NECF, a lower number of disconnections is encouraged.

³⁶ SACOSS 2014, State of the Energy Market Report 2013, p. 14,

http://www.sacoss.org.au/sites/default/files/public/documents/Reports/140516_State%20of%20the%20South%20Australian%20Retail%20Energy%20Market%202013.pdf.

³⁷ AER, Retail Statistics, <http://www.aer.gov.au/Industry-information/industry-statistics/retail>.

The SACOSS Better Practice Guideline for Energy Retailers³⁸ aims to support vulnerable consumers by providing retailers with business policies and practices that seek to address the issues that ultimately lead to energy debt and/or disconnection. The principles in this Guideline have the endorsement of the Energy Retailers Association of Australia and it is SACOSS' vision to work with retailers to embed the principles and practices outlined in the Guideline within energy retailer business models.

³⁸ SACOSS 2014,
http://www.sacoss.org.au/sites/default/files/public/documents/Reports%20copy%201/Better_Practice_Guidelines_FINAL-min2.pdf.

Discounts off what? – An update on the ACCC’s legal action

In the 2013 State of the Energy Market Report SACOSS reported on the almost universal marketing approach by retailers of pricing by percentage discounts. The Australian Competition and Consumer Commission (ACCC) referred to this practice as ‘Discounts off what?’, and expressed concerns

‘about possible misleading conduct by energy retailers in their promotion of energy plans. These concerns relate to the promotion of discounts and savings off energy use and/or supply charges under those plans’³⁹.

The ACCC commenced legal action against AGL South Australia and Origin Energy for misleading consumers about discounts on energy plans. In the case against AGL the Federal Court of Australia⁴⁰

‘found that AGL South Australia made false or misleading representations and engaged in misleading or deceptive conduct concerning the level of discount residential consumers would receive under AGL SA’s energy plans.

Justice White found that AGL SA’s conduct “reduced the benefits of the discounts represented to the consumers when they agreed on their energy plan.”

“... AGL SA made false or misleading representations to consumers about the key benefit under their energy plan – the discount off energy usage charges.” ACCC Chairman Rod Sims.

AGL has been ordered by the Federal Court to pay a \$700,000 penalty and offer refunds to 23,000 customers totalling approximately \$780,000⁴¹.

In the case against Origin Energy Limited and two subsidiary companies the Federal Court found the businesses contravened⁴²

“the Australian Consumer Law by making false or misleading representations concerning the level of discount that residential consumers in South Australia would receive under a DailySaver energy plan,... in early to mid-2013.

The Court held that the representations were false or misleading because the rates used to calculate usage charges under a DailySaver energy plan, to which the discount would then be applied, were higher than the rates under the subsidiaries standard retail contracts. As a result, consumers who entered into a DailySaver energy plan in early to mid-2013 effectively received a reduced discount”.

The Federal Court has ordered the businesses to pay penalties of \$325,000, publish a corrective notice in The Advertiser newspaper, notify all affected consumers and contribute to the ACCC’s costs.

³⁹ ACCC Chairman Rod Sims Speech at the CEDA Conference, <http://www.accc.gov.au/speech/ceda-conference-looking-forward-to-2014>.

⁴⁰ ACCC 2014, Media Release, <http://www.accc.gov.au/media-release/federal-court-finds-agl-sa-made-false-or-misleading-representations-about-discounts-under-energy-plans>.

⁴¹ ACCC 2015, Media Release, www.accc.gov.au/media-release/agl-sa-ordered-to-pay-700000-penalty-and-to-offer-refunds-to-consumers-for-false-or-misleading-discount-representations.

⁴² ACCC 2015, Media Release, <https://www.accc.gov.au/media-release/origin-companies-ordered-to-pay-penalties-of-325000-for-misleading-consumers-about-discounts-under-energy-plans>.

Of the 16 retailers reviewed on Energy Made Easy, only three explicitly state on Energy Made Easy how the discount is applied. Simply Energy, Powerdirect and Alinta Energy contracts state the discount is applied to either market contract residential rates (Simply Energy) or standing tariff usage charges (Alinta Energy and Powerdirect)⁴³.

⁴³ Energy Made Easy Comparator Data Results 24/4/2015, <https://www.energymadeeasy.gov.au/>.