AUSTRALIAN ENERGY COUNCIL

Mr Gavin Fox
(A/g) General Manager, Market Performance
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

7 August 2023

Dear Mr Fox,

Retail performance reporting procedures and guidelines (2023 update)

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission on the Australian Energy Regulator's ('AER') *Retail performance reporting procedures and guidelines (2023 update) Issues Paper* ('Issues Paper').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

There are currently a range of reforms underway or being canvassed relating to data. The AEC has supported the rollout of these reforms so long as any new datasets are targeted, cost effective, and delivered securely. Unfortunately, after more than three years of the development of a Data Strategy there has still been no cost benefit analysis of the different options. There are a lot of claims about the utility of data which are not always realised. AEC members put significant resources into the CDR (Consumer Data Right) reforms and the consumer response has been muted. The AEC is sensitive to measures which ultimately place increased costs on consumers and is wary about proposals to do so when affordability is a major consumer issue.

Some of the AER's proposals for new indicators and greater frequency and granularity require significantly more data points, increasing the number of data points from a few thousand to the tens of thousands. With increases in the number of data points come increases in the retailer resources required. Some businesses report the additional proposed expectations could double the amount of time spent on AER performance reporting. The most significant issue appears to be validation of data before it is signed off by the business and the AEC understands that the human resource requirement can be very significant. In addition, retailers have limited time in which to provide the data to the AER, exacerbated by the proposed increases in data points. This will place unreasonable strain on retail businesses.

The AEC addresses the relevant consultation questions below.

Question 1: *Do you have any comments on the proposed implementation time frame of 6 months and commencement date of 1 July 2024 and what steps the AER can take to minimise the costs of reporting under the revised Guidelines?*

The AEC is concerned with the proposed implementation timeframe. During this period there are multiple other data reforms being implemented that require system changes for retailers (e.g., ongoing ESB Data Strategy Reforms including Initial Data Reforms, Data Services and Consumer Metrics) which will make the proposed commencement date difficult for some retailers and unachievable for others. In addition, other existing reporting requirements make the 1 July commencement date difficult as many retailers already have their resources focused on validation requirements. The AEC proposes that the AER align the timeframe with these reforms and reporting requirements. It is also recommended that the Final Guidelines be published as early as possible as it is difficult for retailers to meet any implementation timeline if there is no clarity on what indicator metrics will be added/changed. It is also recommended that the AER align the submission dates for performance reporting with the AER's Compliance Reporting schedule to provide additional time for submission of performance reporting.

Question 2: *What is your view on the indicators we have identified to potentially add to our suite of indicators? Are there any additional benefits or potentially unforeseen costs of adding these indicators and are there other indicators we should consider adding?*

Overall, the AEC is concerned that the costs of providing the proposed indicators outweigh any benefits. Some retailers do not currently collect data on the new proposed indicators, so making these fields mandatory will come with increased costs. AEC members are very aware of the affordability issues facing their customers – now is not the time to add costs for 'nice to have' measures, as these costs will ultimately be borne by consumers, many of whom are hard pressed to pay their energy bills.

In terms of the specific proposals, the AEC is concerned about the number of organisations that are seeking to collect data from retailers on embedded network customers, including the Australian Competition and Consumer Commission and Queensland Competition Authority. The AEC proposes that the AER consider working with these bodies to agree on data requirements, so that retailers only have to prepare the data once.

The AEC believes that the life-support indicators should be collected by distributors rather than retailers.

The AEC is concerned about the sensitivity of data related to family violence. The proposal to report on 'total number of customers identified as no longer affected by family violence during the reporting period' is ill conceived as the utility of this information is questionable. The AER is proposing that a customer remain a customer identified as one affected by family violence until they inform the energy retailer otherwise. The AEC contends that informing the energy retailer for customers in these highly vulnerable circumstances is unlikely to be a priority, and that most such customers are unlikely to take on the additional burden of informing their retailer of a change in circumstances. The AEC considers that the AER is yet to make the case for the utility of the proposed new indicator.

Question 3: *What are your views on the proposed changes to current indicators?*

The AEC believes that 0-day debt reporting is unfeasible for some retailers, as it would require reporting to be completed daily and weekly to ensure accuracy. The additional cost is expected to be significant. Moreover, we believe that reporting on 0-day debt is unlikely to provide any useful insights as it is often the case that customers occasionally forget to pay their bills which would result in a substantial amount of data fluctuation. Reporting on 30, 60 and 90+ day debts is far more achievable and valuable, as experience during COVID-19 shows.

The AEC estimates that the proposed changes to debt indicators will multiply the data points that retailers must provide to the AER by a factor of 4 (the AEC is able to provide more detail to the AER to validate the reported factors). This will require more resources to be expended on the provision of performance data which will result in higher costs that are ultimately borne by consumers. Given the amount of data fluctuation with 0-day debt data, the AEC recommends exclusion of 0-day debt data.

Some of the proposals in section 3 involve clarifying definitions which are of less concern for the AEC. However, proposals such as those related to tariff and meter types, energy concessions and complaint indicators, would require more investment by retailers and hence more costs. The AEC believes the AER should provide a cost benefit assessment for such proposals, particularly in the current environment.

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

P +61 3 9205 3100
E info@energycouncil.com.au
W energycouncil.com.au

ABN 926 084 953 07

Question 5: *What are your views on providing more frequent data for selected indicators?*

The benefits of providing more frequent data for selected indicators are not worth the cost, particularly when most customers are on quarterly billing cycles. The AEC estimates that the proposed changes to frequency will multiply the data points that retailers must provide by a factor of 3. This will require more resources to be expended on the provision of performance data which will result in higher costs that are ultimately borne by consumers.

Question 6: *What are your views on providing more granular data for selected indicators?*

The AEC is extremely concerned about the proposals for greater data granularity and collecting data at a metro/regional level. On a practical level, data collection along a metro/regional divide would most likely require retailers to gain data at a postcode level which comes with many problems. For instance, some postcodes cross state lines. Also, to be able to provide such data, retailers would be required to undertake major system changes which would inevitably come at a cost to consumers. In light of these issues, there is a need for a cost-benefit analysis to be conducted to determine whether the benefits of more frequent and granular data are defensible.

The AEC believes that the AER needs to attach significance to the increase in data points that these proposals involve. Moving to collect data at a metro/regional level potentially increases the number of data points to the tens of thousands as a compounding effect when combined with all the new/changed indicators. This is a vastly greater number of data points than those required in the current Guidelines and the AER needs to give serious consideration to the consumer impact of imposing these additional costs and whether consumers can bear these costs in the current environment. The AEC also notes that the AER proposal for increased data comes at a time when the AEMC is doing an overall review of an appropriate data strategy. The AEC considers that it would be appropriate to await the outcome of the AEMC review before making significant increases to the number of data points collected.

Question 7: *What is your view on the indicators proposed to be consolidated or removed in the revised Guidelines? Are there any additional indicators that could fall under this category?*

The AEC supports the consolidation and removal proposals.

AER Follow up guidance: The AER issued a follow up guidance note on 31 July 2023. Included was a proposal to host smaller retailer workshops during the second consultation period of the Guidelines review. The AEC supports the AER hosting such events and believes there is general member support. It would be important to include an MS Teams option for participants who are unable to attend in person.

Any questions about this submission should be addressed to Jo De Silva – General Manager Retail Policy, by email to jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100.

Yours sincerely,

Jo De Silva

Jo De Silva
General Manager Retail Policy