Quarterly retail performance report

January – March 2024

Q3 2023–24

June 2024

AUSTRALIAN ENERGY REGULATOR

Australian Government

Purpose of the AER’s retail performance reporting

Why we report

The AER’s retail performance function helps the AER and its stakeholders understand how energy retailers are delivering outcomes under the National Energy Customer Framework that are in the long-term interest of energy consumers. In doing so, we aim to help policymakers, consumer advocates, market participants and other key parties to deliver stronger consumer outcomes in response to emerging opportunities and risks.

How we report

The AER publishes quarterly and annual retail performance reports that analyse key outcomes and trends affecting energy consumers and energy retail markets. Our reports cover:

- energy pricing
- customers facing payment difficulty, including trends in debt, payment plans and hardship programs
- trends in disconnection of customers for non-payment of energy bills
- customer complaints
- market share.

Regions our reports cover

The AER’s retail performance reporting covers jurisdictions that are covered by the National Energy Retail Law and the Retail Rules – NSW, Queensland, South Australia, Tasmania and the ACT.

Reporting period

This report looks at the market for January to March 2024, analysing key trends and providing comparisons with the same quarter in the previous year (January to March 2023).

- The corresponding quarterly schedules are available in Excel on our website.

Retail market at a glance

January to March 2024 (as at 31 March 2024) bps: basis points

Customer numbers

RESIDENTIAL

6,864,813
Electricity

2,316,995
Gas

Customer debt (excludes hardship customers)

RESIDENTIAL

3.04%
of customers in debt

Up 25 bps on Jan–Mar 2023

$1,093
average energy debt

Up $95 on Jan–Mar 2023

Residential payment plans

Electricity

115,430
1.68% of customers

Up 3,301 on Jan-Mar 2023

Gas

25,091
1.08% of customers

Up 2,508 on Jan-Mar 2023

Residential disconnections

Electricity

3,752
0.05% of customers

Down 2,591 on Jan-Mar 2023

Gas

942
0.04% of customers

Down 656 on Jan-Mar 2023

Residential credit collection

Electricity

37,532
0.55% of customers

Down 3,459 on Jan-Mar 2023

Gas

10,537
0.45% of customers

Up 558 on Jan-Mar 2023

Residential hardship

Electricity

1.86%

of customers on hardship programs

Up 54 bps on Jan–Mar 2023

$1,680

average hardship debt

Down $191 on Jan–Mar 2023

Gas

1.28%

of customers on hardship programs

Up 40 bps on Jan–Mar 2023

$807

average hardship debt

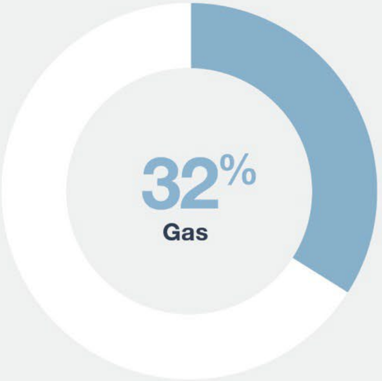
Down $112 on Jan–Mar 2023

Hardship customers not meeting usage costs

Electricity

Down 113 bps on Jan–Mar 2023

Gas



Down 406 bps on Jan–Mar 2023

Key trends

- For DMO regions the median market offer prices rose steeply with the introduction of DMO 5, reaching a peak of 17% to 22% above the June figures. However, these offers started to come down in Q2 2023–24 and, as at 15 May 2024, the median market offers in the DMO regions remained between 4% and 16% higher than pre-DMO 5 figures in June 2023.
- From June 2023 to May 2024 in non-DMO regions, Evoenergy showed a gradual increase of 7% and TasNetworks regulated prices went up 9%.
- Between June 2023 and May 2024 changes in the median market offers for gas varied between a decrease in AGN (QLD) of 7% and an 8% rise in Evoenergy (ACT) gas.
- Residential energy debt has risen, as shown by the following changes since this quarter last year:
  - an increase in the proportion of customers with energy debt from 2.8% to 3.0%
  - an increase in average residential energy debt by $95.
- Proportion of customers on payment plans has remained steady at 1.7% throughout the last 12 months.
- More customers are accessing hardship programs compared with this quarter in 2023:
  - The number of customers entering hardship programs with a debt increased by 33.6%. The number of customers entering hardship with a debt greater than $500 increased by 25.2%.
  - The number of residential electricity customers participating in hardship programs is 43% higher and now covers 1.9% of customers.
  - There is a 10.2% decrease in average hardship debt.

Key trends

- Customers are still finding it challenging to meet energy costs:
  - the proportion of electricity hardship customers not meeting their usage costs remains unchanged at 40% of all customers on a hardship program throughout the last 12 months.
  - the number of electricity hardship customers who successfully completed the program has dropped to 20.4% from 27.5% in the same quarter last year.
- Disconnections remain lower than a year ago in most jurisdictions. However, some retailers have indicated that they are resuming normal disconnections practices, which may lead to increases in future quarters.
- After peaking in July to September 2023 due to price increases, the number of complaints has dropped but remains 15.1% higher than the same quarter last year.
- The slow trend away from Tier 1 retailers towards Tier 2 retailers continues for both residential electricity and residential gas markets.

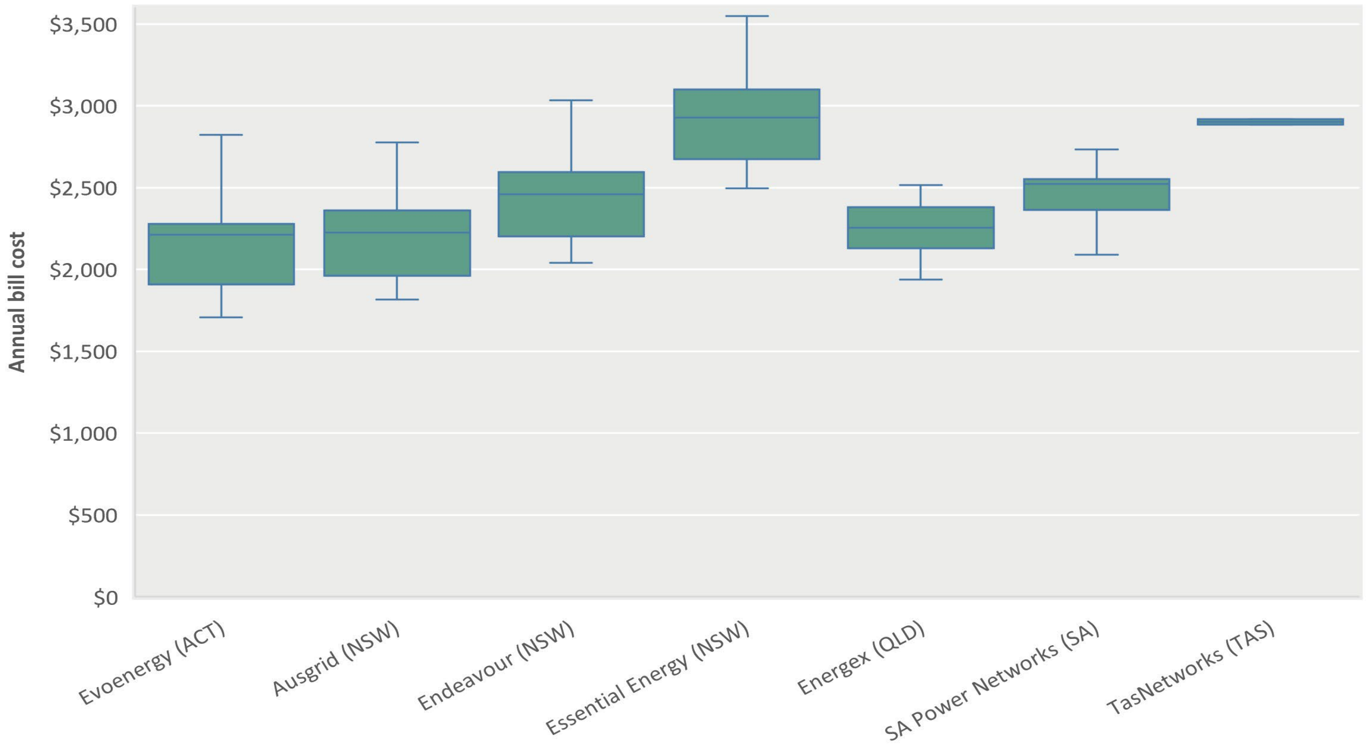
The AER continues to advocate for greater consumer support and protections

- The AER is currently reviewing payment difficulty protections in the National Energy Customer Framework, with the goal of ensuring that consumers experiencing payment difficulty are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances.
- We are also continuing to advocate for the proposed game changer reforms, which were presented to Energy and Climate Change Ministers in November 2023. These proposals aim to ensure that consumers get the concessions to which they are entitled, that hardship customers pay no more than they need to, and that access to energy efficiency improvements, debt relief and financial counselling is improved through a shared funding pool.

Electricity median market offers continue to drop in 2024

- For DMO regions, in Q1 2023–24 the median market offer prices rose steeply with the introduction of DMO 5, reaching a peak in August/September of 17% to 22% above the June figures. However, these offers started to come down in Q2 2023–24 and the downward trend has continued through Q3 2023–24.
- As at 15 May 2024, the median market offers in DMO regions have come down 5% to 12% from the peak and remain between 4% and 16% higher than June 2023.
- For non-DMO regions, Evoenergy showed a gradual increase of 7% between June 2023 and May 2024, and TasNetworks regulated prices went up 9%.
- The range of electricity market offers for each distribution zone, as at 31 March 2024, is shown in Figure 1. The boxes show the interquartile range, covering 50% of available offers.
- The horizontal line below each of the boxes (lower whisker) indicates that there are cheaper offers available, which shows that customers can achieve savings by shopping around.

Figure 1 Retail market offers update – annual costs spread of market offers for electricity

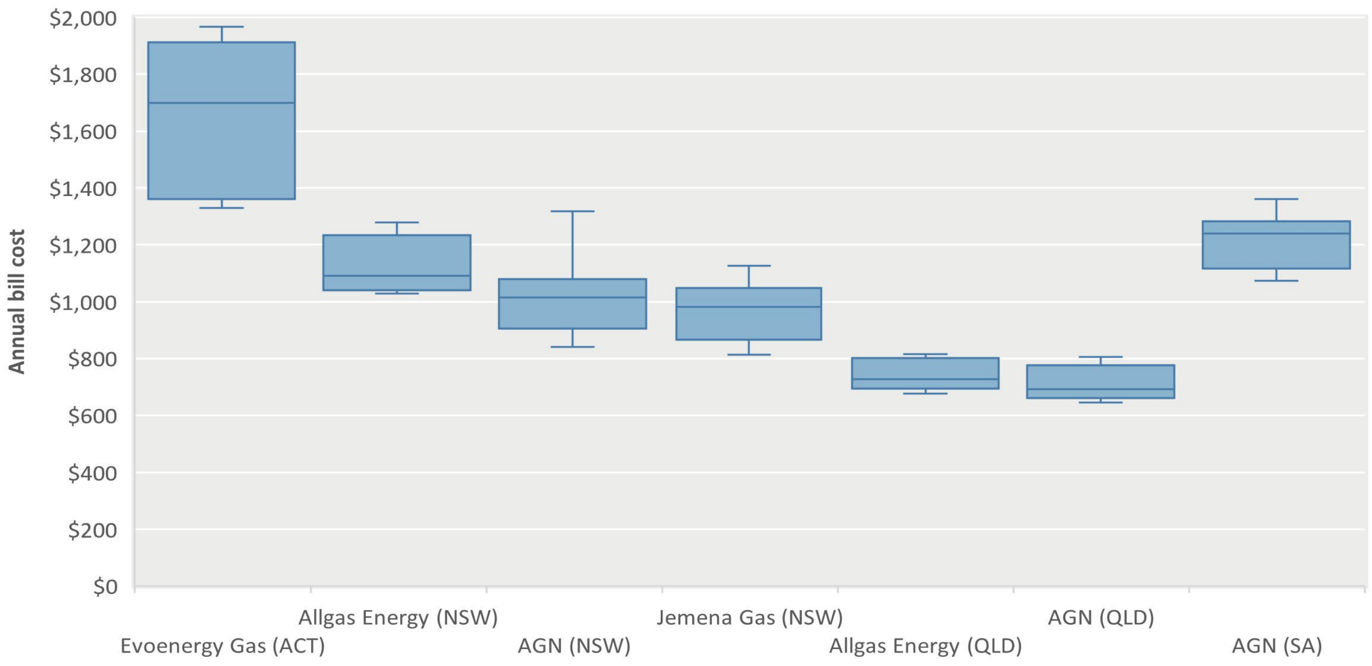


Note: Pricing data is based on prices as at 31 March 2024. A few offers are significantly higher than the median price. However, these represent a very small number of offers in the market, so we have removed these outliers from the chart. The regulated price has been used as a proxy of the market offer for TasNetworks. This analysis does not include Victorian offers.
Source: AER analysis using offer data from Energy Made Easy

Gas median market offers continue to drop in 2024

- Between June 2023 and May 2024, the median market offers increased by 2% for AGN (SA) and 8% for Evoenergy (ACT). In Queensland and NSW distribution zones, the median market offers dropped by 2% to 7%.
- As at 31 March 2024, a large proportion of gas market offers were priced near the median offer in each distribution zone. The boxes in Figure 2 show the interquartile range, covering 50% of available offers.
- The horizontal line below each of the boxes (lower whisker) indicates that there are cheaper offers available, which shows that customers can achieve savings by shopping around.

Figure 2 Retail market offers update – annual costs spread of market offers for gas

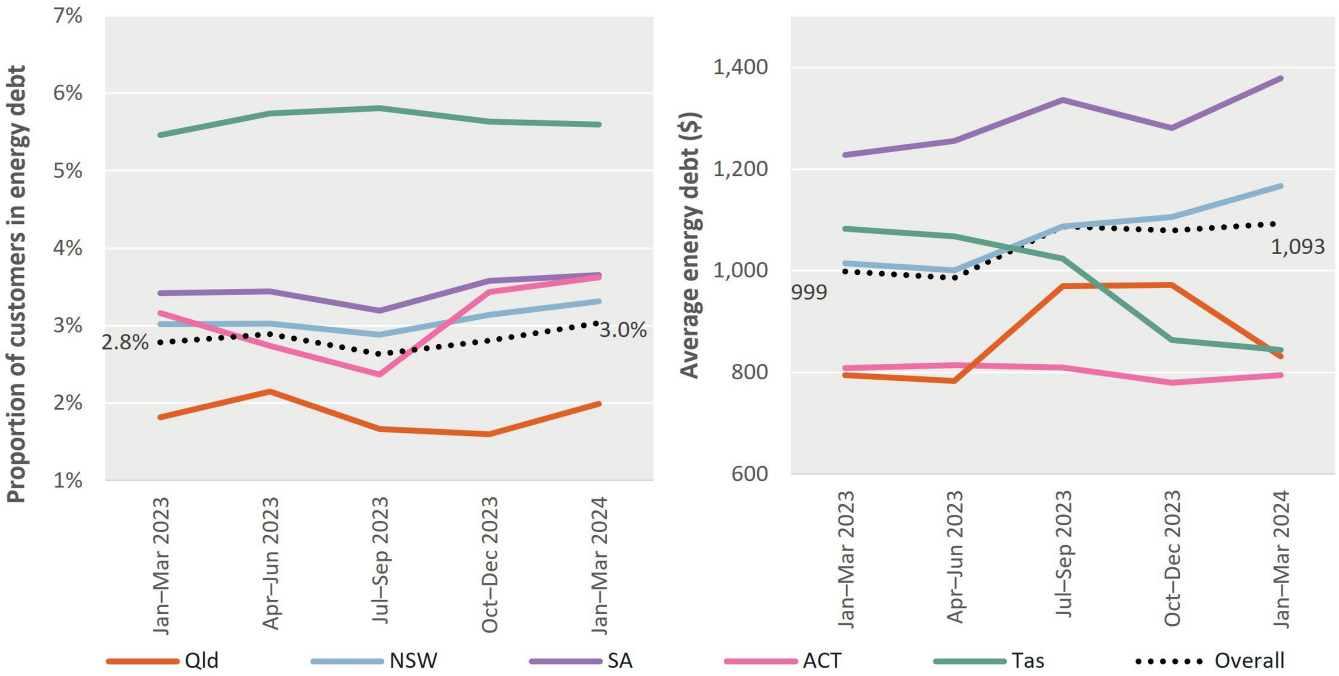


Note: Pricing data is based on prices as at 31 March 2024. A few offers are significantly higher than the median price. However, these represent a very small number of offers in the market, so we have removed these outliers from the chart. This analysis does not include Victorian offers.
Source: AER analysis using offer data from Energy Made Easy.

Residential energy debt increased across most jurisdictions

- The proportion of customers with energy debt increased from 2.8% to 3.0% compared with this quarter in 2023.
- The average residential energy debt has increased by $95 (9.5%) in average energy debt compared with the same quarter in 2023.
- Average energy debt has increased year on year by 15.0% in NSW ($152), by 4.6% in Queensland ($37) and by 12.4% in South Australia ($152). The ACT has seen a reduction of 1.7% ($14) and Tasmania has had a reduction of 22% ($239).

Figure 3 Proportion of residential customers in energy debt and average energy debt

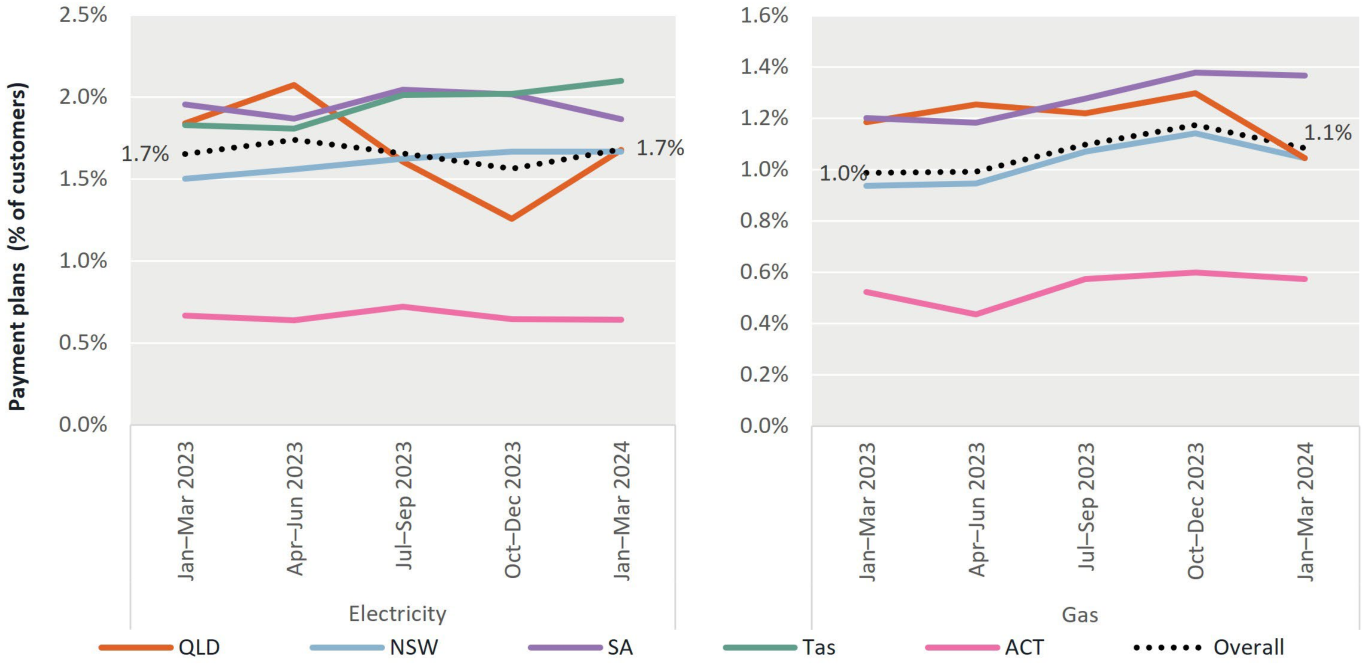


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: 'Repaying & Avg Debt Resi'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'.

Payment plans continue to remain steady

- Since this quarter last year, the proportion of residential customers with an electricity payment plan has remained constant at 1.7% (Figure 4), while the total number of customers on an electricity payment plan has increased by 2.9%.
- Similarly, since this quarter last year, the proportion of customers on a gas payment plan has slightly increased from 1.0% to 1.1%, while the total number of customers on a gas payment plan has increased by 11.1%.

Figure 4 Proportion of residential electricity and gas customers on payment plans

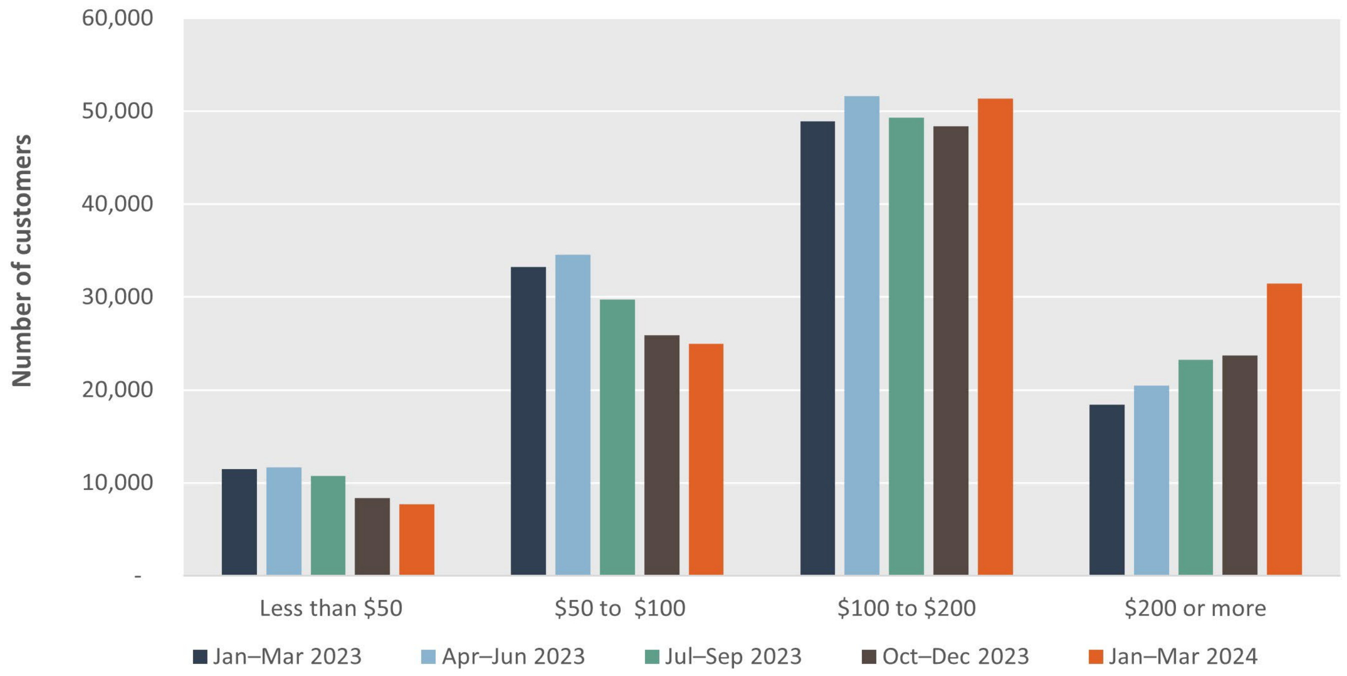


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: ‘Payment Plans’; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: ‘Res Elec Cust#s & Mkt Contr’; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: ‘Res Gas Cust#s & Mkt Contr’.

Increase in fortnightly payments and multiple payment plan cancellations for electricity customers

- Since this quarter in 2023, the number of residential electricity customers:
  - making fortnightly payments of $200 or more increased by 71.1% (Figure 5), which represents 27.2% of all fortnightly payment plans
  - with multiple payment plans cancelled in the previous 12 months increased by 13.1%
  - completing a payment plan increased by 4.3%.
- Nearly half of the increase over the last year occurred in the last quarter, with the number of residential electricity customers making fortnightly payments of $200 or more increasing by 32.7% (Figure 5).

Figure 5 Customer payments per fortnight

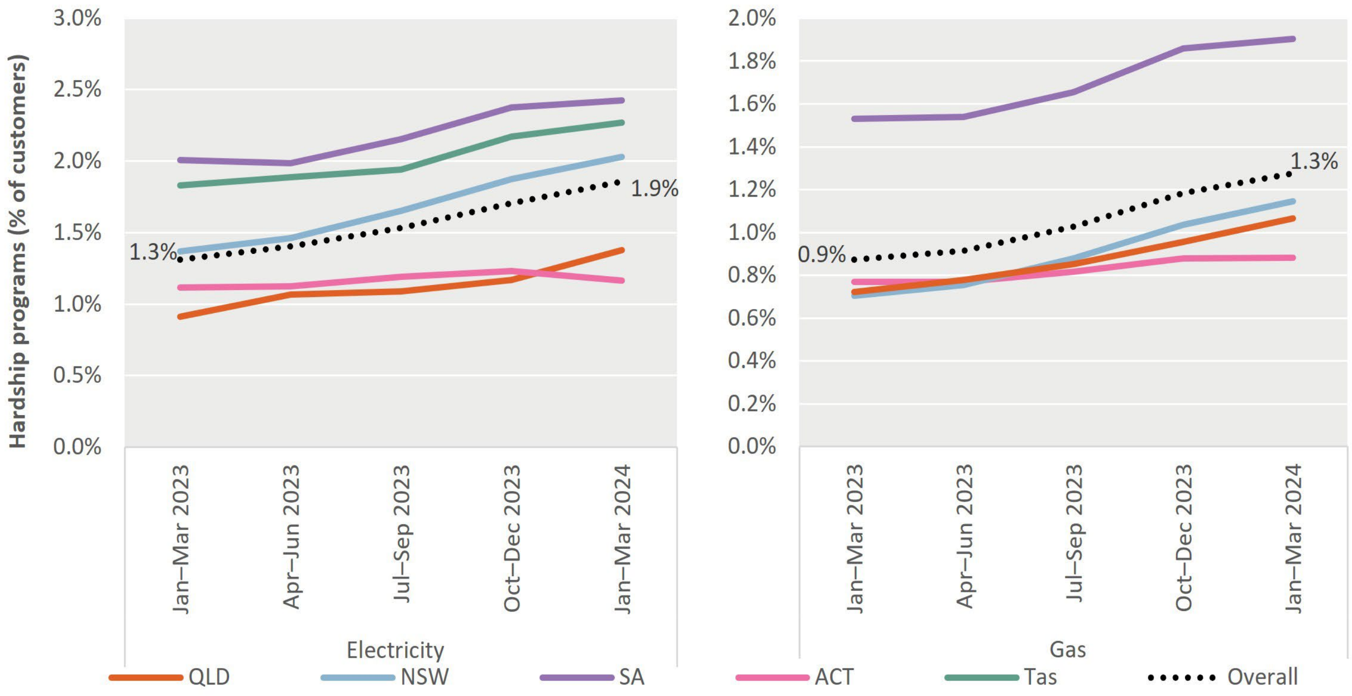


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: ‘Payment Plan by Type – Elec’.

Number of customers accessing a hardship program continue to increase

- The proportion of residential electricity customers accessing hardship programs has increased from 1.3% to 1.9% (Figure 6) since this quarter in 2023. This is reflected in the number of electricity customers on hardship plans increasing by 43% to 127,460 over that period.
- Gas customer hardship numbers have also increased by 48% since this quarter in 2023 to 29,545.

Figure 6 Proportion of residential electricity and gas customers on hardship programs



Source: AER, Schedule 4 – Retail Performance Data Q3 2023-24, Sheet: ‘Hardship Numbers’ Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: ‘Res Elec Cust#s & Mkt Contr’.

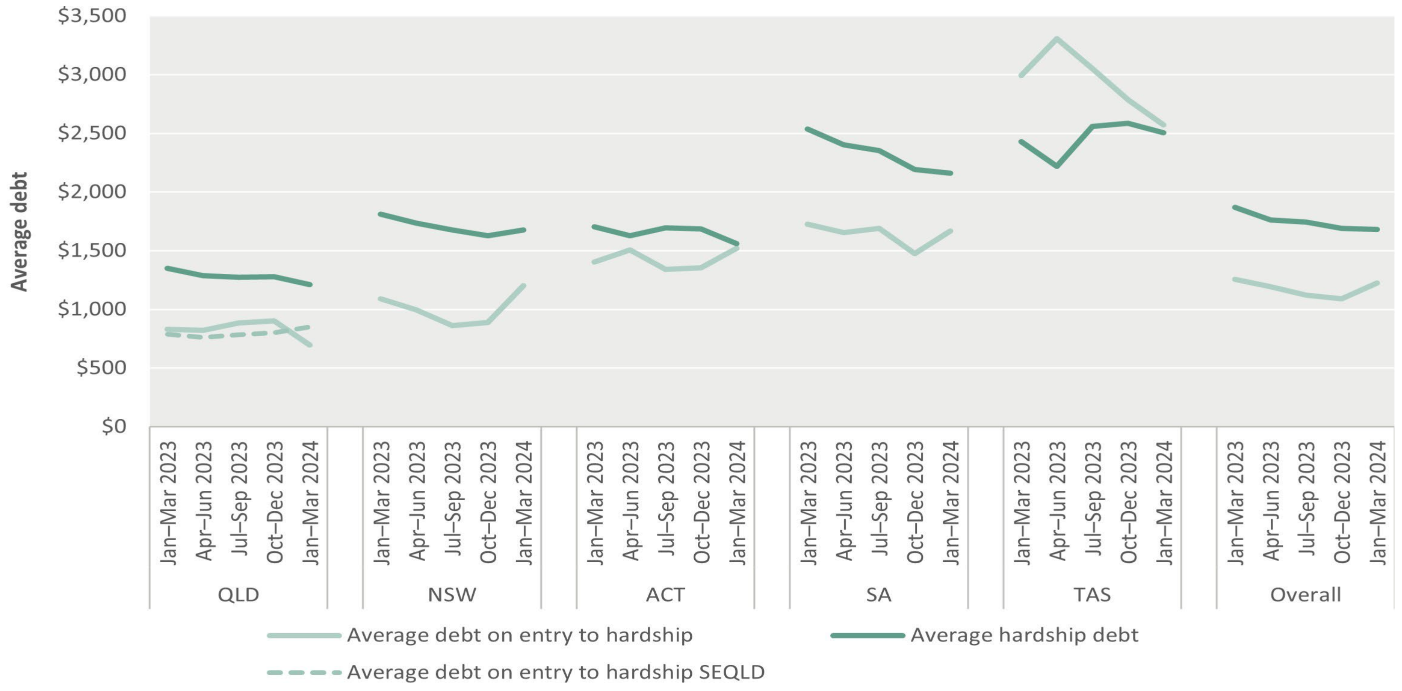
Customers on hardship programs are finding it harder to meet energy costs

- The following changes since this quarter in 2023 indicate that customers experiencing hardship are continuing to find it harder to meet their energy costs and debt commitments:
  - The percentage of customers on hardship programs who have been in the program for greater than 12 months has increased from 26.2% to 32.1%. Of these, 11.5% have been on the program for more than 2 years.
  - Of the hardship customers leaving the program, only 20.4% had successfully completed the program, while 67.6% were excluded for non-compliance and the remaining customers transferred to another retailer. This is lower than the successful completion rate of 27.5% in the same period in 2023.
  - 40% of hardship customers have a payment plan that is not meeting usage costs.

Average hardship debt decreasing despite recent increases in average debt on entry

- Average debt of customers while on a hardship program has decreased by 10.2% from $1,871 to $1,680 since this quarter in 2023. All jurisdictions, except Tasmania, experienced a decrease in average hardship debt levels over that period.
- The average debt on entry to hardship programs increased by 12.4% to $1,224 from $1,089 in the previous quarter. Queensland showed a drop in average hardship debt on entry, predominantly due to a decrease reported by Ergon. It has increased 7.9% for South East Queensland.
- Since this quarter last year, average debt on entry to hardship programs has decreased by 2.5% from $1,256 to $1,224 (Figure 7). However, when adjusted to account for the decrease in the Ergon figures it has increased by 0.8%.

Figure 7 Average electricity hardship debt and average electricity debt at time of entry to hardship programs

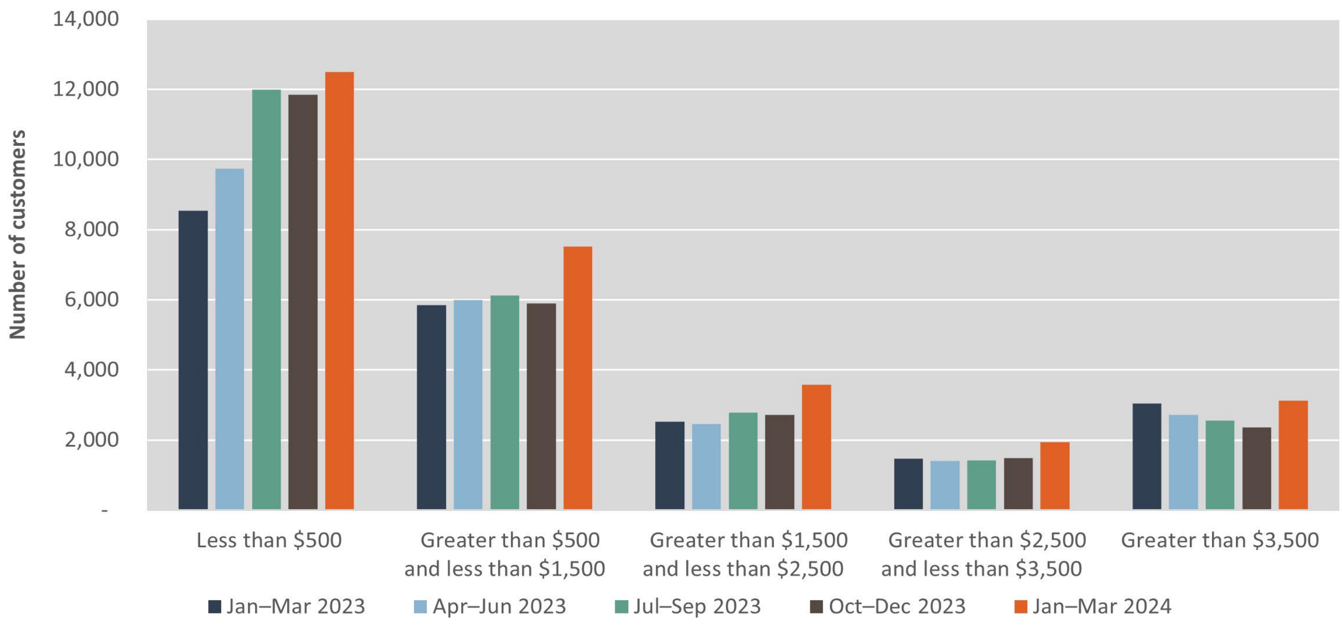


Note: A system upgrade for Ergon has impacted how hardship debts had been calculated resulting in short term variability in the figures
Source: AER, Schedule 4 – Retail Performance Data Q3 2023-24, Sheet: 'Hardship Avg & Entry Debt'.

More customers are entering hardship with higher debt

- The number of customers entering hardship programs with a debt increased by 33.6% compared with this quarter in 2023.
- 43.6% of customers entering hardship programs with a debt had debt of less than $500 (Figure 8).
- The number of customers entering hardship with a debt greater than $500 increased by 25.2% compared with this quarter in 2023.
- Some retailers have indicated that they are implementing programs to identify customers that require assistance with payment difficulties, which has resulted in customers with larger debts being re-engaged and entering hardship programs.

Figure 8 Number of electricity hardship debt customers and debt on entry to hardship programs by debt level

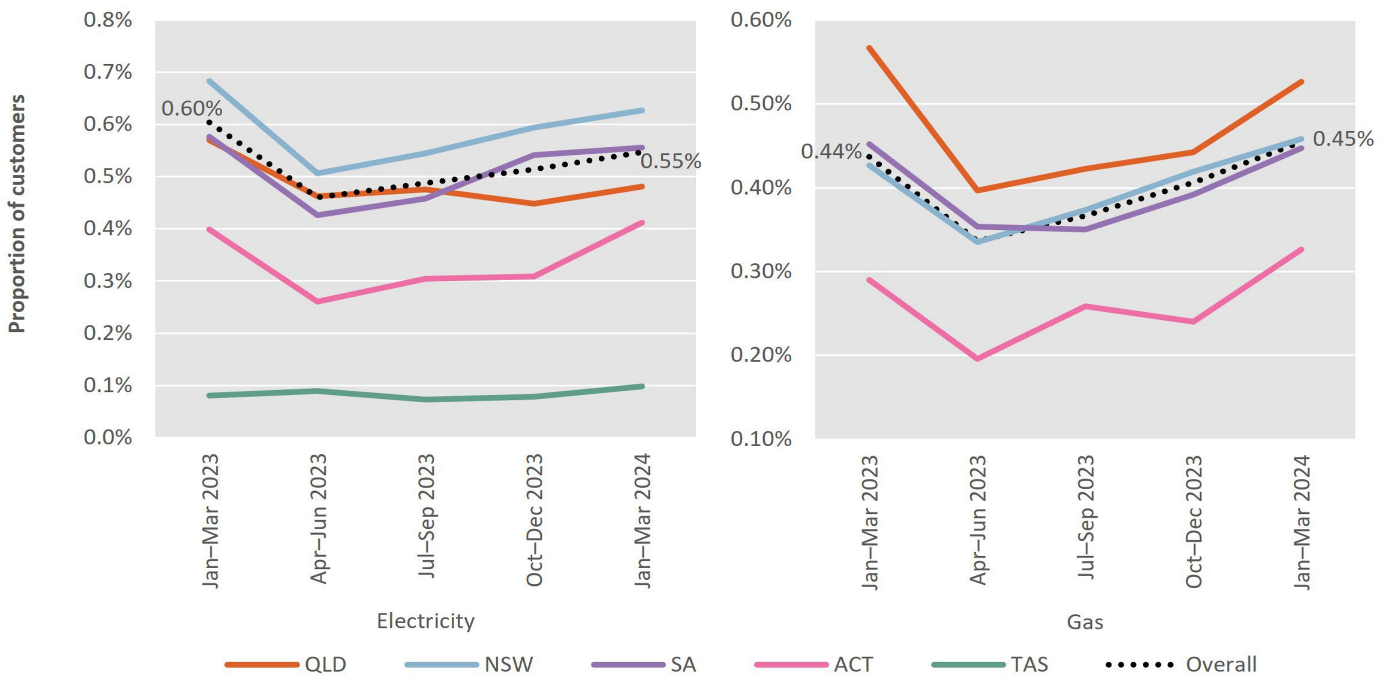


Source: AER, Schedule 4 – Retail Performance Data Q3 2023-24, Sheet: ‘Hardship debt on entering’.

Credit collections have fluctuated between quarters but remain similar to last year

- 0.55% of residential electricity customers were referred to external credit collection agencies this quarter. Despite increases over the past 3 quarters, this is a lower rate than this quarter in 2023 (Figure 9).
- 0.45% of residential gas customers were referred to external credit collection agencies this quarter. Despite increases over the past 3 quarters, this rate is similar to this quarter in 2023 (Figure 9).

Figure 9 Proportion of residential electricity and gas customers referred to credit collection

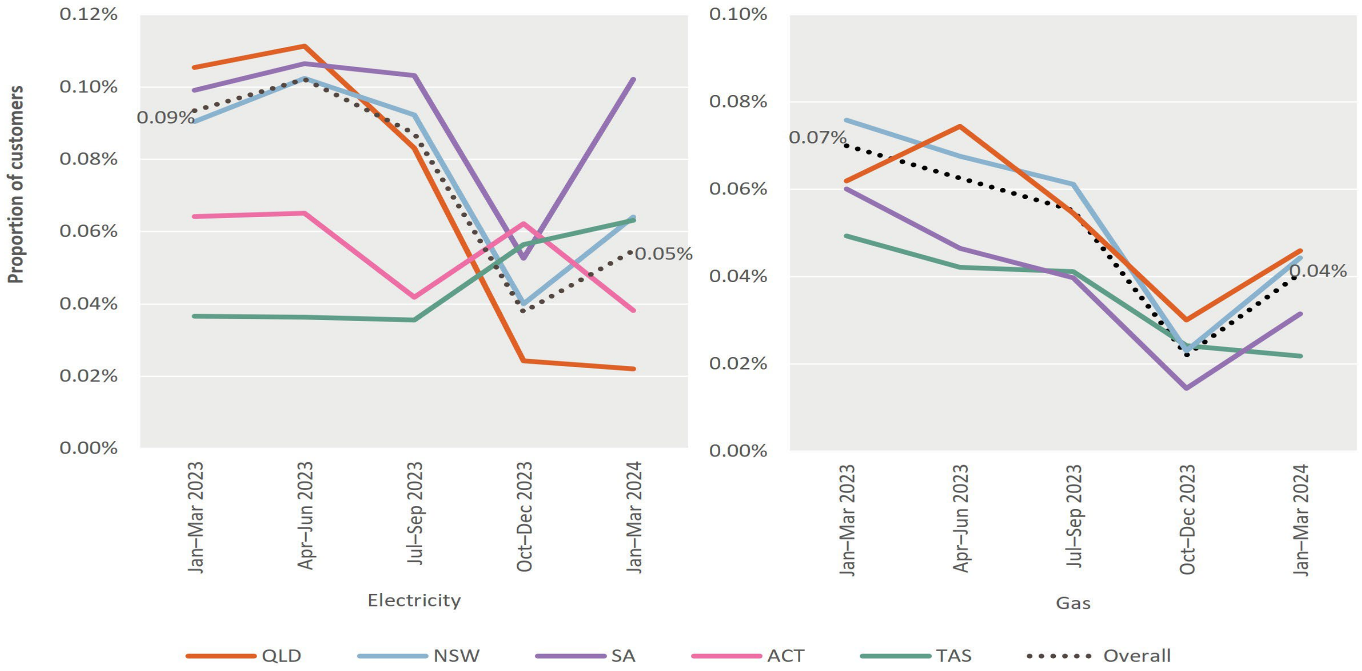


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: 'Credit Collection'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Increase in disconnection rates but remain lower than last year

- Residential electricity disconnections increased this quarter in NSW, South Australia and Tasmania, but decreased in the ACT and Queensland (Figure 10).
- Disconnection rates increased across most jurisdictions for gas customers compared with the previous quarter, except in the ACT.
- The increase in the overall disconnection rates in NSW, South Australia and Tasmania for electricity customers were linked to a recommencement of disconnections by some retailers after they paused or reduced them in the previous quarter for different business reasons.
- The decrease in residential electricity disconnections in Queensland is linked to Ergon's decision to temporarily cease disconnecting customers for debt.

Figure 10 Proportion of residential electricity and gas customers disconnected

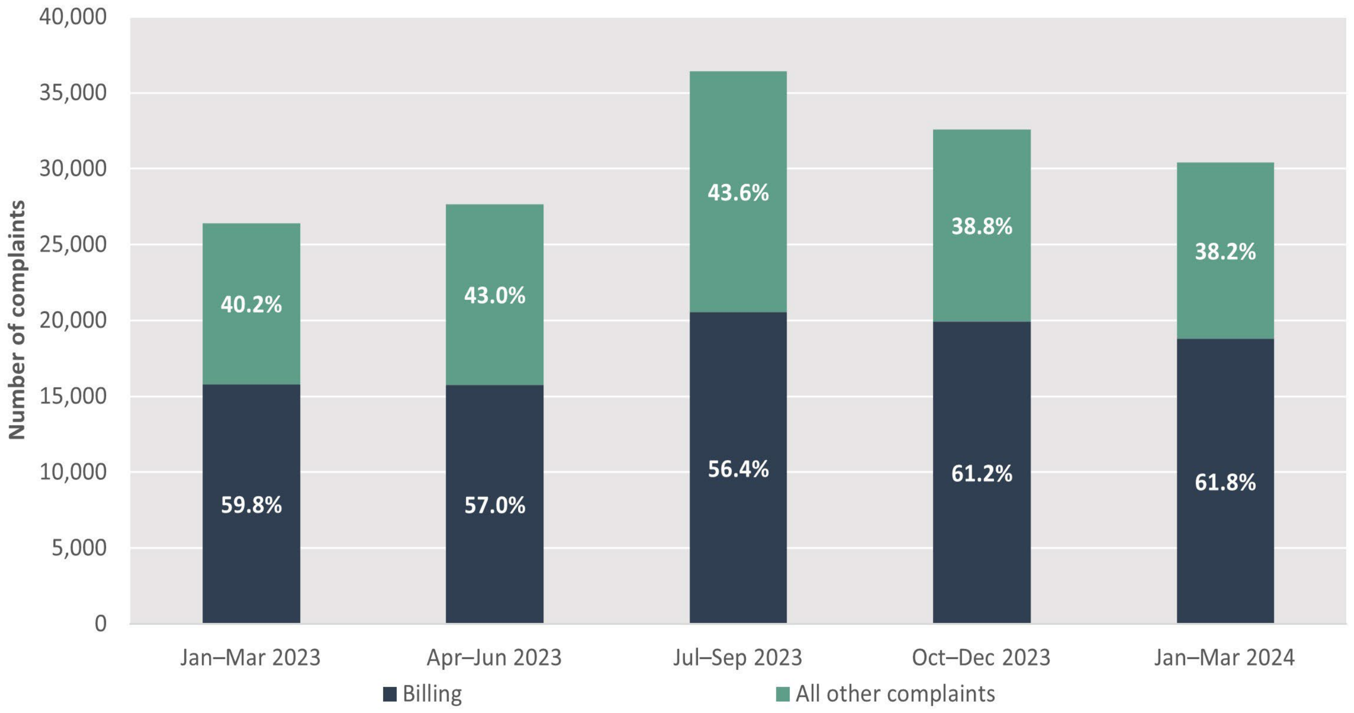


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: 'Disconnections Resi'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.

Complaints remain higher than this quarter in 2023

- The total number of complaints has increased from 26,421 to 30,409 (15.1%) since this quarter last year (Figure 11).
- The proportion of complaints relating to billing remained steady at 61.8% compared with the previous quarter. Billing complaints may include price queries, billing errors, payment arrangements and debt recovery practices.
- Retailers have advised that increases to complaint numbers in the July to September 2023 period was driven in part by price increases in July 2023. Complaint numbers have come down since that period.

Figure 11 Electricity customer complaint types, by number and percentage

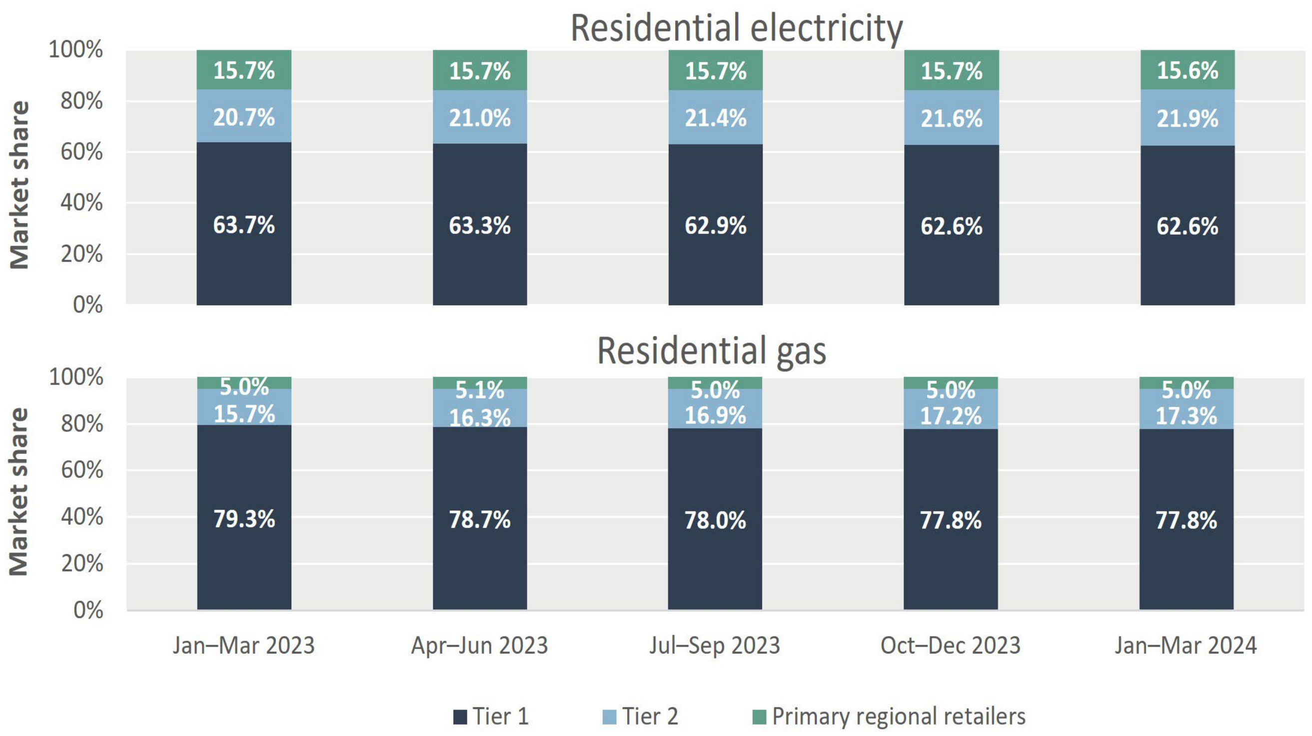


Source: AER, Schedule 3 – Retail Performance Data Q3 2023-24, Sheet: ‘Complaints by type – Resi’; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: ‘Res Elec Cust#s & Mkt Contr’.

Market share of smaller retailers continues to increase

- Both the residential electricity market and residential gas market have continued their slow trend away from Tier 1 retailers towards Tier 2 retailers.
- Tier 2 retailers have increased their market share by 1.2 percentage points in the residential electricity market and by 1.6 percentage points in the residential gas market since this quarter in 2023 (Figure 12).
- The market share of primary regional retailers for the gas market has remained consistent over the past 5 quarters – for residential electricity it has slightly decreased by 0.1 percentage points.
- Tier 1 retailers are Origin Energy, AGL and EnergyAustralia. Primary regional retailers are Ergon Energy in Queensland, ActewAGL in the ACT and Aurora Energy in Tasmania. Tier 2 retailers are all other retailers.

Figure 12 Residential market share by Tier 1, Tier 2 and primary regional retailers



Source: AER, Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Elec Cust#s & Mkt Contr'; Schedule 2 – Retail Performance Data Q3 2023-24, Sheet: 'Res Gas Cust#s & Mkt Contr'.