Quarterly retail performance report

Q2 2021–22

October—December

March 2022

AUSTRALIAN ENERGY REGULATOR

Australian Government

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Retail market at a glance

Q2 2021—22 (as at 31 December 2021)

Customer numbers

RESIDENTIAL

6,704,870
Electricity

2,265,370
Gas

SMALL BUSINESS

659,116
Electricity

85,584
Gas

Customer debt (excludes hardship customers)

RESIDENTIAL

2.7%
of customers in debt

Up 0.2% on Q2 2020—21

$1,056
average energy debt

Up $59 on Q2 2020—21

SMALL BUSINESS

3.4%
of customers in debt

Up 0.2% on Q2 2020—21

$2,202
average energy debt

Down $198 on Q2 2020—21

Residential payment plans

Electricity
95,290
1.4% of customers

Up 8,231 on Q2 2020—21

Gas
20,780
0.9% of customers

Up 1,715 on Q2 2020—21

Residential hardship

Electricity

1.07%
of customers on hardship programs

Up 0.04% on Q2 2020–21

$1,722
average hardship debt

Up $122 on Q2 2020–21

Gas

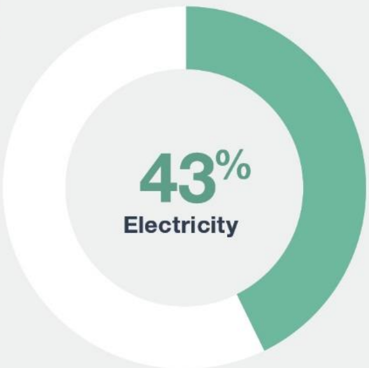
0.69%
of customers on hardship programs

Up 0.05% on Q2 2020–21

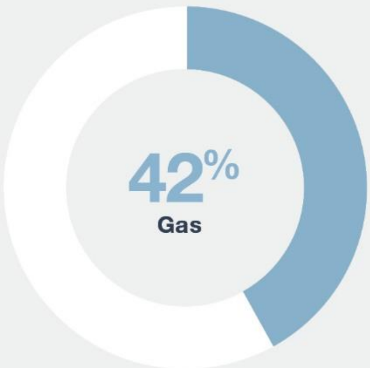
$816
average hardship debt

Up $70 on Q2 2020–21

HARDSHIP CUSTOMERS NOT MEETING USAGE COSTS



Down 2% on Q2 2020–21



Down 3% on Q2 2020–21

Residential disconnections

Electricity

3,977
0.06% of customers

Down 1,404 on Q1 2021–22

Gas

567
0.03% of customers

Down 156 on Q1 2021–22

Contents

1 Consumers are holding more debt for longer

The number of customers repaying energy debt and the average level of debt provides an insight into the extent that a customer is experiencing difficulty in paying their energy bill.

1.1 Residential debt

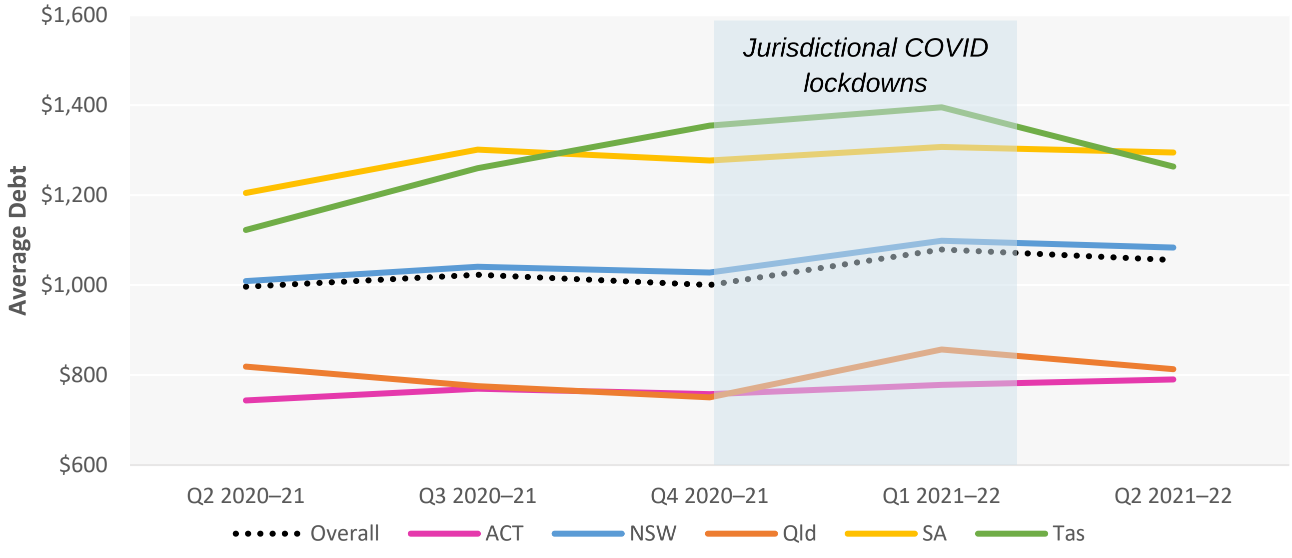
The number of residential customers repaying energy debt increased by 8% to 183,449 customers, from the quarter ending December 2020 (Q2 2020–21)[1]. The increase was largely driven by Tier 1 retailers' customers in NSW, which accounted for 74% of the overall increase. This aligns with the stay-at-home orders that were enacted in NSW (and the ACT), which may have contributed to the increases observed.[2] Compared to the previous quarter there has been a significant increase, however this was a result of a fall in Q1 2021–22 largely driven by a number of factors in the Queensland market.

Average residential energy debt increased from 31 December 2020 to 31 December 2021 by 6% (to $1,056) but debt levels differed markedly between jurisdictions (Figure 1.1). Retailers' customers in NSW and Queensland drive the overall average due to the size of their customer base (Figure 1.1).

Across retailers there was further variability in the size of average debt, with AGL and Origin customers' debt (and some Tier 2 retailers' customers) being below the national average.

Compared with the previous quarter (as of September 2021), overall, average residential energy debt is trending downwards.

Figure 1.1 Average residential energy debt



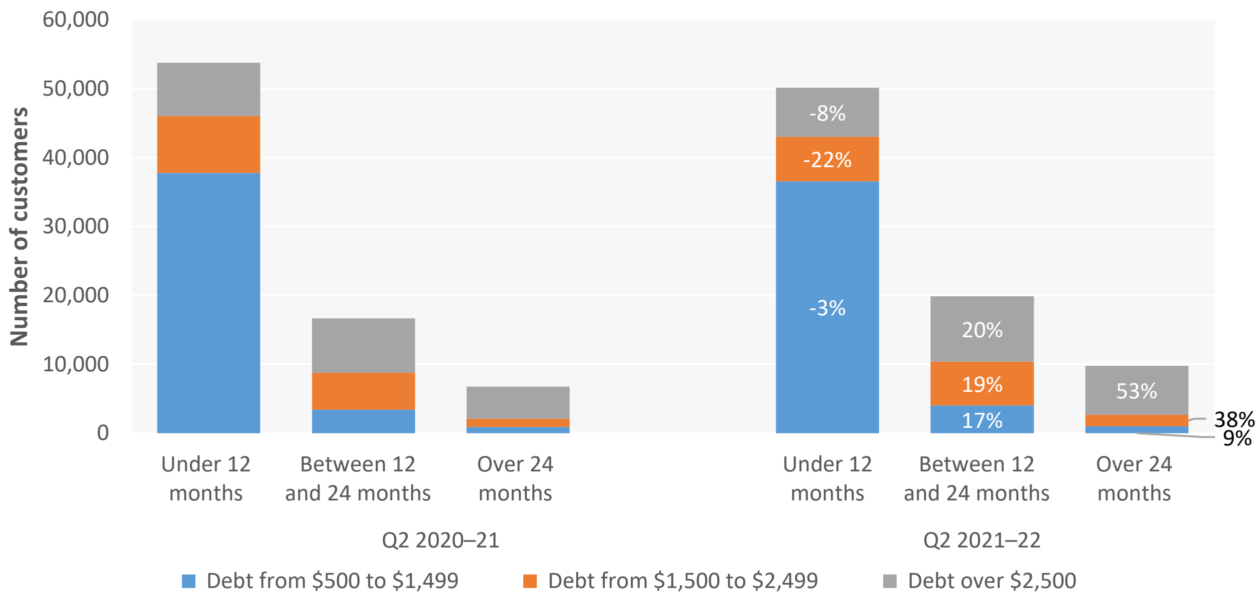
Note: Excludes debt of customers on hardship programs.
Source: AER

[1] Q2 2020-21 presents data as at 31 December 2020, while Q2 2021-22 presents data as at 31 December 2021.

[2] Government imposed lockdowns commenced in some NSW Local Government Areas (26 June 2021) and ACT (12 August 2021) that continued until mid-October 2021 as restrictions eased.

When comparing the age of debt for residential electricity customers against the same period last year, debt is being held for longer periods and at greater levels. Although the number of customers holding debt for less than 12 months has declined overall, the number of customers holding debt for greater than 12 months has increased substantially. As well as holding debt for longer, the size of that debt has increased, with the number of customers holding debt greater than $1,500 increasing by 9% compared to the quarter ending December 2020 (Q2 2020–21) (Figure 1.2).

Figure 1.2 Number of residential energy customers repaying debt, by age



Note: Excludes debt of customers on hardship programs.
Source: AER

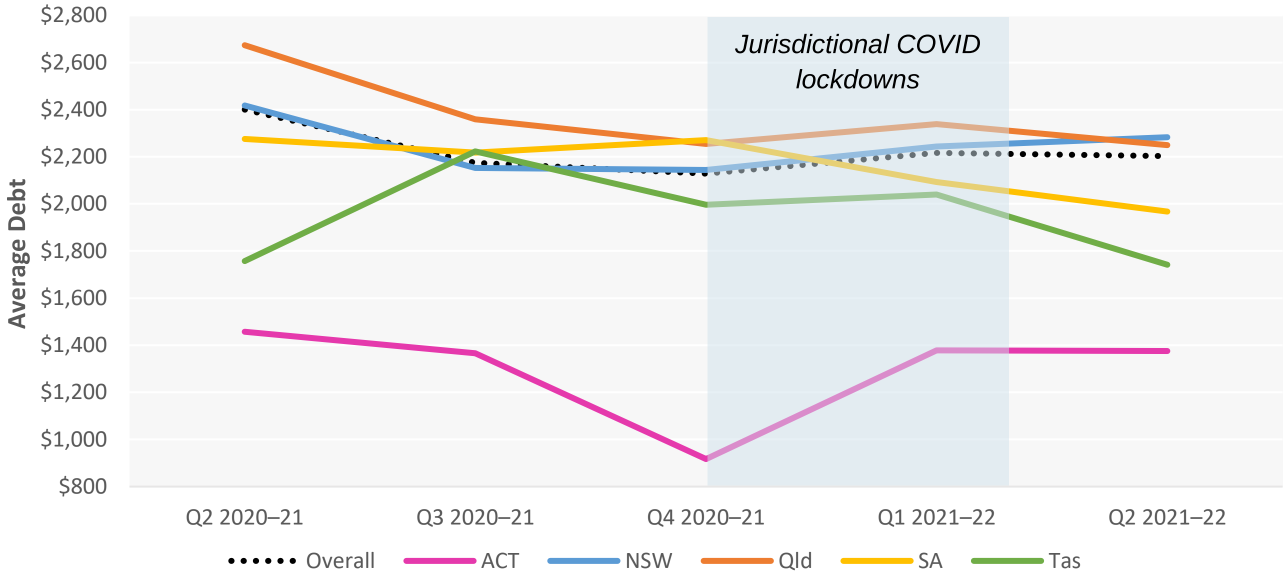
1.2 Small business debt

The number of small business customers repaying debt increased by 5% (to 22,333 customers) from 31 December 2020 to 31 December 2021. The increase was largely driven by Tier 1 retailers' customers with debt in NSW, Queensland, and South Australia, which represented the majority of the overall increase.

Over the 12 months prior to 31 December 2021, average small business debt decreased by 8% (by $198 to $2,202), with all jurisdictions seeing a reduction (Figure 1.3). However, as with residential, small business customers had material differences in debt across jurisdictions and by retailer.

Compared with the previous quarter (as of September 2021), NSW was the only jurisdiction that saw an overall increase, albeit small. This aligns with when stay-at-home orders were in place.

Figure 1.3 Small business energy debt



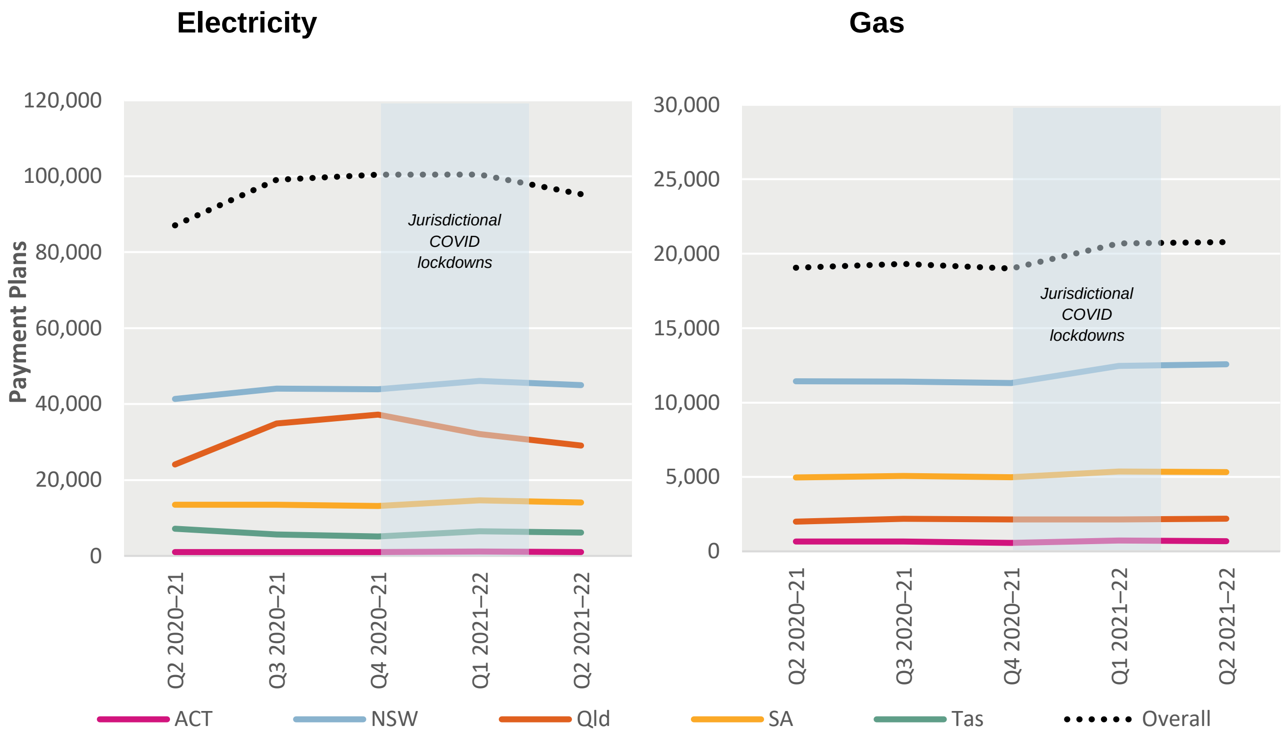
Note: Excludes debt of customers on hardship programs.
Source: AER

2 Payment plans remain steady with wider variations at a jurisdictional level

Overall, the number of electricity customers on payment plans increased by 8,231 between December 2020 to December 2021 (Figure 2.1). The number of payment plans fell by 5,153 since the last quarter. This was the only negative quarter over the period. Queensland was the most prominent, experiencing a reduction of 8,121 payment plans over the last 6-months driven by primary regional retailer, Ergon Energy. Ergon Energy was not subject to the Queensland standby Statement of Expectations (SoE) and returned to normal debt management practices, which may have influenced this reduction in payment plans.

The number of gas customers on payment plans increased by 1,715 as at 31 December 2020 to 31 December 2021 (Figure 2.1). A large proportion of the increase occurred in NSW where payment plan numbers increased by 1,145 over the period, driven by Origin Energy and several Tier 2 retailers.

Figure 2.1 Number of residential electricity and gas customers on payment plans, by jurisdiction



Source: AER

For customers on payment plans, electricity customers are making higher repayments than gas customers per fortnight. This quarter, 56% of electricity customers made fortnightly repayments greater than $100, whereas only 23% of gas customers made similar repayment amounts.

Of all electricity and gas payment plans completed or cancelled[3] across each quarter, close to two-thirds are cancelled by retailers for non-payment. In the quarter to 31 December 2021, almost 60% of electricity payment plans were cancelled, which was slightly above the same period for the previous year cancellation rate. In comparison, 58% of gas plans were cancelled in during this quarter, down from 63% from the same period last year. Failed payment plans may result in a retailer not accepting a customer into its hardship program, leading to customers accumulating more debt. We will continue to monitor ‘payment plans cancelled for non-payment’ to understand how effectively the market is enabling customers, experiencing vulnerability, to manage their electricity bills.

[3] The proportion of payment plans cancelled is expressed as a percentage of all payment plans that finish in a quarter i.e. those completed successfully plus those cancelled. Some customers cycle on and off payment plans more than once in a period. This figure also does not include customers who have remained on a payment plan throughout the quarter.

3 More customers on hardship programs as average debt increases

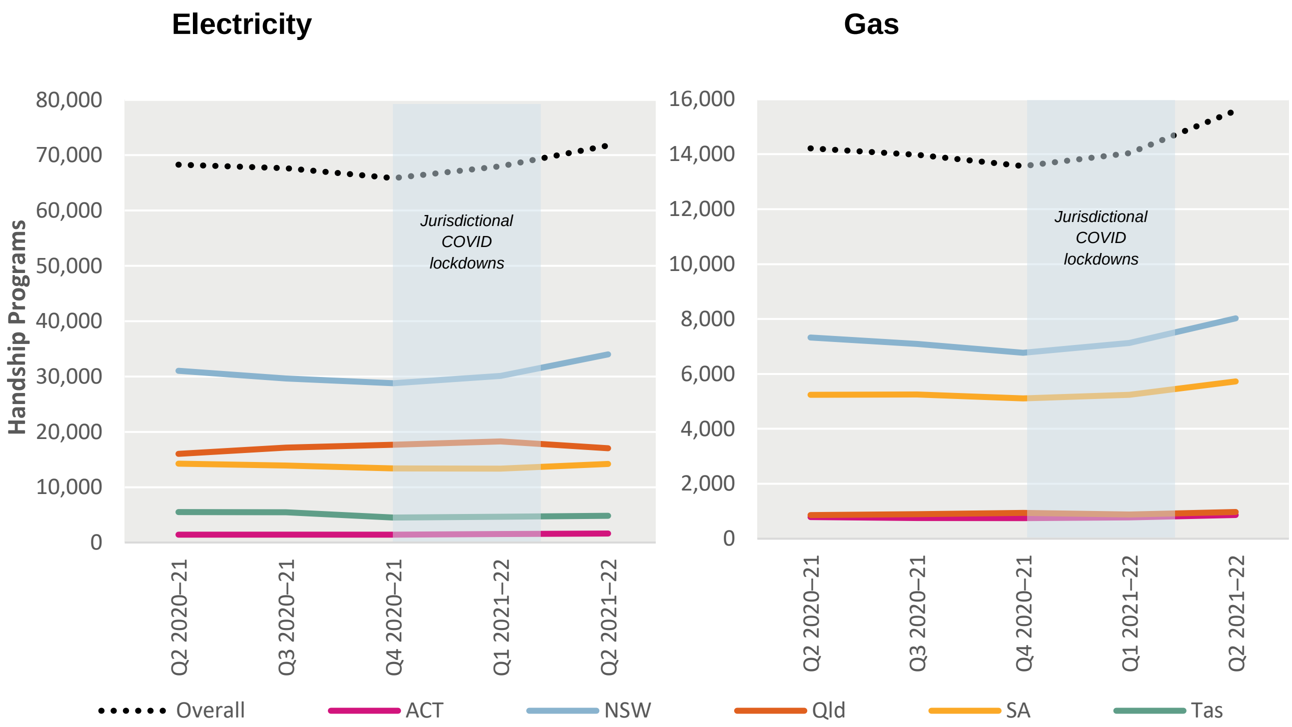
3.1 Hardship programs

The number of electricity consumers on hardship programs increased by 3,486 over the last 12 months to 31 December 2021, but trends have varied between jurisdictions (Figure 3.1).

In NSW, the number of customers on hardship programs has rapidly increased by 5,212 since 30 June 2021, coinciding with COVID-19 lockdowns and the enactment of the standby Statement of Expectations by the AER (further explained in Section 4). The ACT and Queensland also experienced an increase over the last 12-months but at a lesser magnitude than NSW. In contrast, South Australia and Tasmania saw small reductions.

Following a similar trend in electricity, the number of gas consumers on hardship programs increased by 1,370 since the same period last year (Figure 3.1). Gas hardship program numbers have increased in all jurisdictions but was most prominent in NSW, which increased by 1,254 over the last 6-months. This corresponded with COVID-19 lockdowns.

Figure 3.1 Electricity and gas consumers on hardship programs, by jurisdiction



Source: AER

3.2 Entry into hardship programs

Approximately an additional 2,700 electricity consumers and 200 gas consumers entered hardship programs from October to December 2021, when compared with the same period the year before.

The way in which consumers enter hardship programs has also changed. This quarter, 48% of consumers self-identified as being in hardship while 49% were via a referral from a retailer. Over October to December 2020, 60% of consumers self-identified and 39% were retailer referrals. A similar shift in the method of referral for gas customers entering hardship can also be observed. This highlights a more active approach by retailers to provide assistance for their customers who are faced with payment difficulties, with the trend consistent across all jurisdictions.

Of those consumers entering hardship programs, an increasing number have larger debts. Consumers with debt greater than $2,500 represented 22% of all consumers entering electricity hardship programs in this quarter, whereas this proportion was only 18% during the same period last year. All jurisdictions except for the ACT experienced this trend. Gas consumers by comparison remained relatively unchanged over this period.

Overall, average debt on entry to hardship for electricity consumers increased to $1,586 as of 30 June 2021 before declining to $1,469 as of 31 December 2021. This is still $102 above the level for the same period last year. Queensland was the only jurisdiction that experienced a consistent increase over the last 12-months, while all other jurisdictions fluctuated. Average debt on entry to hardship for gas consumers decreased to $634 as of 31 December 2021.

3.3 Level of hardship debt

Average debt for electricity consumers on hardship programs has increased by $122 over the past year to $1,772 (Figure 3.2). The rise has occurred consistently across all jurisdictions except for the ACT.

The average debt of gas consumers on hardship programs increased by $71 to $816 from 31 December 2020 to 31 December 2021 (Figure 3.3). In all jurisdictions, except for the ACT, average debt levels were higher than at the same time last year.

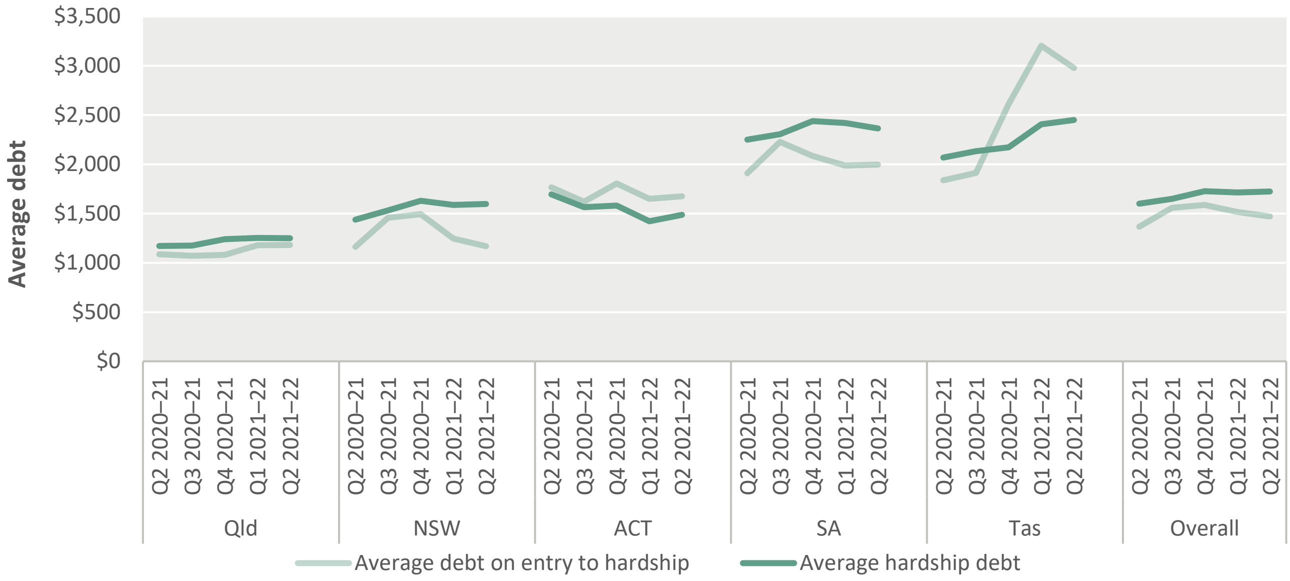
In Queensland, NSW, and South Australia average hardship electricity debt is higher than debt on entry (Figure 3.2). This indicates that consumers are still accumulating debt while on a hardship program. This is supported by data[4], which remains relatively unchanged over the last year and shows that 43% of electricity and 42% of gas consumers on hardship programs did not meet their usage costs as of 31 December 2021.

However, in the ACT average hardship electricity debt declined while debt on entry to hardship was flatter. This was driven by significant average debt reductions by ActewAGL while trends in average debt on entry levels were much more varied across Tier 1 retailers.

The larger increase in average debt in Tasmania compared to other regions may be a result of Aurora returning to normal debt management practices and increasing their customer engagement in hardship programs. The number of Aurora's customers entering its hardship program has significantly increased in the last 6 months compared with the previous period 6 month period.

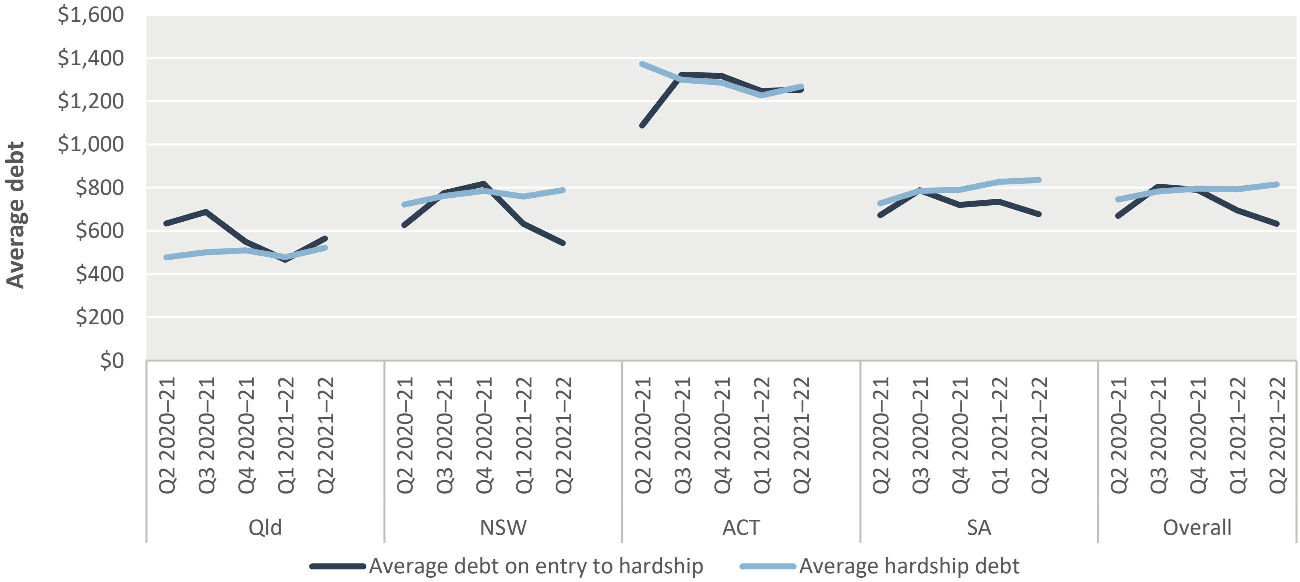
[4] Refer to Schedule 4 on the AER website

Figure 3.2 Average electricity hardship debt and average electricity debt at time of entry to hardship programs



Source: AER

Figure 3.3 Average gas hardship debt and average electricity debt at time of entry to hardship programs



Source: AER

4 Disconnections have reduced since June 2021

In response to the COVID-19 pandemic the AER released its Statement of Expectations (SoE) in April 2020, which set out extra protections energy retailers should offer to residential and small business consumers facing payment difficulties. One protection included the expectation that retailers do not disconnect any consumer who may be in financial stress.

In July 2021, the AER replaced the SoE with a standby approach, which resulted in the additional protections only applying to local government areas subject to stay-at-home orders that last for 7 days or more. The additional protections remain in effect for 14 days after stay-at-home orders are lifted.

The effectiveness of the SoE has resulted in trends for disconnection changing significantly from pre-pandemic periods in both electricity and gas markets.

4.1 Residential electricity disconnections

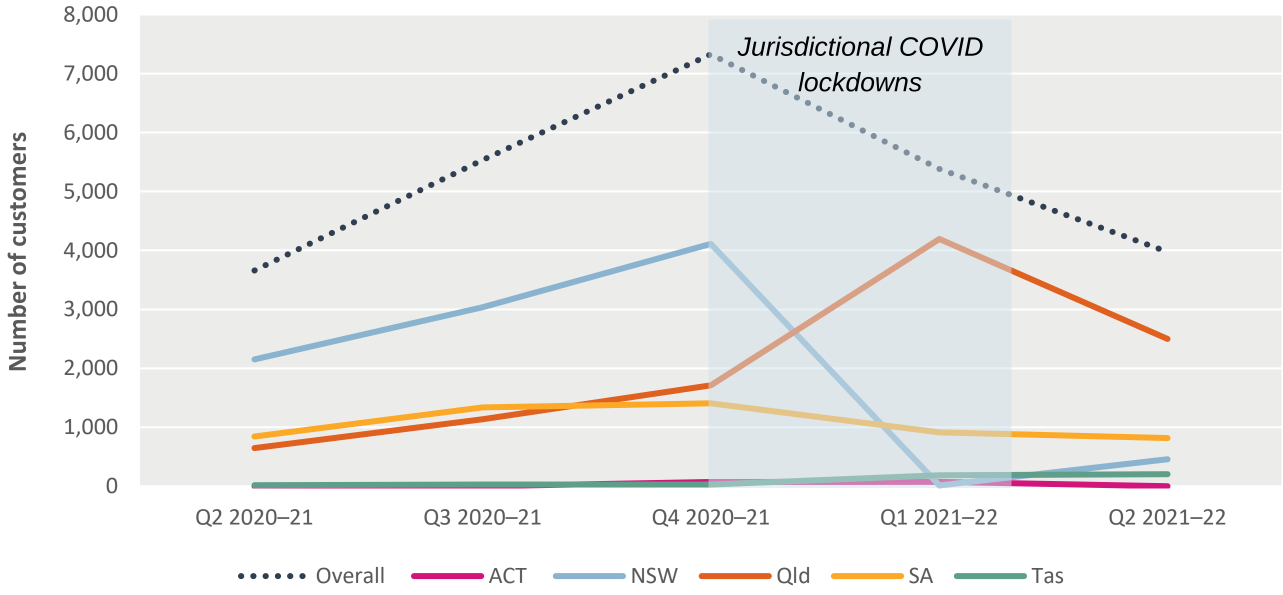
From October to December 2020 the overall number of residential electricity disconnections increased by 9% when compared to the same period in 2021, with considerable variability across jurisdictions (Figure 4.1).

The significant reduction from April 2020 to September 2021 by 27% was driven by a decrease in NSW, which corresponded with the AER's enactment of the standby SoE in July 2021, due to stay-at-home orders being introduced. Partially offsetting this trend was the large increase in Queensland, which was mainly driven by Ergon Energy resuming more normal debt management practices. Over this period 2,484 customers were disconnected in Queensland.

During October to December 2021 the overall trend continued to decrease, primarily due to disconnections by Ergon Energy decreasing by around half of what occurred during July to September 2021. There was also a slight increase in NSW due to stay-at-home orders being relaxed and the standby SoE subsequently being lifted in late November 2021.

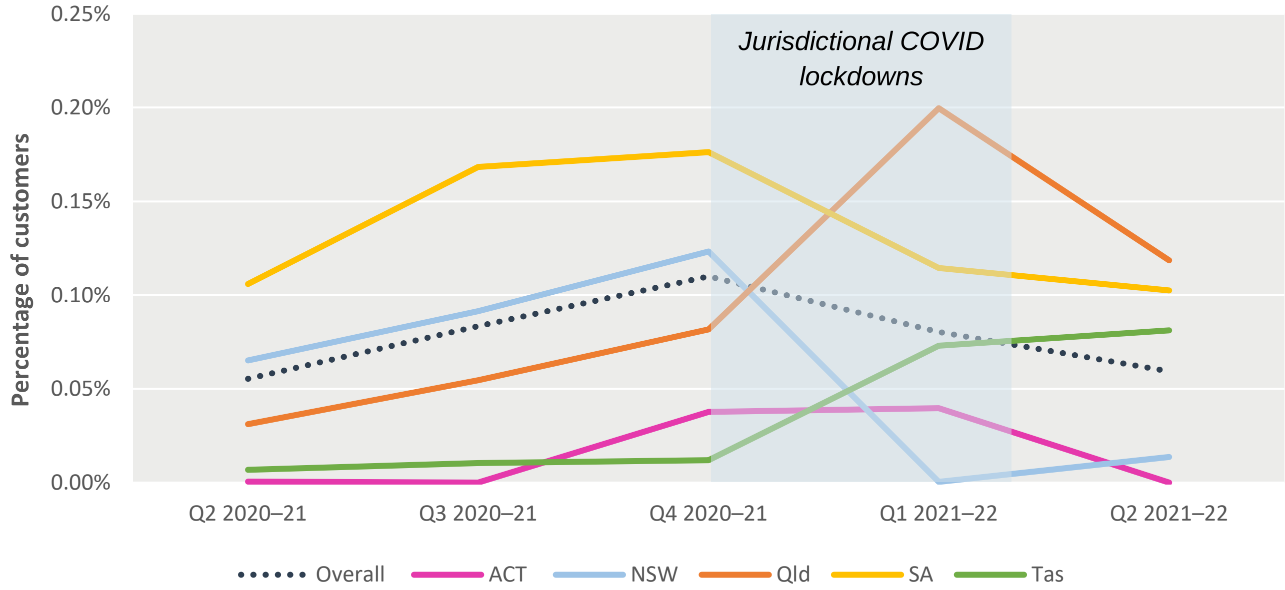
In Tasmania, Aurora recommenced disconnections in July 2021 after a 5 quarter pause on disconnections for non-payment. This return to debt collection practices and the Tasmanian small customer base resulted in an increase in proportion of Tasmanian customer electricity disconnections, compared to other jurisdictions (Figure 4.2).

Figure 4.1 Number of residential electricity customer disconnections



Source: AER

Figure 4.2 Proportion of residential electricity customer disconnections



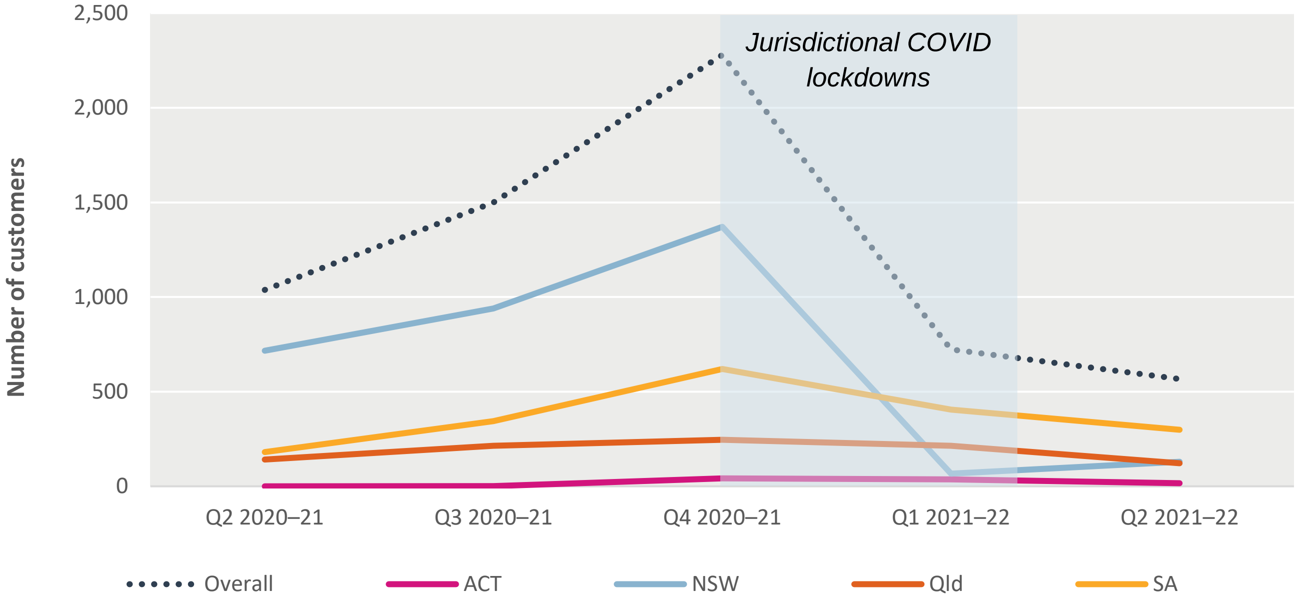
Source: AER

4.2 Residential gas disconnections

As is the case for electricity, the reductions in NSW were driven by the AER standby SoE being enacted due to the stay-at-home orders (Figure 4.3 and 4.4).

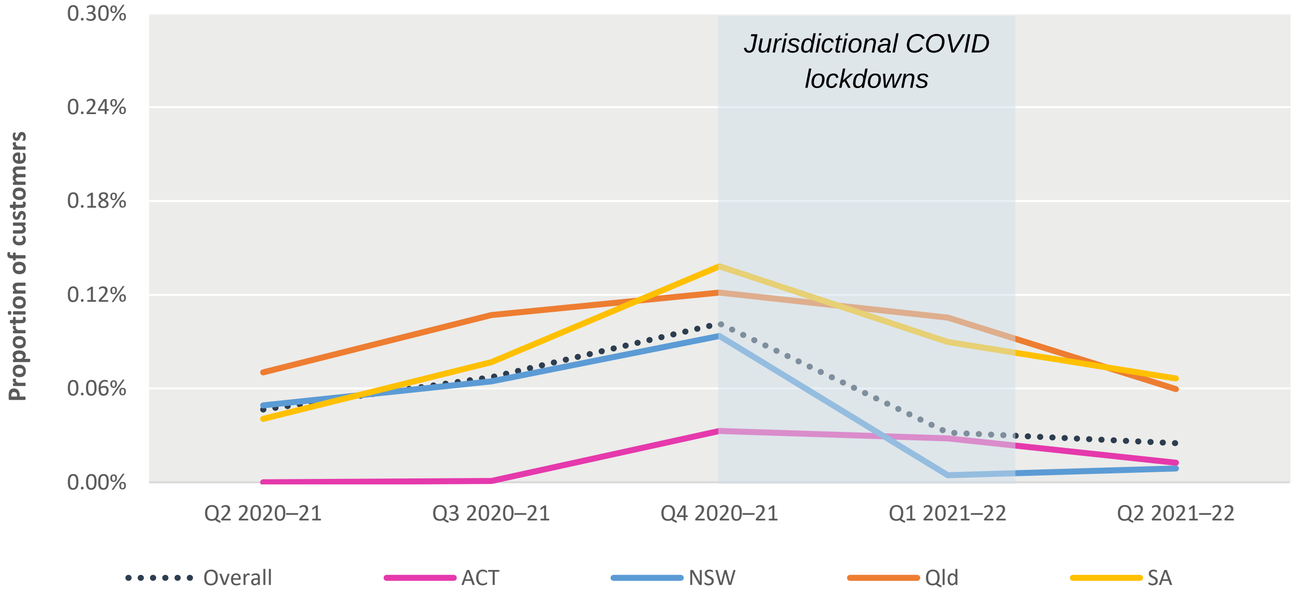
In the last 3-months since the SOE has been lifted, NSW is now seeing a gradual increase in disconnections. For other jurisdictions disconnections are trending gradually downward.

Figure 4.3 Number of residential gas customer disconnections



Source: AER

Figure 4.4 Proportion of residential gas customer disconnections



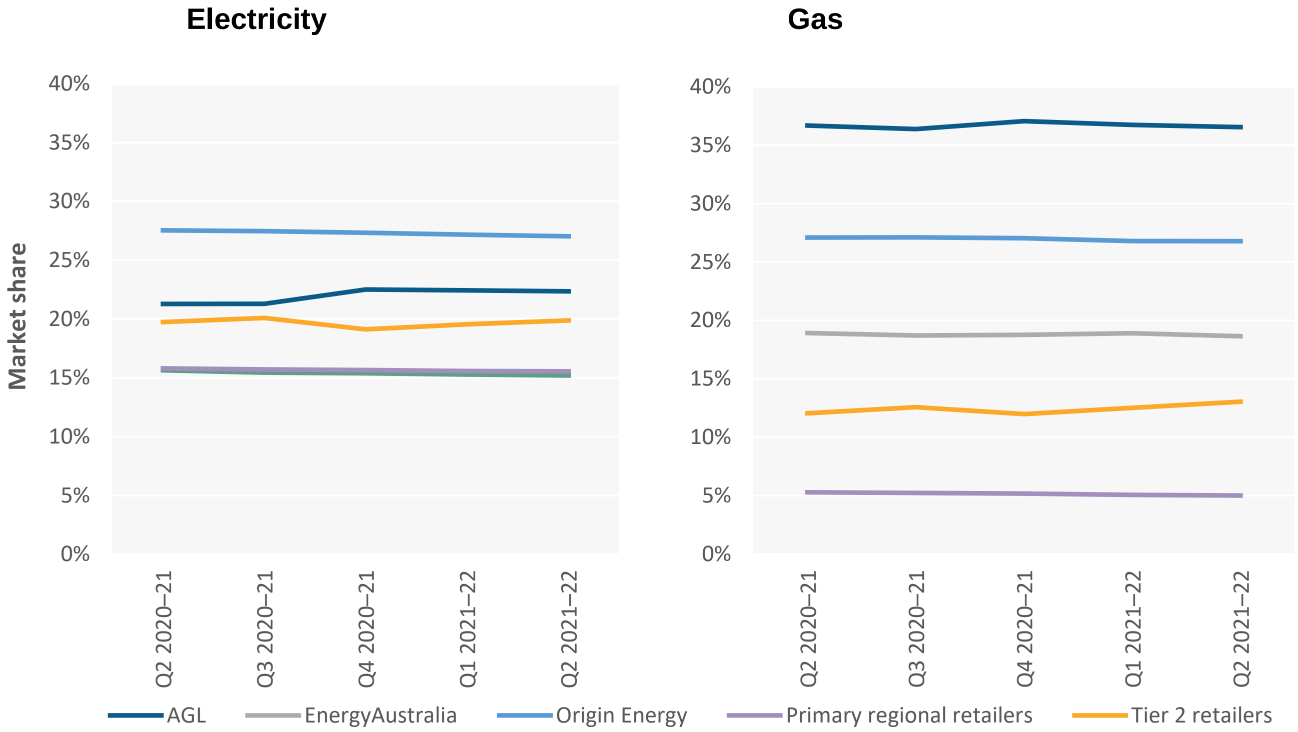
Source: AER

5 Tier 2 retailers continue to grow market share

The electricity retail market remains fairly concentrated and relatively unchanged, with 80.1% of residential customers either with a Tier 1 retailer or a primary regional retailer as of 31 December 2021. Despite this dominance, customers have continued to gradually switch away from Tier 1 retailers to smaller Tier 2 retailers (Figure 5.1).

The residential gas market recorded similar trends to electricity, and has remained relatively unchanged, with 87% of residential customers either with a Tier 1 retailer or a primary regional retailer as of 31 December 2021. Tier 2 retailers increased market share by 1%, reaching 13% overall by the end of December 2021.

Figure 5.1 Residential market share, by retailer category



Note: Includes customers in Queensland, NSW, the ACT, South Australia, and Tasmania.
Source: AER

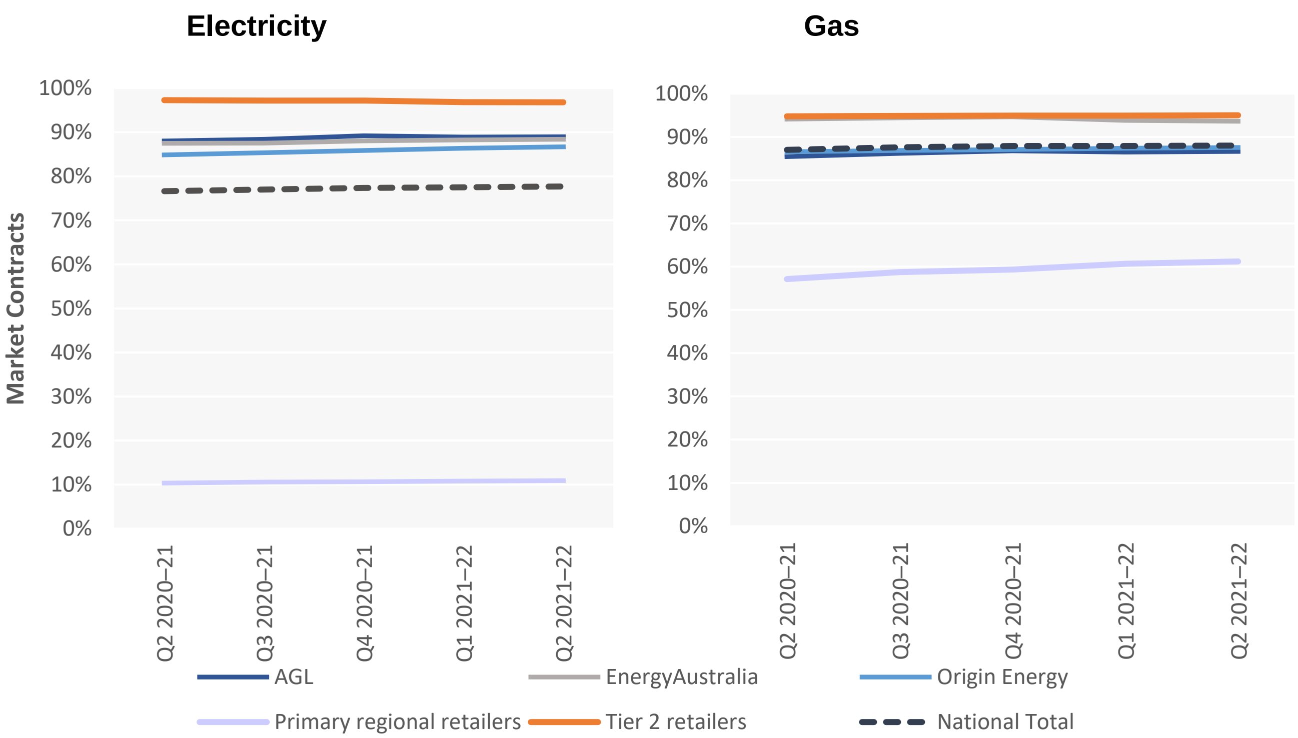
6 Number of customers on market contracts remains steady

Overall, the number of customers on electricity and gas market contracts have remained relatively steady at 78% and 88% respectively over the last 12 months.

The proportion of Tier 1 customers on market contracts is lower on average than for Tier 2 retailers (Figure 6.1). However, Tier 2 retailers were the only group to see a minor decrease in overall percentage of customers on market contracts over the last year to 31 December 2021.

Primary regional retailers operate in areas with limited retail competition and most of their customers remain on standing offers. Ergon Energy (primary regional retailer) only offers electricity standard contracts which results in a significantly lower proportion of customers on an electricity market contract compared to Tier 1 and Tier 2 retailers.

Figure 6.1 Proportion of residential customers on market contracts



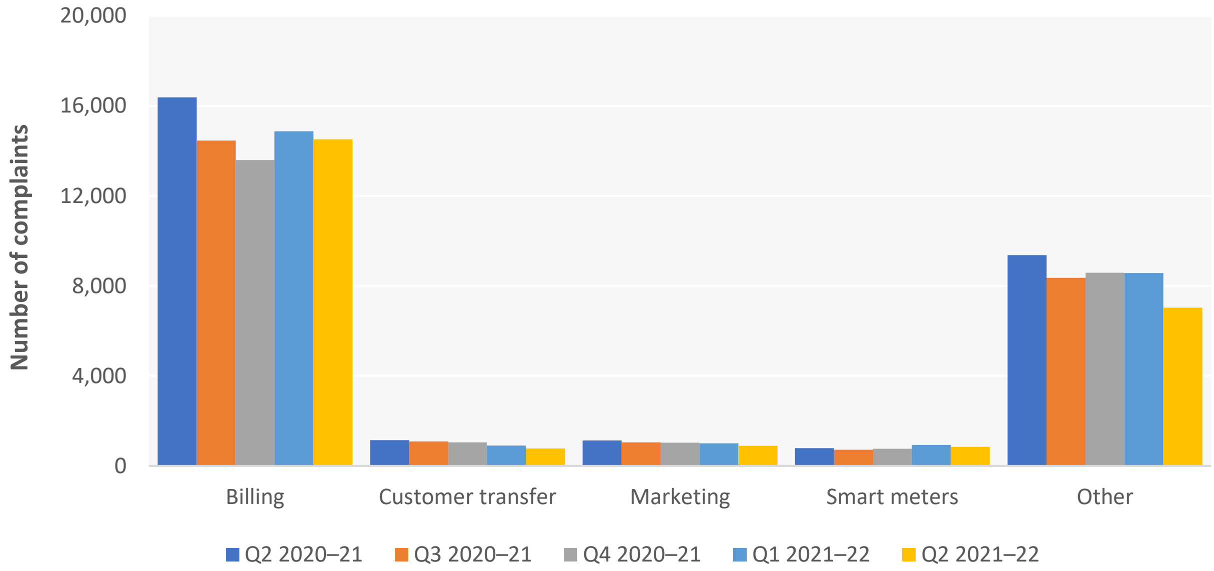
Note: Includes customers in Queensland, NSW, the ACT, South Australia, and Tasmania.
Source: AER

7 Less customers are making complaints

Over the last year the total number of complaints to retailers fell 16.5% from 28,808 to 24,056 (Figure 7.1). This trend of decreasing complaints from customers has been occurring for several years. Similarly, complaints to Ombudsmen also fell when compared to the same time last year continuing the downwards trend observed in the 2021 Annual retail markets report[5].

Complaints to retailers about billing continues to be the most common type, accounting for 60% of all complaints.

Figure 7.1 Retailer customer complaints, by type



Note: Includes customers in Queensland, NSW, the ACT, South Australia, and Tasmania.
Source: AER

[5] Annual retail markets report 2020–21 pp. 97-100