AUSTRALIAN ENERGY REGULATOR

RETAIL ENERGY MARKET UPDATE PERFORMANCE

January to March 2013

Contents

About this report

The Australian Energy Regulator regulates energy markets and networks. Our independent Board has one Commonwealth member and two state and territory members. We share staff, resources and facilities with the ACCC.

The National Energy Retail Law and Rules (Retail Law) require us to monitor and report on performance of energy retailers. This includes information on customer service and complaints, the handling of customers experiencing payment difficulties, prepayment meters, concessions, disconnections and reconnections and hardship indicators.

The Retail Law commenced on 1 July 2012 in the Australian Capital Territory (ACT) and Tasmania (for electricity only). Our first two quarterly updates therefore only reflect the performance of retailers in the ACT and Tasmania.

On 1 February 2013 South Australia also adopted the Retail Law. In this, our third quarterly update covering the period 1 January to 31 March 2013, we also report on South Australian retailers for the first time. Although South Australian retailers were legally obligated to provide us with data for February and March only, we appreciate the willingness of all retailers in South Australia to voluntarily provide data for the full period. Having a complete quarter's data has assisted our analysis of the South Australian energy market.

We have reported some data at the jurisdictional level (for example market activity), but where possible, we have reported at the retailer level. Over time we expect to be able to identify market trends within individual jurisdictions, and also to develop a range of benchmarks with which to compare retailers' performance.

In our second update we noted that, although there were changes in some indicators between the September and December quarters, it was too early to attach any significance to them. Instead, we noted trends will emerge over time and more detailed analysis will be possible once we have built up a more substantial body of data. While data for the Tasmanian and ACT markets remain largely consistent with that of previous periods, the addition of South Australia will assist us to provide a greater level of commentary going forward. Not only because South Australia is a more active market, but also because we are able to draw on a wealth of historical data the Essential Services Commission of South Australia (ESCOSA) has collected over the years.

Our next update will be an annual performance update covering the full 2012–2013 period and will include a range of additional indicators, such as the number of customers using Centrepay and the number of customers receiving concessions, and data relating to security deposits and telephone responsiveness.

1. Quarter 3 2012–13 observations

The number of active retailers in the ACT and Tasmania is unchanged this quarter, as is the percentage of customers on market contracts in both jurisdictions. In South Australia, there were 16 authorised retailers, a far greater proportion of customers on market contracts and a higher level of switching activity.

The number of customers with an electricity debt was higher in South Australia (6 per cent of customers) than in the ACT (4 per cent) and Tasmania (4 per cent). South Australia's average electricity debt was relatively low compared to the other two jurisdictions.

South Australia has the highest number of customers on payment plans and on hardship programs. For example, there were 0.8 per 100 electricity customers on hardship programs in South Australia, compared to 0.1 in Tasmania and 0.4 in the ACT.

Many retailers had more customers excluded from their hardship programs than successfully completed the programs.

Customers' average debt was generally higher than customers' debt upon entry into hardship programs, which indicates that customers are accruing debt while on hardship programs rather than reducing it.

The single largest cause of customer complaint in all jurisdictions is billing, which covers issues such as overcharging, prices and payment terms. Moreover, billing complaints are increasing in all jurisdictions when considered as a proportion of total complaints.

2. Retail market overview

This section provides an overview of the South Australian, ACT and Tasmanian retail energy markets, with a focus on:

- the number of active energy retailers in those markets
- the proportion of customers on standard and market retail contracts
- the extent to which customers are switching between retailers.

2.1 Energy retailers in South Australia, the ACT and Tasmania

As in our previous updates, the number of active retailers in the ACT and Tasmania remains the same at 10 in the ACT and 3 in Tasmania, as does the percentage of customers on market contracts. By contrast, in South Australia there are more authorised retailers—in particular smaller retailers—competing for market share, a far higher proportion of customers on market contracts and a higher level of switching activity reflecting greater customer engagement with the market.

2.1.1 South Australia

Sixteen authorised retailers actively supplied electricity to customers during the quarter. Of the sixteen retailers:

- 13 supplied electricity to residential and small business customers
- 10 of these retailers also supplied electricity to large customers
- the remaining three retailers supplied electricity to large customers only.

Three privately owned retailers held 80.5 per cent of market share, a figure that has remained largely unchanged over the previous two years. Of the three retailers supplying electricity to residential and small customers:

- AGL was the largest retailer with 52 per cent of market share
- followed by Origin Energy with 17.5 per cent
- EnergyAustralia with 11 per cent.

However, the data also shows that smaller retailers have been successful in building a presence in South Australia, holding a combined 19.5 per cent of small customers[1]. This supports the Australian Energy Market Commission's 2008 review into competition in South Australia, which found that competition was effective in that state.

Competition between the 13 retailers supplying large customers was more intense. While AGL Energy held 58 per cent of the market, 12 other retailers supplied the remaining 42 per cent.

Compared to electricity, there were fewer authorised retailers supplying gas to small customers. The lower number of active gas retailers in South Australia might be due to the lower proportion of households connected to natural gas. Figure 1 shows that approximately half of households in South Australia were connected to gas during the March quarter. By comparison, around two-thirds of households in the ACT were connected to gas.

The same three privately owned retailers that dominated the electricity market held around 92 per cent of the small gas customer market. However, unlike electricity:

- Origin Energy, had the largest market share at 47 per cent
- followed by AGL with 32 per cent
- EnergyAustralia had 13 per cent.

Two retailers supplied the remaining eight per cent of small gas customers. The same five retailers supplied gas to large customers. However, this market was even more concentrated, with Origin Energy, AGL and EnergyAustralia holding 97 per cent of the market share.

2.1.2 Australian Capital Territory

The number of authorised electricity retailers active in the ACT remains unchanged from the previous two quarters. ActewAGL remains the largest retailer, supplying over 90 per cent of small electricity and gas customers. EnergyAustralia was the next largest supplier of electricity and gas, with Origin Energy and Red Energy supplying a handful of gas and electricity customers.

A greater number of retailers supplied electricity to large customers. In total, there were 11 retailers supplying electricity to large customers. Of these ActewAGL was the largest with 51 per cent of the market, and then ERM Power, with 30 per cent of the market.

1 Alinta Energy, Diamond Energy, Lumo Energy, Momentum Energy, Powerdirect, Qenergy, Red Energy, Sanctuary Energy and Simply Energy

Competition in the large customer market for gas was less intensive with only three retailers competing for market share. ActewAGL dominated this market with 91 per cent of the market share.

2.1.3 Tasmania

As in previous updates, Aurora Energy—a government owned monopoly—supplied electricity to all small customers. Two retailers, ERM Power and Progressive Green, supplied energy to large customers.

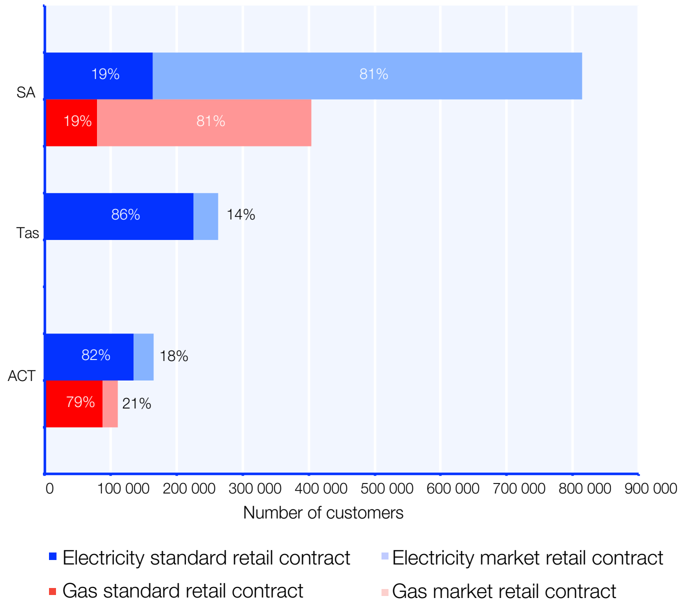
In the long-term, we anticipate an increase in competition in Tasmania from 2014, when the Tasmanian Government plans to sell Aurora Energy's business into four privately owned entities.[2] Until then, we expect the Tasmanian market to remain unchanged.

As natural gas connections to residential households have only recently become available, only around four per cent of Tasmanian households use gas. In any case, Tasmania has not applied the National Energy Customer Framework (NECF) to its retail gas market and therefore we do not collect or report on gas data in our performance updates.

2.2 Proportion of customers on standard and market retail contracts

Retailers use the flexibility of market contracts to entice customers to switch, offering such benefits as pay-on-time percentage discounts and other promotional offers, to build market share. Along with switching activity, the proportion of customers on a market contract is a key indicator of competitive activity in a particular market.

Figure 1: Proportion of small customers on standard and market retail contracts—by jurisdiction



2.2.1 South Australia

As shown in Figure 1, the larger number of retailers competing for market share in South Australia is reflected in the higher proportion of customers on market contracts at 81 per cent for electricity as well as gas. This is consistent with ESCOSA's most recent report for July–December 2012,[3] but is a 6 per cent increase for both fuel types since 2010–11.[4] We will be interested in whether the South Australian Government's decision to deregulate energy prices on 1 February 2013 encourages more switching activity.

2.2.2 Australian Capital Territory

ActewAGL's dominance in the market and the small number of authorised retailers competing for market share means that there is less incentive for retailers to use market contracts to grow market share. Consequently, the proportion of small customers on market retail contracts has remained largely unchanged since we started collecting data for the ACT—18 per cent for electricity and 21 per cent for gas.

2.2.3 Tasmania

As shown in Figure 1, 86 per cent of small customers were on standard retail contracts in Tasmania this quarter—a slight increase over the previous quarter. The remaining market retail contract customers were

2 These changes are discussed in greater detail in our December quarter 2012-13 update.

3 http://www.escosa.sa.gov.au/library/130606-APR-3-July-Dec2012-RetailMarketDevelopments.pdf

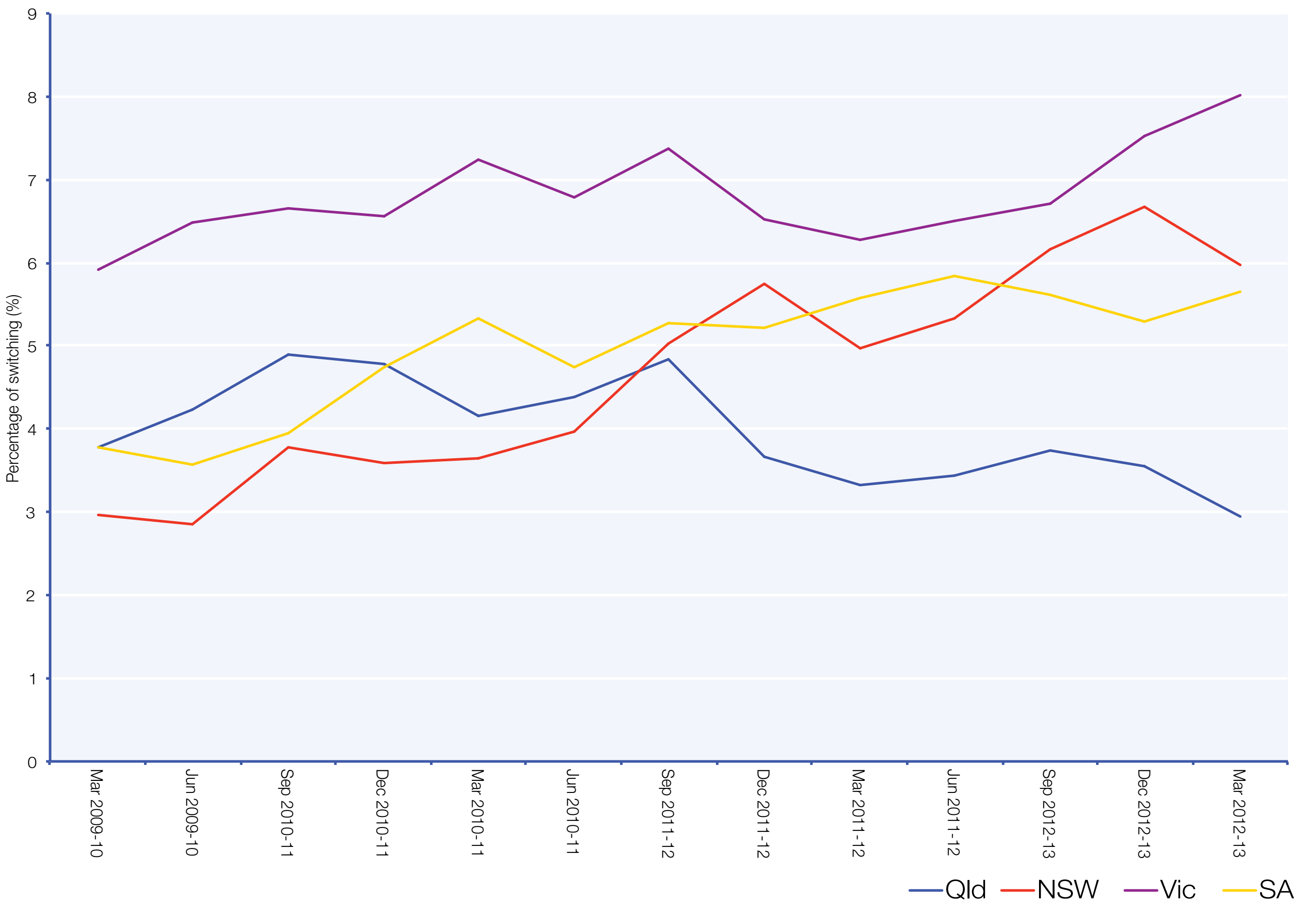
4 http://www.escosa.sa.gov.au/library/111118-EnergyRetail-ReportCard_2010-11.pdf

prepayment meter customers. The move away from prepayment meters to standard retail contracts continues the trend observed by the Office of the Tasmanian Economic Regulator (OTTER).

2.3 Customer switching rates

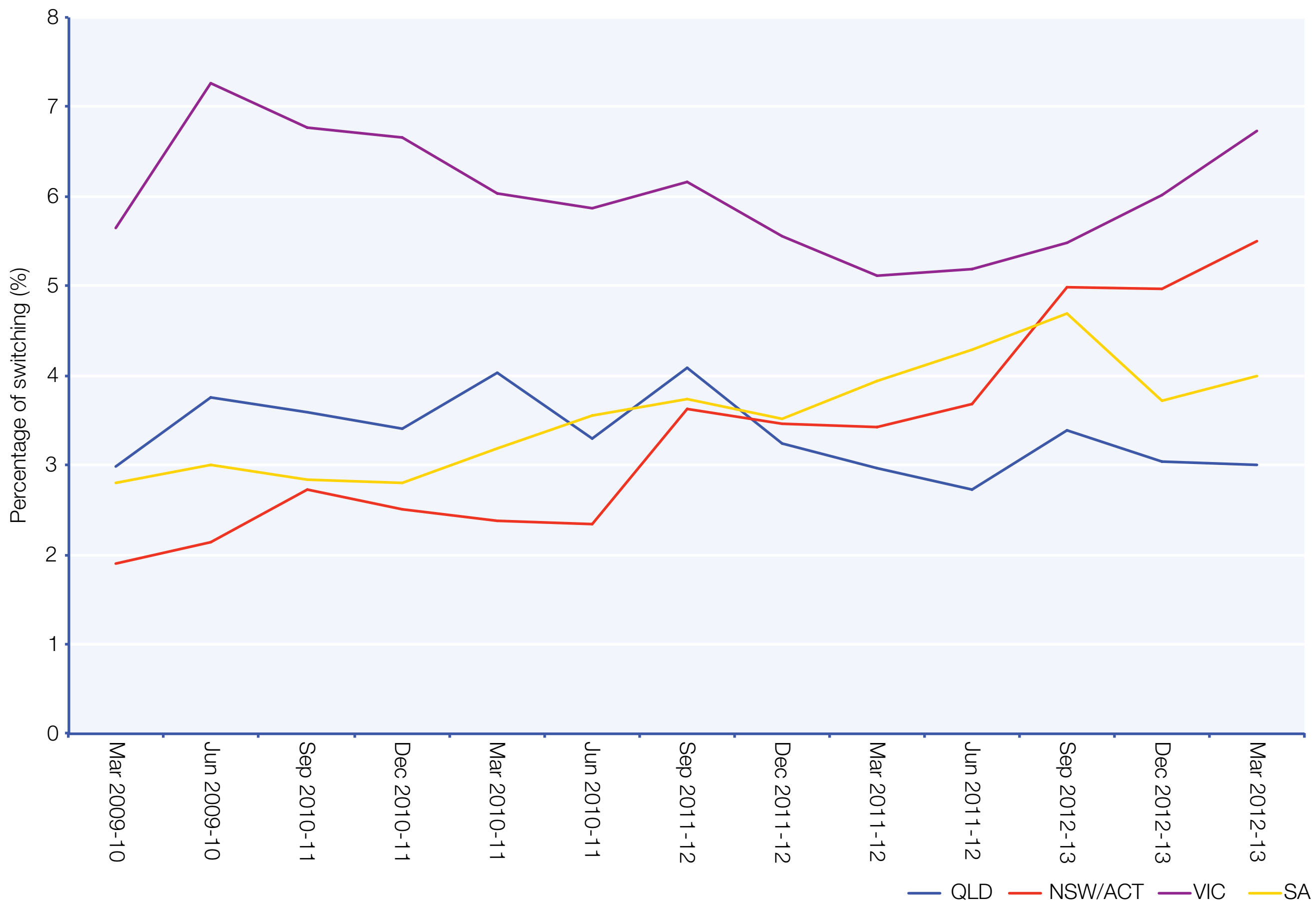
The frequency with which customers switch their energy retailer is one indication of customer participation in the retail energy market. Figures 2 and 3 show the percentage of electricity and gas customers (respectively) who switched retailers in each quarter for the previous three years in Queensland, New South Wales, Victoria and South Australia.[5] Due to Aurora Energy's monopoly, there is no switching activity in Tasmania.

Figure 2: Quarterly electricity customer switching rates—by jurisdiction



5 The Australian Energy Market Operator (AEMO) regularly publishes switching data. For a more detailed discussion of switching see our Q1 2012-13 report. An explanation of how the AEMO's switching data is calculated is available at: www.aemo.com.au.

Figure 3: Quarterly gas customer switching rates—by jurisdiction



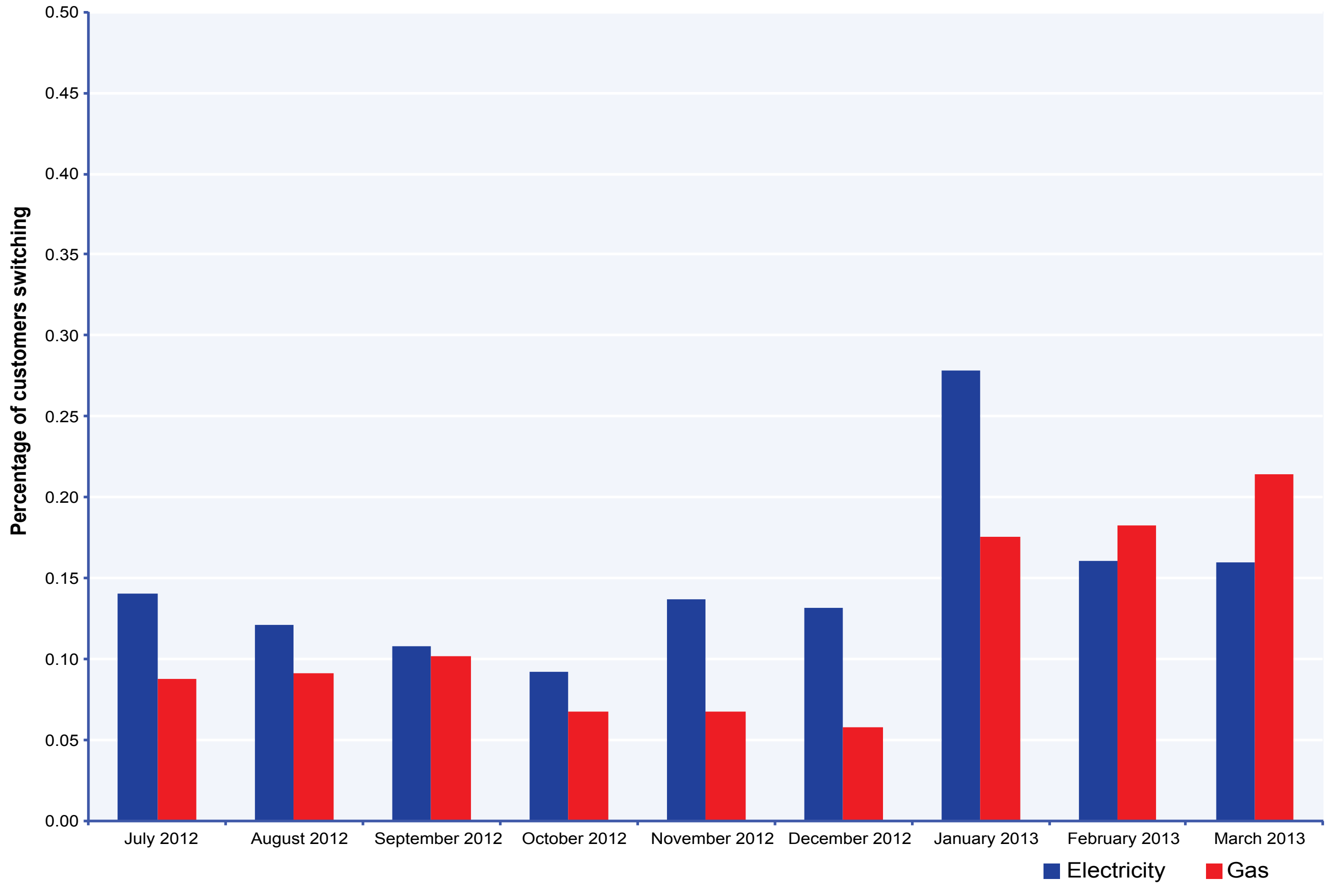
2.3.1 South Australia

Switching activity in South Australia has been consistently high for both gas and electricity, ranging between 3 and 6 per cent since 2009. Despite a brief dip in 2012–13, South Australian switching activity has continued its upward trend for both gas and electricity. Some of the factors that might explain the high level of switching activity include:

- the comparatively higher cost of gas and electricity causing customers to switch to a better deal
- the large number of active retailers, especially smaller retailers, competing for market share.

2.3.2 Australian Capital Territory

Figure 4: Monthly electricity and gas customer switching rates in the ACT



Compared to South Australia and other NEM jurisdictions, switching rates in the ACT are low for both electricity and gas (Figure 4). The low switching rates are consistent with the small number of competitors in the market and ActewAGL's large market share. However, since 1 July 2012 we have noticed an upwards trend in switching activity in both the electricity and gas markets:

- electricity switching activity peaked in January at 0.3 per cent
- gas switching activity peaked in March at 0.25 per cent.

While still low compared with other NEM jurisdictions, this is double the level of switching reported in the previous two quarters.

3. Retail market activities

Retailers have obligations under the Retail Law and Rules to have strategies to deal with customers experiencing difficulty paying their energy bills. This section is divided into four sections reflecting the escalating stages of customers experiencing payment difficulties:

- residential customers with an energy bill debt
- residential customers on a payment plan
- hardship program indicators
- disconnections and reconnections.

3.1 Residential customers with an energy bill debt

Figure 5: Residential customers with energy bill debt (by jurisdiction)

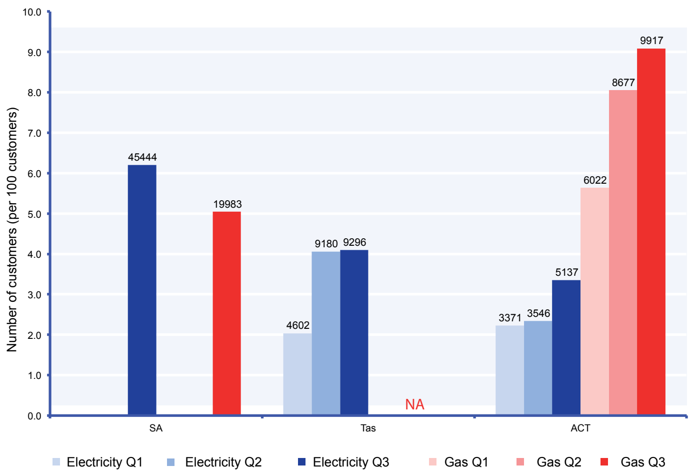
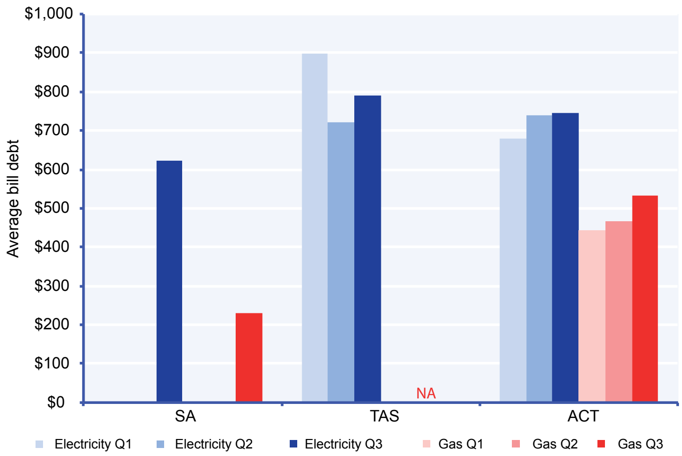


Figure 6: Average energy bill debt (by jurisdiction)



3.1.1 South Australia

As Figure 5 shows, the number of customers with an electricity debt in South Australia was around 6 per cent of total customers. This is high compared to the other jurisdictions examined in this update and the relatively high cost of electricity could be a contributing factor.[6] While the number of customers in debt was higher than in other jurisdictions, the average debt for electricity is comparatively low at $622.

In the gas market 5 per cent of residential gas customers were in debt. The lower number could be due to the lower use of gas heating during the milder South Australian winters. This might also explain why the average gas debt of $231 is lower in South Australia than in the ACT.

The number of small business customers with an energy debt was also high for both electricity and gas at 6.3 and 4.5 per 100 customers respectively. Some of the factors affecting residential customers might also explain the high proportion of small business customers with energy debts, especially for electricity. Prevailing economic conditions might also impact on the amount of small business customers with an energy bill debt.

6 Taken as a benchmark, South Australia's standing offer effective July 2012 was one of the more expensive standing offers in the NEM.

3.1.2 Australian Capital Territory

In the March quarter the number of electricity customers with an energy debt in the ACT increased to around 3.3 per 100 customers. As Figure 6 shows, the number of electricity customers with a bill debt was greater this quarter than in the September and December quarters. We are concerned about this trend, especially when combined with the average debt, which has increased from $679 in the September quarter to $744 this quarter.

Between the September and March quarters the number of ACT customers with a gas debt also increased to around 9 customers per 100, as did the average debt, increasing from $467 in to $531. The higher number of gas customers in debt compared to other jurisdictions is probably due to the colder ACT winters and the popularity of gas as a heating fuel.

The AER has sought an explanation from ACT retailers for the increase in both the numbers of customers with energy debts and the average amount of debt. According to ActewAGL, energy debt typically increases toward the end of the year as Christmas approaches. If this is the case we would expect to see the number of customers in debt to fall away next quarter and should it not be the case, we will look to examine the issue more closely.

As with residential customers, the number of electricity and gas small business customers repaying an energy bill debt has increased in the ACT since July 2012. In the March quarter there were 5.9 per 100 customers repaying an electricity debt and 11.6 repaying a gas debt.

3.1.3 Tasmania

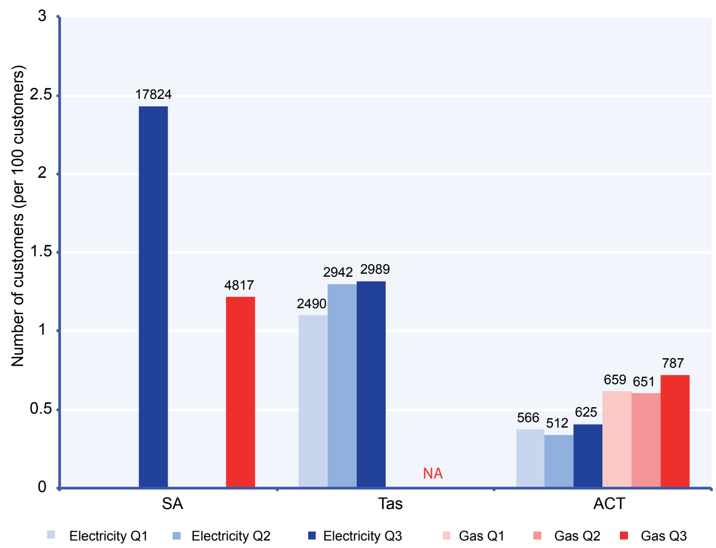
In Tasmania 0.4 per cent of electricity customers were in debt; this is a slight increase from the previous quarter compared to the 45 per cent jump between the September and December quarters. At $790, the average electricity debt in Tasmania was higher than for the other jurisdictions (approximately 25 per cent higher than for South Australia and about 5 per cent higher than for the ACT). The number of electricity small business customers repaying a debt increased to 3.7 per 100 customers between the September and December quarters, where it has remained (Table 1).

Table 1: Small business electricity and gas debt (by jurisdiction)—March quarter 2012–13

	Electricity			Gas		
	Number of customers	Customer per 100	Average debt	Number of customers	Customers per 100	Average debt
SA	5096	6.30	$1412.25	359	4.46	$1152.29
Tas	1340	3.71	$1742.00	-	-	-
ACT	708	5.86	$866.14	216	11.62	$2,524.72

3.2 Residential customers on a payment plan

Figure 7: Residential customers on a payment plan (by jurisdiction



A payment plan enables residential customers experiencing payment difficulties to pay a retailer by periodic instalments. Retailers must report only on arrangements whereby the customer is paying off arrears (of any overdue amount) and consisting of at least three instalments. Customers using flexible payment arrangements for convenience or budgeting purposes are excluded for the purposes of payment plan reporting.

3.2.1 South Australia

As can be seen in Figure 7, there were 17 824, or around 2.4 per 100, electricity customers on payment plans. This equates to around 39 per cent of the total number of electricity customers in debt. While for gas 4817, or around 1.2 per 100, customers were on a payment plan. This equates to around 24 per cent of gas customers in debt. The higher percentage of customers in debt on payment plans suggests that retailers in South Australia have been more proactive in identifying and working with customers in need of this option than in other jurisdictions (see Table 2 for details).

3.2.2 Australian Capital Territory

Despite an increase in the number of customers on payment plans in the ACT since 1 July 2013 (Figure 7), the numbers for the March quarter were still significantly less than the numbers of customers on payment plans in South Australia—only 0.4 per 100 electricity customers and 0.7 per 100 gas customers. This is concerning given that Figure 6 shows that average debt levels are higher in the ACT than in South Australia. Part of the reason for the ACT's retailers appearing to be less proactive in managing customers in financial difficulty, is that the ACT Civil and Administrative Tribunal also has a payment plan scheme for energy customers in financial hardship. So while these customers are accessing payment plans, they are not included in the numbers reported by energy retailers.

3.2.3 Tasmania

Compared to the ACT, the number of customers on payment plans in Tasmania has increased by a greater degree since the start of the Retail Laws and Rules. In the March quarter 1.3 per 100 electricity customers were on a payment plan. After an 18 per cent increase between the September and December quarters, the increase has slowed to 1.6 per cent. This means that 31 per cent of Tasmanian customers in energy debt are on a payment plan. Given the comparatively high level of electricity bill debt in Tasmania, we would expect to see this percentage increase in future quarters.

Table 2: Residential customers on a payment plan (by retailer)—March quarter 2012–13

Retailer	Payment plans (electricity)	Per 100	Payment plan (gas)	Per 100
South Australia				
AGL Energy	3890	1.04	483	0.38
Alinta Energy	851	8.93	25	2
Diamond Energy	1	0.88	0	-
EnergyAustralia	6835	8.19	3106	5.76
Lumo Energy	1873	4.36	-	-
Momentum Energy	28	1.71	-	-
Origin Energy	1199	0.87	513	0.28
Powerdirect	27	0.19	-	-
Qenergy	0	0	-	-
Red Energy	289	7.61	-	-
Sanctuary Energy	4	0.70	-	-
Simply Energy	2827	4.21	690	2.33
ACT				
ActewAGL	435	0.29	687	0.65
EnergyAustralia	186	3.42	98	2.34
Tasmania				
Aurora	2989	1.32	-	-

3.3 Hardship program indicators

The Retail Law requires energy retailers to have a customer hardship policy for residential customers to enable them to identify customers experiencing payment difficulties and to assist them to better manage their energy bills on an ongoing basis. The AER approves each retailer's hardship policy and monitors the performance of retailer's hardship programs through the indicators considered in this report, as well as through other sources such as ombudsman schemes, customer complaints and feedback from our Customer Consultative Group.

3.3.1 Residential customers on a hardship program

Figure 8: Number of residential customers on a hardship program (by jurisdiction)

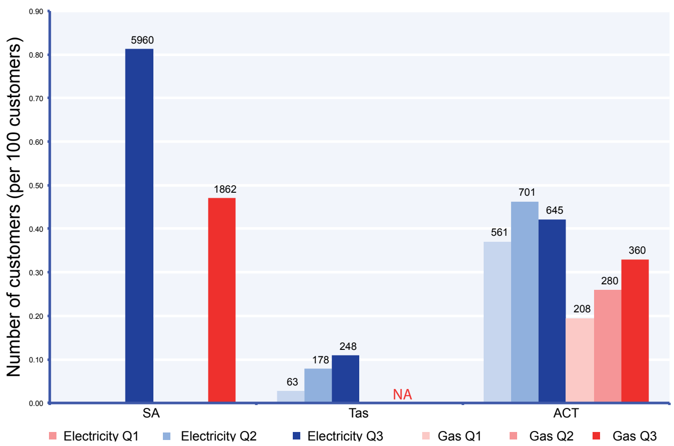


Figure 8 shows the number of customers who are on hardship programs by jurisdiction. It indicates that there are far more customers on hardship programs in South Australia than in Tasmania or the ACT—0.8 per 100 customers, compared to 0.1 and 0.4 respectively. This high number is likely linked to high electricity prices in South Australia and a long-identified affordability issue in that State. As can be seen in Table 3, the retailers with the highest number of customers on hardship programs were Origin Energy (1.1 per 100), AGL Energy (0.8 per 100), Alinta Energy (0.8 per 100) and Simply Energy (0.8 per 100). This suggests that retailers in South Australia have been placing customers experiencing financial difficulty on hardship programs, as is appropriate.

In Tasmania there has been a small but steady increase in the number of customers on a hardship program. Aurora has advised that customer demand for its hardship program is cyclical and decreases towards the end of winter. Around 0.1 per 100 customers were on a hardship program, which is significantly lower than in South Australia and the ACT. In our previous report we noted that Aurora had a 'zero start' from the beginning of the NECF and that it anticipated numbers increasing to around 1500 by the end of the first year of reporting. While the number is increasing, we would have expected it to be higher by now given the number of customers in debt and the average amount of debt.

Table 3: Number of residential customers on a hardship program (by retailer)— March quarter 2012–13

Retailer	Electricity customers	Per 100	Gas customers	Per 100
South Australia				
AGL Energy	3155	0.85	869	0.007
Alinta	78	0.81	3	0.002
Diamond Energy	0	-	-	-
Energy Australia	408	0.40	115	
Lumo Energy	109	0.25	-	-
Momentum Energy	3	0.18	-	-
Origin Energy	1574	1.14	666	0.04
Powerdirect	15	0.10	-	-
QEnergy	0	-	-	-
Red Energy	15	0.39	-	-
Sanctuary Energy	0	-	-	-
Simply Energy	538	0.80	209	0.007
Tasmania				
Aurora Energy	248	0.11	-	-
ACT				
ActewAGL	612	0.41	334	0.003
Energy Australia	33	0.61	26	0.623

3.3.2 Debt level of hardship customers on entry

Figure 9: Electricity customer debt on entry (by retailer)

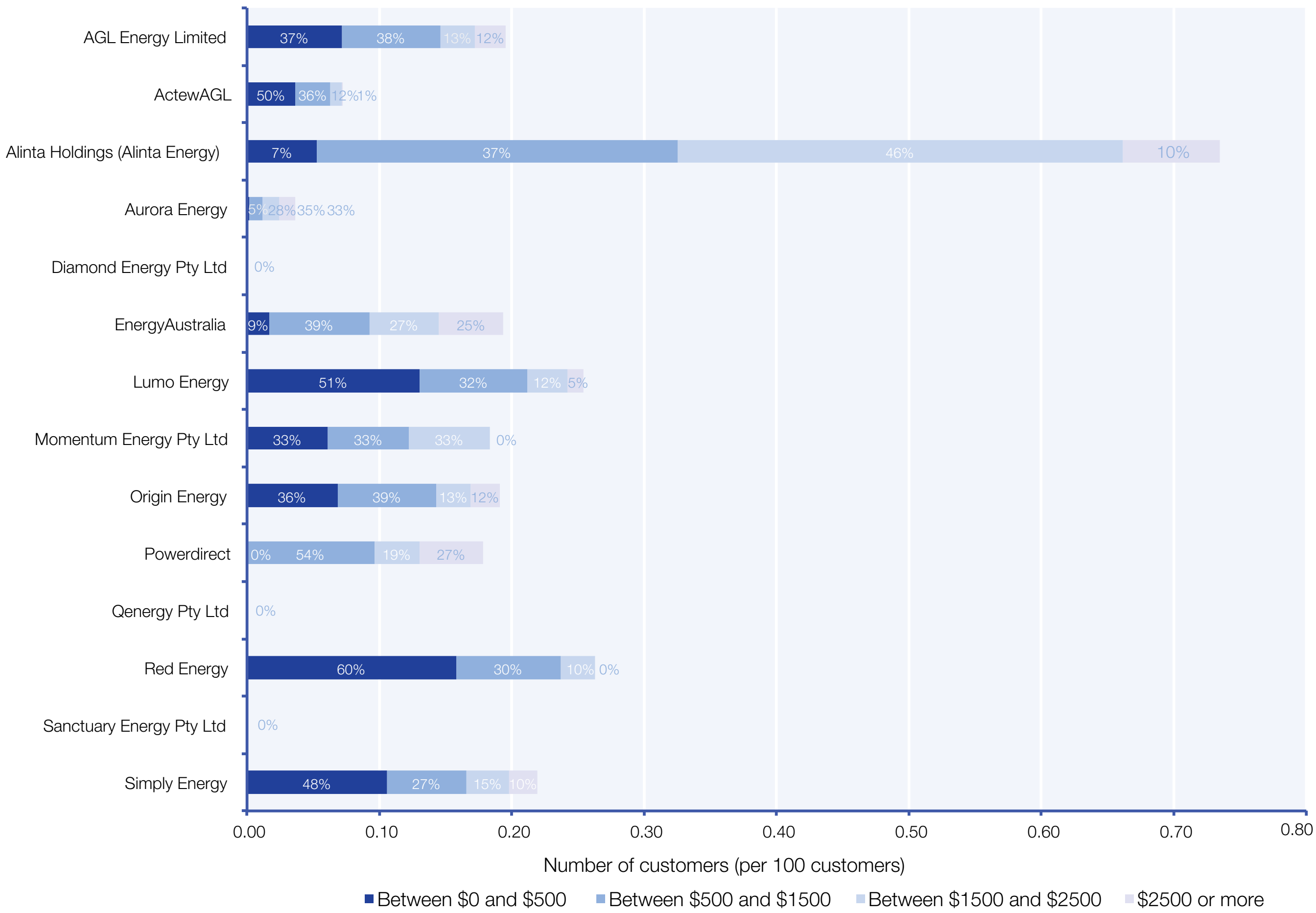


Figure 9 above gives a breakdown of debt levels for electricity customers entering retailers' hardship programs. Low debt levels on entry may indicate that retailers are promptly identifying customers experiencing payment difficulties and assisting them to manage their debts at an earlier stage. Generally, the higher the percentage of customers with debt in the lower debt brackets, the more effective a retailer is at identifying customers in need of assistance.

Retailers with a higher proportion of customers entering their hardship programs with under $500 debt include Red Energy, ActewAGL, AGL, Simply Energy and Lumo Energy. These same retailers are also picking up comparatively more customers at the next debt bracket. We note that Alinta Energy, Aurora and EnergyAustralia had a significant proportion of customers entering hardship programs with debts of over $1500.

3.3.3 Debt level of hardship customers

Comparing customers' average debt on entry into a hardship program with customers' average debt while on a hardship program can also help us evaluate the effectiveness of retailers' hardship programs. For example, where a retailer's customer debt levels are lower while on their hardship program than on entry we would consider the program to be effective at helping customers manage their energy bills.

Figure 10: Average debt and average debt upon entry for electricity hardship customers (by retailer)

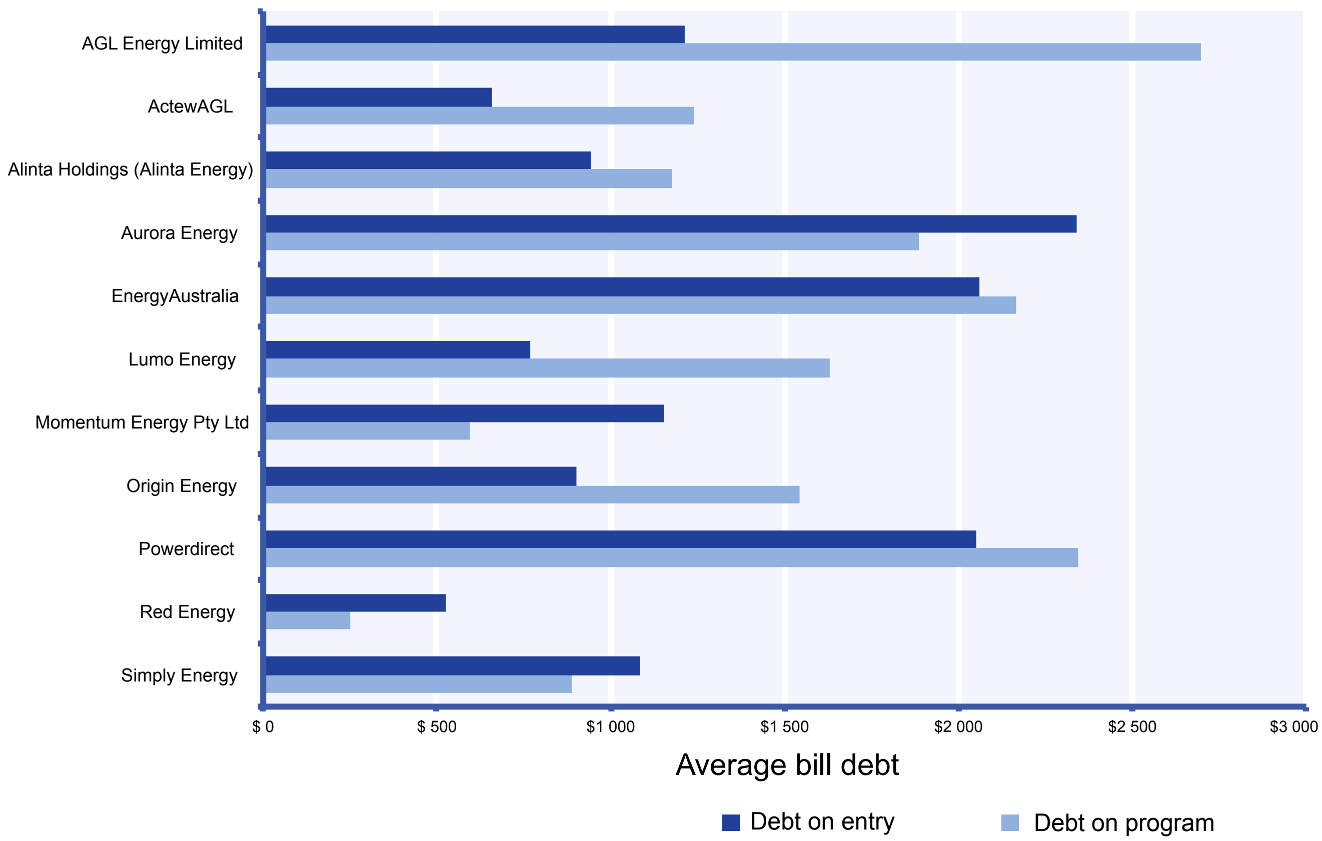


Figure 11: Average debt and average debt upon entry for gas hardship customers (by retailer)

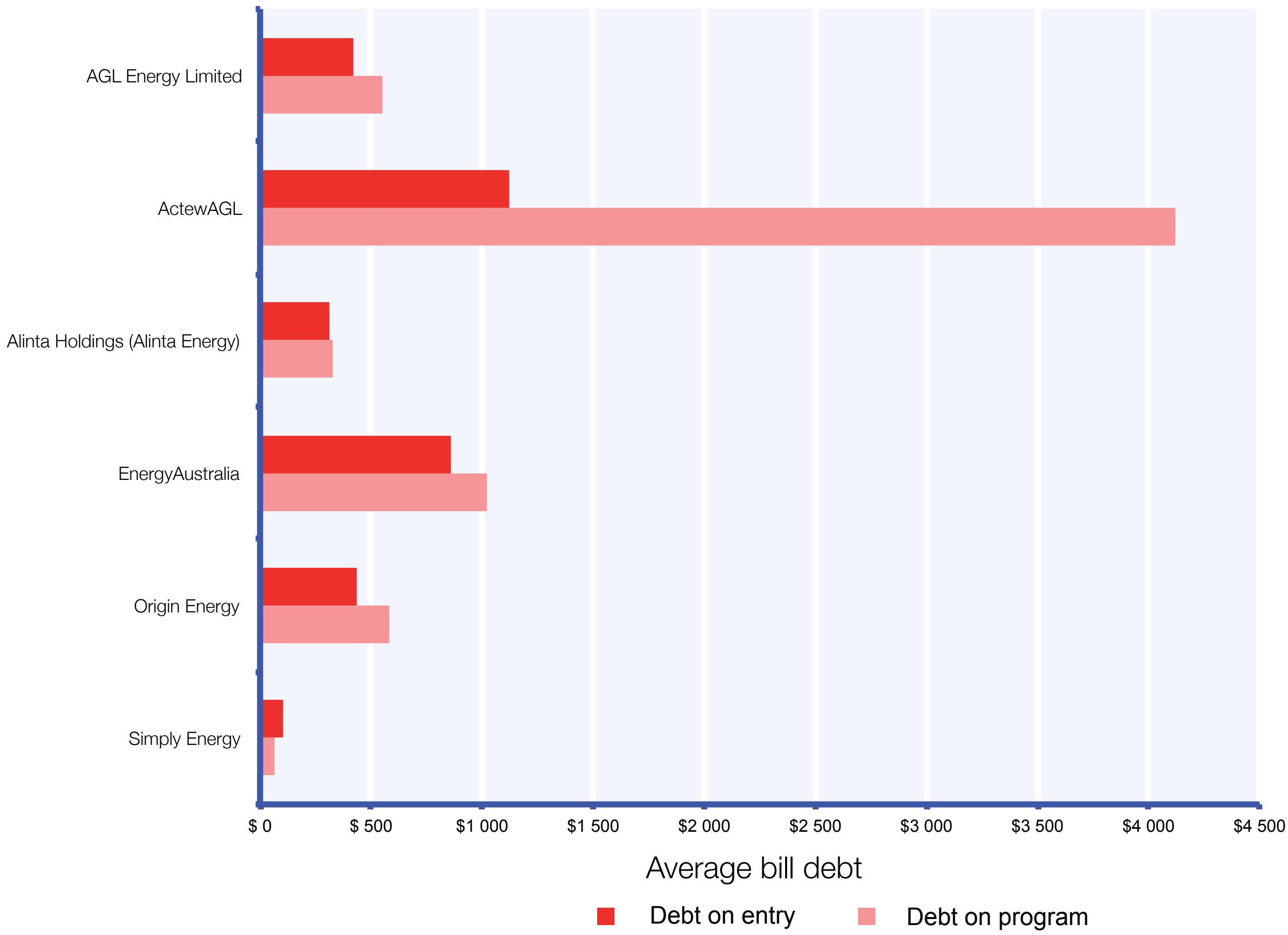


Figure 10 shows that only four retailers—Simply, Red, Momentum and Aurora—had electricity customers whose debt was reduced while on a customer hardship program. While the debt of customers on all other retailers' hardship programs increased, this was by a small amount compared to the debt on entry. We will continue to monitor the respective debt levels to ensure that customer debt while on hardship programs does not increase substantially more than debt on entry. Where this does occur, there is a risk of customers entering a debt cycle from which it is increasingly difficult to exit successfully.

Figure 11 shows that only one gas retailer, Simply Energy, was successful at reducing hardship customer debt—albeit only marginally. Of concern are the increases in debt levels of the gas customers of EnergyAustralia, AGL and, in particular, ActewAGL. As stated above, one of the purposes of a hardship program is to assist a customer to reduce debt to a manageable level. We are concerned about significant increases in average debt and we will continue to monitor this in future reports. This is discussed in detail in our Retail energy market update (Compliance) - *July to December 2012*.[7]

7 http://www.aer.gov.au/node/19804

3.3.4 Customers exiting a hardship program

Retailers report the number of customers exiting their hardship programs for each of the following reasons:

- customers who successfully completed the program or exited with the agreement of the retailer
- customers who were excluded or removed from the program and
- customers who transferred, switched or left the retailer.

We consider that a sign of an effective hardship program is a large number of customers who successfully completed the program. Lower numbers of customers who were excluded or removed from the program also tend to indicate more effective programs.

Table 4: Number of customers exiting hardship programs by retailers— March quarter 2012–13

Retailer	Electricity				Gas			
	Number of customers on hardship	Successfully completed	Excluded	Transferred	Number of customers on hardship	Successfully completed	Excluded	Transferred
South Australia								
AGL	3155	88	165	187	869	28	66	68
Alinta	78	63	0	0	3	0	0	0
Diamond Energy	0	0	0	0	-	-	-	-
Energy Australia	408	0	69	28	115	0	18	8
Lumo energy	109	1	2	11	-	-	-	-
Momentum	3	0	4	0	-	-	-	-
Origin Energy	1574	69	47	0	666	20	23	0
Powerdirect	80	1	2	0	-	-	-	-
Qenergy	0	-	-	-	-	-	-	-
Red Energy	15	3	5	5	-	-	-	-
Sanctuary	-	-	-	-	-	-	-	-
Simply Energy	538	62	110	93	209	31	45	30
Tasmania								
Aurora	248	4	12	5	-	-	-	-
ACT								
ActewAGL	612	71	67	31	344	13	10	9
Energy Australia	33	5	4	0	26	4	4	1

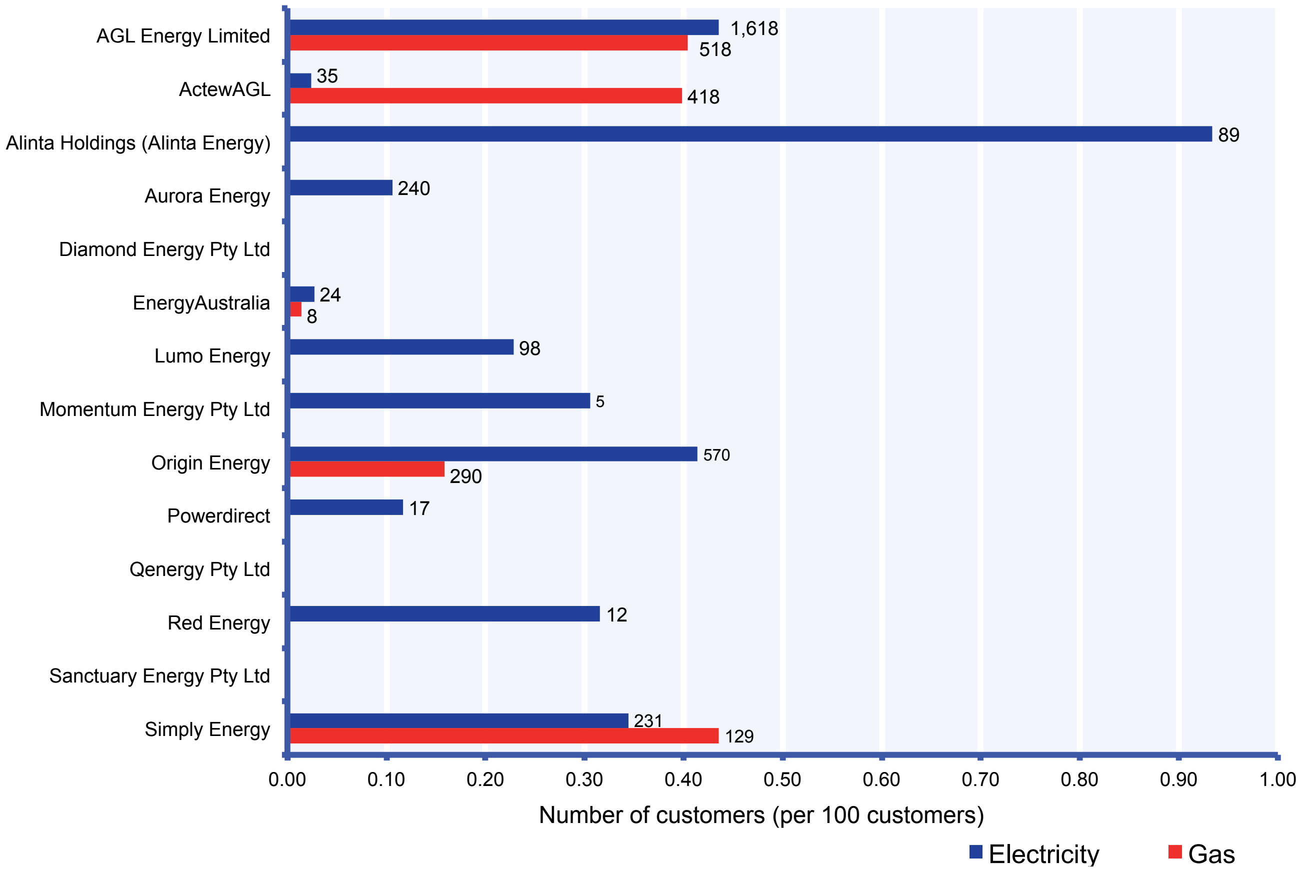
Table 4 shows that as a proportion of customers successfully completing a hardship program, Origin Energy, ActewAGL and Alinta were the only energy retailers whose successful completions exceeded the number of customers excluded.

3.4 Disconnections and reconnections

It is a general principle of the Retail Law that disconnection of a customer due to hardship or an inability to pay their energy bills should be a last resort option. This is because energy is considered to be an essential service, and a prerequisite for social participation and an adequate standard of living. Disconnection can have significant impacts on individuals and households. Therefore, we would expect disconnection for non-payment to remain low.

In terms of reconnections, we recognise that the number of disconnections for non-payment will always exceed the number of reconnections for a number of reasons, including abandonment of the property, reconnecting with a different retailer and moving house. In terms of performance, we are looking for a higher percentage of total reconnections and a higher percentage of those reconnections occurring within seven days.

Figure 12: Number of electricity and gas customers disconnected (by retailer)



3.4.1 South Australia

In South Australia, 2663 residential electricity customers were disconnected for non-payment during the quarter (or 0.4 per 100 customers). For gas, 937 residential customers were disconnected (0.2 per 100 customers). This is low compared to the number of customers with an energy bill debt and indicates that retailers in South Australia are using disconnection appropriately and as a last resort only. In addition, 250 electricity and 23 gas small business customers were disconnected during the quarter. Figure 12 shows that retailers disconnected fewer than 1 customer in every 100.

Reconnections in South Australia were roughly half of all disconnections, with 90 per cent of reconnections occurring within seven days. This is largely in line with other jurisdictions.

3.4.2 Australian Capital Territory

Over the past three quarters electricity disconnections in the ACT have remained low compared to other jurisdictions. Only 36 residential electricity customers were disconnected for non-payment during the March quarter (0.02 per 100 customers). We note that ActewAGL suspended disconnections in the first reporting quarter as it adjusted to its new obligations under the Retail Law and Retail Rules. We will therefore be interested to see if the number of disconnections in the ACT remains low.

Significantly more gas disconnections occurred in the March quarter with 426 customers disconnected or 0.4 per 100 customers. This is consistent with the larger number of customers with a gas debt and the higher average gas debt.

Figure 12 shows that at 0.02 per 100 customers disconnected, ActewAGL has a more favourable disconnection rate for electricity customers than retailers in other jurisdictions. However, at 0.4 disconnections per 100 customers, it has a higher rate of disconnection for gas.

ActewAGL reconnected 238 gas customers, 183 of these within seven days. Only 17 electricity customers were reconnected during the March quarter, but this is consistent with the small number of energy disconnections.

3.4.3 Tasmania

Aurora disconnected 240 residential electricity customers, or 0.1 per 100 customers, for non-payment during the quarter. This is an increase of 6 per cent from the 226 disconnections recorded in the previous quarter (and an increase of 54 per cent on the 156 disconnections recorded in the September quarter). This compares favourably to retailers operating in other jurisdictions. As in previous quarters, Aurora did not disconnect any small business customers during the March quarter. Aurora reconnected 116 residential electricity customers, most (95) of those within seven days.

3.5 Complaints

Customer complaints indicate the level of customer satisfaction and how well retailers are managing aspects of their service delivery. Energy retailers are required to report the number of small customer complaints they receive in each of these categories:

- Billing complaints—includes complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections.
- Energy marketing complaints—includes complaints about sales practices, advertising, contract terms, sales techniques and misleading conduct.
- Customer transfer complaints—includes complaints about timeliness of a transfer, disruption of supply due to transfer and billing problems directly associated with a transfer.
- Other complaints—include any other complaint, such as complaints about customer service, privacy issues, failure to respond to complaints, and health and safety issues.

In South Australia, Tasmania and the ACT we have noticed an increase in customer complaints in general, and billing complaints, in particular. The large number of billing complaints might be due to:

- increases in the cost of electricity and gas over the past 12 months
- retailers back billing or not billing customers after implementing new billing systems.

We have previously stated that we are concerned by the number of reports and complaints across the national energy market relating to billing delays and associated recovery processes when bills are ultimately issued. Indeed, we are looking further into these issues and have commenced a targeted compliance review, focussing on the processes, systems and procedures that retailers have developed to manage and monitor their compliance with their billing obligations under the Retail

Law. More details will be released in our second half-year compliance report due in December 2013.

3.5.1 South Australia

In South Australia 11 818 residential customer complaints were recorded during the quarter or 1 per cent of total residential customers.[8] ESCOSA noted in its latest report that some factors driving complaints include: an increase in retailer marketing activity (door-to-door marketing and telemarketing), increased prices, increased public awareness and willingness to express dissatisfaction and seek resolution.

Of the complaints received, there were:

- 7868 billing complaints (67 per cent): AGL received the majority of billing complaints (52 per cent), followed by EnergyAustralia (10 per cent) and Origin Energy (10 per cent).
- 2392 transfer complaints (20 per cent): again, AGL received the majority of transfer complaints.
- 647 marketing complaints (5 per cent): two of the smaller retailers were each responsible for 14.5 per cent and 22 per cent of total marketing complaints.
- 911 'other' complaints (8 per cent).

There were 879 small business complaints during the quarter. Again, the majority of complaints (552 or 63 per cent), were billing complaints. Transfer was the next largest category with 212 complaints (24 per cent). Only 30 marketing complaints were recorded during the quarter.

3.5.2 Tasmania

The number of complaints recorded in Tasmania since reporting started last year has remained steady. In the March quarter only 123 residential customer complaints were recorded or less than 0.05 per cent of total residential customers. This compares to 94 complaints in the December quarter and 125 complaints in the September quarter. Of the complaints recorded:

- 101 were billing complaints
- 22 were marketing complaints.

The absence of transfer complaints, which were high in other jurisdictions, and the relatively small share of marketing complaints in Tasmania, is entirely consistent with Aurora's monopoly.

Only four small business customer complaints were recorded during the quarter—all were billing complaints.

3.5.3 Australian Capital Territory

In the ACT 790 residential complaints were recorded during the quarter, or 0.3 percent of total residential customers. The majority of these complaints (753) were made to ActewAGL and the remaining 37 to EnergyAustralia.

As we saw in South Australia and Tasmania, there has been an upward trend in billing complaints over the three quarters of reporting. Increases in the cost of energy and issues associated with back billing may explain this increase. Transfer complaints have also increased both in number and as a proportion of total complaints. Marketing complaints remain low as a proportion of complaints. Again, this is consistent with the low level of competitive activity in the ACT.

There were 28 complaints from small ACT businesses during the quarter, 27 were made to ActewAGL and one to EnergyAustralia. This is a decrease of 3 since the December quarter. Billing complaints are still the largest category of complaint and, as with residential energy, have increased since we started reporting.

The same factors at play in residential energy are probably responsible for the increase in billing complaints over the three quarters. This is unsurprising as, for many businesses, electricity is a significant cost factor and increasing energy prices might lead to lower profit margins, especially for energy intensive small businesses.

8 ESCOSA noted in its July-December 2012 energy retail report that there has been an increasing trend in complaints. However, ESCOSA uses a different methodology for measuring complaints, it is difficult to compare the figures. For a discussion of ESCOSA's methodology see page 3 of the July-December 2012 energy retail report (http://www.escosa.sa.gov.au/library/130606-APR-2_July-Dec2012-RetailCustomerService.pdf)

Table 6: Complaints by retailer—March quarter 2012–13

Participant name	Billing	Transfer	Marketing	Other	Total
ActewAGL Retail	453	170	4	126	753
AGL	3224	1909	201	837	6171
Alinta Energy	80	6	13	73	172
Aurora Energy	101	0	22	0	123
Diamond Energy	1	0	0	1	2
EnergyAustralia	831	277	134	0	1242
Lumo Energy	431	21	94	0	546
Momentum Energy	6	0	1	0	7
Origin Energy	1449	64	29	0	1542
Powerdirect	29	8	0	0	37
QEnergy Limited	2	0	0	0	2
Red Energy	22	4	5	0	31
Sanctuary Energy	6	2	1	0	9
Simply Energy	368	40	144	0	552

3.6 Prepayment meters

The Retail Rules require the AER to report on prepayment meter systems. Specifically, we report on the number of customers using prepayment meters, self-disconnections and the number of prepayment meters removed by a retailer due to payment difficulties.

Of the three jurisdictions considered in this update, Aurora in Tasmania was the only retailer to report that it had residential electricity customers using prepayment meters. At the end of the March quarter, Aurora had 33 903 residential electricity customers (around 14 per cent). This is a decrease of 440 customers since December, thus continuing the downward trend from the previous quarter. According to OTTER, the number of prepayment meter customers peaked in January 2008 at around 40 000, and has been steadily declining ever since.[9]

The average duration of self-disconnection events for this period was 355 minutes. This has increased from 218 minutes as reported in the December quarter report. The number of customers who self-disconnected this quarter has decreased from the previous quarter. This means that fewer customers are having on average longer periods of disconnection than the previous quarter.

9 http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/13252_2011-12_Energy_in_Tasmania_Performance_Report_130123.pdf/$file/13252_2011-12_Energy_in_Tasmania_Performance_Report_130123.pdf

Appendix 1 – summary of data

	Data by jurisdiction			Data by retailers													
	SA	TAS	ACT	AGL	ActewAGL	Alinta	Aurora	Diamond	Energy Australia	Lumo Energy	Momentum	Origin	Powerdirect	Qenergy	Red Energy	Sanctuary	Simply Energy
Customer Number																	
Residential																	
Electricity				371931	147665		226643		88873			137589					
Gas				128182	104938				58118			183223					
Small business																	
Electricity				423033	158790		262792		94578			142274					
Gas				129886	106696				58861			188780					
Complaints																	
Residential																	
Billing				3224	453	80	101	1	831	431	6	2898	29	2	22	6	368
Marketing				201	4	13	22	0	134	94	1	58	0	0	5	1	144
Transfer				1909	170	6	0	0	277	21	0	128	8	0	4	2	40
Other				837	126	73	0	1	312	361	3	594	25	0	9	2	128
Small business																	
Billing				365	22		3	1	14	4	2	120	17	5	2	0	22
Marketing				9	0		1	0	1	4	0	0	5	0	0	0	11
Transfer				190	3		0	0	3	0	3	8	1	2	2	0	4
Other				85	2		0	0	8	9	2	50	13	0	0	0	7

	Data by jurisdiction			Data by retailers													
	SA	TAS	ACT	AGL	ActewAGL	Alinta	Aurora	Diamond	Energy Australia	Lumo Energy	Momentum	Origin	Powerdirect	Qenergy	Red Energy	Sanctuary	Simply Energy
Number of customers in debt																	
Residential																	
Electricity	45444	9296	5137														
Gas	19983	-	9917														
Small business																	
Electricity	5096	1340	708														
Gas	359	-	216														
Average energy bill debt																	
Residential																	
Electricity																	
Gas																	
Small business																	
Electricity	$1,412	$1,742	$866														
Gas	$1,152	-	$2,525														
Number of customers on a payment plan																	
Residential																	
Electricity				3890	435	851	2989	1	7021	1873	28	1203	27	-	289	4	2827
Gas				483	687	25	-	-	3204	-	-	515	-	-	-	-	690
Number of customers disconnected																	
Residential																	
Electricity				$1,618	$35	$89	$240	$0	$24	$98	$5	$570	$17	$0	$12	$0	$231
Gas				$518	$418	$0	-	-	$8	-	-	$290	-	-	-	-	$129
Small business																	
Electricity				209	2		0	0	0	7	1	19	6	0	0	0	8
Gas				4	7		-	-	0	-	-	19	-	-	-	-	0

	Data by jurisdiction			Data by retailers													
	SA	TAS	ACT	AGL	ActewAGL	Alinta	Aurora	Diamond	Energy Australia	Lumo Energy	Momentum	Origin	Powerdirect	Qenergy	Red Energy	Sanctuary	Simply Energy
Number of customers reconnected following a disconnection																	
Residential																	
Electricity				760	9	25	116	0	8	21	0	27	0	0	4	0	92
Gas				201	232	0	-	-	12	-	-	38	-	-	-	-	59
Small business																	
Electricity				45	0	0	0	0	0	1	1	1	0	0	0	0	3
Gas				1	5	0	-	-	0	-	-	1	-	-	-	-	0
Number of hardship customers																	
Residential																	
Electricity				3155	612	78	248	0	441	109	3	1574	80	0	15	0	538
Gas				869	334	3	-	-	141	-	-	666	-	-	-	-	209
Average debt of customers who entered a hardship program																	
Residential																	
Electricity				$1,212	$656	$944	$2,338	$0	$3,527	$766	$1,152	$900	$2,052	$0	$523	$0	$1,085
Gas				$421	$1,123	$315	-	-	$1,873	-	-	$436	-	-	-	-	$103
Average debt of customers on a hardship program																	
Residential																	
Electricity				$7,025	$1,239	$1,178	$1,888	$0	$4,090	$1,631	$595	$1,542	$2,343	$0	$248	$0	$889
Gas				$1,392	$4,118	$326	$0	$0	$2,417	$0	$0	$584	$0	$0	$0	$0	$64

	Data by jurisdiction			Data by retailers													
	SA	TAS	ACT	AGL	ActewAGL	Alinta	Aurora	Diamond	Energy Australia	Lumo Energy	Momentum	Origin	Powerdirect	Qenergy	Red Energy	Sanctuary	Simply Energy
Reasons for customers exiting retailers' hardship programs																	
Residential																	
Electricity																	
Successfully completed				88	71	63	4	0	5	1	0	69	1	0	3	0	62
Excluded				165	67	0	12	0	73	2	4	47	2	0	5	0	110
Transferred				187	31	0	5	0	28	11	0	0	0	0	5	0	93
Gas																	
Successfully completed				28	13	0	-	-	4	-	-	20	-	-	-	-	31
Excluded				66	10	0	-	-	22	-	-	23	-	-	-	-	45
Transferred				68	9	0	-	-	9	-	-	0	-	-	-	-	30