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Mr Tom Leuner
General Manager
Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

Dear Mr Leuner

AER draft Performance Reporting Procedures and Guidelines

AGL Energy Limited (**AGL**) welcomes the opportunity to provide comments on the draft Performance Reporting Procedures and Guidelines (the **draft guidelines**) published by the Australian Energy Regulator (**AER**) in April 2011.

Given that this is the final round of consultation on performance reporting, we have sought to limit our comments primarily to those indicators which we consider will present practical difficulties and/or substantial increased costs during the initial implementation and also on an ongoing basis.

AGL is pleased that the AER has reduced the proposed reporting frequency in relation to some indicators. We remain disappointed, however, that there is nevertheless an increase in the overall frequency of reporting from the current jurisdictional reporting requirements. There are also a number of completely new reporting requirements, particularly in relation to customer debt levels.

As noted in our earlier submissions, this will increase retailers' costs, not the least due to the IT system build that will be required for new reporting requirements. AGL estimates that the costs associated with building the reporting capability within our IT system to comply with the AER's proposed requirements could be up to several hundred thousand dollars. When multiplied by the number of retailers in the NEM, who will also presumably face increased compliance costs, this will result in the industry being faced with substantial costs which will ultimately be passed onto end-use consumers.

1. Disconnection indicators

AGL requests that the AER consider allowing retailers a longer period within which to submit disconnection data from the previous quarter (indicators S3.24-26). The disconnection indicators are reported dependant on B2B notifications sent from the distributor to the retailer. In AGL's experience, these notifications are not always sent from the distributor in a timely fashion, therefore disconnections raised toward the end of a quarter may not be counted (in other words, not all notifications for that reporting period will have been received at the time of running the disconnection report). If the reporting of the disconnection indicator was due later than within a month of the end of quarter, the disconnection figures would be more likely to be accurately captured. In AGL's view, a one month reporting window introduces a greater likelihood of revised numbers being subsequently provided to the AER, or an under-reporting of disconnection numbers.

2. Handling customers experiencing payment difficulties

AGL is concerned about the impact the bill debt reporting will have on our IT system – particularly indicator S3.11, which will require our system to process large amounts of data, given the size of AGL's national customer base. As a new reporting measure, it will also require IT system build.

While the AER has sought to address issues raised by retailers in relation to certain hardship and debt indicators (by removing, for example, the proposed requirement to report on the proportion of hardship customers' who are unable to meet ongoing energy costs) AGL continues to be concerned by the AER's general approach to payment difficulties and hardship.

There are statements throughout the draft instrument which demonstrate that the AER is making assumptions about the value of some indicators which we consider to be unjustifiable. For example, the AER's view that 'customers with energy bill debt (owing for 90 days or more) [is] an appropriate proxy measure for customers who are likely to be experiencing payment difficulties.' [1] There may well be customers experiencing payment difficulties within this group, but there are also other reasons why a customer may have an outstanding debt. For example, an account may be on hold while a complaint is resolved through the Ombudsman. We remain doubtful that the AER will be able to provide an accurate picture given the variety of factors that will confound the energy bill debt data.

We also dispute the statement that the proposed debt indicators will necessarily 'provide an indication of how proactive retailers are in identifying customers with payment difficulties'.[2] As we have previously commented, retailers cannot be held accountable for customers who do not let us know that they are experiencing payment difficulties. Dealing with customer hardship must always be a shared responsibility.

Should you wish to discuss this submission further, please contact Anna Stewart, Manager Regulatory Policy and Strategy, on (03) 8633 6830 or astewart@agl.com.au.

Yours sincerely

Beth Griggs
Head of Energy Markets Regulation

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[1] AER, Notice of Draft Instrument, AER Performance reporting Procedures and Guidelines, April 2011, pg.14

[2] As above.