3 June 2011

General Manager, Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

Dear Ms Jorgensen

Draft AER Performance Reporting Procedures and Guidelines

Australian Power and Gas (APG) welcome the opportunity to comment on the Australian Energy Regulator's (AER) *Draft Performance Reporting Procedures and Guidelines* (Guidelines).

Despite APG and other the retailers providing feedback to the AER on the *AER Position Paper on Retail Market Performance Reporting* (November 2010) (Position Paper) that the proposed reporting framework is considered to be onerous and potentially costly to implement, it appears that the AER has largely ignored the retailers' concerns by retaining most of the Position Paper within the Guidelines.

APG is particularly concerned over the frequency of reporting and the retention of a number of indicators that was regarded as having no real benefit to the assessment of retailer performance.

The frequency of reporting as proposed under the Guidelines will require retailers to report on a more regular basis than is currently required under the various State reporting requirements.

We have also expressed our concerns over a number of indicators that we regard as having no real benefit to the assessment of retailer performance – in particular, customer debt level and hardship indicators. Other retailers have shared a similar view. However, such indicators remain in place.

The proposed Guidelines will result in retailers incurring significant compliance costs due to the systemic changes required to capture all the required data, and also the increased reporting requirements.

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APG supports a national reporting framework that is efficient and beneficial to the customers, stakeholders and the energy industry in general. However, the proposed Guidelines fall short of this mark.

Attached are our further comments in detail. APG would welcome any further opportunity to discuss our comments and concerns on the draft Guidelines.

Should you wish to discussion this further, please contact me on (02) 8908 2700.

Yours sincerely

Roman Chan
Regulatory & Compliance Manager
Australian Power & Gas

Draft AER Performance Reporting Procedures & Guidelines

1. Frequency of reporting

Under the Guidelines, the AER proposes that the data for each indicator will be collected either annually or quarterly. However, the vast majority of the indicators are required to be reported on a quarterly basis. Overall, retailers are required to report more frequently under the new national framework than currently under the State reporting requirements.

APG recommends that the majority of the indicators be initially reported on an annual basis. Over time, the AER should assess each indicator and review the frequency of reporting in consultation with retailers and adjust the frequency of reporting if and when needed.

2. Performance indicators

APG does not support the following performance indicators:

(a) *S3.10 – Average amount of energy bill debt for small customers*
S3.11 – Amount of residential customer energy bill debt

The AER proposes to collect the average amount of energy bill debt for residential customers (not on a hardship program) and small business customers. This indicator is further supplemented by the requirement to submit the number of residential customers with debts within defined debt amount brackets to assist with the explanation for any changes to the average customer debt level (under S3.10).

However, we would argue that the level of debt that a particular customer carries does not necessarily correlate to that customer experiencing some form of hardship.

Although the AER acknowledges that debt indicators may be influenced by factors outside the control of retailers, these indicators relating to the amounts of debt does not aid with the identification as to why a customer has accumulated such amounts of debt and whether or not they are actually experiencing payment difficulties.

(b) *S4.7 – Average debt of hardship program customers*

Indicator S4.4 (Average debt upon entry into the hardship program) already offers similar information as to the debt level of a "typical" customer on a hardship program. Essentially, S4.7 adds little value in determining the effectiveness of a retailer's hardship program or the profiling of a hardship program customer.