National Energy Retailer Reporting Project

Discussion Paper

May, 2010

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QCOSS
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WORKING FOR A FAIR QUEENSLAND

This project was funded by the Consumer Advocacy Panel (www.advocacypanel.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

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1. What is this project about?

The Ministerial Council on Energy is developing a national framework for regulation of the energy retail market. Under the framework, the Australian Energy Regulator (AER) will take the main role in regulation of energy retailers. This discussion paper is based on the latest proposals for the framework – the legislation, regulation and rules in the 2^{nd} exposure draft of the National Energy Customer Framework (NECF2).

One of the components of NECF2 is a performance reporting regime whereby retailers must submit performance information to the AER, and the AER must report on this information to the public. There are two elements of the performance regime the AER will formally consult on:

1. AER Performance Reporting Procedures and Guidelines ('the Performance Reporting Guidelines'), which will specify the information and data the retailers must report, and
2. national hardship indicators (which will be included in the Performance Reporting Guidelines).

This project is about preparing information that can be used as the basis for submissions to the AER during consultation on the on the Performance Reporting Guidelines and the national hardship indicators. The aim is to develop a position on the performance regime that helps protect the interests of small energy consumers, particularly low income and vulnerable consumers. A final report will be available to consumer organisations in a form suitable for submission to the AER during formal consultation.

The core of the final report will:

- recommend a set of national performance and hardship indicators for public reporting
- support the recommended indicators with evidence and clear argument, and
- include information specifications for each indicator (definition, units, units for public reporting, and whether data will be collected monthly, quarterly or annually).

The final report will also address three other issues:

1. The AER will formally consult on Compliance Procedures and Guidelines. The final report will consider how performance reporting might be included in the compliance regime.
2. Under NECF2 the AER must publish an energy affordability report. Although there is no obligation on the AER to consult on the contents of the energy affordability report, the final report will comment on what the affordability report might address.
3. There are limitations on what a set of performance indicators can capture. For example, indicator data may not reveal the quality of the customer experience or whether a retailer program is effective or even appropriate for a customer. The final report will comment on elements of an effective performance regime, other than performance indicators, that the AER could implement.

The project focuses on small residential customers in the energy retail market, for both electricity and gas. However, most indicators will also be reported for small business customers.

The project is operating through the Queensland Council of Social Service (QCOSS) and has been funded by the Consumer Advocacy Panel for 6 months, ending in August 2010. The aim is to achieve a general consensus from a range of consumer organisations on the position put forward in the final report. The steps in the project to try to reach general agreement are:

- this discussion paper, which is intended to raise questions, generate debate, and introduce performance indicators for consideration
- a consultation phase with consumer organisations on the discussion paper, including a consumer forum and a consultation report, and
- a final report incorporating the results of the consultation and presenting a suggested position.

This discussion paper is based on a desktop review of current indicators, a desktop review of background information (such as the 2004 Utility Debt Spiral report from the Committee for Melbourne), and preliminary consultations with some stakeholders. Discussions were held with the AER, the Essential Services Commission of Victoria, energy ombudsmen, financial counselors, several consumer organisations, and energy retailers. The talks with energy retailers included both regulatory staff and representatives of retailer hardship programs. Any comments on this discussion paper are welcome (contact details are listed at the front).

2. Relationship to AER consultation on performance reporting

Formal consultation with the AER on the Performance Reporting Guidelines and the national hardship indicators is likely to take place in early 2011. However, the AER is also providing an opportunity for preliminary consultation. This has now commenced for the national hardship indicators and on the 19th of April 2010, the AER released an Issues Paper on "Developing National Hardship Indicators". Submissions on the Issues Paper are due on the 4th June 2010.

The AER is also convening stakeholder working groups to consider each issue. The meeting of the AER stakeholder working group to consider national hardship indicators is currently set for the 28th of May 2010. At some point after the closing date for submissions on the national hardship indicators, the AER will commence preliminary consultations on the Performance Reporting Guidelines.

The proposed national hardship indicators from the AER Issues Paper are briefly addressed in Chapter 5 of this discussion paper. A proposed response to the AER Issues Paper will be developed during the consultation phase for this discussion paper.

3. What are the purposes for public reporting of performance indicators?

In simple terms, we want the publicly reported performance indicators to:

- provide information about the state of the energy retail market, by jurisdiction and retailer
- provide information about the extent to which customers are experiencing payment difficulties, and the extent to which customers are being disconnected from supply through failure to pay
- measure the extent to which retailers are meeting any obligations under NECF2 that are captured by performance indicators
- measure the effectiveness of any assistance available to customers, especially customers experiencing payment difficulties (including customer protection frameworks, government energy concessions, and retailer assistance programs like payment plans)
- encourage retailers to improve their performance over time and against other retailers, and within and across jurisdictions, and
- inform policy making, especially where systemic performance issues are identified.

Each of the proposed indicators should meet one or more of these purposes. Note that the retail market is large and complex, and it is unlikely that a single indicator will be a definitive measure of performance. In practice, an aspect of the retail market will need to be examined and assessed through a suite of indicators.

Chapter 3 – Purposes of public reporting Q1. Do you agree with these purposes? Q2. Are there others you would recommend?

4. What aspects of the energy market are we examining with performance indicators?

The indicators currently being reported in the jurisdictions are a good guide to the most important aspects of the energy retail market. Based on the current indicators, the aspects to examine with performance indicators would include:

- Customer numbers by various categories (context)
- Billing and notice path
- Payment channels for more frequent payment (including Centrepay and direct debit)
- Security deposits
- Payment plans
- Estimated accounts
- Financial hardship and hardship programs (national hardship indicators)
- Assistance available from retailers
- Disconnections for failure to pay
- Reconnections after a disconnection for failure to pay
- Wrongful disconnection
- Call centre responsiveness

- Complaints, and
- Pre-payment meters.

Note that reporting of price related information is being addressed through other processes.

Chapter 4 – Aspects of the energy retail market to examine
Q1. Are we missing any aspects of the energy retail market?
Q2. Which of these aspects are the most critical, meaning that their indicators are the most critical?

5. Indicators

The following sections examine indicators for each of the above aspects of the energy retail market. In each section there is a list of the current jurisdictional indicators, plus any alternative or additional indicators. Two appendices have been provided for reference. Appendix A is summary of the existing indicators. Appendix B is the proposed set of national performance indicators for consideration, assessed against a set of evaluation criteria.

The compilation of existing indicators in Appendix A forms a solid base for a nationally consistent set and most of the existing indicators are proposed to be retained. They do measure the most critical aspects of the energy retail market, and some have been very effective. There is certainly a strong argument that the public reporting of disconnection indicators has led to more customers remaining connected to the energy supply. The discussion paper therefore focuses on alternative indicators that may be a better measure of retailer performance, and on new indicators for parts of the energy retail market that are not currently being examined. The proposed new indicators are typically aimed at obligations on retailers under NECF2 that are not being examined at present.

The proposed set of indicators in Appendix B is not intended to be a final set. The process of developing alternative or additional indicators, and evaluating existing indicators, is ongoing. The expectation is that new ideas will lead to different indicators being proposed, and that consultation on the discussion paper will lead to some existing indicators being retained rather than removed. However, the indicator set as a whole also needs to be critically assessed. A large number of indicators will increase the overall reporting burden and the regulatory cost. The set of suggested performance indicators may need to be reduced in size.

For the indicators in this report, all would be reported separately for electricity and gas (although some complaints and call centre indicators are reported for electricity and gas combined). Most indicators are also reported separately for residential and small business customers, noting that under NECF2 small customers are defined as < 100MWh of electricity or < 1 TJ of gas annually. It is highlighted where some indicators are only reported for residential customers, or where some indicators combine all small customers together. It is also noted whether the indicator data would be collected monthly, quarterly, or annually.

(i). Customer numbers

Indicators on customer numbers are used to provide a reference point for other indicators, and to provide information about the state of the energy retail market. Their purpose is not to measure retailer performance. NECF2 requires reporting on the number of customers by: retailer; standard retail and market retail contracts; small and large; small residential and small business; prepayment meter; and transfers to a new retailer. All jurisdictions currently report on customer numbers to some extent.

Jurisdictions	Note	Existing Indicator	Outcome
All		# of customers (small)	Keep
SA	Residential only	# of customers with off-peak controlled load	Keep
Qld, SA, WA		# of non-market customers (standing or standard contract)	Keep
Qld, SA, WA		# of market customers (market retail contract)	Keep
SA		Sales (amount billed) to customers during period	Keep
SA	Residential only	Sales (amount billed) to customers with off-peak controlled load	Keep
SA	Residential only	Customers receiving government energy concession from retailer	Keep
Tas, WA	Residential only	Customers using a prepayment meter	Keep

All the existing indicators provide important contextual information, and it is proposed to retain them all. The indicators would be collected both quarterly and annually. There is one alternative indicator proposed, relating to concession card holders.

Note	Indicator	Outcome
Residential only	Customers who are concession card holders (where known by the retailer)	Add

There is a distinction between a concession card holder (pensioner concession card, seniors' card, and health care card) and a recipient of a government energy concession. Not all concession card holders are eligible for government energy concessions in each jurisdiction, and some government energy concessions can be delivered to customers who are not concession card holders. The concession card indicator would only measure those concession card holders that are known to the retailer, and could be used to measure the extent to which concession card holders are identified by retailers.

Controlled load is not widely reported at present, but this indicator would provide valuable information on the retail energy market. An increase in the number of customers accessing load control would suggest more customers are actively managing energy use and trying to reduce bill size.

Section (i) – customer numbers
Q1. Do you agree with the proposed list of customer number and consumption indicators?
Q2. Do you agree with reporting on both government energy concessions and concession card holders?

(ii). Billing and notice path

In the path from initial bill to a disconnection for failure to pay, there are a number of required written notices from a retailer to the customer. Under NECF2, retailers must issue a bill at least once per quarter and can only initiate a disconnection for failure to pay if a customer has not paid a bill by the due date, and the retailer has issued both a reminder notice and a disconnection warning notice. The billing and notice path is a broad measure of where in the path customers are paying bills, and provides contextual information about the extent of payment difficulties in the retail market. Indicators for bills and notices would also relate back to obligations on retailers under NECF2 to issue required notices.

Only some jurisdictions currently report on the billing and notice path (including payment extensions, late payment fees, and shortened collection cycles). The data is proposed to be collected annually since quarterly data would be too fine to capture the cycle from bill issue to disconnection for most customers.

Jurisdictions	Note	Existing Indicator	Outcome
Tas		Total bills issued	Keep
Tas		Bills paid by the due date	Keep
WA		# of payment extensions given	Keep
Tas		# of late payment fees paid	Keep
Tas		Reminder notices sent out	Keep
Tas		Disconnection warning notices sent out	Keep
Tas		Disconnections for failure to pay	Keep
WA		# of customers on a shortened collection cycle	Remove

Most of the existing indicators would be maintained, although it is proposed to not include the shortened collection cycle indicator. Customers on a shortened collection cycle are not issued a reminder notice, but would be captured by the other indicators. It is also proposed to add an indicator for where the retailer initiates a request for disconnection.

Note	Indicator	Outcome
	Retailer initiated request for disconnection for failure to pay	Add

The retailer initiated request for disconnection is the point where a retailer believes a customer should be disconnected for failure to pay. Not all requests are carried out, so the disconnection request is a more direct measure of a retailer's internal systems for determining a disconnection for failure to pay.

At a jurisdictional level, changes in trends in the billing and notice path would be a leading indicator of financial hardship. If a higher proportion of customers are delaying payment, a higher proportion of customers are likely to be in short term financial stress. The extent of the 'pool' of customers that are vulnerable to disconnection (those customers that appear later in the path) would also be identified, providing supporting information for the disconnection indicators.

The indicators are also a measure of the effectiveness of a retailer's systems and processes for engaging with customers. The more effective the engagement, the higher the proportion of customers in the early stages of the path. In addition, one of the primary reasons for a retailer applying a late payment fee is to encourage on-time payment. The late payment indicator would therefore measure the effectiveness of both late payment fees and a retailer's late payment notices to encourage timely payment.

Section (ii) – Billing and notices

Q1. Is this area critical to performance, since disconnections will be reported elsewhere?

Q2. Would the indicator on requests for disconnection be useful?

Q3. Should the indicators be collected quarterly instead of annually?

Q4. Do you agree that the indicator on shortened collection cycles can be removed?

(iii). Payment channels – more frequent payments

Retailers offer various payment channels to customers. However, the existing indicators on payments are for direct debit terminations and Centrepay customers. These indicators are aimed at financial hardship. It is proposed to expand the purpose of the payment indicators to also measure the extent of residential customers taking steps to manage the impact of their bills and prevent debt. The intent of the existing indicators would still be maintained.

Jurisdictions	Note	Existing Indicator	Outcome
All but WA, Qld		Direct debit customers	Replace
All but NSW, Qld		Direct debit terminations or defaults	Keep
NSW	Residential	Customers using Centrelink's Centrepay	Keep

The payment channel indicators would be collected both monthly and quarterly. The proposed set of indicators, including two new indicators and an alternate one, are:

Note	Indicator	Outcome
	# of customers using a pre-payment meter	Repeat
	Where customer not using a pre-payment meter:	
	• Customers using Centrelink's Centrepay	
	• # of customers paying using bill smoothing, not including Centrepay	Add
	• # of customers paying by some form of regular direct debit, other than Centrepay or bill smoothing	Alternate
	• # of customers making regular payments through other channels	Add
	• # of customers where any direct debit arrangement was terminated or defaulted during the period	

This proposed set of indicators is measuring those payment channels that allow for either more frequent payments or the smoothing out of payments to avoid a large seasonal bill. Pre-payment meters should be included since customers often choose these meters to have more control over the timing of payments. Any payment arrangements included in these indicators would be for budgeting or convenience, not for payment difficulties. The proposed indicators are also defined so as to avoid double-counting. Therefore, the direct debit indicator is proposed to be replaced with one that adjusts for Centrepay and bill smoothing arrangements.

An increase in the trend of these payment options over time would suggest that more customers are engaging with retailers and looking at ways to manage energy bills. The proposed indicators would also be a measure of retailer performance in offering flexible payment options, and encouraging customers to take action to manage bills and prevent debt from occurring.

Section (iii) – Payment channels

Q1. Do you think the expanded indicator set would be useful, or should the existing set be retained?

Q2. Are there other measures that could be added to these indicators?

(iv). Security deposits

All jurisdictions allow for the collection of security deposits. Under NECF2, retailers are allowed to collect security deposits from customers in certain situations (Rule 225), and a retailer has certain obligations if a security deposit is collected. In particular, a retailer must repay a security deposit after a residential customer completes one year of on-time payments, deposits must not be collected from customers in a hardship program, and there are limitations on the retailer using the security deposit to offset debt.

Indicators on security deposits would both relate to retailer obligations under NECF2, and provide relevant information about the retail market. Most jurisdictions already report on security deposits or refundable advances. They are collected monthly.

Jurisdictions	Note	Existing Indicator	Outcome
All but Qld		Security deposits or refundable advances – number	Keep
Vic, NSW, SA, Tas		Security deposits or refundable advances – $ value	Keep
NSW, ACT		Security deposits – number held longer than 12 months	Remove
SA		Security deposits – number used to offset customer debt	Remove

No alternative or new indicators are proposed. However, it is proposed to not include the indicators on deposits held longer than 12 months, and those used to offset debt. The general principle should be to minimise the number and value of security deposits collected, since security deposits being collected from customers in payment difficulties would only add to their burden. Therefore, the critical indicators are the number and value of security deposits. The other indicators do not add to this basic premise, and could be removed without impacting the overall effectiveness of this set.

Section (iv) – Security deposits

Q1. Do you agree that the indicators on number and value of security deposits are sufficient measures for this aspect of the energy retail market?

Q2. Is it your experience that the number of security deposits held for longer than 12 months, or the number used to offset debt, would provide valuable information?

(v). Payment plans

Payment plans are one of the first items of assistance that a retailer will offer to customers experiencing payment difficulties. There should be indicators on payment plans. An increasing trend in the number of customers requesting or offered payment plans would be a leading indicator of financial stress, and an indicator of the willingness of retailers to engage with customers having payment difficulties and to offer meaningful assistance.

The indicators in this section measure payment plans for customers experiencing payment difficulties (either self-identified or identified by the retailer) not plans for budgeting or convenience. To clarify, the customer will either be in debt (has amounts > 90 days outstanding), or has indicated they will be going into debt since they cannot pay the full amount of the last bill. The payment plan should typically involve more than 3 payments, and can be used to pay off debt plus continued usage. These indicators would not include participants in the hardship program – these customers are represented in the hardship program indicators.

Rule 221 of NECF2 requires a retailer to offer a payment plan to a customer who informs the retailer that the customer is experiencing payment difficulties. Under Rule 302, payment plans must be established with regard to capacity to pay, any arrears owing by the customer, and the customer's expected energy consumption needs over the next 12 months. However, a retailer is not required to offer a payment plan if a customer has had two payment plans cancelled due to non-payment in the last 12 months.

Most jurisdictions currently report on the number of payment plans. However, only Tasmania reports on any additional indicators around payment plans. The existing reporting is per plan rather than per customer, because it is quite possible for a customer to be on more than one plan during a period.

Jurisdictions	Note	Existing Indicator	Outcome
Vic, NSW, SA, ACT, Tas	Residential only	# of payment plans active at the end of the period	Keep
Tas	Residential only	# created during the period	Remove
Tas	Residential only	# completed with agreement of the retailer, during the period	Keep
Tas	Residential only	# defaulted or cancelled during the period	Remove

A slightly different approach to reporting on payment plans is proposed, including reporting per customer rather than per plan. The proposed full set of payment plan indicators, collected on either a monthly or quarterly basis, is:

Note	Indicator	Outcome
Residential only	# of customers offered a payment plan during the period (not including customers already on a payment plan where an alternative plan is offered)	Add
Residential only	# of customers completing a payment plan with agreement of the retailer, during the period (not including customers transferring from one payment plan to another)	
Residential only	# of customers with a payment plan active at the end of the period	
Residential only	# customers who have had 2 or more payment plans cancelled due to non-payment in the last 12 months	Add

The approach taken is not only to measure the extent of active payment plans, but to measure the rate at which customers experiencing payment difficulties (customers with active plans at the end of the previous period, plus customers offered a payment plan during the current period) are able to either complete a plan or to remain active on a plan. In this approach, the number of customers that were offered a payment plan is used instead of the number of plans created. There is also no distinction made between customers who do not accept a plan that is offered to them, and customers who default or cancel.

The proposal is that there is little difference between customers who feel they cannot make the suggested payments or who are not yet prepared to accept help, and those customers who take up a payment plan offer then find they cannot make the payments. The critical measure is the rate at which the pool of customers experiencing payment difficulties either does not successfully complete a plan or does not remain active on a plan.

The indicator on the number of customers who have had two or more payment plans defaulted or cancelled in the last 12 months would measure the extent of customers having trouble meeting the requirements of a payment plan.

A relatively low level of customers offered a payment plan, relative to other retailers, could indicate poor performance by a retailer in identifying or assisting customers with payment difficulties. The indicators also measure the effectiveness of retailer programs to offer a payment plan that is appropriate to the customer. That is, the payment plan offered actually has regard to capacity to pay, arrears owing, and expected consumption. The more appropriate a payment plan is to the individual customer, the higher the rate that payment plans offered to customers would be turned into either an active plan or a successful completion. An improvement in the trend over time would measure an improvement in retailer performance in offering suitable plans.

Section (v) – Payment plans

Q1. Do you agree there should be additional indicators on payment plans?

Q2. Do you agree with the proposed set of payment plan indicators, or is something missing?

Q3. What do you think about the specific proposals to:

a. Report on a customer basis, not a plan basis
b. Not directly measure the number of plans defaulted or cancelled, meaning there is no distinction between customers not taking up an offer and customers defaulting or cancelling
c. Measure the number of customers with two or more payment plans cancelled or defaulted in the last 12 months

(vi). <u>Estimated accounts</u>

Retailers are currently allowed to use an estimate of a customer's consumption as the basis for a bill. This is also allowed under Rule 210 of NECF2. While Rule 209 states that a retailer must use best endeavours to ensure that actual meter readings take place, under NECF2 an actual meter read is only required once every 12 months. The issue with estimated accounts is that they can lead to payment difficulties where consumption has been under-estimated and a later "catch-up" bill contains a large adjustment for undercharging. Customers are often not prepared for the catch-up bill and as a general principle, large undercharging adjustments should be avoided.

Since the main problem with estimated accounts is the catch-up bill, additional indicators are proposed to examine the extent and impact of undercharging. Currently, only Victoria and Tasmania require retailers to report on the number of estimated accounts.

Jurisdictions	Note	Existing Indicator	Outcome
Vic, Tas		# of estimated accounts or bills	Keep

A number of additional indicators are proposed, and would be collected either monthly or quarterly.

Note	Indicator	Outcome
	# of bills that are estimated because meter data not provided to the retailer by the responsible person	Add
	# of bills issued with an adjustment of $50 or more for overcharging	Add
	# of bills issued with an adjustment of $50 or more for undercharging	Add
	$ amount of undercharging adjustment/$ amount of bill (where bill has an adjustment of $50 or more)	Add

The main purpose of these additional indicators is not to measure retailer performance, but to provide information about an aspect of the retail market that can have a large impact on customers experiencing payment difficulties. However, where a customer has a high proportion of estimated bills then retailers could be proactive in attempting to minimise the impact of catch-up bills.

The additional indicator for estimated bills can be used to measure the rate at which estimated bills are outside the retailer's control. Where this indicator is a relatively low proportion of estimated bills, there may be an issue with the performance of a retailer's billing system and processes.

The proposed undercharging indicators measure the extent and impact of undercharging on bills. Under Rule 218 of NECF2 the retailer must state the undercharged amount to be recovered from the customer as a separate item on a customer's bill. Therefore it should be possible for a retailer to report on both the dollar amount of undercharging, and the dollar amount of the bill. The relative size of the undercharging would be a critical factor in whether the undercharging was leading to payment difficulties. The indicator for overcharging is included for comparison purposes. Note that the threshold for overcharging in NECF2 is $50 and a retailer may credit a customer's next bill if the overcharged amount is less than the threshold. The threshold amount is used to set the level of significance for under and over charging.

Section (vi) – Estimated accounts and catch up bills

Q1. Would the additional indicators on over and undercharging be useful?

Q2. Is the level of significant undercharging ($50) appropriate?

Q3. Do you agree with the proposal to only count those bills where the adjustment is $50 or more?

(vii). Financial hardship and hardship programs

National hardship indicators are an essential component of the performance regime in NECF2. Rule 306 requires a set of national hardship indicators to be developed that cover:

- entry into hardship programs
- participation in hardship programs, and
- assistance available and assistance provided.

This section presents both the existing indicators, and a possible set of national hardship indicators for consideration. However, the hardship indicators should not be considered in isolation. They should be considered within the context of the other indicators, especially those related to financial difficulties such as payment plans and disconnections for failure to pay. This is particularly true for indicators examining entry and exit from retailer hardship programs, which will be influenced by how the retailer addresses hardship and payment difficulties across all customers.

For example, a successful approach to hardship from a retailer might identify and assist customers early in the debt cycle, preventing debt from accumulating. This approach could lead to relatively fewer customers on the hardship program. However, it may also lead to a high proportion of hardship program participants with long term payment issues since many of the customers with short term difficulties would be assisted outside the hardship program. Therefore, the rate of successful exits for participants in that retailer's program may be relatively. In comparison, a retailer may provide much less early assistance to customers in payment difficulties. Such a retailer would have a much higher rate of both hardship program participants and successful exits, since customers with short term difficulties would only access assistance through the hardship program.

These differences would only be highlighted by comparing the two retailers through a much wider range of indicators that just those for the hardship program. Therefore, if absolute or relative retailer performance is to be considered, the public report from the AER must provide suitable context for the national hardship indicators. Note also that there will be variations between retailer hardship programs regarding entry and exit. Therefore, any indicators for entry, participation or exit would all need to be defined by the retailer as part of the reporting process.

The other issue with hardship indicators is they do not measure financial hardship across the energy retail market; they only measure hardship as it might be identified by the energy retailer. To identify a customer in hardship, the retailer relies on a customer either self-identifying or demonstrating behaviour that suggests payment difficulties. The desktop review plus anecdotal evidence from the preliminary consultation for this project suggests that some energy customers are reluctant to self-identify, often because they don't like accepting help or because they are embarrassed to be on a hardship program. Some customers are also unaware of the existence of hardship programs, so do not ask for help.

Of the customers that don't self-identify, some will still pay their energy bills but only by going without other necessities or going into credit card debt. These customers will not be identified by the retailer. Nonetheless, they are experiencing hardship and are likely to be in utility stress. The customer numbers that are reported through the hardship indicators should always be considered a subset of the customers in hardship.

Only some of the jurisdictions currently report on retailer hardship programs, or the extent of customers in debt. Note that the set of national hardship indicators proposed by the AER in the Issues Paper appears to be based on the existing indicators from Victoria.

The main differences from the Victorian set are that the AER proposes to:

- measure energy concessions rather than concession card holders
- not report on referrals to the hardship program from third parties
- not report on the average length of participation in a hardship program, and
- not report on specific assistance measures like energy audits.

The existing indicators are:

Jurisdictions	Note	Existing Indicator	Outcome
Vic, Qld	Residential	Hardship program participants (at end of period)	Keep
Vic	Residential	Participants for whom access sought by third party	Remove
Vic	Residential	Participants who are concession card holders	Keep
Vic, Qld	Residential	Customers denied access to a hardship program	Remove
Vic, Qld	Residential	Average debt on entry to program	Replace
Vic	Residential	Average debt on exit from program	Replace
Vic, Qld	Residential	Average length of participation	Remove
Vic	Residential	Participants exiting program by agreement with retailer	Keep
Vic	Residential	Participants excluded from program for non-compliance	Replace
Qld	Residential	Participants exiting program for any reason	Replace
Vic	Residential	Disconnections of previous hardship program participants	Keep
Vic	Residential	Reconnections of previous hardship program participants	Keep
Vic	Residential	Energy field audits at no cost to customer	Replace
Vic	Residential	Energy field audits at partial cost to customer	Replace
Vic	Residential	Average contribution of customer to field audit	Replace
Vic	Residential	Appliances provided to participants	Replace
Tas	Residential	# of customers repaying a debt	Keep
Tas	Residential	# of customers in debt owing more than $500	Replace

An alternative set of national hardship indicators for consideration is presented below. Firstly, it is proposed to simplify the terminology around hardship program participation and exit. It is also proposed to allow for voluntary reporting on the assistance given to hardship program participants. Finally, it is proposed to significantly expand the indicators around debt, to help place the hardship indicators into a wider context.

The indicators around program participation and exits would be collected on both a monthly and a quarterly basis. Monthly collection would be consistent with the Victorian reporting and would allow for examination of any seasonal issues. However, the debt measures should be collected on a quarterly basis, to allow for changes in debt levels to appear in the data.

The proposed national hardship indicators are:

<table>
<tr><th>Note</th><th colspan="2">Indicator</th><th>Outcome</th></tr>
<tr><td>Residential</td><td colspan="2"># of customers offered a place in the hardship program, during the period</td><td>Add</td></tr>
<tr><td>Residential</td><td colspan="2"># of customers entering the hardship program, during the period</td><td></td></tr>
<tr><td>Residential</td><td colspan="2"># of customers successfully completing hardship program, during the period</td><td></td></tr>
<tr><td>Residential</td><td colspan="2"># of customers successfully completing hardship program, where debt is $0.</td><td>Alternate</td></tr>
<tr><td>Residential</td><td colspan="2"># of customers unsuccessfully exiting hardship program, during the period</td><td>Alternate</td></tr>
<tr><td>Residential</td><td colspan="2"># of customers in hardship program, at end of period</td><td></td></tr>
<tr><td>Residential</td><td colspan="2"># of customers in hardship program who hold a concession card</td><td></td></tr>
<tr><td>Residential</td><td colspan="2"># of disconnections for failure to pay, where customer was on the hardship program within last 24 months</td><td></td></tr>
<tr><td>Residential</td><td colspan="2"># of reconnections, same and address, after a disconnection for failure to pay, where customer was on the hardship program within last 24 months</td><td></td></tr>
<tr><td>Residential</td><td colspan="2">Assistance to hardship program participants
• Type of and extent of assistance given</td><td>Add</td></tr>
<tr><td>Residential</td><td colspan="2"># of customers in credit</td><td>Add</td></tr>
<tr><td>Residential</td><td colspan="2"># of customers in debt</td><td></td></tr>
<tr><td>Residential</td><td rowspan="4"># of customers with
• debt > $2,000
• debt > $1000 <= $2,000
• debt > $500 <= $1,000
• debt > $200 <= $500
• debt > $0 <= $200</td><td rowspan="4">At these points in time:
• All customers, at end of period
• On starting payment plan
• On entering hardship program
• At time of disconnection request for failure to pay</td><td>Add</td></tr>
<tr><td>Residential</td><td>Add</td></tr>
<tr><td>Residential</td><td>Alternate</td></tr>
<tr><td>Residential</td><td>Add</td></tr>
</table>

The indicator on the number of customers offered a place on the hardship program would allow for measurement of both customers denied access (currently reported) and customers offered the hardship program but who decline the offer (not currently reported). The anecdotal evidence from the preliminary consultation for this project is that some customers are reluctant to enter a hardship program, perhaps out of embarrassment or a reluctance to accept help. The number of offers is therefore a broader measure of access to the hardship program than entries, and would partly measure the effectiveness of a retailer to engage with customers and to provide an environment where customers are willing to access a hardship program.

The terminology for exits has been simplified. The successful exits would involve an agreement between the customer and the retailer that the customer has satisfied any requirements of the program, and the retailer believes that the customer will be able to manage ongoing consumption. Unsuccessful exits would capture any other exit, including non-compliance or non-contact.

An alternative indicator is proposed to replace average debt on exit, which is difficult to interpret. Debt on exit would measure debt from both successful and unsuccessful exits. The customers exiting the program are also different to those entering, so debt on exit is not directly comparable to debt on entry. The proposed indicator instead measures the number of successful exits where the customer has zero debt. It is clear exactly what this indicator is measuring, and ideally would be 100%.

It is proposed to report on concession card holders in the hardship program rather than customers receiving a government energy concession. In some jurisdictions, not all concession card holders are eligible for an energy concession, and there the indicator would be a broader measure of vulnerability. In addition, customers receiving an energy concession while on the hardship program could be reported elsewhere.

There are two other areas where alternative indicators are proposed:

- the assistance available to customers on the hardship program, and
- customer debt.

The assistance offered by retailers through a hardship program will vary in type, extent and quality. For example, one retailer may conduct a comprehensive 2 hour energy audit including checking of all appliances while another may conduct a 30 minute audit plus hand out energy efficient light globes. Both may count as a single energy audit. The proposal is to instead allow the retailers to self report and self define the assistance available. This would allow for variations in retailer assistance measures to be identified, allow retailers to differentiate themselves, allow for innovation, and most importantly, allow for judgements to be made on the quality and quantity of assistance. The reported assistance measures would need to be auditable.

Customer debt (amounts > 90 days outstanding) is a measure of financial hardship. Note that in terms of debt, there is a distinction between 'historic' debt and 'live' debt. Historic debt relates to customers who have been issued a final bill, while live debt refers to current customers of the retailer. The debt indicators would measure live debt.

There are three points in time where customer debt will be identified by the retailer: when offering a payment plan; on entry to a hardship program; and when the retailer initiates a request for disconnection for failure to pay. The set of proposed debt indicators examines the extent of debt at each of these three points in time, to allow for comparisons both within a retailer and between retailers. The extent of debt is measured by disaggregating customer numbers into several 'tiers' of debt rather than through average debt. This would remove any bias from having several customers with very large debt. These debt indicators would put a hardship program into context.

The extent of overall debt would be measured through both the total number of customers in debt to the retailer, and the breakdown of all customers into each debt tier. Retailers with better internal processes to identify and assist customers early in the debt cycle should show up as both a lower proportion of customers in debt, and a relatively lower proportion of customers in the higher debt 'tiers'. An indicator for the number of customers in credit could be included for comparison purposes (with credit perhaps defined as the retailer holding amounts above the value of the last bill issued, plus a threshold amount of $50).

It is proposed to not include the indicators on referrals from third parties or on average length of participation. For both indicators there is some uncertainty about whether a change in trend represents an improvement in performance. A referral from a financial counsellor, for example, could represent both good and poor performance. Good performance might be where a retailer works closely with financial counsellors and encourages them to identify customers in hardship. Poor performance might be where a retailer is pushing customers onto already stretched financial counselling resources, letting the counsellors do some of the assessment and assistance work. The same ambiguity exists with average time in the hardship program. An increase in the average length may suggest a retailer is prepared to offer ongoing assistance, or it may mean that the assistance offered is insufficient.

A retailer would have the option of reporting on these sorts of issues through the self-reporting assistance indicators. For example, a retailer with a close relationship with financial counsellors would be expected to report on the extent of this relationship.

Section (vii) – National hardship indicators

Q1. Are we missing anything on financial hardship that could be measured by an indicator?

Q2. Taken as whole set, would you support the proposed set of indicators over the existing set?

Q3. Do you think that the proposed indicators on hardship program participants (offers, entries, successful and unsuccessful exits, and current participants) are a useful way of describing the changes in participants?

Q4. Do you have a view on reporting by concession card holder versus receipt of an energy concession?

Q5. Do you agree with the concept of allowing retailers to self-report on assistance measures?

a. If not, what assistance measures might be reported?

Q6. Would measuring debt at different points (all customers, payment plan, hardship program, and disconnection request) provide useful information?

Q7. What about the approach of examining the extent of debt by sorting customers into debt 'tiers'?

a. If this is appropriate, are the debt tiers suitable?

Q8. The proposal is to not report on referrals from third parties or on the average length of participation in the program. Do you support their removal?

(viii). <u>Assistance available from retailers</u>

Retailers should be encouraged to offer assistance to all customers, not just those in the hardship program. The two areas where assistance might be encouraged are for vulnerable customers and to reduce bill size. Vulnerable customers would include culturally and linguistically diverse people (note that rule 240 in NECF2 requires a retailer to refer a customer to an interpreter if a referral is appropriate to meet the needs of the customer), pensioners, carers, people with a disability, or customers with medical conditions. Reducing bill size might include energy efficiency measures or moving customers onto a more appropriate tariff.

General assistance programs are not currently being reported through jurisdictional performance indicators. The proposal is to allow retailers to self report on their assistance measures, using their own definitions for indicators. A series of heading should be provided, to give some context and to encourage reporting.

Note	Indicator	Outcome
	Assistance to potentially vulnerable customers (quantity and quality)	Add
	• # of customers referred to interpreter service	Add
	• # of large print bills issued	Add
	• # of bills available in Braille	Add
	Assistance to customers to reduce bills (quantity and quality)	Add
	• # of energy audits conducted	Add
	Other assistance to customers (quantity and quality)	Add

Allowing for self-reporting may encourage innovation and would also allow for judgements on the quality and quantity of assistance available. The data would be collected quarterly.

Section (viii) – Assistance to customers

Q1. Would reporting on assistance measures available to all customers provide useful information?

a. If so, do you agree with the proposal to use self reporting by retailers rather than a set of prescriptive indicators?

(ix). Disconnections for failure to pay

Indicators on disconnections for failure to pay are essential since they potentially measure:

- customers experiencing difficulty in paying bills (including non-financial reasons why a customer is unable to pay a bill or make contact)
- the affordability of payment plans, or availability of other debt prevention measures
- retailer performance in successfully contacting and engaging with customers, including encouraging customers to take advantage of the available assistance, and
- the inability of some customers to engage with the retailer, or pay utility bills.

Under NECF2, a retailer may request a disconnection for failure to pay if a customer has not paid by the due date (or is on a payment plan and has not adhered to the terms of the plan) and:

- the customer has been issued a reminder notice and a disconnection warning notice, and
- the retailer has used best endeavours to contact the customer after the warning notice is issued.

All jurisdictions report on disconnections for failure to pay, and are collected on a monthly basis.

Jurisdictions	Note	Existing Indicator	Outcome
Qld		Disconnections total	Remove
All		Disconnections for failure to pay	Keep
NSW		Disconnections on prohibited time or day	Remove
Vic, SA, NSW,WA	Residential	Disconnections, on a payment plan within last 12 months	Keep
Vic	Residential	Disconnections, on the hardship program within last 24 months	Repeat
Vic, SA, NSW, WA	Residential	Disconnections same name & address – multiple disconnections	Keep
All but ACT, WA	Residential	Disconnections for failure to pay of concession card holders	Keep

The indicator on disconnections of previous hardship program participants is proposed as part of the national hardship indicators, but would be repeated here. It is proposed to remove the indicators on total disconnections and disconnections on a prohibited time of day. The disconnections on a prohibited time of day are the responsibility of the distributor, who carries out the disconnection request. Four additional indicators are proposed, all measuring elements that occur before an actual disconnection takes place. Note that the indicators on disconnection warning notices and retailer initiated requests are also reported under the billing and notices path. However, here they would be collected on a monthly basis.

Note	Indicator	Outcome
	# of disconnection warning notices issued	Add
	• # of customers successfully contacted by retailer after disconnection warning notice issued (there is reciprocal contact)	Add
	# of retailer initiated disconnection requests for failure to pay	Add
	• # of disconnection requests after customer successfully contacted by retailer	Add

The first two of the additional indicators can be used to measure the success rate of retailers in using best endeavours to contact customers, where that contact is reciprocated or returned by the customer in some way (bill is paid, phone call or text message, email, home visit, or a written response). The last two additional indicators (request for disconnection, and disconnection requests where the customer was contacted by the retailer) can be used to measure how effective retailers are at engaging with customers and assisting them to remain connected to the energy supply. A high contact rate after a warning notice, but a high rate of disconnection requests for customers that have been successfully contacted, would be a cause for concern. The retailer initiated disconnection request is suggested as the appropriate indicator to report on the success of the retailer in engaging with the customer.

Section (ix) - Disconnections

Q1. Do you support the inclusion of the four additional indicators?

Q2. Do they give an indication of how effective retailers are at engaging with customers prior to a disconnection?

(x). <u>Reconnections after a disconnection for failure to pay</u>

Reconnections in the same name and address are partly an indicator of financial hardship. They measure customers who have not skipped out on a debt, but have remained in place and tried to manage the situation.

All jurisdictions report on reconnections, collected monthly.

Jurisdictions	**Note**	**Existing Indicator**	**Outcome**
All but NSW	Residential	Reconnections in same name and address, total	Keep
NSW, Qld	Residential	• Reconnection within 7 days	Keep
Vic, WA	Residential	• Reconnection, previously on a payment plan	Keep
Vic	Residential	• Reconnection, previously on hardship program	Repeat
Vic, SA, WA	Residential	• Reconnections in same name & address- after multiple disconnections	Keep
All but NSW,ACT	Residential	• Reconnections of concession card holders	Keep

It is proposed to include all existing indicators, and no additional or alternative indicators are suggested.

Section (x) – Reconnections

Q1. Do you agree with the proposal to retain all the existing indicators on reconnections?

Q2. Are there other issues with reconnections which can be measured?

(xi). <u>Wrongful disconnection</u>

A wrongful disconnection has a large impact on a customer, and should be minimised. Most jurisdictions have some regulations around wrongful disconnections, but only Victoria currently provides a compensation payment to a customer.

In NECF2, Rule 610 sets out the circumstances where a retailer must not arrange disconnection. These are:

- premises registered under life support;
- complaint made to ombudsman directly related to disconnection and complaint was unresolved at time of disconnection (and complaint referred to retailer before the disconnection request);
- customer is on the retailer's hardship program;
- customer is a residential customer on a payment plan and is adhering to the payment plan;
- customer has formally applied for assistance to an organisation responsible for a government funded energy rebate, concession, or relief scheme and a decision on the application has not been made; and,
- on the grounds that a customer has failed to pay an amount on a bill that relates to goods or services other than for the sale of energy.

There are no regulations in NECF2 around any other wrongful disconnections (such as a mistake in address), nor a requirement for a compensation payment for a wrongful disconnection by a retailer. Only Victoria currently includes data on wrongful disconnection complaints in the retail performance indicators.

Jurisdictions	Note	Existing Indicator	Outcome
Vic		Number of incidents raised for investigation	Remove
Vic		Number of incidents where compensation paid	Remove
Vic		Total amount of compensation paid	Remove
Vic		Minimum amount of compensation paid	Remove
Vic		Maximum amount of compensation paid	Remove
Vic		Incidents detected by retailer Incidents identified by customer to retailer Enquiries referred to retailer by ombudsman Complaints referred to retailer by ombudsman	Remove

It is proposed to not report these indicators on a national basis, since there is no corresponding obligation on retailers under NECF2. However, it is proposed to report against the obligations on wrongful disconnection that are in NECF2.

Note	Indicator	Outcome
	Number of total incidents of disconnection where the retailer initiated a disconnection request when there were restrictions on disconnection under rule 610 (apart from disconnections during a protected period).	Add

Where the retailer initiates a request for disconnection, the disconnection is carried out, and one or more of the circumstances under rule 610 of NECF2 apply (apart from disconnection during a protected period, which would be the responsibility of the distributor), the wrongful disconnection should be the responsibility of the retailer. This indicator would directly measure retailer performance. Wrongful disconnections arising from actions by the distributor would not be reported, nor would any other circumstance where the retailer was at fault or made another type of mistake.

Section (xi) – Wrongful disconnection

Q1. Do you support the proposal to limit the national reporting on wrongful disconnections to those circumstances where, under NECF2, retailers must not arrange for a disconnection?

Q2. Do you have any ideas for measuring the other situations where a retailer has made a mistake in disconnecting a customer?

(xii). Call centre responsiveness

The current indicators on call centre responsiveness are fairly standard across the jurisdictions. Note that there are no obligations under NECF2 for call centre operation. However, call centre indicators have been reported for some years, and would be expected to be included in national performance indicators.

Call centre indicators are typically collected monthly for energy as a whole (electricity and gas combined).

Jurisdictions	Note	Existing Indicator	Outcome
Vic, ACT, NSW	Combined	Calls to account line	Keep
All but NSW, Qld	Combined	Calls to operator	Keep
All but Qld	Combined	calls to operator answered within 30 seconds	Keep
All but NSW, Qld	Combined	average waiting time before answered by operator	Keep
Vic, NSW, SA, Tas	Combined	calls dropped out/abandoned before answered by operator	Keep

No alternative or additional indicators for call centre responsiveness are suggested.

Section (xii) – Call centre

Q1. Do you support the existing set of call centre indicators?

Q2. Do they fairly capture responsiveness?

(xiii). Complaints

Complaints indicators are also largely consistent across the jurisdictions. Under NECF2 (Section 403), each retailer must publish standard complaints procedures that must be substantially consistent with the Australian Standard AS ISO 10002-2006. The procedures will include time limits for a response.

The current jurisdictional indicators are collected on a monthly basis. Some of the indicators are reported as a combined energy complaint, and others are split into electricity and gas.

Jurisdictions	Note	Existing Indicator	Outcome
All but Vic, Tas	Combined	Complaints - total	Keep
SA		Written enquiries answered within 5 business days	Remove
WA, Tas		Complaints concluded or resolved within 10 days or 15 days	Keep
All		Complaints – billing/credit	Keep
All	Combined + Separate	Complaints – marketing	Keep
Vic, ACT, SA	Separate	Complaints – transfer	Keep
WA, Tas		Complaints – prepayment meters	Keep
Tas		Complaints – prepayment meters, relating to consent provisions	Remove
All		Complaints – other	Keep
NSW	Combined	Direct marketing contacts	Remove

There are no additional or alternative indicators suggested. It is proposed to not report on written complaints separately but to roll them into the total complaints indicator, and to also combine both the prepayment meter complaints. It is also proposed to not report on the total number of direct marketing contacts. The purpose of this measure would be to provide context for the number of marketing complaints. In NSW, the number of marketing complaints as a percentage of total marketing contacts has been very low (0.04% in 2008/09), and it may not be a useful measure.

For the indicator on the number of complaints resolved, the specific time frames would be replaced with "within the time limits contained in the retailer's standard complaints and dispute resolution procedures". The indicators should be reported separately (electricity, gas and dual fuel) as a combined energy category.

Section (xiii) – Complaints
Q1. Do you support the proposed set of complaints indicators?
Q2. Are there other categories of complaints that might be measured?
Q3. Do you agree with the removal of the direct marketing contacts measure?

(xiv). Prepayment meters

Many of the total set of indicators, including those related to billing and disconnections, do not measure customers with a pre-payment meter. Therefore, a separate set of pre-payment meter indicators is warranted.

Not all jurisdictions allow the use of pre-payment meters. Note however that any smart meter will be capable of being converted to a pre-payment meter if a jurisdiction decides to allow their use. On the other hand, some of the current stock of pre-payment meters are not 'smart' and are not capable of being remotely read.

Under NECF2, the main obligations on a retailer for a pre-payment meter customer are:

- a limitation on the recovery of a pre-existing debt through a pre-payment meter
- must ensure the small customer receives the benefit of any entitlement under a government rebate, concession, or relief scheme
- must identify every instance of self-disconnection (an interruption to the supply of energy because a pre-payment system has no credit, including emergency credit)
- offer to change a customer back to a standard meter (at not cost) if customer self-identifies as experiencing payment difficulties, or self disconnects three or more times in any three month period for 240 or more minutes per occasion, and
- must maintain verifiable records about small customers facing payment difficulties.

Tasmania has the largest proportion of customers on a pre-payment meter agreement. The performance indicators from Tasmania, collected both monthly and quarterly, are:

Jurisdictions	Note	Existing Indicator	Outcome
Tas	Residential	# of pre-payment meter agreements, end of period	Keep
Tas	Residential	# of new pre-payment meter agreements, during the period	Keep
Tas	Residential	• New customer of the retailer	Keep
Tas	Residential	• Existing customer transferring from standard contract	Keep
Tas	Residential	# of pre-payment agreements reverting to standard contract	Keep
Tas	Residential	# of pre-payment agreement customers repaying a debt	Keep
Tas	Residential	# of occasions a customer accessed emergency credit	Keep
Tas	Residential	# of pre-payment meter agreements where the meter is able to detect and report a self-disconnection	Keep
Tas	Residential	• # of self-disconnection events	Keep
Tas	Residential	• # of prepayment meter customers with self-disconnection 3+ times per quarter	Keep
Tas	Residential	• # of self-disconnection events longer than 240 minutes	Keep

It is proposed to retain all the existing indicators from Tasmania on pre-payment meters. Two additional indicators are proposed that relate back to the obligations on retailers under NECF2.

Note	Indicator	Outcome
Residential	# of customers receiving the benefit of a government energy concession during the period	Add
Residential	# of customers identified as experiencing payment difficulties, at end of the period	Add

Section (xiv) – Prepayment meters

Q1. Do you support the proposal to use the Tasmanian indicators as a basis for a national set?

Q2. Do you agree with the inclusion of the two additional indicators?

Q3. Is something missing?

6. Other aspects of the energy market that might be examined

The aspects of the energy retail market covered in the previous chapter were based on what the existing performance indicators are addressing. However, there are other aspects of the energy retail market that currently do not have performance indicators, and for which indicators might be developed. They are briefly outlined below.

a. Audits

Audits are clearly an important element of any compliance regime. NECF2 allows for compliance audits to be conducted at the instigation of the regulator. NECF2 also allows for a performance audit, where the AER may audit the performance of retailers against the national hardship indicators.

Jurisdictional regulators typically report on the outcomes of any audits conducted, and these reports are freely available. However, it would be possible to also include the number of audits conducted (both by retailer and overall) as an indicator in the performance reporting regime itself. This would highlight the frequency of auditing over time. The data would be reported by the regulator, collected annually.

Chapter 7a - Audits Q1. Do you support the inclusion of audits as a performance reporting indicator?

b. Environmental reporting

The obligations on retailers under NECF2, on which most of the performance indicators in the discussion paper are based, are focused on protecting and assisting customers. They are not focused on reducing energy use, or on reducing the greenhouse gas emissions associated with energy use. These are two areas that receive a lot of attention from government and the media.

Retailers would already be required to report various environmentally related data to government or regulatory bodies. One option would be to incorporate environmental indicators within the retailer performance reporting framework. This is outside the current scope of this project, and outside the obligations on retailers under NECF2.

Chapter 7b – Environmental reporting Q1. Should the performance reporting also include reporting on environmental indicators?

c. Customer charter reporting

Some jurisdictions require retailers to meet certain service levels. If the service levels are not met, a customer may be eligible for compensation. It would be possible to include some national indicators, to capture any type of event where the retailer is required to make a compensation payment to a customer.

Chapter 7c – Customer charter Q1. Should the following indicators be included in a national set? • # of compensation payments from retailer to a customer • Average $ value of compensation payments

d. Spatial detail

The spatial detail in the proposed set of performance indicators is limited to the jurisdictional level. This level of detail does allow for an examination of retailer performance between jurisdictions. However, more spatial detail for some of the indicators would greatly expand the type of issues that might be examined through the indicators.

For example, spatial detail might be reported by postcode or local government area. This would allow for consideration of issues like spatial bias (regional versus metropolitan performance) or socio-economic bias (performance in areas of lower socio-economic advantage versus higher). The data may also identify geographic areas where all retailers have a higher rate than average of customers with payment difficulties. This would allow for more targeted programs to be developed by government or the community sector. Finally, indicators that are reported by local government area would allow for linking with other socio-economic data sets, particularly those collected by the Australian Bureau of Statistics.

Reporting at a finer spatial scale, even if for only a few indicators, may be costly to implement. However, spatial data is becoming cheaper and more readily available. As a first step, the potential for reporting in more spatial detail could be incorporated into the performance regime. In addition, reporting at a finer spatial scale could be phased in slowly, perhaps every two years rather than annually.

Chapter 7d – Spatial detail

Q1. Do you agree with the idea of reporting some of the performance indicators by spatial location?

a. If so, which ones?

Q2. To reduce costs, could spatial location be reported every two or three years rather than annually?

7. *Frequency of reporting*

Under NECF2, the AER only has to publicly report once a year and the public report must be released within five months of the end of the reporting year. Therefore, some of the data in the public report will be well over 12 months old. While there is clearly a trade-off between cost, the resources of the regulator, and more frequent reporting, annual reporting may be too late to identify issues or encourage action by retailers.

One approach would be to select a small subset of the indicators that would be publicly reported every six months. The interim six-monthly data might be published as tables, with little explanation. This would not unnecessarily add to the reporting burden on retailers or the regulator.

Some possibilities for this indicator subset (collected either monthly or quarterly) are:

- disconnections for failure to pay during each month
- # of customers in debt at the end of the quarter
- # of payment plans active at the end of the quarter
- # of customers in the hardship program at the end of each month

- # of pre-payment meter agreements at the end of each month
- call centre responsiveness indicators for each month
- complaints indicators for each month.

> Chapter 8 – Frequency of reporting
> Q1. Do you support the proposal for public reporting of some indicators on a six-monthly basis?
> a. If so, do you agree with the proposed sub-set or are there others that should be included?

8. Form and presentation of the AER public report

It is essential that the annual performance report from the AER is presented to the public so that the critical information is readily accessible and easily understood. For example, a summary of the most important information might be produced that is media-friendly. The information would be presented in priority order, and include only the most critical indicators for that year. Graphics could be used to demonstrate trends or differences, rather than tables. The main report could include the detail, including tables.

Retailers often comment that the public performance reporting by the jurisdictional regulators focus on negative or uncertain elements. One of the purposes of public reporting is to encourage retailers to improve performance. Highlighting good performance would add to this encouragement. The AER Issues Paper on national hardship indicators recognises this and raises the idea of including case studies that highlight good performance. The AER could also investigate using a traffic light or report card approach, to clearly indicate both good and poor performance for the important indicators for that year. This would require the AER to comment on the absolute levels of each indicator, and highlight the best performing one or two retailers.

The AER could also separate the information in the public report by customer numbers of each retailer. Some retailers will only have a small number of customers within a jurisdiction. It is quite possible for performance indicators to be affected by statistical anomalies in the small customer base. Any comparison between retailers with large and small customer bases may simply demonstrate this bias and a comparison of performance may not be valid.

Ideally, the AER would consult stakeholders on the structure and layout of the performance reports, so these kinds of ideas can be presented and discussed.

> Chapter 9 – Form and presentation of the public report
> Q1. Do you have any ideas for how the public reports might be structured, or the types of layouts the AER should use?

9. Data quality

There have been several problems with the accuracy and reliability of performance data provided to jurisdictional regulators by retailers. The frequent use of audits is clearly essential to ensure there is confidence about any data. However, to further support data quality each retailer could also submit:

- a statement that the methods used to prepare the performance data are documented, repeatable, and available for audit if required
- a statement of the accuracy and reliability of the data provided, for comparison against audit results
- results of any internal audits to examine the accuracy and reliability of data
- any internal policies for ensuring that systems are in place to produce quality performance data, and
- explanatory notes for when trends in indicators change.

Another problem with current performance reporting is the variance in the data being provided by retailers, sometimes because they use slightly different definitions for an indicator. There are two actions that could improve the consistency of data:

- the definition for each performance indicator must be precise, detailed and specific, and
- retailers should specify the definition they used to collect the data, and sign off on that definition.

This information would allow the regulator to check that the data provided was consistent between retailers. The audit regime could then check that any data provided matches the definition.

Chapter 10 – Data quality Q1. Are there other relevant data quality issues? Q2. Is there other information that retailers could provide?

10. Compliance with performance reporting obligations

The AER Compliance Procedures and Guidelines will set out the requirements on retailers for the information and data they must submit on compliance. The compliance regime in NECF2 allows for either the AER to conduct a compliance audit or for the AER to request a retailer to conduct a compliance audit. Compliance audits are not mandatory.

The performance regime in NECF2 only imposes one obligation on retailers – that they must submit information and data to the AER in accordance with the Performance Reporting Guidelines, including submitting by the due date. However, compliance in this area should cover both the obligation to submit, and the quality of the data provided. The provision of data that is inaccurate or unreliable should be a compliance matter. The AER will be undertaking preliminary consultation on the Compliance Procedures and Guidelines. A submission will be provided to the AER that argues for the quality of performance data to be part of the compliance regime.

Otherwise, the general approach will be ensure that where the performance indicators relate to obligations under NECF2, those obligations are included in the Compliance Procedures and Guidelines and are subject to compliance audits. That would strengthen the performance reporting regime, and provide more confidence in the performance data being provided by retailers.

11. Energy affordability report

The AER is required to include an energy affordability report in the public reporting on performance (rule 1002). However, there is no requirement for the AER to consult on the contents of the report.

It will be proposed to the AER that the report must examine energy affordability in the context of the affordability of a range of essential services. A customer may be in financial hardship, but this might be expressed through lower quality housing or a lack of food rather than through non-payment of energy bills. The price moves in the housing, food, water and energy markets should be examined as a whole. If prices for these essential services are rising faster than incomes and government assistance, then energy affordability will be worse in the coming year even if customers are still paying energy bills.

The energy affordability report must also assess the impact of energy prices on low income and vulnerable consumers. These customers are most impacted by rising prices. The questions the AER might ask include:

- what proportion of weekly income, for various income groups, is spent on energy?
- what types of tariffs are vulnerable customers using?
- are vulnerable customers being disconnected from supply at a higher rate?
- are vulnerable customers accessing the available government energy concessions?
- what is the proportion of the customer base that is being assisted by retailer programs?
- does this proportion reflect the broader energy affordability problem?

Chapter 12 – Energy affordability

Q1. Are there other issues the energy affordability report should be addressing?

Q2. Are there performance indicators that, at a jurisdictional level, might reflect energy affordability?

12. Other elements of an overall performance reporting regime

The performance regime supported by NECF2 is comprised of:

- the Performance Reporting Guidelines, setting out the information and data to be reported to the AER by retailers
- review and assessment by the AER of the information provided
- public reporting by the AER of the performance data, on an annual basis
- comment on the public information by the media, consumers and others

- compliance audits (non-mandatory), that if conducted would assess compliance by retailers against their obligations in the legislation, and
- performance audits (non-mandatory), that if conducted would assess retailer performance against the national hardship indicators.

The main component of the performance regime is the public reporting of performance indicators. However, performance indicators are somewhat limited in what they can address. Ideally, the performance regime would also include an ongoing program of research to identify areas of concern that are not, or cannot be, reflected in the performance indicators. Namely:

- where the performance data was not collected but where an indicator exists
- where retailer performance or customer experience cannot be identified since an indicator does not exist , and
- where there are underlying issues impacting performance across the retail market.

An ongoing research program that includes customer surveys or interviews could be used to examine these areas of concern, and to assess the effectiveness of retailer and government programs. Effectiveness of these programs, especially hardship programs, can only be fully assessed through reference to customer experience.

The performance regime would also be much stronger if compliance and performance audits were mandatory. If the information provided by retailers is tested and verified, then community confidence in the performance indicators will rise.

Chapter 13 – Other elements of a performance regime
Q1. Do you agree with these additional components of a performance regime?
Q2. How might we influence the AER to instigate ongoing research into aspects of the market that are not captured by the indicators?

Appendix A – compilation of existing jurisdictional performance indicators

Attached.

Appendix B – proposed set of performance indicators, assessed against the evaluation criteria

Attached.