



**SUBMISSION TO THE
AUSTRALIAN ENERGY REGULATOR (AER)**

**DRAFT PERFORMANCE REPORTING PROCEDURES AND
GUIDELINES**

**Prepared by
National Policy Office**

June 2011

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INTRODUCTION

COTA Australia - Council on the Ageing - is the national policy arm of the eight State and Territory Councils on the Ageing in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory. COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia.

COTA recognises the importance of retailer performance reporting as part of the Australian Energy Regulator's (AER's) future retail functions. Electricity and gas are essential services, the rising costs of which are significantly impacting upon the ability of older people to meet both these and other costs of living. It is therefore vital that energy retailers are required to report on a wide range of indicators to ensure that they are meeting their requirements under the National Energy Customer Framework (NECF).

GENERAL COMMENTS

Frequency of retailer reporting

COTA supports the requirement that retailers report quarterly on identified indicators. As noted by consumer groups and the AER in its notice of draft instrument¹, quarterly reporting allows for better responses to emerging trends in electricity markets. Significant cost increases due to network pricing decisions have immediate as well as cumulative impacts on the household energy bills of older people and lead to hardship and payment difficulties.

Without quarterly reporting, consumer groups who have contact with disadvantaged consumers are forced to rely on anecdotal evidence and grey literature. Publicly available, verifiable data collected and analysed by the AER would allow advocates to verify anecdotal evidence and would go some way towards addressing the information imbalance between consumer advocates and energy businesses.

Therefore while ideally all data would be reported on a quarterly basis, COTA broadly supports the AER's approach.

RETAIL MARKET OVERVIEW

Market structure

While COTA broadly supports the AER's approach to reporting on market structure (S2.1-2.3²), it remains concerned that exempt networks have not been included. While COTA is aware that information on registered exempt networks will be made available on the AER website and that the exemptions include retailer reporting requirements, the growing number of exempt networks is a significant issue for energy markets and consumers.

¹ AER (2011), 'Notice of draft instrument: AER Performance Reporting Procedures & Guidelines', April 2011, p. 38.

² AER (2011), 'Draft instrument: AER Performance Reporting Procedures and Guidelines', April 2011. All requirements cited in this submission refer to this document.

Older Australians are disproportionately represented in exempt through residence in retirement villages, residential parks and other community or common-living arrangements. COTA notes that in its Approach to Retail Exemptions Issues Paper, the AER recognised the growth in exempt selling arrangements:

*In recent years there has been an apparent increase in the number of customers who purchase their energy from an onseller, particularly within large residential developments.*³

There is no reason to doubt that the number of exempt networks will continue to grow and that older people will continue to be overrepresented in the numbers of residential exempt customers. Given the AER's stated concern regarding the growth in onselling due to a lack of consumer protections relative to retail customers⁴, COTA believes that exempt networks should at least be mentioned in the Draft Guideline.

While it is accepted that work on retail exemptions is ongoing, COTA believes that the failure to report on (at least) estimates of the number of exempt customers will lead to a distorted view of energy markets. Further, COTA submits that the *overrepresentation* of older people in exempt networks and their lack of contact with hardship programs will lead to their *underrepresentation* in retail market reporting data. This will result in a subsequent and compounding distortion of market data.

COTA notes that this issue has been raised previously in submissions to the Retail Reporting Position Paper and refers the AER to comments submitted by the Consumer Utilities Advocacy Centre (CUAC)⁵ and the Queensland Council of Social Service (QCOSS)⁶ specifically.

Energy Affordability

COTA supports the AER position on energy affordability, including the proposal to prepare an annual targeted energy affordability essay.

COTA also supports the proposal that an additional annual research project be undertaken. By committing to this, the scope of the AER's research could potentially be significantly expanded. Together the targeted affordability essay and an additional research project could report on both geographical and population-specific energy affordability issues.

It is also recommended that additional hardship program indicators be included to ensure that customer debt levels are monitored upon entry into and exit from hardship programs to assist in monitoring energy affordability levels (see comments below).

³ AER (2010), 'Issues Paper: AER Approach to retail exemptions', June 2010, p. 15.

⁴ *ibid*

⁵ CUAC (2010), Submission to the AER Retail Market Performance Reporting Position Paper (November 2010), p. 4.

⁶ QCOSS (2010), Submission to the AER Retail Market Performance Reporting Position Paper, December 2010, pp. 9-10.

RETAIL MARKET ACTIVITIES REVIEW

Customer service

The AER approach to customer service (S3.1-3.4) is broadly supported by COTA.

While internet connection usage rates among older people in Australia may be rising, many older people still do not have access to the internet. In 2008-09, 69% of people aged over 65 did not use the internet from any location, compared with 6 % of 15-17 year olds.⁷

Low internet use and the continued heavy use of telephone contact calls for strong requirements around reporting against key indicators such as response times, which are particularly important for older people calling from country areas or from mobile phones.

Complaints

COTA supports the approach taken by the AER in the area of complaints reporting (S3.5-3.8), particularly in regards to the retailer versus ombudsman scheme reporting issue.

COTA notes that it is likely that many complaints do not (and ideally should not) reach the ombudsman scheme level, instead ending with either resolution at the retail contact level or a dropping of the matter. Regardless of the final resolution outcome of complaints, it is clear that retail data is a much more meaningful indicator of retailer performance than ombudsman scheme data. It is also noted that whilst comparisons can be made between retailers on complaints data alone, this is unlikely to occur in the context of the full range of indicators.

COTA also recommends that complaints related to the application of government rebates and concessions are carefully monitored to ensure that systemic issues affecting older people and others on low and fixed incomes are quickly identified. This will ensure that retailers' performance in this area is monitored, as well as allowing action to be taken by the appropriate jurisdictional authorities (see also comments in 'concessions' section below).

Handling customers experiencing payment difficulties

COTA supports the AER approach to retailer reporting on the handling of customers experiencing payment difficulties (S3.9-3.16).

Pre-payment meters

COTA generally supports the AER's approach to pre-payment meters (PPMs) (S3.17-3.23), noting that many older people in Tasmania, Queensland and increasingly the Northern Territory (outside the NEM) are on PPMs, including those in off-grid networks.

Whilst it is recognised that many older PPMs do not have the technology to record self-disconnection data, one of the key functions of the AER in developing the current guidelines is to ensure adequate reporting on customers using newer PPMs that do have this functionality. COTA also considers that the AER must have a view to 'future proofing' its guidelines based on the best available technology and predictions regarding future use of this technology.

⁷ ABS (2009), 'Household use of Information Technology', Cat No. 8146.0.

COTA does not however support the AER's approach to PPM concession customers. Under the various concessions systems across Australia, older people (particularly over 65s) are disproportionately represented in numbers of concession customers. In most jurisdictions the value of concessions is diminishing relative to energy prices, leading to increased hardship among those on low and fixed incomes. This is likely to lead to increasing numbers of concessions PPM customers self-disconnecting.

COTA therefore does not accept the AER's reasoning that a simple proportioning approach to PPM self-disconnection will suffice and calls on the AER to require specific reporting on self-disconnection PPM concession customers.

Disconnections and reconnections

COTA supports the AER approach to retailer reporting on disconnections and reconnections (S3.24-3.26).

Concessions

COTA notes that the AER has disregarded consumer arguments for reporting on non-application of concessions against customer accounts⁸ based on the requirement under r. 25(1)(p) of the National Energy Retail Rules (the Rules) for retailers to show deductions related to government rebates or concessions on bills.

While COTA accepts that reporting on non-application of concessions is impractical in this context, COTA recommends that the AER carefully monitor complaints data to ensure that systemic issues involving the application of concessions are identified and publicly reported against.

Security deposits

COTA supports the AER's approach to reporting on security deposits (S.28-29) and notes that security deposits are not merely a function of a customer's credit history, but reflect the application of credit history checks by retailers.

COTA's interest in the issue of security deposits arises from potential issues that may be faced by older newly arrived migrants and older women who have lost a partner and who may not have had direct contact with credit facilities. Many older women may have had financial difficulties arising from the death of a spouse or partner and marriage breakdown can be a major cause of financial and credit stress for older people of both genders.

It is therefore important that retailers report on the numbers and value of security deposits they require from customers.

⁸ CUAC (2010), Submission to the AER Retail Market Performance Reporting Position Paper (November 2010), p. 8.

HARDSHIP PROGRAM INDICATORS

COTA generally supports the AER's approach to hardship program indicators (S4.1-4.13) but considers that additional indicators are required to ensure that retailer performance meets the intent of ss. 43(1) and 47 of the National Energy Retail Law.

Anecdotal evidence from retailers suggests that older people, while overrepresented among concession customers, are underrepresented among hardship customers. This is largely due to the imperative placed by many older people on meeting their energy costs to the detriment of other essential costs such as food and health needs. However it is likely that as the Australian population ages and energy prices continue to rise, older people will increasingly resort to accessing hardship programs to remain connected to electricity and gas.

Based on anecdotal evidence from financial counsellors, COTA also considers it likely that a significant proportion of older energy customers who do (or wish to) participate in hardship programs are likely to be female, have English as a second language, and have contact with financial counselling services.

Based on the above observations, COTA supports previous consumer group calls for additional indicators around third party referrals to hardship programs, and debt upon exit of hardship programs.

Third party referrals to hardship programs

COTA notes with interest that the AER has proposed to require reporting on the number of customers denied access to hardship programs (S4.3).

COTA submits that a natural addendum to this indicator is an additional indicator for third party referrals. Anecdotal evidence provided to COTA has indicated that in some cases, customers have been denied access to hardship programs. Often it has been the intervention of a financial counsellor that has ensured them access.

This highlights the importance of third party referrals, and an additional indicator to this effect would allow more meaningful data to be collected.

It is further submitted that an indicator on third party referrals is an indicator of retailer performance in the area of hardship programs, regardless of numbers of customers initially denied access and subsequently accepted due to third party involvement. This is because it reports on the relationships between retailers and financial counselling services: relationships that are beneficial to both retailers and customers.

Debt upon exit from hardship programs

COTA notes that the previous submissions from consumer organisations⁹ have recommended that debt levels upon exit from hardship programs be reported against and that this has been rejected by the AER. Whilst it is agreed that it is not always in the power of the retailer to ensure that customers can sustainably meet their energy requirements, inclusion of this indicator will show three things.

⁹ CUAC (2010), Submission to the AER Retail Market Performance Reporting Position Paper (November 2010)

Firstly, uneven debt levels between retailers may indeed show that performance across hardship programs is in significant variance.

Secondly, there seems little point in reporting against debt levels upon entry to hardship programs in the absence of an indicator of debt levels upon exit, as debt levels upon entry alone do not constitute a 'performance indicator'.

Finally, taken together with debt levels upon entry, a debt levels upon exit indicator will highlight not only retailer performance, but on energy affordability levels within the market. This will become increasingly important as energy costs continue to rise.

COTA therefore strongly supports the intent of the debt level upon exit indicator and recommends its inclusion.

CONCLUSION

COTA believes that it is vital that performance reporting requirements reflect the AER's full range of guidelines and the intent of the NECF, and that this has largely been achieved by the AER. However while COTA broadly supports the AER's approach to performance reporting and recognises the work that has been undertaken in developing the draft guidelines, it strongly recommends the inclusion of additional indicators around hardship programs, PPMs and complaints.