

16 August 2010

Mr Tom Leuner
General Manager
Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

By email: AERInquiry@ aer.gov.au

Dear Mr Leuner

Re: Retail Market Performance

Thank you for the opportunity to provide comment on the Australian Energy Regulator's (AER) Issues Paper on ***Retail Market Performance*** (the Issues Paper).

The Energy and Water Ombudsman (Victoria) (EWOV) investigates and conciliates complaints from customers of energy and water providers. Performance reports provide valuable information for stakeholders, including ombudsman schemes, as they can assist in identifying trends and issues that may impact on complaint numbers. Comprehensive performance reporting also informs the policy debate and alerts government and regulators to areas where further action may be required.

During the stakeholder forum on 4 August 2010 there was some discussion around the problems caused by different ways of interpreting and presenting data. It was suggested that the AER produce a mock report to demonstrate how it intends to use the data reported. EWOV supports this suggestion.

Overall, EWOV agrees with the approach outlined in the Issues Paper and will only provide the following brief comments on specific points raised.

Frequency of reporting

EWOV welcomes the AER's decision to publish quarterly performance reports with a consolidated annual report at the end of each financial year. Quarterly reports will provide a timely overview of how the market is working. It will also allow identification of seasonal trends. As far as possible, all indicators should be reported on a quarterly basis to ensure consistency.

Retail market overview

The retail market overview will contain information about the number of retailers, customer numbers for each retailer, different customer categories, transfer activity and a report on energy affordability.

EWOV supports the AER's definition of an active retailer as a retailer that has supplied or marketed energy to customers at any stage within the reporting period. It appears sufficient that retailers submit an initial statement of their activities by reference to jurisdiction and customer categories in their first performance report and then provide an update if their activities change.

EWOV agrees that reporting customer numbers based on the number of customer contracts held by a retailer is a more accurate measure of customer numbers than reporting on metering points.

Retail market activities review

One aspect of the retail market activities review is the handling of customers experiencing payment difficulties. In Victoria, the data published by the Essential Services Commission (ESC) in the *Energy Retailers Comparative Performance Report – Customer Service 2008-09* (section 'Dealing with financial assistance') led to a review of retailers' financial hardship programs¹. This shows how valuable information reported here will be for stakeholders.

The AER proposes to collect information about customers in energy debt and debt levels. EWOV acknowledges the concerns expressed by retailers about providing this information, as it can be commercially sensitive, especially for listed companies. However, given that customer debt levels are an important market performance indicator and can also inform the energy affordability report, this information should still be collected by the AER and published in a de-identified version.

EWOV notes that the AER intends to report on the number of customers using direct debit facilities and on the number of direct debit defaults. EWOV further notes that the AER does not intend to monitor the number of customers using Centrelink's Centrepay option or any other payment methods. Customers who pay via Centrepay do not incur additional fees and this makes it a very helpful payment option especially for customers experiencing payment difficulties. While it is true that the *National Energy Customer Framework* (NECF) does not require retailers to offer Centrepay as a payment option, retailers are free to offer this form of payment to customers. Seeing that their competitors offer a Centrepay option may encourage other market participants to do so as well. EWOV suggests that the AER reconsider its position on the inclusion of this measure.

EWOV supports the inclusion of the indicators dealing with de-energisation and re-energisation. In Victoria, the ESC reports on disconnections and reconnections in its annual performance report and also reports separately on wrongful disconnection payments in its annual compliance report.

¹ <http://www.esc.vic.gov.au/NR/rdonlyres/3D38ADE2-11EB-461A-ABB5-04DFF7257CE3/0/FinancialHardshipPrograms20100118.pdf>

EWOV acknowledges that the wrongful disconnection payment is not part of the NECF and therefore does not concern the AER, however information about how many cases of wrongful disconnection retailers have identified is valuable to EWOV and other stakeholders. EWOV suggests that the AER consider whether information about wrongful disconnection payments will be included in any of its reports.

Complaints

EWOV agrees that it would be useful to report separately on residential and small business customer complaints. The Issues Paper states that the categories of complaints to be included are billing, marketing and transfer and 'other'. Examples listed under the 'other complaints' category include poor service and failure to respond to complaints. This suggests that the addition of a separate customer service complaint category could be meaningful. EWOV would welcome the opportunity to further discuss the definition of complaint categories with the AER.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Kristina Schmieg, Policy and Research Officer, on (03) 9649 7599 or at Kristina.Schmieg@ewov.com.au.

Yours sincerely

A handwritten signature in blue ink that reads "Fiona McLeod". The signature is written in a cursive style.

Fiona McLeod
Energy and Water Ombudsman (Victoria)