

## 2007-08 Energy Retail Performance – Consumer Snapshot

Each year the Essential Services Commission (the ‘Commission’) produces reports on the performance of the energy retail businesses over the past financial year. The 2007-08 *Comparative Performance Reports, Pricing and the Competitive Market and Customer Service* are available on our website or by contacting the Commission on **1300 664 969**. This *Consumer Snapshot* is a condensed version.

### Energy Prices in 2007-08

Small customers (residential and small business) were generally on either standing contracts, with prices overseen by Government, or market contracts, with prices established through a market offer.

2007-08 average annual bills, based on average consumption for customers on standing contracts, rose slightly due to a rise in prices at the start of 2008 due primarily to the drought conditions. The table below depicts 2007-08 bills for different consumer profiles compared with the last two financial years (adjusted for inflation), to highlight changes in real terms.

**Table 1: Average annual bills for customers on standing contracts**

Consumer		Annual Consumption	Average Annual Bill (adj.)		
			2005-06	2006-07	2007-08
Electricity	Residential	4,000 kWh peak + 2,500 kWh off-peak on tariff GD/GR+Y8	\$1,006	\$973	\$1,020
	Small Business	25,000 kWh peak + 15,000 kWh off-peak on tariff D	\$6,374	\$6,190	\$6,522
	Dairy Farmer	12,500 kWh peak + 37,500 kWh off-peak on tariff D	\$5,652	\$5,479	\$5,858
Gas	Residential	60 GJ on tariff 03	\$820	\$824	\$838
	Business	500 GJ on tariff 13	\$4,966	\$4,938	\$5,052

### Competitive Market Offers

Thirteen retailers operated in the Victorian retail energy market in 2007-08, providing market offers in some or all of the state. They included the three retailers – Origin Energy, AGL and TRUenergy – required by Government to offer standing contracts on request to customers in their local distribution area.

During 2007-08, 23 per cent of both gas and electricity customers in Victoria switched retailers. The electricity switching rate is down from 26 per cent in 2006-07, while the gas switching rate is unchanged.

The Commission’s analysis of the competitive energy market in May 2008, independently testing the price and non-price offerings of electricity and gas market contracts in the five distribution areas, found that:

- Retailers commonly based tariffs on the local retailer’s standard tariff, with a discount or other non-price incentive used to attract customers.
- Based on an annual electricity consumption of 4000 kWh peak and 2500 kWh off-peak (tariff GD/GR+Y8), residential customers could save up to \$155 through market offers.
- Based on an annual gas consumption of 60GJ (Tariff 03), residential customers could save up to \$60 through market offers.
- Five retailers imposed fixed term contracts, with periods of 2 to 3 years and early termination fees ranging from \$20 to \$125, noting that retailers must comply with the Energy Retail Code in setting early termination fees.

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### **State Energy Concessions and Grants**

To assist low income households, the State Government provided a range of energy concessions and grants. Customers who faced financial hardship may be eligible for financial assistance through Utility Relief Grants (URG). In 2007-08 the Department of Human Services assisted 5,058 electricity customers and 3,029 gas customers through the URG scheme, with the average grant amount being \$324 (electricity) and \$289 (gas).

### **Maintaining Energy Supply**

The Commission collects and reports on a comprehensive range of information to provide an overview of how energy retailers assist customers, particularly those with financial difficulties, to maintain access to supply.

In 2007-08, analysis of the credit management and other policies of energy retailers, such as the use of refundable advances, the availability of budget instalment plans, the use of estimated meter reads, as well as procedures for disconnection and reconnection of customers for continued non-payment of bills, found that:

- 0.29 per cent of customers were disconnected for non-payment of bills, down from 0.33 per cent in 2006-07. Victoria had the lowest rate of disconnections in Australia.
- Less than one third of customers disconnected and subsequently reconnected were reported to have characteristics indicative of financial hardship, such as concession cardholder status, and those previously on budget instalment plans or disconnected and reconnected on more than one occasion.
- Around 4 per cent of residential customers made payments using budget instalment plans.
- Most retailers also offered alternatives to assist customers to pay their bills, including direct debit arrangements (7.2 per cent of electricity and 7.9 per cent of gas customers – of which around 3 per cent resulted in default).
- 22 per cent of electricity and gas customers received an estimated bill, which may be issued when it has not been possible to obtain an actual meter read.

### **Financial Hardship Programs**

The Commission commenced monitoring of retailers' financial hardship programs in January 2008. Analysis of this first six months of data shows that:

- In June 2008, 12,548 residential were registered for retailers' hardship programs.
- The average debt upon entry into a hardship program was \$636, while the average debt upon exit was slightly higher at \$693. Customers spent an average of 387 days enrolled in hardship programs prior to exit.
- A total of 2,386 customers were subsequently removed from hardship programs for not complying with the program requirements.
- 563 customers previously participating in a financial hardship program were disconnected, while 146 were reconnected.
- The Commission's 2008 audit of retailers' financial hardship programs indicated around 6 per cent of participants exited financial hardship programs by agreement with the retailer for the period January 2008 to June 2008, while 15 per cent of participants were excluded as a result of non-compliance with the program's terms.

The Commission expects that prior to disconnecting such customers or removing them from hardship programs, retailers would have ensured that customers were fully aware of their obligations under the hardship program. The Commission will continue to monitor retailer performance in this area.

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### Call Handling Performance of Energy Businesses

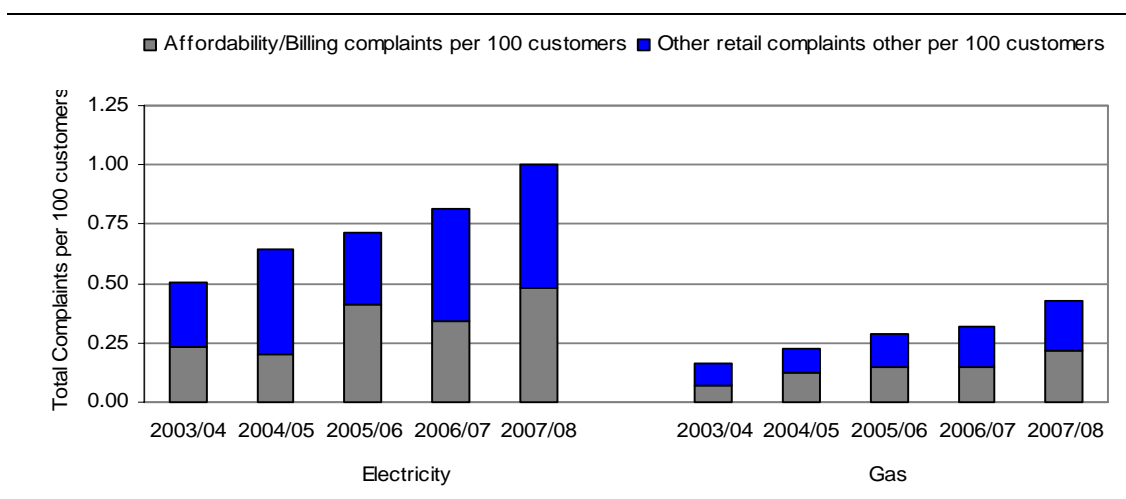
The Commission uses performance indicators to measure the accessibility and responsiveness of energy retailers' call centres to customer enquiries. In 2007-08:

- Energy call centre operators responded to approximately 5.36 million calls.
- 78 per cent of calls from electricity customers were answered within 30 seconds of being forwarded to an operator compared with 71 per cent in 2006-07.
- The Commission independently tested the performance of energy call centres and found that, on average, 67 per cent of calls were answered within 30 seconds, down from 70 per cent in 2006-07.

### Complaints to Energy Businesses

The Commission also monitors the number and type of complaints made to energy retailers. Complaints are categorised broadly as either billing (including those relating to prices, overcharging, payment terms and methods, debt recovery practices and difficulties in paying accounts) or other complaints (such as the quality and timeliness of service, and the conduct of telemarketing and sales staff).

**Figure 1: Complaints per 100 customers**



In 2007-08 a total of 31,905 complaints were made to retailers (24,576 by electricity customers and 7,329 by gas customers):

- Despite complaints continuing to rise, the proportion of customers who made a complaint remained around 1 per cent.
- Affordability and billing complaints rose significantly to 11,794 (8,313 in 2006-07) for electricity and 3,717 (2,381 in 2005-06) for gas customers.
- Complaints relating to other retail issues rose only less markedly to 12,782 (11,341 in 2006-07) for electricity and 3,612 (2,895 in 2006-07) for gas customers.

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### **Complaints to the Energy and Water Ombudsman (Victoria)**

The Commission also uses information supplied and published by the Energy and Water Ombudsman (Victoria) (EWOV) to assess trends in complaints. In 2007-08:

- Consistent with the retailers reporting higher numbers of complaints, more energy customers lodged a complaint that required full investigation by EWOV in 2007-08 (4,862 compared to 4,585 complaints in 2006-07, a 6 per cent increase).
- Energy affordability complaints increased by 45 per cent in 2007-08 to 3,631, accounting for the rise in overall complaints. Complaints on non-affordability issues, however, dropped by 39 per cent from 2,028 to 1,228.
- The overall rate of complaints received by the Ombudsman for full investigation remains stable at around 0.1 per cent of Victorian energy consumers.