

## 2006-07 Energy Retail Performance – Consumer Snapshot

Each year the Essential Services Commission (the ‘Commission’) produces a report comparing the performance of the energy retail businesses over the past financial year. The complete [Comparative Performance Report](#) is available on our website or by contacting the Commission on **1300 664 969**. This *Consumer Snapshot* is a condensed version.

### Energy Prices in 2006-07

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.

2006-07 average annual bills, based on average consumption for customers on standing contracts, remained steady or decreased compared to previous years. The table below depicts 2006-07 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.)		
			2004-05	2005-06	2006-07
Electricity	Residential	4,000 kWh peak + 2,500 kWh off-peak on tariff GD/GR+Y8	\$1,012	\$993	\$955
	Small Business	25,000 kWh peak + 15,000 kWh off-peak on tariff D	\$6,437	\$6,292	\$6,077
	Dairy Farmer	12,500 kWh peak + 37,500 kWh off-peak on tariff D	\$5,759	\$5,586	\$5,379
Gas	Residential	60 GJ on tariff 03	\$800	\$805	\$808
	Business	500 GJ on tariff 13	\$4,898	\$4,872	\$4,845

### Competitive Market Offers

Thirteen retailers operated in the Victorian retail energy market in 2006-07, 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 2006-07, 26 per cent of electricity customers and 23 per cent of gas customers in Victoria switched retailer – the highest rate since competition was introduced.

The Commission’s analysis of the competitive energy market in May 2007, independently testing the price and non-price offerings of electricity and gas market contracts in the five distribution areas, found that:

- Retailers tended to base their market offers on the standing contract price (tariff), with a discount or other incentive used to attract customers.
- Based on an average annual electricity consumption of 4,000 kWh peak and 2,500 kWh off-peak, residential customers could have saved between \$79 and \$150 off the standing tariff across the five distribution areas by taking up a market offer.
- Based on an average annual gas consumption of 60 GJ, residential customers could have saved between \$53 and \$129 through market offers.
- Many retailers were offering ‘green power’ as an option in their market contracts.
- Four 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 also have been eligible for financial assistance through Utility Relief Grants (URG). In 2006-07 the Department of Human Services assisted 5,504 electricity customers and 3,561 gas customers through the URG scheme, with the average grant amount being \$347 (electricity) and \$313 (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 2006-07, 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:

- The percentage of customers disconnected for non-payment of bills was higher than in 2005-06 but remained well below 1 per cent, and below most other states.
- Less than 30 per cent 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 5 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 per cent of electricity and 8 per cent of gas customers – of which 4 per cent or less resulted in default), monthly payment plans and ‘Centrepay’ deductions.
- 21 per cent of electricity and 26 per cent of gas customers received an estimated bill. (Retailers issue estimated bills when it has not been possible to obtain an actual meter read. Use of estimated bills should be minimised as estimations are recognised as a relatively inaccurate method of billing a customer.)

### **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 2006-07:

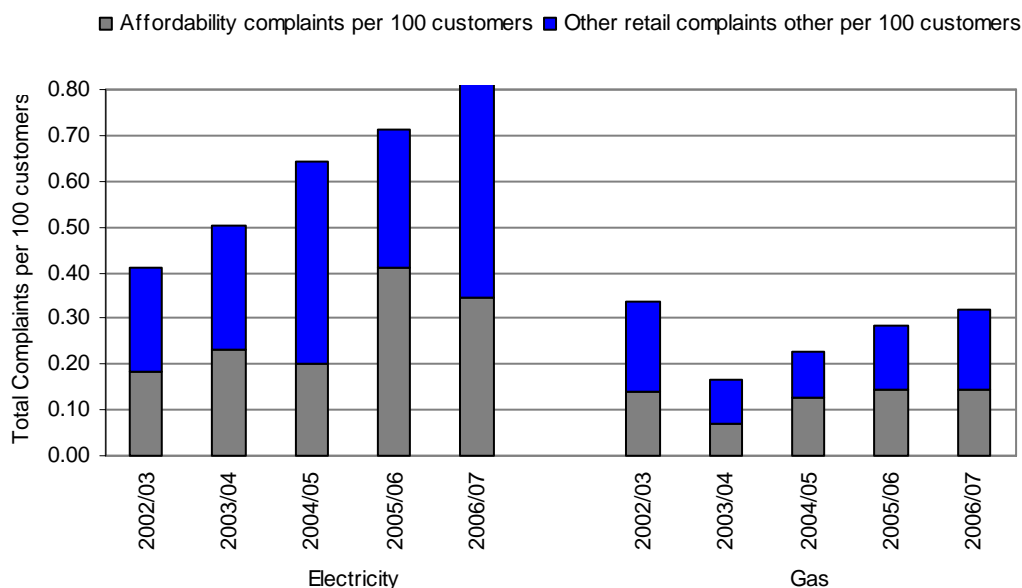
- Energy call centre operators responded to approximately 5.6 million calls.
- 72 per cent of calls from electricity customers were answered within 30 seconds of being forwarded to an operator compared with 79 per cent in 2005-06.
- 80 per cent of calls from gas customers were answered within 30 seconds compared with 74 per cent in 2005-06.
- The Commission independently tested the performance of energy call centres and found that, on average, 70 per cent of calls were answered within 30 seconds, with the average time taken to respond to customer calls being 37 seconds.

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### Complaints to Energy Businesses

The Commission also monitors the number and type of complaints made to energy retailers. Complaints are categorised broadly as either affordability (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 2006-07 a total of 25,004 complaints were made to retailers (19,654 by electricity customers and 5,350 by gas customers):

- Despite complaints reaching their highest level in five years (21,420 in 2005-06), the proportion of customers who made a complaint remained around 1 per cent.
- Affordability complaints numbered 8,313 (9,713 in 2005-06) for electricity and 2,455 (2,381 in 2005-06) for gas customers.
- Complaints relating to other retail issues numbered 11,341 (7,077 in 2005-06) for electricity and 2,895 (2,249 in 2005-06) for gas customers. This increase – more significant for electricity – may be due to an increase in sales and marketing activity with the number of retailers reaching thirteen during 2006-07.

### 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 2006-07:

- While retailers reported higher numbers of complaints, fewer complaints required full investigation by EWOV (4,572 compared with 4,634 in 2005-06). This represents 0.1 per cent of Victorian energy consumers.
- EWOV reported an increase in marketing issues (1,549 compared with 952 in 2005-06). However, put in the context of higher levels of marketing activity, an increase in the number of retailers active in the market to thirteen, and a substantial customer base of approximately 2.4 million energy customers, this remained low both in number and proportion of customers (less than 1 per 1,000 customers).