



27 January 2012

**Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 2, 35 Spring Street
Melbourne VIC 3000**

Dear Dr Ben-David,

Performance Indicators for Customer Service

As requested in your letter dated 9th December 2011, and received 16th December 2011, AGL can provide the following response to the questions raised.

1. Customer disconnections

AGL notes that under the current Regulations set out and administered by the Commission, that 11.1 states:
"A customer must contact a retailer if the customer anticipates that payment of a bill by the pay by date may not be possible"

AGL continually makes changes to our disconnection and collections processes to ensure compliance, early detection of potential hardship, a fair outcome for all and to ensure disconnection is used as a last resort. In the early part of 2011 AGL made a change to electricity disconnections, where historically AGL reviewed accounts for disconnection only in circumstances related to individual electricity bills. We now look at the overall account balance. What this meant was in past a customer with 3 unpaid quarterly bills may not have fallen into AGL's disconnection review process due to their individual bill value, whereas now they may enter the process due to the overall account balance. This has resulted in increased disconnection requests sent to the Distributor.

The primary drivers of this business decision was the growing indebtedness of customers who were accumulating a high level of debt through multiple unpaid bills and who were not engaging (or paying) AGL, despite communications such as text messaging and letters being sent and often multiple phone calls and call attempts being completed. Safeguards in place include a 'gatekeeping' program prior to disconnection which checks for regulatory compliance as well as identifying hardship indicators. This can result in re-attempting engagement with these customers through further phone calls, registered letters and field calls in a number of circumstances.

As indicated above, AGL are in the process of assessing the implications of this and are continually reviewing and enhancing the processes and available options to develop the right balance including options available to assist the customers facing disconnection. AGL does and will continue to closely monitor this program and are aware of the sensitive nature of disconnection and its impact on vulnerable customers.

AGL is continually looking for ways to improve customer communication and engagement to better identify and address the early signs of financial hardship, and prevent accounts getting to the point of disconnection. AGL is of the belief that the current processes can be improved and are continuing to work with our Customer Council and various advocate groups to minimise disconnections.

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In AGL's experience, one of the hardest aspects in moving eligible customers onto the hardship program has been getting the customer to contact AGL in order to take part in the program. AGL has a very low rate of customers who are refused entry into the program, with the key requirement being that the customer expresses a willingness to participate. This hardship policy was recently audited against the practical application of it by an external audit firm engaged to assess AGL's compliance with the Victorian regime. The results of this audit, whilst not yet published, indicate that in practice, AGL is following its Staying Connected program's policies and procedures.

2. Estimated reads

AGL agrees estimated accounts have increased. As AGL has pointed out to the Commission on a number of occasions, AGL believes the analysis of this KPI is flawed. The Commission is using a per bill figure and comparing it to a per customer figure. As previously explained to the Commission, if bills are sent on a quarterly or bi-monthly basis, the figure needs to be divided by 4 or 6 to give a better calculation of how many customers receive an estimated account.

In addition, the Commission is also aware that AGL does not estimate customers bills. AGL bills customers purely on the read provided by the Network company. AGL has previously raised this issue to the Commission, to the AER and to AEMO on a number of occasions. AGL's most recent analysis indicates that on average, 8% of reads are being estimated. Compared to 2010, this is a 100% increase in electricity and a 33% increase in Gas. AGL will continue to raise this issue in the appropriate forums.

3. Call Centre Performance

In 2011 AGL identified that customers were receiving a less than appropriate level of customer service and has taken significant steps since the end of FY11 to improve the service and experience of its Victorian customers.

AGL have implemented a key initiative to improve our service standards to all of our customers, which will result in reduced wait times (average speed of answer) and increase first contact resolution for our customers. This key initiative was launched in late 2011 and to date has had a sustained, positive impact with average Customer wait times reducing by over 50% compared to the same time in 2010. AGL notes that currently our Year to Date position is indicating a 10% improvement on previous levels.

4. Increase in reported complaints

As the Commission is aware from reports published by the Victorian Ombudsman, whilst AGL's reported complaints have increased, referrals to the Ombudsman have decreased. The logical explanation for this is rather than complaints increasing, AGL has significantly improved being able to identify complaints and resolve them to the customers satisfaction. Customers are seeing a reduced need to refer complaints to the Ombudsman.

The Ombudsman's Annual Report for FY10/11 clearly shows that our Ombudsman Complaints fell by 14% whilst complaints across all energy retailers rose by around 20%. The data that we supplied to the ESC includes all complaints- not just Ombudsman complaints- and so an increase in complaints overall compared to a fall in Ombudsman complaints is good news for us and our customers because it means that we are now not only better at identifying and recording complaints, but also that we are better at rectifying

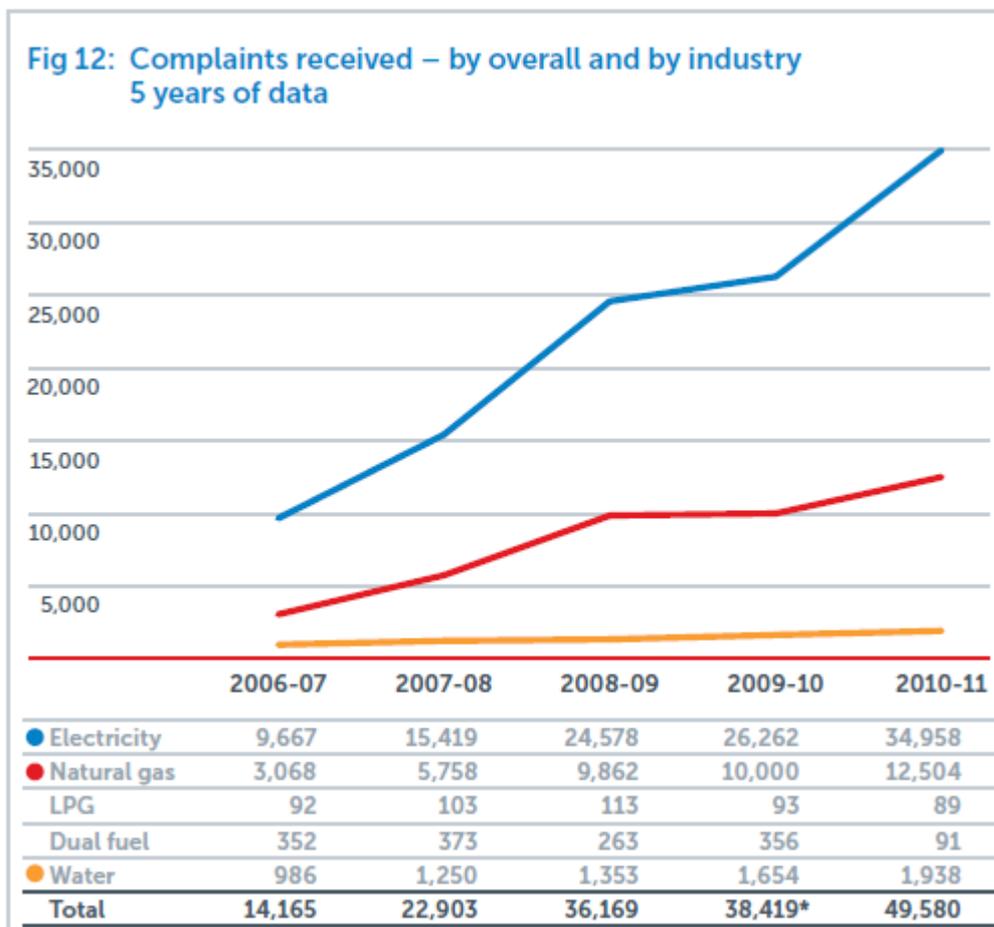
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them in house without customers requiring Ombudsman intervention. The relevant Ombudsman produced graphs are provided below.

Total AGL Complaints



Total Industry Complaints



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Should you have any questions in relation to this matter, please contact Andrew Robertson on (03) 8633 6045.

Yours sincerely,

Alex Cruickshank
Head of Energy Regulation

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