



Victorian energy market update

April to June 2017 with audit findings

26 September 2017



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Introduction

This is our third update on the Victorian energy market in 2017. It provides important information about the market from April to June 2017.

In particular, this report provides an update on:

- electricity offers
- customers experiencing payment difficulty
- how energy companies are performing against a range of indicators.

This update also includes a special feature containing the key findings from our audit program.

This update meets our quarterly reporting obligations under Sections 54V and 54W of the *Essential Services Commission Act 2001*, Section 39A of the *Electricity Industry Act 2000* and Section 47 of the *Gas Industry Act 2001*. The next report will cover the period 1 July 2016 to 30 June 2017 and will be our annual report published in November 2017.

1. Update on electricity offers

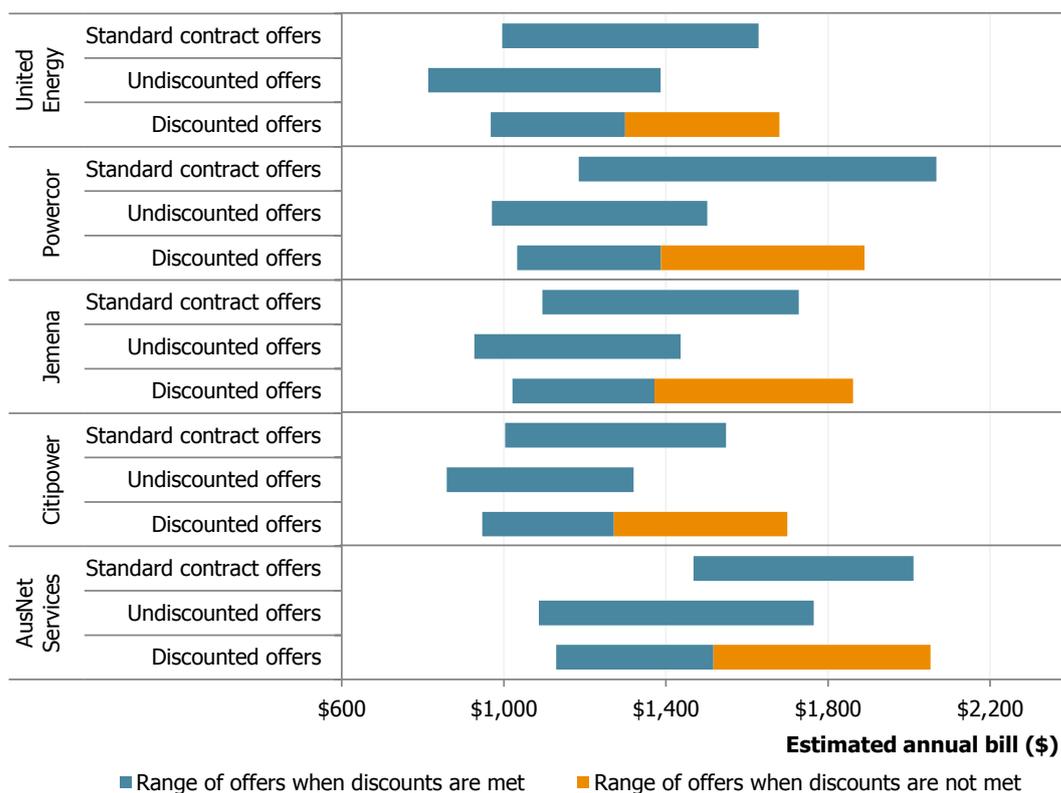
As at 30 June 2017, there were a wide range of electricity offers available. Our analysis of these offers found that high discounts don't always lead to the lowest possible electricity bill.

What is the range of electricity offers available?

Most market offers include discounts and all retailers publish standard contract offers. We estimated the annual bills for the range of generally available electricity offers in each distribution area in Victoria, as shown in the figure below.¹

We have grouped offers into three categories: standard contract offers, market offers where a discount is not offered and market offers where retailers do offer discounts. In the last group, we highlight what you might pay with and without the discount taken into account. We do this because many market offers include conditional discounts meaning that if you don't meet the conditions (for example, by not paying on time) then you will be required to pay more for your energy.

Range of offers by type, by distribution area, as at 30 June 2017



¹ The estimated annual bill is based on an example customer with annual consumption of 4,000kWh for electricity, based on available flat and multi-flat tariffs (and excluding offers labelled controlled load, dedicated circuit and demand tariffs).

Our analysis highlights some interesting findings, such as:

- If you are on a standard contract, changing to a market contract can lead to substantial savings. However, there are some cases where you could end up paying more than you would on a standard contract – particularly if you didn't meet the conditions required to get a discount.
- Discounts can deliver real savings. But if you don't meet the conditions of your discounts, you could find yourself paying hundreds of dollars more than you might have been expecting.
- As at 30 June 2017, the best-priced contracts involved no discounts at all. This finding challenges the common view that you should shop around for the best discount.

Will discounts from my electricity retailer reduce my bill?

We also looked in more detail at discounted electricity offers available as at 30 June 2017. Our analysis found that the offer with the highest discount in percentage terms did not necessarily result in the cheapest bill. As shown in the figure below, we found at least three offers that provided very different headline discounts off the total bill (10, 20 and 37 per cent). Despite this, the bill would have come to almost the same amount (\$1020 to \$1030).

Different discounted offers could end up with the same annual bill



This means that when you're shopping around for a new energy contract, you're best not just looking at the headline discount you're being offered by a retailer. Instead, you should try to find the contract that leads to the lowest amount you will be paying (in dollars) each year. The Victorian government runs Victorian Energy Compare, a website that helps you compare offers.²

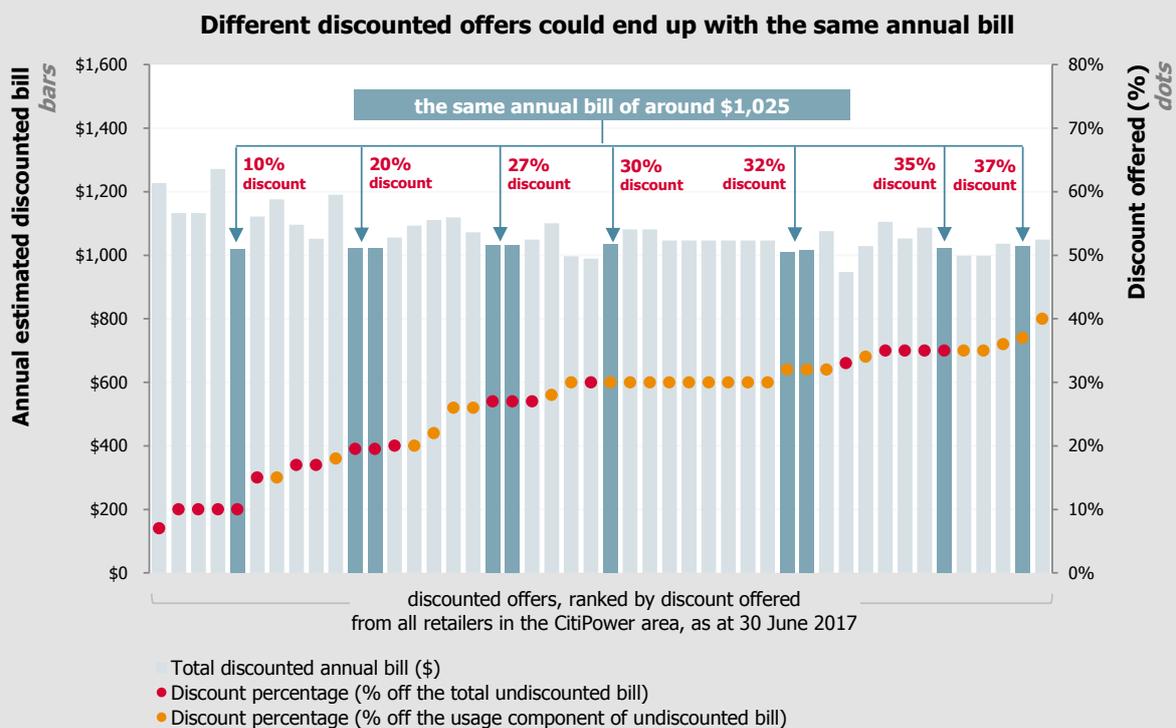
² <https://compare.switchon.vic.gov.au/>



Analysis: Comparing estimated annual bills and discounts offered on generally available market offers

Our analysis highlights how misleading headline discounts can be. We reviewed all generally available electricity offers as at 30 June 2017 and ranked them from lowest to highest discounts, as per the figure below. The following figure can be read as follows:

- The coloured bars show how much you would pay under each discounted electricity offer available in the market (as long as you met all the conditions to receive those discounts).³
- The dots show the headline discount percentage offered by a retailer on each of these offers. The red dots represent discounts off the total bill, while orange dots show discounts off the usage part of the bill only.
- The darker bars highlight ten offers that end up with the customer paying around \$1,025 per year⁴, even though these ten offers have very different advertised discounts.



Our analysis illustrates how confusing it can be to compare energy offers based solely on headline discounts.

³ The estimated annual bill is based on an example customer with annual consumption of 4,000kWh for electricity, based on available flat and multi-flat tariffs (and excluding offers labelled controlled load, dedicated circuit and demand tariffs).

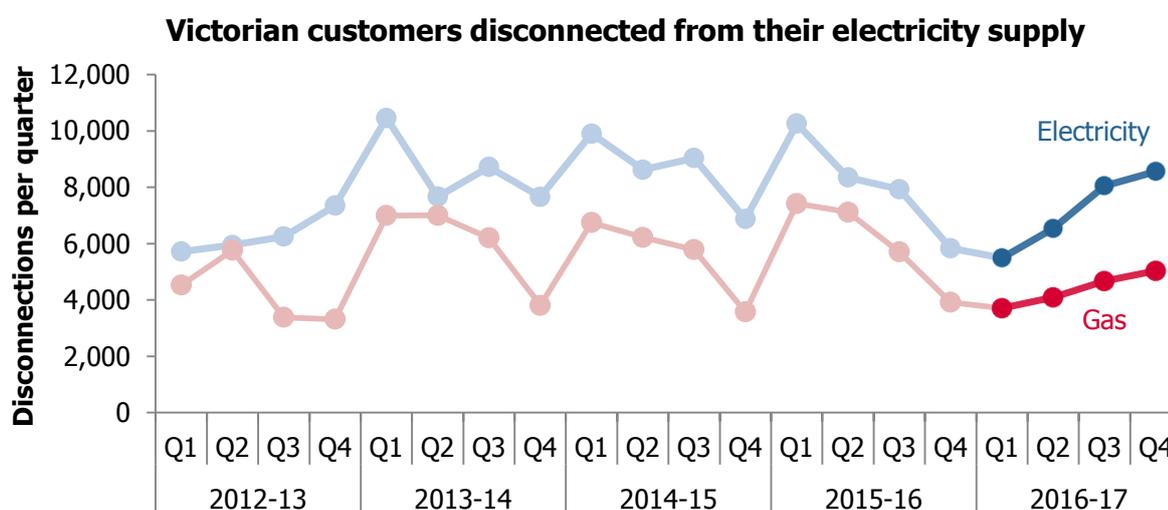
⁴ Identified offers gave estimated annual bills of \$1,025 plus or minus \$15.

2. Update on disconnections and energy debt levels

Some customers find it difficult to pay for their energy bills and can end up having debts with energy retailers. To help us promote better outcomes for customers in payment difficulties, we regularly monitor trends in disconnections, debt levels and hardship program participation. Our findings are based on data collected from energy retailers.

Disconnections continue to rise

Customers can be disconnected from their electricity or gas supply for not paying their bills. We observed that disconnections have continued to rise since the start of this financial year (2016-17).

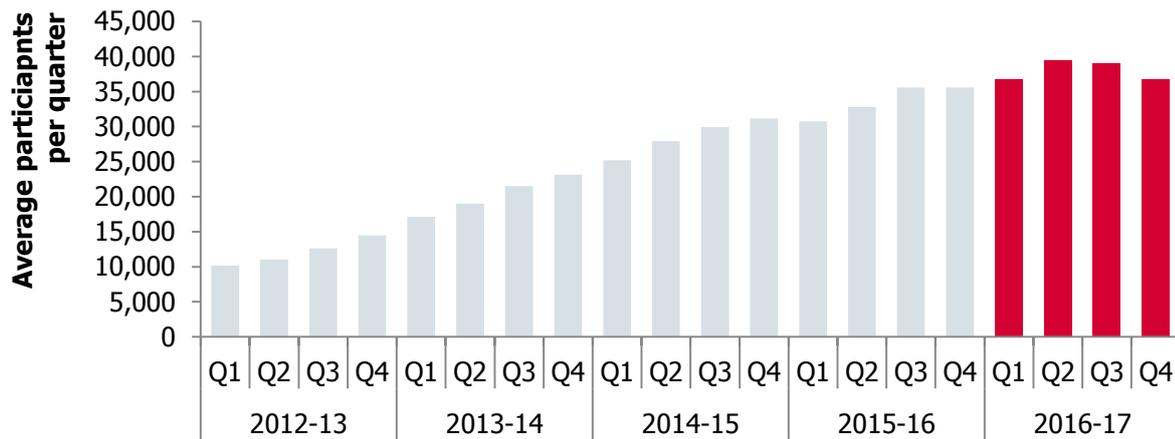


Between April and June 2017, 206 customers were also reported as being *wrongfully* disconnected from their energy. Retailers paid customers a total of \$199,367 for these wrongful disconnections.

Changes in participants in hardship programs

All retailers are required to provide hardship programs for customers experiencing difficulty paying their bills. The following figure shows the number of customers enrolled in retailers' hardship programs in each quarter over the last five years. For most of that time, there has been a persistent upward trend. This may reflect the impact of rising prices on the affordability of energy for many Victorians. Interestingly, the upward trend in the number of customers enrolled in retailers' hardship programs has reversed slightly over the last six months. This is despite the ongoing increase in energy prices during that period.

Victorian participants in energy retailer hardship programs

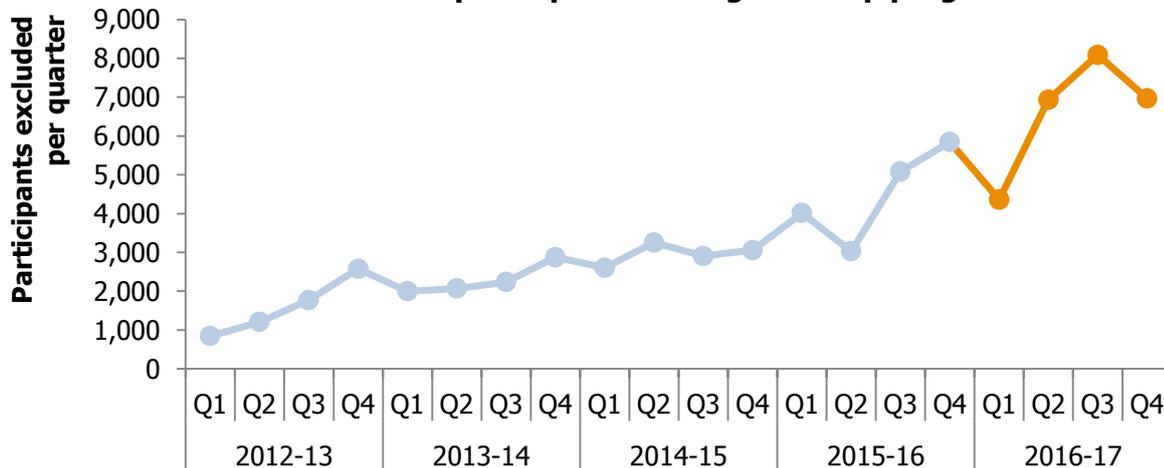


More customers excluded from hardship programs

Customers cannot be disconnected if they are in a retailer’s hardship program. They can be disconnected if they have been excluded from these programs. Retailers can exclude customers if they do not comply with the program requirements set by their retailer.

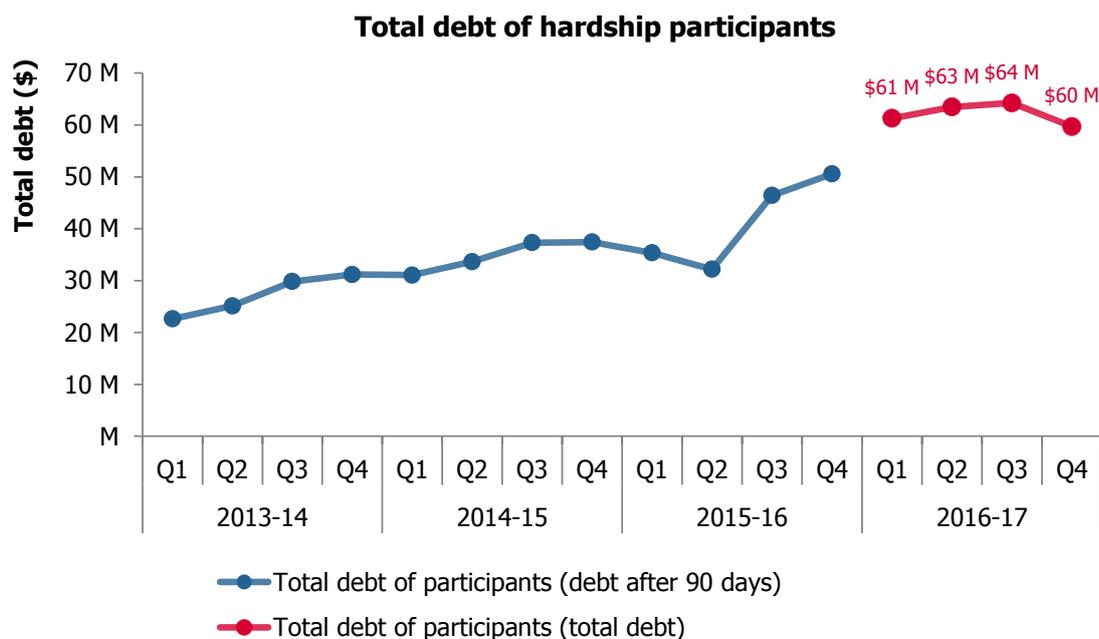
We observed a 47 per cent increase in yearly participants exiting hardship programs by exclusion this financial year compared to 2015-16. It is not immediately obvious why the numbers of customers exiting retailers’ hardship programs has increased so significantly in the last year.

Victorian participants exiting hardship programs



Overall debt remains high in 2016–17

When customers are enrolled in a retailer's hardship, the retailer cannot recover any amount owing from the customer. The figure below shows the total debt owed by customers enrolled in retailers' hardship programs over the last four years. Although we have altered the way we define the data we collect from retailers, the overall picture remains unchanged with debt continuing to increase. We note there has been a reasonably significant reduction in debt in the last quarter.



Total debt levels are influenced by a range of factors, including the amount of debt owed by participants entering and exiting hardship programs (including those who have been excluded).

Next steps

We will continue to monitor the quarterly increases in disconnections (noting the high levels of disconnections at the start of 2015–16), as well as the trends related to participants in hardship programs and related energy debt levels. In addition, in October we will be releasing a report on how we are reforming the way energy retailers will be required to assist customers in payment difficulty. More information on our work on customers facing payment difficulty can be found at our website.⁵

⁵ <http://www.esc.vic.gov.au/project/energy/35945-protections-for-customers-facing-payment-difficulty/>

3. Compliance with the energy rules

Energy businesses are required to tell us when they have not complied with the energy rules. Compared to last quarter, energy companies reported similar numbers of non-compliances to previous quarters. We note that there is an increase of distributors reporting their failure to notify customers when an electricity outage is being scheduled for their area.

We also require independent audits to be conducted on energy companies, which include reviews on the accuracy of the information they report to us. Key findings from our 2016–17 audit are included as a special feature to this update.

Number of reported non-compliances from energy companies in each quarter

Description of non-compliances by retailers	1 Jul to 30 Sep 2016	1 Oct to 31 Dec 2016	1 Jan to 31 Mar 2017	1 April to 30 June 2017
Wrongfully disconnecting a customer	213	164	141	116
Failure to notify a customer of overcharging	1	1	0	1
Transferring a customer without obtaining explicit informed consent	12	10	14	2
Failing to provide new customers with complete information	7	3	1	0
Failing to notify a customer of changes to tariffs or charges	2	0	2	7
Failing to publish energy prices	2	0	0	0
Failing to organise reconnection in a timely manner	1	0	0	0
Sub-total (retailers)	238	178	158	126
Description of non-compliances by distributors	1 Jul to 30 Sep 2016	1 Oct to 31 Dec 2016	1 Jan to 31 Mar 2017	1 April to 30 June 2017
Failing to notify life support customers of planned outages	3	2	1	1
Failing to notify customers of planned outages	137	126	70	104
Failing to provide metering data in a timely way	0	1	0	0
Sub-total (distributors)	140	129	71	105

Data relates to breaches reported in each quarter. They are subject to change by further information received over time. Note that some individually reported non-compliances may affect multiple customers, for example, the 116 reported non-compliances of wrongfully disconnecting a customer affected 206 customers from 1 April to 30 June 2017.

3. Compliance with the energy rules

4. Next Victorian Energy Market Report

Our next annual *Victorian Energy Market Report* will be released in November 2017. The report will provide information on what is happening in the electricity and gas markets of Victoria in 2016-17. It will provide further analysis on electricity and gas offers and on the performance of energy companies during that year.

Victorian Energy Market Update

Special feature on audit findings

2016-17 audit program of Victorian energy companies

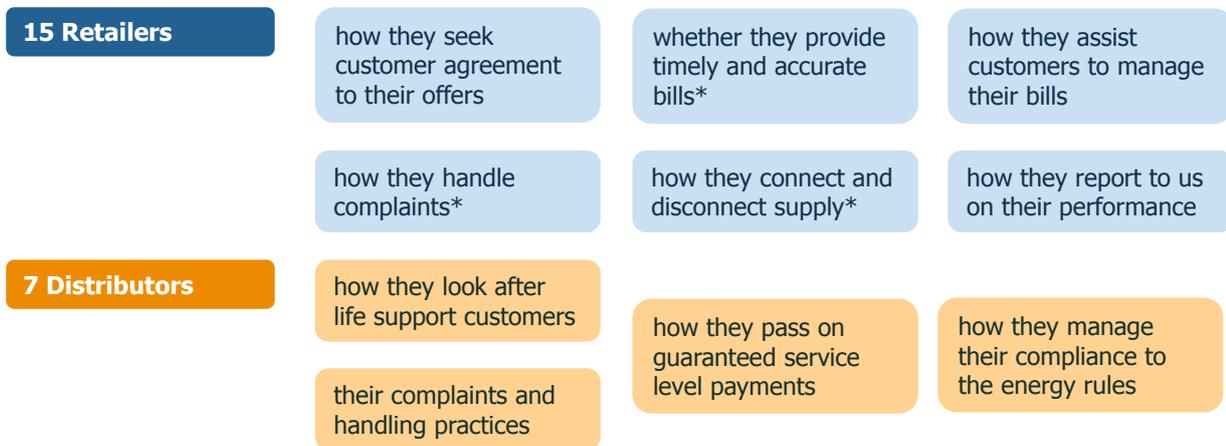


Key audit findings

We audited 22 energy companies operating in Victoria this year to check whether they were complying with the energy rules.

Overall, we found that retailers and distributors largely complied with the energy rules. In most instances retailers had sound practices for offering customers payment plans, and distributors generally had good processes to manage customer complaints. However, many retailers and distributors had weaknesses maintaining records, supervising staff and providing reliable and accurate data to us on their performance.

The focus areas of our review



* For some newly licensed retailers, we looked at the broad range of services they provide. Four audits looked at retailer complaints, connections and disconnections, billing and other customer services. Eleven retail audits looked at consent, payment plans and reporting.

A breakdown of our review findings

Two hundred and twenty-four findings were reported to us by the auditors. The findings include opportunities for energy companies to improve the way they deal with their customers, as well as instances where energy companies have not complied with the energy rules.



Common themes identified across energy companies



Consent records

Retention of customer consent records is a problem for many retailers.



GSL payments

There is some variation between distributors as to when they will pay customers compensation for failing to meet a guaranteed service level.



Life support

Some energy businesses fail to ensure life support customer records are accurately maintained.



Training

Records of the training delivered to staff on the energy rules are often not maintained.



Work policies and procedures

Some energy businesses have few or no documented policies and procedures.



Staff oversight

Some energy businesses have little supervision of their outsourced staff (for example, sales agents).



Reporting

The accuracy of performance data reported to us by some energy businesses could not be confirmed.

Introduction

This update demonstrates how we are promoting protections for consumers, as well as ensuring that energy companies are providing customers with electricity and gas according to the energy rules⁶. In particular, this section of the update provides a summary of our audit program.

This year we audited 15 retailers and 7 distributors. We also surveyed all electricity retailers on how they protect customers who rely on electricity to operate life support.

Audits are a useful way for us to see whether retailers and distributors comply with the energy rules. These rules exist to protect customers, so it is important that we regularly check on energy companies, and report our findings to the community.

When a problem is found in an audit, it provides the energy company with an opportunity to fix things before the issue gets worse. Sometimes audits find ways for energy companies to improve how they go about their business. We are interested to know about these opportunities because it is important that retailers and distributors always seek to improve how they deal with their customers. Once an audit has ended, we check with each energy company to make sure they are working on correcting any problems and implementing any suggestions.

This report summarises what we learnt from these audits. If you want to know how your retailer or distributor performed, go to the audit section of our website.⁷ Here you will find a fact sheet for each energy company we audited this year. The fact sheet tells you what the audit found, what the energy company will do to fix any problems identified and how we are working with them to make sure they serve customers in accordance with the energy rules.

⁶ Retailers must adhere to retail license conditions, as well as the *Energy Retail Code (2015)* and *Code of Conduct for Marketing Retail Energy (2009)*. Distributors must adhere to distribution license conditions, as well as the *Electricity Distribution Code (2015)* and *Gas Distribution System Code (2014)*. All businesses have obligations under the *Compliance and Performance Reporting Guideline (Interim 2016)*, the *Electricity Industry Act (2000)* and the *Gas Industry Act (2001)*.

⁷ <http://www.esc.vic.gov.au/project/energy/2153-regulatory-audits-of-licensed-energy-businesses>

1. Our review of energy retailers

Your energy retailer is the company that supplies and bills you for your energy usage.

In the Victorian energy market, you can choose who bills you for your gas and electricity.

Who we audited		
AGL and Powerdirect	Globird Energy	Origin Energy
Alinta Energy	Lumo Energy	People Energy
Blue NRG	M2 Energy	Powershop
Click Energy	Momentum Energy	Red Energy
EnergyAustralia	Online Power & Gas	Simply Energy

Retailers were selected for audit based on: numbers of customers, self-reported breaches, and length of time in the market⁸.

What we found in the audits

Signing up to an energy contract – where’s my copy?

Before you sign up to a new energy plan, the retailer must provide you with information in plain English so you can give your informed agreement (i.e. your consent) to accept the retailer’s offer. Your retailer must keep a record of your consent for at least two years.

We found that some retailers had trouble proving that customers agreed to sign on to an energy plan. This was the case for Blue NRG, Click Energy, EnergyAustralia, Momentum Energy, Origin Energy, Red Energy and Simply Energy. The reasons why retailers could not provide consent records related to system issues, such as calls not being recorded, or retailers finding it difficult to locate these recordings in their systems.

We found that some retailers do not tell customers everything they need to know before signing them on to an energy plan. Alinta Energy, Click Energy, EnergyAustralia, Momentum Energy, Origin Energy, and Simply Energy did not tell customers they may be called at a later date to

⁸ Newer retailers were audited on a broad range of obligations as entrants into our audit program. Retailers that had been audited during 2015-16 were audited on fewer obligations.

confirm they understood they were agreeing to sign up with the retailer. Alinta Energy, Lumo Energy and Red Energy did not advise consumers that the sales agent would receive a commission for the sale.

More than half of audited retailers have poor supervision of staff

Retailers may use outsourced staff to help them manage activities such as telemarketing, billing and credit. When activities are outsourced, it is the retailer's responsibility to ensure that outsourced staff know about and follow the energy rules.

The audit found that some retailers have little to no supervision of their outsourced providers treat their customers. Alinta Energy, Blue NRG, Click Energy, Globird Energy, EnergyAustralia, Red Energy, Lumo Energy and Powershop were all found to poor supervision (in the form of a quality assessment program) for some of their outsourced providers. This includes outsourced providers offering sales, billing and credit collection services.

In particular, EnergyAustralia requires significant improvements for how it supervises the performance of its internal and outsourced sales staff. The audit found that EnergyAustralia's outsourced sales staff were subject to different monitoring and reporting processes than its internal staff. Outsourced sales vendors who generated low volumes of sales were not monitored at all. There was also a period in 2016 when EnergyAustralia did not quality assess sales calls made by its internal sales call centre.

All retailers offer payment plans to customers

Retailers are required to provide and offer payment plans to help their customers pay their bills, if the customer tells their retailer they needs extra help.

The audits found that all retailers offer payment plans and help set up reasonable payment arrangements when customers request it. This is a pleasing result given the importance of protecting customers facing payment difficulty.



Focus on Click Energy's payment plans

The audit found that Click Energy provides customers who fail to meet their payment plans with personalised support that exceeds the energy rules. Most retailers commence the disconnection process when a customer fails to meet two payment plan arrangements. Click Energy does not start the disconnection process when other retailers would.

Instead, Click Energy contacts customers who miss or fail to meet two payment arrangements, to discuss what support they can provide, before considering the commencement of the disconnection process.

We are pleased to see Click Energy taking additional steps to see what it can do to assist a customer so that disconnection is always the last resort.

Retailers' reporting needs work

We ask retailers to provide us with information about their performance every three months. It helps us check on matters like disconnection trends, customers experiencing financial difficulty, complaints and how retailers maintain important service levels such as answering customer calls. This information helps us identify weaknesses that we may need to address with a retailer or the industry as a whole.

We found that many retailers' processes for collating their information to report are informal, and in many cases it was difficult for the auditors to check the accuracy of the data the retailers had provided. This suggests that some of our retailer data used for reporting may not always be as current as we would like. AGL, Blue NRG, EnergyAustralia, Globird Energy, M2 Energy, Momentum Energy, People Energy and Simply Energy had trouble replicating their reporting data.

AGL also failed to submit their performance report to us on time.

Rule books: some policies, procedures and training can't be found

Maintaining up to date policies and procedures is good business practice. It ensures that staff know what they need to do to assist customers and everyone is treated consistently, in accordance to the energy rules

Some retailers should do more to make sure their policies and procedures are documented and up to date. For instance, People Energy and Simply Energy had hardship policies, however they hadn't been reviewed regularly. Red Energy and Lumo Energy could improve written instructions for staff, outlining steps to follow when sales don't go to plan. People Energy did not have any billing or life support policies, and Simply Energy did not have a documented process for dealing with wrongful disconnections. Despite these retailers not having these processes documented, staff understood what they needed to do and the audit didn't find any instances where staff didn't comply with the energy rules. Nevertheless, we believe well documented processes are important to ensure new staff are properly trained and supported.

Retailers are required to keep records for all sales and marketing training completed by sales staff.

The audits found that AGL, Alinta Energy, Blue NRG, Click Energy, EnergyAustralia, Lumo Energy, M2 Energy, People Energy, Powershop, and Simply Energy did not consistently maintain records of all training their staff undertook about the energy rules.

Important information – what to expect from a retailer when signing up to a new plan

- Before you sign up to a new energy plan, the retailer must provide you with information in plain English so you can give your agreement (i.e. your consent) to accept the offer.
- Your retailer must keep a record of your consent for a minimum of two years. If they can't confirm that you provided your consent, your contract with the retailer is void. You can ask for a copy of your consent record if you don't remember agreeing to the offer or you think the retailer signed you up incorrectly.
- Make sure you understand the terms and conditions before you agree to an offer. Ask questions if you are unclear. If signing up online, make sure you read the terms and conditions before clicking to accept the offer.
- Your retailer is required to have a program and plan in place to help you manage your energy costs. Make sure you contact your retailer to find out how they can help you if you are facing payment difficulty. Your retailer may assist you by putting you on a financial hardship program.
- If you are on a hardship program and are willing to pay and engage with your retailer (by keeping them informed if you are having problems) they are not allowed to disconnect you if you don't pay your bills.
- If your power has been disconnected and you have a smart meter (that is remotely operated and your supply can be safely reconnected), your retailer must attempt to have you reconnected in 2 hours, if you request this.
- Retailers have complaint and dispute handling procedures available on their websites. You have the right to raise a complaint with your retailer if you are not happy with its service. Give them a call (your bill will have their contact number). If you are not getting traction with the retailer, you can escalate your complaint to the Energy Water Ombudsman (Victoria) on 1800 500 509.

Spotlight on protecting life support customers

We asked audited retailers how they look after their life support customers. We wanted to know how they protect these customers from power outages or disconnection, how they identify customers with life support needs and how they keep their systems and distributors up to date with this information.

There are extra rules and protections for life support customers. For instance, if you are customer on life support equipment, then:

- your retailer and distributor are not allowed to disconnect your property, unless you request this
- your distributor must provide you with advice on how to prepare a plan that you could implement if your household is temporarily without power
- your distributor must give you at least four business days' notice when they have a planned interruption to supply; for example, when they are replacing or maintaining the poles and wires in your area.

Depending on what equipment you need, you may be eligible for a concession to assist with the running costs of your life support equipment.⁹

Important information – for energy customers who depend on medical equipment

You need to:

- Let your retailer know. They will register this information in their systems and let your distributor know.
- Provide medical confirmation; for example, a letter from your doctor.

If you do not supply this confirmation, there is a risk you will not be registered as needing life support. If you need more time (for example, if you cannot see your doctor within the time the retailer advises you) let your retailer know when you expect to be able to provide it.

And finally, if you no longer need life support equipment, let your retailer know and they will update their records and also let your distributor know.

⁹ Your energy retailer will be able to provide you details about this. You can also find out more from this website: <http://www.dhs.vic.gov.au/for-individuals/financial-support/concessions/energy/life-support-machine-electricity-concession>

Improvement areas and best practice of energy companies

Our audits showed that retailers and distributors are doing a lot to look after customers who have life support needs. We also learnt about some things that businesses can start doing, and keep doing, to improve how they protect life support customers.



Improvement opportunities

1. How and when retailers advise distributors of a customer's life support status isn't very consistent. All retailers advise distributors through an automated notification system, but some also follow up with a telephone call or an email to the distributor.

We suggest that at all times retailers and distributors follow industry procedures regarding how and when they notify each other about life support customers.

2. Retailers and distributors should establish protocols that specify the conditions under which they remove a life support status from a household. For example, they should agree on the conventions for the reasons life support status can be removed, the information they need to do this and how they will let each other know of a change in status.



Nearly best practice

3. Most retailers will keep a flag on a household requiring life support equipment, even if the retailer hasn't received medical confirmation from the customer.

We see this as good practice to prevent a customer being disadvantaged. This process can be improved by retailers having a good follow-up process to get a copy of the medical certification.



Achieving best practice

4. Most retailers will ask customers if they use life support equipment at the time the customer joins up. This means a retailer can immediately register the household as requiring life support prior to receiving the medical confirmation from the customer.

2. Our review of energy distributors

Your distributor is the business that maintains the pipes, poles, wires and meters that deliver and supply electricity and gas to you.

Unlike retail companies, you do not have a choice over which distributor delivers the energy to your home or business. We audited all Victorian electricity and gas distributors.

Who we audited	
Electricity	Gas
AusNet Services	AusNet Services
CitiPower	Australian Gas Networks
Jemena	Multinet Gas
Powercor	
United Energy	

What we found in the audits

Life support customers and disconnections

Distributors are required to provide life support customers with information that assists them prepare a plan for any interruptions to their supply. Life support customers must also be given four business days' notice for planned interruptions (temporarily without power) and must not be disconnected (unless requested by the customer).

Our audits found all distributors understand their life support obligations. However, they can improve processes to ensure customer data is accurate. This means ensuring that they have stronger processes in place to check customer data with retailers, particularly in the case of registering life support customers.

AusNet Services, Powercor and United Energy all had instances where a life support customer was not provided enough notice of a planned interruption and was temporarily without power.

Complaints

Distributors are required to ensure that customers know how they can raise a complaint with them.

Generally, distributors had good policies in place to handle complaints. There is an opportunity for Jemena to improve its training and processes for complaint handling. Specifically, Jemena needs to ensure that field staff have adequate training and resources to deal with any complaints they may receive while dealing with customers.

The audit found that AusNet Services should update its customer charter to include contact details for the Energy Water Ombudsman (Victoria).

Planned interruptions

Distributors are required to give you four business days' notice of planned interruptions so that you can be prepared to make other arrangements if you need.

All distributors were aware of their responsibilities about needing to notify customers of planned works and had processes in place to do this in the required time frames.

Telling customers four days before a planned interruption can be difficult for distributors. This is particularly challenging when customers update address details with their retailer, which takes time to pass on to the distributor's systems and mailing lists.

The auditors recommended that CitiPower and Powercor implement spot checks to minimise the risk of sending notices about planned outages to an incorrect address. They should also ensure the planned interruption notices are sent with enough time to give four days' notice.



Focus on CitiPower and notifying customers when their supply is interrupted

Sometimes distributors don't notify all affected customers of an outage four days in advance, usually because an error in their systems hasn't allowed them to identify all affected customers, or because they have failed to follow their own processes.

During 2016, distributors notified affected customers in 99 per cent of cases of planned works. However, all distributors are working to improve this rate.

CitiPower in particular has implemented an effective work program to ensure all customers to be affected by planned works are notified that their power will be switched off. This has involved procedural changes to ensure that customers are notified even when they have recently moved into a new property. They have also implemented advanced technology to improve the accuracy of their network maps, to enable them to identify who will be affected by

the planned works. They have also conducted extensive training to ensure their staff are aware of the relevant energy rules before switching off a customer's power. Additionally, CitiPower has implemented special measures to ensure that customers who rely on life support equipment are always notified and never experience a loss of power.

This work has resulted in fewer CitiPower customers experiencing an outage without being notified in last year. In more recent months, CitiPower has notified all affected customers before switching off their power to conduct planned works.

Training process and records

Distributors are required to ensure that staff are aware of the energy rules and are capable of performing tasks for which they are responsible.

The auditors noted that all distributors, except for Australian Gas Networks, could improve their training processes.

The audits found that for most distributors, training is often provided 'on the job'. While there is absolutely nothing wrong with on the job training, all distributors except Australian Gas Networks did not keep records or registers which allowed the business to verify or check the competence and knowledge of their staff.

The audit also found that some staff at AusNet Services had not completed induction training about the energy rules before starting work.

The auditors identified and recommended that there are opportunities to implement formal training about the energy rules at Multinet Gas, United Energy, Jemena and AusNet Services.

Spotlight on guaranteed service level (GSL) payments

Most customers receive good levels of service for the reliable supply of gas and electricity. GSL payments occur as compensation for customers when a distributor doesn't provide the service that they should (for example, if your electricity or gas is regularly out and you've had no warning.)

The audits showed that most distributors were generally good at making GSL payments to customers. We were also pleased to see that the training and process enhancements identified by the audits have been accepted by all distributors. This will ensure that payments are made more efficiently to customers.

Distributors pass your GSL payment onto your retailer who will include the payment as a credit on your bill

We noticed that each distributor has slightly different processes and schedules for processing GSL payments. While this is allowed, as distributors must process payments 'as soon as practicable', the timing of payments differs between distributors. We found that Australian Gas Networks, Multinet Gas, Jemena and United Energy customers would usually receive their payment within a reasonable time. CitiPower, Powercor, Jemena, and AusNet Services (gas) could improve processes to make GSL payments quicker.



Focus on AusNet Services (gas) and late payments to compensate customers

The audit identified that AusNet Services (gas) was the worst performing distributor when it comes to paying customers their GSL payments. During 2016, they failed to:

- identify some customers entitled to GSL payments
- provide six months' worth of GSL payments to retailers (so that they could pass on the compensation payment to customers).

These failures were due to staff not following the right process.

Despite the energy rules allowing distributors to make GSL payments 'as soon as practicable', this is a poor outcome for AusNet Services' customers and doesn't meet the intended purpose of 'as soon as practicable.'

We will be checking in with AusNet Services to monitor its performance and see if it pays customers their entitlements more efficiently.

Important information – when you are entitled to a payment if your distributor is not meeting certain service levels

You may be entitled to a GSL payment if:

- your distributor has made an appointment with you and is late
- your distributor does not supply electricity/gas to your address on the day agreed (for example, if you move to a new property and need a new connection)
- you have experienced repeated or lengthy gas supply interruptions or repeated electricity outages.

Contact your distributor if you have a query. Your distributor's phone number will be on your bill.

If you are entitled to a GSL payment, you will see this on your bill as a credit.

If you have any questions about the rules your distributor needs to follow, or want to make a complaint, give them a call or visit www.esc.vic.gov.au.

If necessary, you can escalate your complaint to the Energy Water Ombudsman (Victoria) on 1800 500 509.

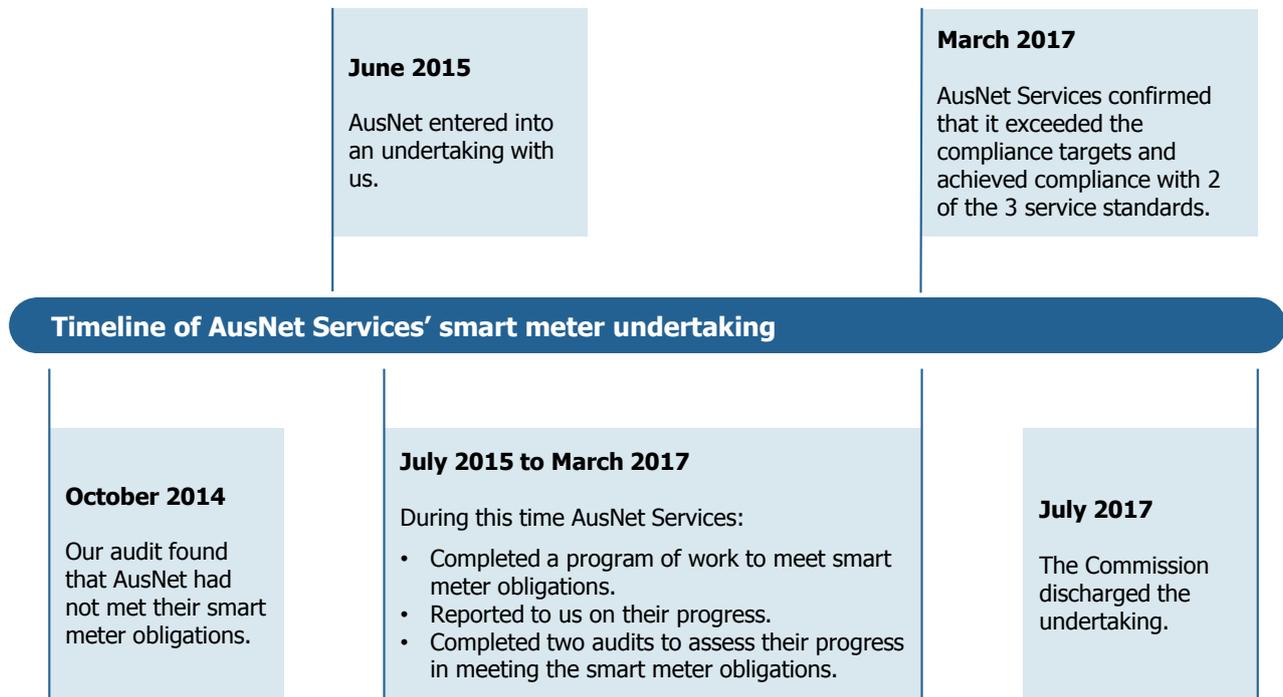
AusNet Services' smart meter undertaking

In 2014, we audited electricity distributors to check they were meeting government requirements to roll out smart meters. As AusNet Services had not met its obligations, we entered into an undertaking with it in June 2015. The undertaking required AusNet Services to meet a series of targets for the operation of smart meters by 31 March 2017.

We are pleased to announce that AusNet Services has completed its program of work to ensure that eastern Victorian energy customers have properly working smart meters.

AusNet Services' customers now have fully functioning smart meters and are able to access information and services available to other Victorians, such as connecting to electricity more easily or switching to a new electricity retailer faster.

Timeline of AusNet Services' smart meter undertaking



AusNet Services still has some work to do to ensure that it provides retailers with data to provide accurate and timely customer bills. We have asked AusNet Services to continue reporting to us about this. This will enable us to monitor its performance, and ensure its performance does not deteriorate. We will take further action if required.

More information about the AusNet Services' smart meter undertaking can be found at our website.¹⁰

¹⁰ <http://www.esc.vic.gov.au/project/energy/22786-ausnet-services-smart-meter-undertaking/>.

3. Concluding comments

The commission will use the findings from this audit program to ensure energy companies implement all the appropriate changes needed to better service to Victorian energy consumers.

Energy companies have provided plans and target dates to fix or improve their businesses based on the findings from the audit program. We will monitor each energy company against these plans by seeking regular progress reports.

We will also use this monitoring approach to determine whether further action is necessary to safeguard consumers against companies not complying with the energy rules. This may take the form of further audits during 2017-18. These audits will focus on ensuring that all recommendations have been implemented and are working effectively. If we find further cases of energy companies not complying with the energy rules, we will consider the use of our full suite of compliance and enforcement powers.

If you want to know how your retailer or distributor performed, go to the audit page of our website.¹¹ Here you will find a fact sheet for each energy company we audited this year. The fact sheet tells you what the audit found, what the energy company will do to fix any problems identified and how we are working with them to make sure they treat customers in accordance to the rules.

Finally, we would like to thank the energy companies and our audit partners for their participation and cooperation during the audit program.

¹¹ <http://www.esc.vic.gov.au/project/energy/2153-regulatory-audits-of-licensed-energy-businesses>