

# **Ergon Energy Corporation Limited**

**Retailer & Distribution Reporting Requirements  
Electricity & Gas Industry Code Reviews  
Draft Decision  
– Submission**

**Queensland Competition Authority**

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# 1 INTRODUCTION

Ergon Energy welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Draft Decision, regarding its review of Retailer and Distribution Reporting Requirements under the Electricity and Gas Industry Code.

This submission is provided by:

- Ergon Energy Corporation Ltd (EECL), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland; and
- Ergon Energy Queensland Pty Ltd (EEQ), in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'.

Ergon Energy remains generally supportive of the proposed changes to reporting requirements for distribution and retail electricity entities as detailed within the draft decision.

However there remain several aspects which require further clarification and consideration by the Authority, as discussed within the relevant sections of this submission.

Whilst Ergon Energy would endeavour to assist the QCA through provision of the additional and more frequent data under the proposed revised reporting requirements, it should be noted that additional reporting requirements will result in additional costs incurred by Ergon Energy to facilitate necessary process and systems changes. This is particularly the case, given Ergon Energy's operation under a 'Minimalist Transitioning Approach' (MTA) since the introduction of Full Retail Competition (FRC) in that it has established semi-manual systems (rather than fully automated systems).

Ergon Energy is available to discuss this submission or provide further detail regarding the issues that it has raised should the QCA require.

## 2 SPECIFIC COMMENTS

### 2.1 Reporting Requirements

#### 2.1.1 QCA Monitoring and Reporting Role

Clauses 8.5.1(c) and 8.5.1(d) of the *Electricity Industry Code* (EIC) currently require the QCA to publish on an annual basis, by retail entity, information provided by retail entities regarding customer disconnections (clause 8.5.3) and customer complaints (clause 8.5.4).

The QCA's draft decision confirms the intention to move to reporting on a quarterly basis for both customer disconnection and complaints data, including reporting of distribution entity disconnection data given new requirements under the proposed clause 8.5.6. Subject to the specific discussions below, Ergon Energy foresees no issues in a move to quarterly provision of data in this regard.

Ergon Energy notes that whilst no amendments to the EIC have been proposed to allow for the publishing of distribution entity customer disconnections data, the QCA states in its Draft Decision (pg15, para7) that "*Where relevant, this information would be made publicly available*". Clarification is sought as to the QCA's intentions in this regard.

#### 2.1.2 Retail Market Customer and Distribution Premises Numbers

The QCA's Draft Decision proposes an amendment to Clauses 8.5.2(a) of the EIC such that retail entities will be required to provide the QCA with the number of large and small market NMIs at the end of the relevant reporting period within one month after the end of each quarter, rather than within two months as previously drafted.

Similarly, the QCA's Draft Decision proposes an amendment to Clauses 8.5.5(a) of the EIC such that distribution entities will be required to provide the QCA with the number of large and small NMI premises within one month after the end of each quarter, rather than within two months as previously drafted.

Ergon Energy foresees no issues in the provision of retail or distribution NMI data within one month (rather than two months) after the end of each quarter. However, for consistency with Clause 8.5.2(a), Ergon Energy proposes clause 8.5.5(a) be amended to read:

Each *distribution entity* must, within ~~two months~~ one month after the end of each *quarter* provide to the QCA the number of large and small *NMI premises* at the end of the relevant reporting period.

#### 2.1.3 Customer Disconnection Data

The QCA's draft decision proposes amendment to Clauses 8.5.3 of the EIC to require retail entities to provide customer disconnection data to the QCA within one month after the end of each quarter, rather than within two months after the end of each year as previously drafted. Furthermore, the proposed new clause 8.5.6 will require distribution entities to provide customer disconnection data to the QCA within one month after the end of each quarter.

Ergon Energy remains generally supportive of the move to providing quarterly disconnection data (retail and distribution) and foresees no immediate issue in reporting to the QCA within one month of the end of each quarter.

### **Retail Disconnection Data**

The QCA's draft decision confirms that collection of disaggregated disconnections and reconnections retail data is proposed to go beyond that relating to non-payment as currently reported under clause 8.5.3 of the EIC by retail entities. Specifically, the proposed amendments include the additional requirement for retailers to report on the number of small business customers and small residential customers that were 'disconnected in total'.

Furthermore, the QCA also proposes in its Draft Decision to require retailers to provide data specifically identifying cases where small residential customers have been disconnected and reconnected because of hardship considerations, including:

- the number of small residential customers that were disconnected at a premises due to non payment and who hold a pensioner or concession card, and then, which of these have been reconnected with the same name at the premises;
- the number of small residential customers that are participating in a hardship program;
- the number of small residential customers that were denied access to a hardship program.
- the average debt on entry of those small residential customers participating in a hardship program;
- the average length of time those small residential customers participating in a hardship program remain in that program

As stated in opening, whilst Ergon Energy would undertake to assist the QCA through provision of the proposed data, additional reporting requirements will result in costs being incurred by Ergon Energy to facilitate necessary process and systems changes. This is particularly the case, given Ergon Energy has established semi-manual systems (rather than fully automated systems) under its Minimalist Transitioning Approach since the introduction of FRC.

This said, with regard to clause 8.5.3(e), Ergon Energy's interpretation of requirements to report the number of small residential customers that:

- *are participating in a hardship program* - is taken to mean data 'as at' the end of the relevant quarter;
- *were denied access to a hardship program* - is taken to mean data representing those denied 'during' the relevant quarter.

Ergon Energy then notes that in the proposed re-drafting of the Gas Industry Code (GIC), clause 5.5.2(e)(iii) requires gas retailers to provide the number of small residential customers that have 'exited a hardship program'. Clarification is sought if the omission of this requirement in the proposed re-drafting of EIC clause 8.5.3 was an oversight, particularly given the QCA's desire for consistency between the two Codes. Again, this would be presumed to be data relating to those exiting 'during' the relevant

quarter. Without this data, analysis of those 'entering' the program (net of exits) during a quarter would not be possible.

Regarding clauses 8.5.3(f) and (g), Ergon Energy interprets that the calculation of the 'average debt on entry' to a hardship program and 'average length of time' of Retailers' small residential customers' participation in a hardship program will reflect a snapshot or 'as at' view of the measures at the end of a quarter. Ergon Energy notes that there are a number of factors that will influence the effectiveness and 'value' the proposed measures will provide to the QCA in any comparative analysis. For example:

- The limitation of any arithmetic average measure is that the result can be potentially heavily skewed by 'outliers', or in this case, a few select customer participating in a hardship program who may have somewhat 'extraordinary' circumstances (the frequency of which, may not be that uncommon when analysing a sample of 'vulnerable' customers). Ergon Energy notes other common statistical measures (for example a median measure) to some extent may better address some of these limitations to provide a result which may be more representative of 'average' hardship performance.
- In a number of other industry 'average length of time' measures, records are only included in calculations of such measures, once the period of total time elapsed for that particular record has ceased. For example, when calculating the average time for resolving complaints, a complaint which has been raised, but not yet resolved is not included in the data, until the complaint has actually been 'resolved'. Similarly, this approach would be taken in calculating the average length of time in a hardship program. Ergon Energy considers retailers may have a different view and approach to such calculations.
- Ergon Energy questions the comparability of such measures between retailers, given the results will undoubtedly reflect different, and underlying Hardship Program conditions adopted by Retailers (discussed further below).

Further consultation would be desired in order to better understand the intentions of the QCA with respect to the analysis of specific hardship measures, and similarly ensure appropriate interpretation of individual data sets in any comparative analysis.

Over and above this, Ergon Energy notes that a request for such selective hardship measures would not provide a holistic picture of the performance across Retailers' Hardship programs which includes the benefits, successes or otherwise. Each Retailers' hardship program has a different definition of hardship, entry and exit criteria to support their overall debt management strategy, and an "apples-with-apples" analysis could not be achieved and may distort the picture of reported hardship cases within each Retailer's service area. The identification of the numbers of hardship cases could also be seen to support a possible push for Retailers to "meet a perceived quota" rather than looking for quality outcomes for customers.

Ergon Energy has in place a number of strategies to identify people in payment difficulties and will continue to identify proactive measures to support customers in hardship. Reporting of hardship program numbers alone will not in itself identify the full scope of customers' financial stress, and fails to identify all of the activity that Ergon Energy does in this space. We support the appropriate management of financial hardship for retailers according to the identification of customer segments and their needs. When you consider the geographical implications of Ergon Energy Queensland's customer base as opposed to other Retail entities servicing more

metropolitan areas, then services must be differentiated according to the unique identifiers of their customers.

In summary whilst Ergon Energy does not object to providing the requested information to QCA as per the proposed amendments to the EIC, we suggest that the reporting of benefits of Retailer entities hardship programs on the basis of a broader set of criteria may be more meaningful, and would support the continuing opportunity to improve the positive outcomes for customers and the Industry. This would also ensure consideration of all activities which have a direct impact on affordability issues for customers such as energy efficiency programs, replacement of inefficient appliances and community based intervention programs. In any case, a preference would be to wait for the finalisation of NECF given its expected influence on Retailer entities requirements for hardship regimes and the reporting there of, as a matter of consistency.

### **Distribution Disconnection Data**

The QCA's draft decision proposes that under newly inserted clause 8.5.6 of the EIC, quarterly distribution data is required to be provided relating to the number of small business and small residential customers that were disconnected 'at the instigation of the distribution entity' - in total, and classified by reason for disconnection. In this regard, the QCA seeks distributors' comments on how their disconnection data might be classified (by customer) and to what extent it would be possible to map their own classification systems with that required by the authority to effectively monitor the retail market (that is by small residential and business customers).

Furthermore, the proposed drafting of clause 8.5.6(c) of the EIC requires the number of disconnections that the distribution entity performed at the request of each retail entity - in total, and due to non-payment.

Ergon Energy refers the QCA to the *B2B Procedure - Customer and Site Details Notification*, which sets out that the information a retailer is required to provide to a distribution entity upon change of customer at a premises. Of note, there is currently no requirement in that communication for retailers to provide distribution entities with information on whether the customer is a 'small business' or 'small residential' customer. Furthermore, Clause 4.7.4 of the EIC requires retailers (in advising distribution entities of connection applications) to update distribution entities' records for a small customer's details, though again, there is no specification for a split between small business and small residential customer types.

Should distributors be required to report accurate disconnection data at this level, a broadening of the obligation for retailers to provide a split between small business and small residential customers is required.

Ergon Energy would propose that suitable categories for classification of disconnections initiated by its distributor would include (but may not be limited to) disconnection for debt; safety; legal / regulatory reasons and 'other'.

Ergon Energy again reiterates that whilst it would undertake to provide the proposed data to QCA, any expansion of reporting requirements will result in additional costs being incurred by Ergon Energy to facilitate necessary process and systems changes.

Finally, Ergon Energy again seeks clarification with regards to the QCA's intentions regarding the publishing of distribution disconnection and reconnection data particularly

given the proposed re-drafting of the EIC allows only for the publishing of retail disconnection data.

### **2.1.4 Customer Complaint Data**

The QCA's Draft Decision proposes amendments to Clause 8.5.4 of the EIC such that retail entities will be required to supply customer complaint data to the QCA within two months after the end of each quarter.

As stated earlier, Ergon Energy remains generally supportive of the move to quarterly reporting and foresees no immediate issue in providing retail complaints data to the QCA within one month of the end of each quarter.

Ergon Energy also notes that an additional amendment has been proposed, with the insertion of clause 8.5.4(c) requiring further disaggregation of customer complaint data by retail electricity entities to include the category 'marketing' complaints. Ergon Energy suggests that further clarification of the 'marketing' is required as interpretation of data for inclusion in this category could be widely varied.

It is noted that within the body of the Draft Decision, QCA states that the Energy Ombudsman (EOQ) is making steps in further classifying and disaggregating data collected by their office and it may be more appropriate for the QCA to seek to share this data. Ergon Energy seeks confirmation on the basis this information would be shared, including certainty that confidential information would not be published.

### **2.1.5 Indicative Timetable**

The QCA's draft decision includes an indicative timetable for the implementation of the proposed reporting requirements, including the move to quarterly (rather than annual) reporting of complaints and disconnection data as well as retail market customer and distribution premises numbers; the expanded reporting requirements for retailers under clause 8.5.3 and 8.5.4; and new reporting requirements for distributors under proposed clause 8.5.6. It is proposed that the revised reporting obligations commence in the June quarter 2010 with the first quarterly reports due therefore by 31 July 2010.

Whilst recognising the need to begin collation of historical data, Ergon Energy questions the desire to commence new reporting obligations on the last quarter of a financial year (rather than first quarter of the next), providing one quarter of information which may be of little use in the QCA's analysis of the year to 30 June 2010.

Ergon Energy proposes that the new reporting obligations begin in the September quarter 2010 with the first quarterly reports due therefore by 30 October 2010. This would also provide an appropriate time period for implementation of any system and processes changes required. For the purposes of analysis for the year to 30 June 2010, Ergon Energy would again be able to provide (on a confidential basis) at the QCA's request, the distribution entity's annual disconnections for debt data as has been provided in the past two years.

In any case Ergon Energy considers it appropriate that an effective date for the revised reporting requirements be formally stipulated in the re-drafting of EIC, such as currently exists in clauses 8.5.3 and 8.5.4.

## 2.2 Restriction on Special Meter Reads

The QCA proposed in its draft decision to remove the current restriction on the use of special meter reads to implement in situ customer transfers, effective from 1 July 2010. The QCA also proposes to clarify section 6.6 of the EIC, specifically the meaning of obtaining explicit informed consent in relation to special meter reads.

Ergon Energy generally supports the QCA's draft decision to in this regard, and recognise that fees are capped through Schedule 8 of the Electricity Regulation 2006 by the Queensland Government (not the QCA) below the true cost of providing that service (i.e. represented by the price approved by the QCA for the provision of a special meter reading service). However, we restate our concerns that if Ergon Energy (distribution) is not able to charge a fee reflecting the actual cost (as opposed to the price capped fee), then customers and/or retailers will not be seeing the economic cost of their decisions which will result in an inefficient level of these services being requested. As competition in Ergon Energy's (distribution) area increases this means that Ergon Energy (distribution) will incur additional costs to perform these services, without being able to recover the costs.