

Ergon Energy Corporation Limited

**Retailer & Distribution Reporting Requirements
Electricity & Gas Industry Code Reviews
Interim Consultation Notice
– Submission**

Queensland Competition Authority

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This submission, which is available for publication, is made by:

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1 INTRODUCTION

Ergon Energy welcomes the opportunity to provide comment to the Queensland Competition Authority (QCA) on its Interim Consultation Notice, 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 is generally supportive of the proposed changes to reporting requirements for distribution and retail electricity entities that are detailed within the consultation paper, however there are some specific aspects which require further clarification / consideration by the Authority, particularly with regards to the proposed collection of data from retailers relating to customer hardship.

Whilst also generally supportive of the proposed lifting of restrictions on retailers to request special meter reads relating to *in situ* transfers of customers, Ergon Energy notes that the current 'price capping' scenario for these services in Queensland means appropriate signals are not being sent to retailers (and customers).

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 QCA Monitoring and Reporting Role

Ergon Energy notes that 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 Authority seeks stakeholders' views on the proposal to change 'annual' basis to 'quarterly basis' to reflect the proposed changes to retailer reporting frequency under the Electricity and Gas Codes.

Ergon Energy is generally supportive of the QCA's move to reporting on a quarterly basis for both customer disconnection and complaints data (distribution and retail) and, subject to the specific discussions below, foresees no issues in a move away from annual provision of data.

2.2 Customer Disconnection Data

Clauses 8.5.3 of the EIC currently requires retail entities to, within two months after the end of each year, supply customer disconnection data to the QCA that details the number of customers disconnected due to non-payment, disaggregated to reflect disconnections by small business and small residential customers. Data is also required regarding the number of small business or small residential customers that were disconnected at a premises due to non-payment, but were reconnected within seven days with the same name at the premises.

The Authority seeks stakeholders' views on the proposal to

- **change 'within two months after the end of each year' to 'within one month after the end of each quarter'**
- **require gas retailers to report disaggregated data by residential and small business customers, bringing it in line with the Electricity Code**
- **require distributors under both Codes to separately report the number of disconnections initiated by them**

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

With regards to the provision of distribution data, Ergon Energy seeks clarification that the QCA is only requesting distributors to separately provide the number of the distribution entity's customers that were disconnected due to non-payment. This then would be required to be disaggregated by small business and small residential customers.

Of note, disconnections for non-payment does not represent in totality the number of disconnections 'initiated' by a distribution entity which may be due to various reasons as identified under the Code in clause 3.6. However, Ergon Energy notes that receiving distribution data specifically in relation to disconnections for non-payment may provide for more useful analysis by the QCA (when coupled with retail data) and foresees no immediate issues in providing this data.

It is understood by Ergon Energy that no further disaggregation of customer disconnection data will be required by electricity (retail or distribution) entities other than suggested above, or as indicated by current drafting of clause 8.5.3 of the EIC. Rather it is being proposed by the QCA to require Gas entities to provide a similar level of disaggregation of customer disconnection data in future.

Clauses 8.5.3(c) and (d) of the EIC relate to reporting by retailers on the number of small residential and small business customers that were disconnected due to non-payment, but who were reconnected within seven days with the same name at the premises.

Ergon Energy notes that no reporting requirements are proposed to be placed on distribution entities in this regard.

The Authority seeks stakeholders' views on how these sections could be drafted to acquire more meaningful data, including reconnections on account of customer hardship.

Whilst Ergon Energy would generally be supportive of reporting retail¹ reconnections on account of customer hardship, we note that given internal policies on hardship criteria, there would be few (if any) disconnections identified in reporting.

Ergon Energy (retail) has in place a hardship program that supports customers identified as having a willingness to pay but incapacity to pay which affects their ability to meet current and future consumption needs.

Once registered on the hardship program, all threats of disconnection are removed. Ergon Energy attempts to identify customers needing further ongoing assistance through referral at the first contact point once a high level hardship assessment is conducted. From experience, customers who reach the disconnection and reconnection stage have been those customers where a number of failed attempts have been made through different communication mediums to contact the customer, without return follow up by the customer before disconnection occurs.

Accordingly there would be few (if any) customers that are identified at the reconnection stage that would be reconnected on account of Ergon Energy's hardship criteria.

Note: It is possible that a customer may be disconnected / reconnected by a retailer for non-payment (therefore reflected in quarterly data) before subsequently being identified for hardship considerations. However, once identified for the hardship program, no disconnection for non-payment would be possible under Ergon Energy policy. There may be individual cases where a customer contacts Ergon Energy after disconnection,

¹ distributor data would not be available, for either customers experiencing hardship or that were identified at the point of reconnection

and is then considered and accepted for hardship program, and simultaneously flagged for reconnection and hardship in reporting systems. In this instance, manual reporting may be possible, though would be expected to be in rare cases.

2.3 Customer Complaint Data

Clauses 8.5.4 of the EIC currently requires retail entities to, within two months after the end of each year, supply data to the QCA that details the number of customer complaints for the previous year in respect to their actions or omissions as a retail entity, disaggregated by both small business and small residential customers in the categories of total number of complaints, billing or account complaints and other complaints.

The Authority seeks stakeholders' views on the proposal to

- **change 'within two months after the end of each year' to 'within one month after the end of each quarter'**
- **require gas retailers to further disaggregate data into complaints from residential and small businesses, mirroring the current requirements under the Electricity Code**

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

It is again understood by Ergon Energy that no further disaggregation of customer complaint data will be required by retail electricity entities other than that already indicated by current drafting of clause 8.5.4 of the EIC. Rather it is being proposed by the QCA to require gas retailers to provide a similar level of disaggregation in future.

Ergon Energy notes that no reporting requirements are proposed to be placed on distribution entities in this regard.

More generally, the Authority seeks stakeholders' views on how this requirement could be re-drafted to acquire data that will be more useful in assessing the state of the markets and the performance of those operating in the markets, including gathering specific information on hardship issues affecting customers.

In regards to the gathering of specific information on hardship issues affecting customers, as relevant to customer complaints - it is worth noting that there are variations of hardship programs across all retail entities.

Each retailer's hardship program has different criteria for entry and exit, as well as a different application of a definition for hardship itself. As a result, obtaining meaningful comparisons across retail entities hardship programs may be difficult at this point in time.

Ergon Energy notes that the draft of the National Energy Consumer Framework (NECF) identifies the proposed establishment of a national customer hardship regime including potential hardship indicators. Ergon Energy is undertaking a review of its Hardship program to consider the impacts of the draft NECF and the trends and affordability issues facing customers, particularly in the recent global financial crisis.

With this in mind, Ergon Energy would welcome further consultation with the QCA as to how best meet their requirements in the near term.

2.4 Restriction on Special Meter Reads

Chapter 6 "Customer Transfer and Consent" of the EIC applies to all distribution and retail entities, and (unless otherwise specified) all customers for a NMI premises connected to supply networks forming part of the national grid.

Specifically, clause 6.6 relates to meter read methods as relevant to the transfer of a customer, including the prohibition of requests by a retailer to perform a special meter reading in order to give effect to an *in situ* transfer of a customer (that is, where the customer is not vacating or moving into a premises but is transferring from one retailer to another at the same premises).

Clause 6.6(c) also provides that the QCA may terminate the restriction on special meter readings in respect of *in situ* transfers by nominating an end date after which requesting special meter readings to enable in-situ transfers would be allowed.

The Authority seeks stakeholders' views on whether the Authority should

- a) terminate the current restriction on special meter readings in respect of *in situ* transfers; and**
- b) if the restriction is terminated, change the EIC to require explicit customer consent before a retailer can request a special meter reading for such a transfer.**

Ergon Energy notes the QCA's comments that similar restrictions on requests by retailers for special meter reads relating to *in situ* transfers of customers do not apply in other jurisdictions, but that special meter reading fees are charged by the distributor and 'recovered' (i.e. passed through to customers) by the retailers. The QCA continues on to state that in normal circumstances, this would provide appropriate price 'signals' (i.e. costs of the special meter read would outway electricity cost savings) to customers to discourage any transfers prior to the next scheduled meter reading.

In this regard, it needs to be noted that while Ergon Energy (and ENERGEX) as distributors in Queensland charge a special meter reading fee, this fee is capped by the Queensland Government 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). This price cap scenario distorts the signal seen by retailers and customers which would result in an inefficient demand for these services.

Given the low level of customer churn in Ergon Energy's distribution area, a decision to allow customers to transfer on a special read will not have a significant impact on Ergon Energy (distribution). However, as customer churn increases over time, an inefficient demand for special reads could have an adverse impact on Ergon Energy. Therefore, Ergon Energy believes that if retailers are able to request a special read to enable a customer to churn then they should do so with retailers (and customers) seeing the true cost of the service.

Should the restriction on the request by retailers for special meter reads relating to in situ transfers of customers be lifted, Ergon Energy supports the comment that a retailer should only be able to request a special meter read with explicit informed customer consent.

Ergon Energy notes that clause 6.3.1(a) of the EIC states that a retailer must not effect the transfer of a customer without obtaining the explicit informed consent of that customer. As a special meter read would be used to give effect to a transfer, it could be argued that the requirement to obtain explicit informed customer consent is already contained in the Code. However, Ergon Energy would support the QCA should it propose to make the obligation more explicit in relation to special reads. Ergon Energy would welcome the opportunity for further consultation in this regard.