



4 September 2009

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

by email: electricity@qca.org.au

Dear Sir/Madam

RE: RETAILER REPORTING REQUIREMENTS ELECTRICITY AND GAS INDUSTRY CODE REVIEWS

Origin appreciates the opportunity to comment on the Queensland Competition Authority's (QCA) Review of the Electricity and Gas Industry Codes.

In general terms, Origin is concerned that changes to the Codes may be poorly timed, given the move to a National Energy Customer Framework. The resources required to implement changes are significant. Origin would encourage the QCA to refrain from making changes other than those that are absolutely necessary in this interim period.

Increasing the frequency and detail of reporting entails genuine costs for retailers and should only be considered where the objectives and benefits can be clearly demonstrated. In Origin's view, the case for increasing the burden of reporting has not been adequately established.

Origin notes the QCA's concern that the data it currently receives is inadequate and insufficiently timely to monitor the development of electricity and gas markets. Annual data on the number of complaints, participation in hardship programs and reconnections can provide some indication of how customers are interacting with the energy market. However, it is difficult to interpret the significance of this data. For example:

- Identifying the incidence of **consumer hardship** is difficult. The only reliable means Origin has found to identify customers in hardship is for customers to identify themselves, when they seek access to Origin's hardship program. Origin cannot capture information on all customers who are vulnerable, because the factors that contribute to hardship relate to the private affairs of individuals and there is no objective measure of vulnerability.
- Equally, a diverse set of factors drive **customer complaints**. As noted by the QCA, an increase in complaints can be driven by positive factors, for example where customers have become more aware of their retailer or the Ombudsman. The number of complaints can also change seasonally, depending on factors such as higher energy use in response to hot or cold weather, as customers respond to cost-reflective increases in their bills. An increase in the number of customer complaints is not a reliable indicator of an ineffective market.



- Thirdly, a suite of measures and requirements must be followed before **disconnection** can occur; these being designed to avoid disconnection where possible and to protect the interests of customers. Yet disconnection remains a legitimate response in some limited circumstances (such as credit management). Quarter to quarter differences in the incidence of disconnections and re-connections may be indicative of no systemic shortcoming in mechanisms for consumer protection, rather it could be an indication of economic conditions.

If current data does not provide adequate detail on the instance of hardship or the discrete drivers of customer complaints and disconnections, then increasing the frequency of reporting will not deliver this detail, either. Requiring retailers to collect more information on the drivers for disconnections and re-connections could help to inform our understanding somewhat, but the retailer is limited in what it can require customers to divulge about their personal circumstances. The resulting data would lack consistency, particularly over the short term.

Competitive forces are the primary means to protect consumer interests, supplemented by support for vulnerable customers through hardship programs and direct government subsidy, where necessary. Retailers will be concerned to maintain customer service levels to build market share. The Regulator can look to comparative pricing behaviour and relative market share as indicators of effective competition, as well as the number and nature of cases escalated to the Ombudsman as an indicator of unusual activity in the retail market.

Origin would argue that the regulator should not seek to link trends in short term data to specific deficiencies in the market. This seems an ineffective way to police consumer interests. If the market is competitive and retailers are making customers aware of avenues for complaint and the availability of hardship programs, then the primary role for the regulator in analysing market activity should relate to monitoring competitive dynamics and the incidence of escalated complaints.

Origin provides responses to the QCA’s specific proposals in the table below.

<i>Proposal</i>	<i>Comment</i>
Retailers to provide data on customer disconnections and complaints on quarterly basis rather than annually	This would entail greater costs for Origin. In the absence of more detail on how the Regulator proposes to use the data and how an increase in the frequency of reporting would help the Regulator to identify discrete trends, Origin maintains that the case for increased reporting is not adequately established.
Retailers to provide customer disconnection data each quarter, with 1 month lag compared to annually with 2 month lag	This would entail greater costs for Origin. Origin would like to understand which tasks will be facilitated by a requirement to provide the data earlier. These benefits need to be weighed against the cost of introducing more frequent reporting. This cost benefit analysis has yet not been established in Origin’s view.
Retailers disaggregate complaints from gas customers into ‘residential’ and ‘small business’, as with electricity.	In the interests of consistency, Origin currently reports residential and small business gas customer complaints on an annual basis, as per electricity.
Amend clauses covering reconnections to acquire	Any requirement to record more information on the motivations for reconnection will be costly. Recording which customers are



<i>Proposal</i>	<i>Comment</i>
more meaningful data, including reconnections on account of customer hardship.	reconnected as part of entering the hardship program would involve creating new reports in Origin's systems, implying significant cost increases. Origin would seek cost pass through to cover this cost impost for regulated customers. Note also, in this context, that the only information on hardship that Origin could provide would be the number of customers who had requested access to the hardship program (that is, who had identified themselves as being 'in hardship').
Retailers to provide data on customer complaints quarterly with 1 month lag, rather than annually with 2 month lag	Once again, this would entail increased costs. Origin would like to understand which tasks will be facilitated by a requirement to provide the data earlier. These benefits need to be weighed against the cost of introducing more frequent reporting. This cost benefit analysis has yet not been established in Origin's view.

Special meter reads to effect in situ customer transfers

Origin understands that the restriction on retailers transferring customers *in situ* following a special read were established in the lead up to full retail contestability (FRC). The driver for the restriction was the concern that retailers may seek to transfer large numbers of customers from day one of the new regime, increasing the risk of system failure.

As FRC is now well established, Origin can see little problem with removing the restriction and - in the interests of consistency across states - would not oppose the change. However, Origin would reiterate that changes like these should only be considered where absolutely necessary, given that Queensland is shortly moving to a national framework.

Origin does not see the need for a requirement to obtain explicit informed consent to conduct a special read. A retailer is not obliged to charge for this service, but if a retailer did charge for this service, it would be obliged under national consumer protection legislation to disclose this fee as part of the overall offer to the customer. Customers would have the same cooling-off period regardless of whether they sought transfer via a special read or not. Thus there is no need for an extra requirement to seek consent for transfers *in situ* that are triggered by a special read. Moreover, there is no such provision in other jurisdictions (or in the proposed National Energy Customer Framework) where transfers based on special reads have been allowed for some time.

If you have any questions concerning this submission, please contact Steven Macmillan on (03) 8665 7155 in the first instance.

Yours sincerely

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