



Submission to the Steering Committee on National Regulatory Reporting Requirements Retail Working Group, April 2006

The Consumer Utilities Advocacy Centre Ltd (**CUAC**) and Consumer Law Centre Victoria (**CLCV**) welcome the opportunity to comment on the Steering Committee on National Regulatory Reporting Requirements Retail Working Group's (**SCONRRR**) National Energy Retail Performance Indicators Discussion Paper (the **Discussion Paper**). The following organisations have endorsed the views presented in this submission: Victorian Council of Social Services (**VCOSS**), Public Interest Advocacy Centre (**PIAC**) and St Vincent de Paul, Victoria (**SVdP**).

CUAC is an independent consumer advocacy organisation, established to ensure the interests of Victorian electricity, gas and water consumers, particularly low-income, disadvantaged and rural consumers, are effectively represented in the policy and regulatory debate.

The CLCV is one of Australia's leading consumer and public interest organisations. A not-for-profit, independent organisation, we undertake research, policy development, advocacy and education. The CLCV's work is focussed on advancing the interests of consumers, particularly low-income and vulnerable consumers. The CLCV is currently working on a range of issues, including utilities, competition and consumer protection policies, financial services, telecommunications, exploitative credit and access to justice. The CLCV also operates a large consumer legal practice assisting over one thousand low-income consumers each year with free legal advice and representation.

This submission broadly supports the introduction of the additional indicators proposed in the Discussion Paper but we also recommend additional affordability indicators for Direct Debit payment defaults, payment extensions and debt levels.

By ensuring that a comprehensive and relevant set of performance indicators are in place regulators and government will be equipped to detect future problems and more readily able to address their cause. However, we strongly recommend that the SCONRRR recognise that such performance indicators will need to be regularly reviewed and developed, and that a performance report may warrant such follow-up. As previously

argued by CUAC and CLCV,¹ performance indicators alone do not provide definitive answers regarding what is occurring and changes in an indicator should be taken as a signal for further investigation into the cause of the changes. Furthermore, we consider it crucial for the effectiveness of the performance reporting regime that the reports are released in a timely fashion and that the role of regulators includes the active dissemination of information (both data and interpretation) to stakeholders. We recommend that the SCORRRR address these aspects of the performance reporting regime in their final report.

Changes to the telephone service indicators and the removal of the 'number of overload events' indicator.

We support the proposed removal of the Integrated Voice Response (**IVR**) system indicator as we do not believe it provides information about the businesses' ongoing service after such systems have been put in place.

We recognise that many customers do not know their distribution company and thus call their retailer during an outage. However, as this relates to confusion caused by the linear relationships between distribution companies, retailers and customers, rather than the retailers' performance, we would suggest the issue of poor consumer awareness is addressed elsewhere.

The definition of a complaint, the draft complaints guideline and the complaint indicators.

By allowing for implicit customer expectations to be recorded as a complaint we believe the proposed complaint definition may be able to more correctly reflect consumer experience with their retailers. We realise that the definition is more ambiguous but complemented by appropriate guidelines and training of call centre staff the indicator should be able to more accurately record customer dissatisfaction and promote competition by comparison.

Furthermore, we strongly support the proposed move to four complaints categories as this will better enable regulators and government to target and address problems as they arise in the future. Disaggregating residential and non-residential groups will better identify the customer groups impacted and thus again allow for more targeted and effective responses to identified problems.

¹ CLCV/CUAC Submission to the Essential Services Commission on the Draft Report on Disconnection and Financial Hardship: Performance Indicators (February 2004).

The definitions of direct Debit Payment Defaults and Instalment Plans, and the appropriateness instalment plan indicator.

According to the Victorian *Energy Credit Assessment Guideline*, Direct Debit payment defaults may be listed on consumers' credit reports.² Due to the seriousness of this consequence we believe the number and percentage of customers who default on direct debit payments should be reported. Also, as Direct Debit continues to be promoted as a preferred payment method by the retailers we believe it is important to obtain information about to what extent consumers default. We thus recommend that two separate indicators are introduced for Direct Debit payment defaults:

- 1) Number and percentage (%) of customers who default on direct debit payments; and
- 2) Number and percentage (%) of direct debit plans terminated as a result of default/non payment.

We agree with the current definition of instalment plan and do not recommend any alteration. However, customers' requests for payment extensions indicate a temporary affordability problem and so we believe that an additional indicator for payment extensions is warranted. Furthermore, we are concerned that retailers may offer extensions in situations where payment plans would be a more appropriate response and it would therefore be useful to monitor and compare the numbers of extensions and instalment plans arranged. We thus recommend that the following two indicators are introduced for payment extensions and instalment plans:

- 1) Number and percentage (%) of customers who receive agreed extensions to payment due date; and
- 2) Number and percentage (%) of customers on instalment plan arrangements, defined as three instalments or more.

The proposed changes to the affordability indicators.

We welcome the initiative to introduce new affordability indicators. While we support the introduction of the proposed indicators we do believe that some aggregated information about levels of arrears is necessary to provide an understanding of the affordability problem. By adding an indicator that collects categorised information about debt levels, regulators and government will be better equipped to tailor effective responses to affordability problems.

² The Guideline allows retailers to report Direct Debit payment defaults that are 60 days overdue, above the specified amount and the retailer has taken action to recover the debt.

As previously argued by CUAC and CLCV³ proper affordability indicators can monitor the affordability of energy services provided by retailers. While the proposed performance indicators focus much attention (appropriately) on disconnections, disconnection from supply is not the only manifestation of a consumer's difficulty in affording energy services. This is why the existing reporting framework also collects data from retailers regarding other matters relevant to assessing energy affordability, for example, the number of instalment plans provided.

Consumers may experience problems in affording energy services but nevertheless avoid disconnection by under-consuming energy, by diverting expenditure from other essential goods and services to pay for energy or by accumulating debt.⁴ While information or data regarding under-consumption of energy services and prioritising spending cannot necessarily be captured by retailers, information regarding the accumulation of energy debt can be.

We are concerned that the reporting framework will not include any indicator that captures information about debt accumulation, another important manifestation of a consumer's difficulty in affording energy services.⁵ In addition, we consider that data regarding debt accumulation not only assists to determine whether energy services are affordable per se, but can also be cross-referenced to disconnection and reconnection data to assist in determining whether customers disconnected for non-payment could not afford to pay for their energy usage given the amount of debt accumulated before disconnection.

We consider that, as retailers must already collect data regarding the debt accumulated by each of their customers, the retailers could report, for example:

- as a stand-alone, additional, indicator: the number of customers owing debt of certain amounts to the retailer. Debt levels could be divided into appropriate bands (eg. less than \$100; \$100-200; \$200-400; greater than \$1,000 etc).
- cross-referenced against the current disconnection and reconnection indicators: retailers would record the debt levels for customers who have been subject to disconnection (the debt levels would be grouped in the same manner as for any stand-alone indicator of debt levels).

Such cross-referencing would also provide a useful indicator of retailer performance in managing the accumulation of debt by customers.

³ CLCV/CUAC Submission to the Essential Services Commission on the Draft Report on Disconnection and Financial Hardship: Performance Indicators (February 2004).

⁴ Victorian Council of Social Service (VCOSS), *VCOSS Response to Review of the effectiveness of retail competition and the consumer safety net for electricity and gas – Issues Paper*, December 2003 at 2.

⁵ See McMillan and Nelthorpe, *Submission to the Essential Services Commission on the Draft Energy Retail Code-High Customer Bills*, Jindara Community Programs, September 2003. Using case-studies the submission outlined the experiences of households that received high bills and the impact that this had on energy affordability and the effectiveness of other customer assistance programs.

Also, we recommend the SCONRRR to clarify practicality issues around the indicators pertaining to concession card holders. As not all jurisdictions offer energy related concessions it is difficult to see how the retailers will have (or obtain) information about whether a customer is a concession card holder. This is an important clarification as we strongly support the use of the indicators and we believe it can provide crucial information about energy affordability levels.

The inclusion of gas in the national retail template.

We support the inclusion of gas in the national retail template as we believe it is particularly important to be able to identify affordability level trends for the two fuel types and to be able to compare and assess the effectiveness and impact of prices and policies on affordability levels.

The introduction of electricity, gas and dual fuel categories, and whether reporting should be on the basis of a generic energy category.

We recognise the difficulty in developing clear and mutually exclusive fuel reporting categories for the 'dual fuel' product. While we support the introduction of an additional 'dual fuel' category we recommend the SCONRRR ensure that the reporting categories are consistent with the practice of the relevant ombudsman schemes. Furthermore, due to the complexity of 'dual fuel' reporting, we recommend that the SCONRRR develop guidelines for the use of retailers' call centre staff (similar to those drafted for complaints recording).

If you have any questions about the submission, please contact May Mauseth Johnston, CUAC Senior Policy Officer on 03 9639 7600 or Gerard Brody, CLCV Solicitor, on 03 9629 6300.

Yours sincerely

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