

27 January 2012

Ron Ben-David
Chairperson
Essential Services Commission
Level 2, 35 Spring St
Melbourne VIC 3000



Dear Mr Ben-David

PERFORMANCE INDICATORS FOR CUSTOMER SERVICE – NEIGHBOURHOOD ENERGY

Neighbourhood Energy would like to take this opportunity to respond to the Essential Services Commission's (the Commission) letter from the 19 December 2011 regarding Neighbourhood Energy's performance against key indicators. The Commission has sought an explanation from Neighbourhood energy as to why:

- Electricity disconnections and disconnections of customers exhibiting hardship were above average;
- Call Centre performance has decreased; and
- Complaints have increased overall.

Neighbourhood Energy would like to assure the Commission that it views the above mentioned performance indicators seriously, and is undertaking numerous steps to ensure that issues underlying each of these matters are addressed appropriately.

Neighbourhood Energy believes it is important to convey the following information in response to the Commission's letter:

- Neighbourhood Energy has recently been absorbed into the wider Alinta Energy business, including coming under the direct management control of Alinta Energy. This has resulted in major changes to the operation of the Neighbourhood Energy business;
- Neighbourhood Energy has reviewed all of its Sales and Marketing channels, and is implementing additional control mechanisms to ensure compliance with all regulations and a higher level of customer service;
- Neighbourhood Energy has ceased door-to-door marketing and will only reintroduce it once it is assured of a high level of compliance and service from its channel partners;

- While call centre performance has been below industry standards for a number of reasons, Neighbourhood Energy notes that recent initiatives undertaken by the business has had a positive impact on call centre performance; and
- Neighbourhood Energy takes the recording and monitoring of all complaints seriously, and believes that its recording and monitoring of customer complaints is in line with best practice in the industry. Neighbourhood Energy will continue to place sufficient emphasis on dealing with individual customer complaints in a prompt and satisfactory manner.

Neighbourhood Energy looks forward to working with the Commission in ensuring that the issues identified in the Commission's letter are addressed in a timely and efficient manner. Neighbourhood Energy has responded in greater detail below to each of the specific issues raised by the Commission.

Electricity Disconnections and Disconnections of Customers Exhibiting Hardship

Neighbourhood Energy has in place a number of internal processes to ensure the disconnection of a customer's premise remains a last resort. While Neighbourhood Energy concedes that it was currently slightly above the state average for disconnections last financial year, it has recently examined its processes in relation to disconnections.

Neighbourhood Energy not only complies with the regulatory requirements relating to disconnections, but also has a policy of contacting customers on at least three separate occasions should customers fail to pay an outstanding bill. Neighbourhood Energy will always seek to negotiate an outcome with a customer experiencing payment difficulties in preference to disconnection. Neighbourhood Energy will not disconnect a customer's energy supply if an agreed payment plan is in place.

Call Centre Performance

Neighbourhood Energy has experienced a significant increase in call volumes for the last financial year. The principal cause of this increased activity has been a significant expansion of Neighbourhood Energy customer base due to sales and marketing initiatives. This has resulted in an expanded level of calls and enquiries to the Neighbourhood Energy call centre. Further, various factors external to the control of Neighbourhood Energy such as the introduction of smart meters and changes to the feed-in-tariff have increased call volumes significantly.

Neighbourhood Energy has undertaken a number of steps to improve both the response time and number of calls answered within 30 seconds. Neighbourhood Energy is currently evaluating its sales and marketing activities, and consequently has ceased door-to-door marketing. Due to the reduced level of sales and marketing activity since November 2011, Neighbourhood Energy has noticed a significant improvement in its call centre performance. Should Neighbourhood Energy expand its sales and marketing activities in 2012, it will ensure that call centre resources are adequately matched to any increased level of customer activity.

Alinta Energy is currently in the process of transitioning many of the back office functions of the Neighbourhood Energy business model into Alinta Energy's external service provider

(Serviceworks). Alinta expects that transition to be complete by June 2012. It is anticipated that this transition will result in a higher level of call centre performance that will flow from the additional resources dedicated to the Neighbourhood Energy business.

Level of Complaints

Neighbourhood Energy has embarked upon a major growth campaign aimed at increasing the customer base of Neighbourhood Energy. Neighbourhood Energy estimates that 50,000 new customer acquisitions have occurred since March 2011. While it is inevitable that increased marketing activities will lead to an increased level of calls to the call centre, including to answer product queries and complaints, Neighbourhood Energy has worked closely with its external service providers to ensure that compliance and regulatory obligations are strictly observed. Neighbourhood Energy has ceased door-to-door marketing, and only intends to restart this channel once it is confident that staff out in the field are able to comply with the newly introduced Energy Assured Limited Code of Conduct.

Neighbourhood Energy acknowledges that its complaint level relative to sales and marketing activities has been too high in the past and has taken a number of steps to ensure that level of complaints fall to be at least in line with, or better than, other retailers in the industry. Importantly, Neighbourhood Energy feels that its ability to respond and manage customer complaints is of an exceptionally high standard.

The Neighbourhood Energy business will continue to undergo major transformation over the upcoming period while Alinta Energy integrates the current business into its national retail business. The Alinta Energy business is concerned about the issues arising from the Commission's report, and will continue to ensure that Alinta Energy will address these issues as a matter of priority.

Should you require any additional information or wish to discuss please contact Mr Shaun Ruddy, Manager National Retail Regulation on (02) 9372 2653 or via email: shaun.ruddy@alintaenergy.com.

Yours sincerely



Domenic Capomolla
Executive Director Retail Markets

Neighbourhood Energy
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