

Essential Services Commission Victoria
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

By email: elecindicators@esc.vic.gov.au

21 January 2013

Dear Sir/Madam

Review of energy retail performance indicators – Staff consultation paper

Australian Power & Gas (**APG**) welcomes the opportunity to comment on the Essential Services Commission's (the **Commission**) staff consultation paper for the review of the retail energy businesses performance indicator framework (**Paper**).

APG is a second tier energy retailer supplying electricity and gas to customers in Victoria, NSW, and Queensland. Commencing operations in 2007, APG has grown its residential customer base across three states to approximately 341,000 customers.

We are supportive of the Commission's approach to harmonise its performance indicator framework with the Australian Energy Regulator's (**AER**) framework under the National Energy Customer Framework (**NECF**). Also, the removal of various indicators such as the defunct Home Wise program and wrongful disconnection complaint indicators, are also supported. In harmonising the reporting framework, regulatory compliance costs would be reduced, and the retail performance data is in a better position to be assessed against the performances in other States and territory.

Specifically, we wish to make comments to the following matters:

Timing of changes

Under section 1.3 of the Paper, the Commission has indicated that proposed changes to the performance indicator framework would apply from either 2012-13 reporting period (for minor changes) or the 2013-14 reporting period (for more complex changes).

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APG considers this approach to be fragmented as we are already half way through the 2012-13 reporting period and question the benefit of taking this approach. Any changes in the reporting methodology will affect the performance data that retailers have already submitted to the Commission.

Therefore, we submit that all the proposed changes should be applied for the 2013-14 reporting period. By applying the changes to the next reporting period, the data integrity for the 2012-13 reporting period will be preserved. This will also provide retailers with sufficient time to reconfigure its reporting systems.

Measurement of performance indicators

The Commission has indicated (under sections 3.2-3.4) that it will continue to request monthly data for its performance indicators in order to produce more accurate year-average figures and to preserve historical trend analysis. In contrast, the AER measures the same or similar performance indicators on quarterly data.

APG believes that there is little or no difference whether monthly or quarterly data are reported if annual trends are being analysed by the Commission for the purposes of its *Energy Retailers Comparative Performance Report*.

For the majority of the indicators reported, the annual figures are a simple an aggregation of all data (whether monthly or quarterly) at the end of the reporting year. For example, the annual billing complaints figures (reported under both the Commission's and the AER's performance frameworks) would be the same whether monthly or quarterly figures were used to derive the annual figures:

Monthly data: Retailer A has reported 10 billing complaints per month. The annual billing complaints would be 120 (12 x 10/month).

Quarterly data: Retailer A has reported 30 billing complaints per quarter. The annual billing complaints would be 120 (30 x 4 quarters).

As most performance indicators are of similar nature to the billing complaints example above, we would submit that performance indicators should be provided on a quarterly data basis – consistent with the AER's framework and also with performance reporting practices of other States that have yet to commence NECF. By changing the reporting metrics to quarterly data would assist retailers with its regulatory reporting as this will align with other jurisdictional performance reports which currently require quarterly data.

Comments on recommendations for specific indicators

ESC Indicator	APG Comments
Estimated accounts (retained)	<p>APG does not agree with the retention of this indicator.</p> <p>It is not understood as to the reasons this indicator is required and what it is being used to measure.</p> <p>If the indicator is used as an indicator for financial hardship e.g. "large bill shocks", we would argue that this is a very weak indicator for such purposes.</p> <p>Whilst there could be instances where an estimated bill may subsequently cause "bill shock" when a larger actual meter read is obtained at a later date, conversely, there will be an actual meter read bill could be less than the estimated bill – leading to a credit or refund of the excessive amount charged.</p> <p>With the on-going roll out of smart meters, this performance indicator will become redundant as more smart meters are being installed and switched on in Victoria, this should greatly reduce the number of estimated bills issued – caused predominantly by no meter access.</p>
<p>Direct debit customers</p> <p>Direct debit plan terminations</p>	<p>APG does not agree with the retention of both indicators.</p> <p>The significance of reporting direct debit figures are not entirely understood as it is one of a few payment options available to customers. Other payment methods such as cheque and credit cards however are not reported.</p> <p>Direct debit terminations whilst may indicate financial difficulty should be treated no differently to a cheque defaulting, credit card not processing – all of which leading to a non-payment of a bill.</p> <p>If the purpose of these indicators is to</p>

	measure financial hardship, then the AER's Centrepay payment indicator should be used in place of these indicators (AER reference S3.12) where it is a part of the hardship and payment difficulty indicators.
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Please do not hesitate to contact me should you have any questions or wish to discuss APG's submission further. I can best be reached on (02) 8908 2790 or via email at rchan@auspg.com.au.

Kind regards,



Roman Chan
Regulatory & Compliance Manager