TRUenergy Australia Pty Ltd
ABN 96 071 611 017
Level 33, 385 Bourke Street
Melbourne Victoria 3000

7 April 2006

Mike Philipson
Manager, Performance Monitoring
ESCOSA
GPO Box 2605
South Australia 5001

By email (Mike.Philipson@escosa.sa.gov.au)

Dear Mike

National Energy Retail Performance Indicators Dicussion Paper

Thank you for the opportunity to comment upon the *National Energy Retail Performance Indicators Discussion Paper*.

TRUenergy supports the development of a national framework for energy retail regulation as a means of delivering more efficient regulatory outcomes and ensuring that the benefits of competition delivered to consumers are maximised. Whilst the removal of inconsistencies across jurisdictions is a necessary component of this reform process, the efficiency gains and flow-on benefits to consumers will not be maximised if the practical effect is imposing the most onerous obligation found in any of the jurisdictions upon the others.

We are concerned with the current tendency of jurisdictions, and as evidenced by the Discussion Paper, to view consistency as an end in itself. This is inconsistent with the objectives promoted by the Coalition of Australian Governments (COAG) in the current National Competition Policy Review:

- Maximise the efficiency of new and existing regulations, including through the rigorous use of cost-benefit analysis
- Streamline and reduce the existing regulatory burden

Neither of these objectives are evident or tested in the Discussion Paper.

Therefore the starting point of the review process would be to question whether performance monitoring in a competitive market should be undertaken at all. Implementation and delivery of performance indicators imposes a cost on energy retailers. Consequently it is important that these costs be outweighed by the benefits to consumers of collecting the data. No such analysis has been undertaken.

The objective of collecting the data is unclear. If it is to monitor compliance with licence and code obligations, this is appropriately achieved through a separate compliance process. If it is to assist customers in choosing their energy retailer, based on level of service, indicators related to the disconnection rate are not relevant.

Prior to considering the framework for national performance indicators, TRUenergy recommends that SCONNR undertake the following:

- Identify the objectives of performance monitoring
- Analyse the costs of each of the proposed measures, and compare to the objectives benefits
- Prepare an exit strategy that identifies the circumstances in which collection of the data is no longer appropriate, given the development of a competitive market.

Finally, COAG has determined that retail functions are to be transferred to the AER and AEMC by 1 January 2008. To avoid the imposition of new obligations that may only apply for a short period (potentially just six months), TRUenergy recommends a regulatory pause such that any new consultations are delayed until such time that they may be conducted under the auspices of the national regulators.

Specific comments on the indicators and issues raised in the Discussion Paper are provided below.

Telephone Service

TRUenergy does not consider that the monitoring of telephone services by regulators is appropriate in a competitive market. There is a trade-off between the time taken to answer telephone calls and the cost to consumers of providing a particular level of service. Service levels are appropriately determined by the competitive market, whereby consumers can exercise their market power by switching energy retailers if they are dissatisfied. In this manner the market will determine efficient answering times in accordance with cost and customer service level preferences. This is one of the purposes of establishing retail competition.

If the indicator is to be retained, further clarification is required regarding what types of automated calls are to be excluded from the measure. The bullet points suggest only calls to automated payment lines, whilst the general text suggests all automated calls are to be excluded.

TRUenergy recommends that all automated calls (other than to automated payment lines) are included in the analysis for the following reasons:

- Retailers that automate a high proportion of simple enquiries are likely to (misleadingly) report lower response times than other retailers, due to their operators dealing disproportionately with complex enquiries.
- Retailers vary with respect to the types of calls are automated, whereby the only meaningful means of comparing service delivery is to include all calls.
- From a speed of service delivery perspective the important factor is that the enquiry is dealt with, irrespective of whether it is by an operator or through automation.

Finally, as jurisdictions differ on whether or not sales calls are included, this should also be resolved as part of the review process.

Issue 2 - Complaints

Whilst TRUenergy supports the proposed revised complaint definition, based on ISO 10002, the interpretation of the definition requires further consideration, given the case studies provided in Appendix 1. For example, with respect to case study 3 dealing with a high bill, the only difference between scenarios 2 (enquiry) and 3 (complaint), is that in the former there was an estimated read, and in the latter there was a an actual read. In both cases, although the customer is dissatisfied with the bill, they are immediately satisfied with the proposed resolution for a special meter read to be conducted. Consequently both scenarios should be classified as an enquiry.

Similarly, in case study 4 the customer has called regarding difficulty in reading the bill. In scenario 1 (enquiry), details of the bill are read to the customer, whilst in scenarios 2 and 3 (complaints) the customer is sent a large copy bill. Again, in each case the matter has been resolved immediately to the satisfaction of the customer, the only difference being the means by which that has been achieved.

In TRUenergy's experience, calls dealt with by call centre staff are generally enquiries, and only become complaints if the matter cannot be resolved at that level and must be escalated through the internal complaint handling process. Otherwise the majority of calls to the call centre would be categorised as complaints, which is not only misleading, but would lead to a large jump in current reporting levels and require significant and costly changes to internal systems to capture these calls as complaints and allow efficient reporting.

TRUenergy recommends that SCONRRR establish an industry working group to assist in developing a better understanding of the distinction between enquiries and complaints across retailers, prior to implementation of the proposed complaint definition.

We do not support the proposal to report the "total number of customer complaint contacts." It is unclear whether the intent of this indicator is to measure multiple complaints in a single contact, or a single complaint in multiple contacts. If it is multiple complaints, it is important to recognise that even if more than one issue is raised during a call, invariably there will be a single root cause (eg high bill complaints arising from estimated reads). If the indicator is attempting to measure the extent of multiple contacts on a single complaint, then it must be recognised that some customers will contact retailers several times a day, whereby the measure may be driven by the personality type of the customer. In either case the measure will be inaccurate and misleading by overstating the number of complaints received.

The disaggregation of complaints into residential and non-residential is supported.

Issue 3 - Direct Debit Payment Defaults and Instalment Plans

The proposed definitions for Direct Debit Payment Defaults and Instalments Plans are supported. However, further clarification is required to confirm that the direct debit indicator includes all direct debit arrangements, regardless of whether the plan covers single or dual fuel, and whether or not it is based on a bill smoothing arrangement or the standard collection cycle.

Issue 4 - Proposed New Affordability Indicators

As stated in our opening comments, it is important that the purpose of the data collection is established prior to introducing new performance indicators. Retailers did not support the introduction of the new affordability indicators in Victoria on the grounds that, despite implementation costs in the tens of thousands of dollars, the Essential Services Commission (ESC) provided no evidence that they were appropriate measures of customers experiencing financial hardship, and had not considered how the measures were to be interpreted. These concerns appear to be justified given the release of the ESC's December 2005 Performance Report, which, despite extending to sixty-six pages, included only a four-line analysis of the new measures. Put simply, the indicators have contributed nothing of value to our understanding of customer disconnections despite the significant implementation costs involved.

Whilst the ESC believes more work is required to understand how the measures are to be interpreted, this work should have been done prior to requiring the retailers to collect and provide the information. The obligation should not be extended to other jurisdictions until this work is completed, and that it has been established that the benefit of collecting the data outweighs the costs of doing so.

The retention of the reconnection in the same name indicator, as a proxy measure of financial hardship, is of concern. Those customers who can afford to pay, but for whatever reasons have not done so (ie lack of organisation, forgetfulness, poor personal finance skills) will arrange for reconnection immediately after disconnection. Conversely it is customers in financial hardship that are most likely to delay reconnection or vacate the premises.

With respect to the concession cardholder categories, it is noted that Victoria is the only jurisdiction with gas concession arrangements whereby no data will be provided for other jurisdictions.

Finally, South Australia, unlike other jurisdictions, does not allow retailers to register beneficiary (temporary) concession card numbers in the billing system. Consequently, any such customers disconnected are unlikely to be identified as a concession cardholder at the time of disconnection. This matter has been raised previously with ESCOSA, however the proposed remedy (by referring to either a CYFS provided list of beneficiaries or the customer's status at the most recent billing cycle) is unlikely to generate an accurate measure. This matter should be addressed as part of the current review process.

Issue 5 – Performance Indicators – Gas Sector

TRUenergy supports the inclusion of gas in the national retail template.

Issue 6 – Categorisation by Fuel Type

The introduction of a “dual fuel” category for complaints is supported, as it is possible for a complaint to be related to the dual fuel product, rather than to the specific gas and electricity services provided.

TRUenergy does not support the reporting of disconnections under a dual fuel category. Disconnection involves the physical cessation of fuel supply, either electricity or gas; there is no dual-fuel meter that can be disconnected. Furthermore, the six-week period for the disconnections to be regarded as dual fuel is arbitrary, the reporting rules are complex, and additional costs would be incurred in capturing the data, with no commensurate benefit. Finally, the category would create issues and anomalies with respect to the proposed new affordability indicators:

- For a customer switching from a single fuel to dual fuel product, is a previous disconnection of the single fuel counted towards previous disconnections in the past 24 months?
- Similarly, if the same customer were on an instalment plan for the single fuel, would they be regarded as a customer previously on a budget instalment plan?
- Dual fuel products establish a tailored payment plan for the customer that cannot be augmented by an instalment plan, whereby no dual fuel customers are on an instalment plan.

The reporting of telephone calls under a single energy category is supported. With most retailers participating in both the electricity and gas markets, many with integrated call centres, separate reporting of telephone calls by fuel type is less relevant than overall call-centre performance.

Clarification is required as to the how refundable advances (RFA) would be reported under the dual fuel category. The indicator implies that a dual fuel customer has an RFA on both fuels, whereas it is possible, due to the historical relationship with the customer, for the RFA to be held against one fuel and not the other.

National Energy Retail Template

Within the proposed National Energy Retail Template (Appendix 2) more detailed descriptions are required in the bottom rows of each table to indicate on what base the percentage is to be calculated. Whilst clear in table 1, that the percentage base is calculated on the total number of residential and non-residential customers respectively, it is unclear for the direct debit and disconnection tables.

In summary, TRUenergy supports consistency in regulatory obligations across jurisdictions. However, we believe that consistency should not be viewed as an end in itself, but as a means of delivering efficient regulatory outcomes and maximizing benefits of competition to customers. With respect to the report’s proposals, we recommend consideration be given to phasing out the collection of telephone service data in competitive markets, and that further work is undertaken to understand the value of the proposed new affordability indicators prior to their introduction to other jurisdictions.

Please contact me on (03) 8628 1122 if you require any additional information.

Your Sincerely,

Graeme Hamilton
Regulatory Manager