



# MONITORING THE DEVELOPMENT OF ENERGY RETAIL COMPETITION IN SOUTH AUSTRALIA FINAL DECISION

**September 2004**





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## GLOSSARY OF TERMS

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<b>ANNUAL PERFORMANCE REPORT</b>	refers to annual report on the performance of regulated electricity businesses in South Australia. For example, refer to “4 <sup>th</sup> Annual Performance Report, Performance of Regulated Electricity Businesses in South Australia 2002-2003”, November 2003
<b>THE COMMISSION</b>	Essential Services Commission of South Australia
<b>CCSA</b>	Conservation Council of South Australia Inc
<b>DISCUSSION PAPER</b>	refers to “Monitoring the Development of Energy Retail Competition in South Australia, Discussion Paper”, June 2004
<b>ENERGY INDUSTRY GUIDELINE NO.2</b>	refers to “Energy Regulatory Information – Energy Retail Code Retailer, Guideline No.2, EG2/01”, July 2004
<b>EIO</b>	Energy Industry Ombudsman
<b>ERAA</b>	Energy Retailers Association of Australia Incorporated
<b>ESCOSA</b>	Essential Services Commission of South Australia
<b>ESCV</b>	Essential Services Commission of Victoria
<b>FRC</b>	Full Retail Contestability
<b>MWH</b>	Mega Watt hours
<b>MIRN</b>	Meter Identification Registration Number
<b>NILS</b>	National Institute of Labour Studies
<b>NMI</b>	National Metering Identifier
<b>NEMMCO</b>	National Electricity Market Management Company Limited
<b>POSITION PAPER</b>	refers to “Monitoring the Development of Electricity Retail Competition in South Australia, Position Paper”, August 2003
<b>REMCo</b>	Retail Energy Market Company Ltd
<b>STATISTICAL REPORT</b>	refers to the FRC Monitoring Statistical Reports published by the Commission from time to time and available on the Commission’s website at <a href="http://www.escosa.sa.gov.au">www.escosa.sa.gov.au</a> . For example, refer to “Monitoring the Development of Electricity Retail Competition in South Australia, Statistical Report”, May 2004
<b>SMALL ELECTRICITY CUSTOMER</b>	refers to a customer with annual electricity consumption of less than 160MWh
<b>SMALL GAS CUSTOMER</b>	refers to a customer with annual gas consumption of less than 1TJ
<b>TJ</b>	Terajoule

## 1 INTRODUCTION

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On 1 January 2003, the South Australian electricity retail market became fully contestable. The South Australian gas retail market became fully contestable on 28 July 2004. This means that there are no longer any direct legal, regulatory or operational impediments in place that prevent an appropriately licensed retailer seeking to sell electricity and/or gas to a South Australian customer.

In June 2004, the Commission released a discussion paper titled “Monitoring the Development of Energy Retail Competition in South Australia, Discussion Paper” (referred to hereafter as the Discussion Paper), with submissions closing on 30 July 2004. Copies of the Discussion Paper, along with all other Commission reports, are available on the Commission’s website at <http://www.escosa.sa.gov.au/>.

Prior to release of the Discussion Paper, in August 2003, the Commission released the paper “Monitoring the Development of Electricity Retail Competition in South Australia – Position Paper” (referred hereafter as the Position Paper). The Position Paper underpinned the approach the Commission has taken to date in monitoring and reporting on the progress of the development of electricity retail competition in South Australia. The purpose of the Discussion Paper was to outline a proposed approach to monitoring the development of gas retail competition, with the aim of consolidating the Commission’s approach to monitoring the gas and electricity (energy) retail markets.

Submissions to the Discussion Paper were received from six organisations, viz AGL SA, Origin Energy, Energy Retailers Association of Australia (ERAA), Minister for Energy, Energy Industry Ombudsman (EIO) and the Conservation Council of South Australia (CCSA).

In addition to foreshadowing this Final Decision paper, the Discussion Paper:

- ▲ outlined proposed gas FRC monitoring indicators, which utilise those indicators identified in the Position Paper;
- ▲ sought to establish a core set of questions that can be asked in the proposed customer and retailer surveys, to enable a stable database from which to assess developments in the energy retail markets over time;
- ▲ explored the usefulness of identifying appropriate performance targets, against which assessment might be made as the gas retail market develops; and
- ▲ proposed a revised reporting structure, which would see two key FRC Monitoring Statistical Reports (covering both electricity and gas) issued each year, with monthly reporting of customer transfer statistics.



The approach adopted in this Final Decision paper is to outline issues raised in the submissions received, provide a response and then state the Commission's intended approach, under the headings of 'Issue', 'Comment' and 'Position' respectively. Where possible, the issues raised in submissions are dealt with under the relevant 'comment box' from the Discussion Paper.

The section headings in this Final Decision paper generally follow the broad key headings in the Discussion Paper. Section 2 (Indicators of Competition) deals with the energy FRC Monitoring indicators. Section 3 (Customer and Retailer Surveys) deals with the development of the small customer and retailer survey questionnaires used in monitoring some of the competition indicators, with a copy of the 2004 residential and retailer survey questionnaires provided as Attachments 1 and 2 respectively to this paper (noting that the small business questionnaire asks the same set of questions as the residential questionnaire). Section 4 (Performance Targets) reviews the proposal to identify performance targets for the gas retail market, against which assessment could be made as the gas retail market develops. Section 5 (Reporting) outlines the proposed approach to reporting.

On the basis of the reporting schedule adopted, the next substantive FRC Monitoring Statistical Report is due to be released in September 2004. The September 2004 publication timeframe meant that certain components of the monitoring exercise needed to be progressed before the Commission was in a position to formally respond, by way of this Final Decision paper, to the issues raised in submissions received on the Discussion Paper. This mainly related to the need to finalise the 2004 small customer and retailer survey questionnaires, and in seeking the cooperation of AGL SA and Origin Energy in providing regular monthly reports to the Commission of the number of their customers moving to market contracts with them (for electricity and gas respectively).

The Commission will continue to review the indicators monitored in other jurisdictions and overseas and revise the set for South Australia as appropriate. The Commission welcomes receiving comments at any stage, especially from consumers, which will be considered in any future modification to the competition indicators.

A glossary of key terms used in the Final Decision paper is included in the front of this paper.

## 2 INDICATORS OF COMPETITION

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This section considers issues raised in submissions concerning the competition indicators proposed in the Discussion Paper, and provides the final set of competition indicators the Commission intends to adopt in monitoring the development of the electricity and gas (energy) retail markets.

### 2.1 *Applicability of Maintaining Electricity FRC Monitoring Indicators*

#### 2.1.1 Issue

**Issue 1**

***The Commission seeks confirmation that the electricity FRC monitoring framework, as outlined in the August 2003 electricity FRC Monitoring Position Paper, remains an appropriate basis for monitoring the development of the electricity retail market in South Australia.*** (Discussion Paper, p.5)

The Discussion Paper outlined the seven key indicators of retail competition employed in monitoring the development of the electricity retail market, namely: number of electricity retailers; extent of customer switching; barriers to entry; information asymmetries; price/service mix; impacts on low-income groups; and innovation. A detailed description of each of these indicators is provided in the (August 2003) Position Paper, with further discussion in the following sections.

The Discussion Paper proposed applying the electricity FRC Monitoring indicators to monitoring the development of the gas retail market. It was therefore important to first determine the level of support existing for the current indicators used to monitor the development of the electricity retail market.

The Minister for Energy, also responding on behalf of the Treasurer, stated:

*"I have been pleased with the approach that the Essential Services Commission of South Australia (ESCOSA) has taken to date in monitoring electricity retail competition and am confident a consistent approach, expanded to allow for dual fuel contracts for example, will continue to be useful in an environment of energy retail competition".*

The Electricity Industry Ombudsman (EIO) advised:

*"I consider that the existing electricity FRC monitoring framework remains an appropriate basis for monitoring the development of the electricity retail market in SA".*

However, the Energy Retailers Association of Australia (ERAA) expressed an opposing view that:



*“... competition in the retail energy market should be assessed as it is in other Australian markets, via the Trade Practices Act. Potentially competitive markets are assumed to produce acceptable outcomes for consumers unless there is compelling evidence to the contrary, based on comparison with other comparable markets. By attempting to establish a range of “Indicators of Competition”, the consequent reporting framework is likely to be reduced to a highly introspective, subjective and arbitrary exercise.”*

Origin Energy supported the ERAA view in its submission.

Both the ERAA and Origin Energy expressed the view that barriers to entry were the single most important determinant of competition, with AGL SA considering the removal of such barriers a critical element in establishing competition effectiveness.

AGL SA suggested an approach of concentrating on broader indicators rather than the detailed ones proposed in the Discussion Paper, relying on indicators such as customer transfers and transfers in progress.

AGL SA acknowledged that it might be appropriate to monitor performance in the early stages of competition, but that it was AGL SA’s view that competition is showing signs of becoming well established. As a result, consideration should be given to allowing the energy market to be monitored under the Fair Trading Act and Trade Practices Act, rather than by the Commission.

## **2.1.2 Comment**

While it may be the case that in time it will be appropriate to assess competition in the energy retail market via general competition mechanisms such as the Trade Practices Act, it needs to be recognised that the electricity and gas retail markets have only recently been created and it is considered responsible to closely monitor their early development.

Further, the *Essential Services Commission Act 2002* (the Act) provides the Commission with the primary objective of the protection of long term interests of SA consumers with respect to price, quality and reliability of essential services. The Act also requires the Commission to have regard to the need to: promote competitive and fair market conduct; prevent misuse of monopoly or market power; facilitate entry into relevant markets; and ensure consumers benefit from competition and efficiency<sup>1</sup>. The competition indicators framework outlined in this Final Decision paper is designed to provide information that would assist the Commission to meet these legislative requirements.

Competition in the UK domestic gas retail market was phased in between April 1996 and May 1998, with competition for the UK domestic electricity retail market phased

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<sup>1</sup> Refer section 6 of the *Essential Services Commission Act 2002*.

in between September 1998 and May 1999<sup>2</sup>. Ofgem's recent competition review "Domestic Competitive Market Review 2004"<sup>3</sup>, coming some six to eight years after FRC commencement, indicates that there are precedents for reviewing energy retail market development for some time after creation.

Initially, as evidenced by the customer switching indicator, the development of the SA electricity retail market was slow. This led to action being taken by the Commission and the South Australian Government to improve the performance of the South Australian retail market, which included the Commission establishing the Estimator and Electricity Price Comparison Service and the South Australian Government introducing a short term Energy Transfer Rebate<sup>4</sup>. This demonstrates the importance of monitoring the development of a new market. In recent times the electricity retail market has started to perform well, in terms of the overall level of customer transfers to market contracts. The increasing range of products on offer, and the entry of new retailers, also indicate healthy development taking place.

The Commission acknowledges the importance of minimising barriers to entry, as indicated by nominating barriers to entry as one of the competition indicators. However, barriers to entry are not the only potential source of market failure, with information asymmetry (e.g. customers at a relative disadvantage to retailers in their level of understanding of the market) being another source of market failure. The customer surveys conducted by the Commission, which examine aspects of customer awareness, are designed to indicate the extent of information asymmetry, with actions such as the telephone comparison service one potential response.

Consequently, the Commission maintains the view that it is important to monitor a range of indicators. The Commission considers that some support for this view can be drawn from the approach adopted by the Essential Services Commission of Victoria (ESCV)<sup>5</sup> in its recent review of the effectiveness of retail competition in Victoria, where it stated that:

*"No one indicator can define and measure what is a 'sufficient' degree of competition for it to be considered 'effective'. Rather, a broader assessment of a range of indicators that are relevant to the nature and effectiveness of competitive activity is required."*

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<sup>2</sup> Based on definitions contained in the Office of Gas and Electricity Markets (Ofgem) publication "Domestic Competitive Market Review 2004 – A review document", April 2004, p6.

<sup>3</sup> Ofgem, April 2004, op. cit.

<sup>4</sup> The Estimator is a website program that will estimate electricity costs (bills) under incumbent retailer AGL SA's standing contract tariffs and compare these with market offers, for residential and small business customers. The Electricity Price Comparison Service is a telephone electricity price comparison service for domestic customers, which produces annual bill estimates based on AGL SA's standing contract tariffs and tariffs for alternative offers. This service was expanded in July 2004 to provide details to consumers relating to both gas and electricity (EnergyChoice Hotline), but initially the price comparison has been confined to electricity only. On 29 November 2003, the Premier announced a one-off \$50 electricity payment to pensioners and self-funded retirees (with a valid concession card) who take out a market contract for electricity (Electricity Transfer Rebate), with the ETR offer ending on 13 August 2004.

<sup>5</sup> Victorian Essential Services Commission (ESCV) publication "Special Investigation: Review of Effectiveness of Retail Competition in Gas and Electricity – Final Report to Minister, Overview Report", 22 June 2004, p14.

### 2.1.3 Position

As indicated above, the basis for the current monitoring regime for the electricity retail market is contained in the August 2003 Position Paper, and the reader is referred to this paper for a detailed discussion of the indicators currently used to monitor this market.

On balance, the Commission considers that the current set of competition indicators remain broadly relevant to monitoring the development of the electricity retail market. The following sections restate those indicators, in order that this Final Decision paper can be used as a consolidated statement of the indicators that the Commission will be using to monitor the development of both the electricity and gas (energy) retail markets.

## 2.2 Applying Electricity FRC Monitoring Indicators to Gas

### 2.2.1 Issue

#### **Issue 2**

***The Commission seeks general comment on the suitability of applying the current electricity FRC monitoring framework to monitoring the development of the gas retail market in South Australia. (Discussion Paper, p.7)***

The Discussion Paper was seeking comment from stakeholders on the appropriateness of adopting these indicators for monitoring the development of the gas retail market.

As noted in the previous section, the Minister for Energy supports a consistent approach being applied to monitoring the development of the gas retail market. The Energy Industry Ombudsman stated that:

*“In view of the close similarities between the gas and electricity retail markets (importantly including retailers active in both markets) I consider that the electricity FRC monitoring framework is an appropriate framework for monitoring the development of gas FRC.”*

As a general comment, the ERAA:

*“... considers that ESCOSA has developed a framework that will not achieve the stated objective to effectively monitor the development of competition in South Australia. A number of indicators have been identified which may be of interest in a research context, but are not relevant to the development of competition, do not justify the cost of collection and will not assist in meeting your monitoring obligation. ERAA members have extensive experience in dealing with other Regulators through similar competition review processes, and we would welcome an opportunity to start a dialogue with ESCOSA to develop a framework, based on our experience, to monitor competition in a cost effective manner”.*

AGL SA supported consistency in reporting between electricity and gas, but questioned the extent of the reporting required.

In addition to the issues already presented above, a number of submissions made comment on specific indicators, which are reviewed in following sections.

## **2.2.2 Comment**

Both the Minister for Energy and EIO submissions supported a similar approach being applied to monitoring the development of the electricity and gas retail market. Whilst other submissions raised some concern over the use of multiple indicators (discussed in Section 2.1) and/or have raised issues with specific indicators, these submissions did not suggest that there were significant differences between the operations of the electricity and gas retail markets that would warrant a different treatment being adopted for monitoring the gas retail market.

The concerns raised by the ERAA are responded to in the following sections, which deal with the specific proposed indicators. As outlined in the following sections, very little additional information is being sought from most retailers, with an annual retailer survey limited to seeking advice in three areas, which should not require a special search of retailer databases. Incumbent retailers AGL SA and Origin Energy are also being requested to provide regular monthly reports to the Commission on the number of their customers moving to market contracts with them. But this requirement is only designed to achieve the level of reporting of customer movements enjoyed in other jurisdictions.

On the ERAA's issue of having regard to the approaches being adopted in other jurisdictions to monitor the development of retail markets, it is noted that the Commission's proposed structure contains many of the elements included in the Essential Services Commission of Victoria (ESCV) framework for reviewing the effectiveness of competition<sup>6</sup>, as follows:

*"The Commission's assessment of the effectiveness of competition in the Victorian energy retail markets has focused on the structural features of the market (for example, the number and concentration of competing retailers), the conduct and performance of the competing retailers and the capacity of retail customers to respond to and benefit from the range of energy price/service offerings available to them in the market.*

Elements of the ESCV analytical framework for reviewing the effectiveness of competition<sup>7</sup> include: number and market shares of competing retailers; the presence or absence of barriers to entry; the conduct of market participants as indicated by aspects such as the degree of rivalry or innovation; impediments to transferring customers and the extent to which well informed customers are

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<sup>6</sup> ESCV, Special Investigation Overview Report, op. cit., p14.

<sup>7</sup> "Special Investigation: Review of the Effectiveness of Retail Competition and Consumer Safety Net in Gas and Electricity – Final Report (Background Report)", Essential Services Commission of Victoria (ESCV), 22 June 2004, p4.

exercising retail choice; the economic performance of the relevant retail market examined through measures such as whether differentiated products and services reflect customer tastes and preferences and the extent to which services are being made available to all customers rather than to part of the market only. Many of these elements are reflected in the seven indicators of competition chosen by the Commission.

The ESCV<sup>8</sup> has also identified other elements such as: the technical and cost conditions of supply; relevant demand side structural features; presence of anticompetitive behaviour such as restricting supply to raise prices; whether prices reflect efficient costs. In the case of South Australia, it is suggested that these elements would need to be reviewed once the retail market had matured further and consideration was being given to removing some of the safety net provisions, although some of these elements are also relevant for the Commission's AGL Price Path Inquiry<sup>9</sup>.

### 2.2.3 Position

The Commission has decided that it will retain the broad set of competition indicators applied to date in monitoring the development of the electricity retail market and apply them also to monitoring the development of the gas retail market. In essence, the following indicators will now become the suite of indicators that will be used to monitor the development of the South Australian energy retail market:

- ▲ Indicator 1 – Number of Retailers
- ▲ Indicator 2 – Small Customer Switching
- ▲ Indicator 3 – Barriers to Entry
- ▲ Indicator 4 – Information Asymmetries
- ▲ Indicator 5 – Price/Service Mix
- ▲ Indicator 6 – Impacts on Low-Income Groups
- ▲ Indicator 7 – Innovation.

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<sup>8</sup> ESCV, Review of the Effectiveness of Retail Competition - Background report op. cit., p4.

<sup>9</sup> For further information on the AGL Price Path Inquiry, refer to the paper "Inquiry into Retail Electricity Price Path, Issues Paper", June 2004, a copy of which is available on the Commission's website.

## 2.3 Indicator 1: Number of Retailers

### 2.3.1 Issue

**Issue 3**

***The Commission seeks comment on the usefulness of Indicator 1 and the indicators proposed to be employed to monitor progress.***

**Issue 4**

***The Commission seeks comment on the appropriateness of the proposed customer categories and sub-categories that are intended be employed across the indicators.*** (Discussion Paper, p.9)

The number of retailers currently operating in the small customer retail market and/or intending to operate in the future would be expected to have an important influence on the prevailing level of competition. The total number of South Australian licensed retailers also indicates a ready potential source of additional licensees that could serve the small customer retail market. This indicator would provide information on the number of South Australian licensed electricity and gas retailers operating at a particular point in time, together with the history of entry and exit over time. Information on retailer participation in sub-markets would also be sought.

The ERAA considered that monitoring the total number of retail licence holders to be the correct way of counting market participants for the purpose of monitoring the development of competition, rather than the number currently participating in the South Australian market.

### 2.3.2 Comment

The Commission proposes to continue to identify and report the total number of South Australian licensed retailers, but now for both electricity and gas. The total number of South Australian licensed retailers indicates a potential pool of retailers able to serve the small customer market segment, of which those actively servicing the small customer market will also be identified.

There is a broader pool of retailers, encompassing retailers operating in other jurisdictions and overseas (e.g. a number of New Zealand based retailers have recently shown interest in operating in parts of the National Electricity Market, including South Australia). Whilst the number of retailers in this broader pool could be monitored also, it is considered that monitoring the number of South Australian

licensed retailers indicates the level of committed interest in operating in the South Australian retail market.

### 2.3.3 Position

The following table indicates the information that will be reported on the number of South Australian licensed retailers.

**Indicator 1: Number of SA Licensed Retailers <sup>(1)</sup>**

Category	Indicator	Source	Reporting
Number of electricity & gas retailers	Current number of SA licensed retailers & history of entry & exit	Issued SA licences	September & March
	Number of retailers serving: - Large customers <sup>(2)</sup>	Annual Return & Energy Industry Guideline No.2 reporting	September & March
	- Residential customers <sup>(3)</sup> - Small business customers <sup>(3)</sup>	Energy Industry Guideline No.2 reporting	September & March
	Number of retailers participating in &/or intending to target over next 12 months defined small business market sub-groups <sup>(4)</sup> .	Retailer survey	September <sup>(5)</sup>
	Number of retailers participating in &/or intending to target over next 12 months defined residential market sub-groups <sup>(4)</sup>	Retailer survey	September <sup>(5)</sup>

- Note: (1) The Commission intends to report this activity in matrix format, demonstrating retailer participation in the identified classes by overall participant numbers & not identify individual retailers.
- (2) Large electricity customers defined as having an annual consumption of electricity of  $\geq 160$ MWh. Large gas customers defined as having an annual consumption of gas of  $\geq 1$ TJ.
- (3) Small electricity customers defined as having an annual consumption of electricity of  $< 160$ MWh. Small gas customers defined as having an annual consumption of gas of  $< 1$ TJ.
- (4) Information to be sought separately as to whether the retailer was active for the previous financial year and if it intends to be active over next 12 months, so that it is possible to clearly define the number of retailers who were active at some level in the previous financial year. The defined small business market sub-groups are consumption: 0-80MWh p.a. & 80-160MWh p.a. and location: metropolitan Adelaide and rural & regional. The defined residential market sub-groups are metropolitan Adelaide and rural & regional.
- (5) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

## 2.4 Indicator 2: Small Customer Switching

### 2.4.1 Issue

#### **Issue 5**

**The Commission seeks comment on the appropriateness of the set of indicators proposed to be monitored and reported for Indicator 2. Have any important indicators been omitted?** (Discussion Paper, p.12)

The switching (transfer) of customers to market contracts is a key universal indicator of the development of a retail energy market. The extent to which customers are exercising choice in switching to market contracts is an indicator of the competitive effectiveness of retailer activity. The key statistic monitored and reported on for the electricity retail market is the level of completed small customer transfers.

The Minister for Energy indicated strong support for the regular reporting of customer transfer to market contracts statistics.

The ERAA suggested that any monitoring of customer switching should reflect movement to market offers, whether with the same retailer or another. However, the ERAA considered that, whilst customer switching is a possible indicator, competition can be present in the absence of substantial customer switching. The ERAA also suggested it was unaware of '*researched benchmarks*' that would indicate a direct link between the level of switching and appropriate levels of competitive activity.

The CCSA, in raising concern with the statement in the Discussion Paper (p1) that "*... the long term interests of South Australian consumers ... is now based on the premise that competition will ultimately provide the best protection for consumers*", suggested that many concession eligible householders had taken up the South Australian Government \$50 Electricity Transfer Rebate by moving to market contracts containing the same price as the standing contract. The implied concern was that such occurrences inflated the customer transfer numbers, as the shift to market contracts had not resulted from contract price and/or non-price factors.

AGL SA supported REMCo's concern with the provision of MIRN (gas) responsibility data to the Commission<sup>10</sup>, as outlined in the Discussion Paper (p.11).

## **2.4.2 Comment**

The Commission acknowledges that each indicator needs to be assessed closely. However, the Commission is convinced that there is a need for data on the number of small customer transfers to be published on a regular basis.

Consistent with the ERAA approach, it is the Commission's preference that the customer switching statistics report the movement to market contracts, either with the customer's retailer or an alternative retailer. On this basis, the movement to market contracts is considered to be a reasonable indicator of competitive activity. This would require Origin Energy providing the Commission with data on the number of its small gas customers transferring to market contracts with Origin Energy, which would be combined with the completed transfer data provided by REMCo (similarly for AGL SA in the case of electricity).

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<sup>10</sup> MIRN responsibility data records the number of Meter Identification Registration Numbers each retailer is financially responsible for.

In relation to the CCSA issues, the statement highlighted in the Discussion Paper was intended to be a statement of fact, that governments presumably introduced markets into the energy sector of the economy as ultimately the best mechanism to meet the long run interests of end consumers. This makes no statement on the extent to which safety net provisions may need to be retained, to assist certain groups of customers.

On the CCSA's other point, the Commission does not intend to start assessing the merits of particular market contracts and will monitor the gross level of transfers to market contracts whatever level of benefits have been achieved by customers. To the extent that there is evidence that customers are not pursuing the best deals available, then this provides further justification to monitor the level and quality of information available to customers contemplating taking out a market contract. Indicators which monitor this aspect of the market are discussed below (e.g. see Section 2.6).

The Commission still intends to collect MIRN Responsibility data (which, amongst other uses, can identify individual retailer market share), and repeats the statement made in the Discussion Paper that it has no current intention to publish such data and no publication would occur without close consultation with the affected parties. The small customer transfer data (refer above) will be reported in an aggregate form, i.e. not identify individual retailers.

### 2.4.3 Position

The following table indicates the information that will be reported on the degree of customer switching.

**Indicator 2: Degree of Customer Switching**

Category	Indicator	Source	Reporting
Number of customers switching	Number of completed transfers of small customers taking out market contracts (whether with same retailer or another), aggregated across retailers	electricity: NEMMCO & AGL SA gas: REMCo & Origin Energy	Monthly
	Number of transfers in progress (electricity) and transfers initiated (gas)	electricity: NEMMCO gas: REMCo	Monthly
	Number of residential and small business customers switching, by defined categories (e.g. income, consumption & location)	Small customer survey	September <sup>(1)</sup>
Intentions	The extent to which small customers yet to take out market contracts would consider doing so in the next 12 months, identifying factors driving such intentions, by defined categories (e.g. income, consumption & location)	Small customer survey	September <sup>(1)</sup>

Note: (1) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

In addition, statistics will be collected on NMI Discovery for electricity and MIRN Discovery, error correction and data change transaction count data for gas, but the Commission would not intend publishing these statistics unless they provided useful information.

## **2.5 Indicator 3: Barriers to Entry**

### **2.5.1 Issue**

**Issue 6**

***The Commission seeks comment on the usefulness of Indicator 3 and the indicators proposed to be employed to monitor progress.***

(Discussion Paper, p.13)

The extent to which barriers to entry exist for retailers will limit the potential for active competition and in turn reduce the potential choice for customers and downward pressure on prices.

The ERAA and Origin Energy considered “... *barriers to entry to be the single most important determinant of competition*” and cited the ESCV as having identified two principal barriers to entry in the Victorian market, being the absence of competitive margins in relation to standing offer tariffs, and the complexity of consumer protection arrangements and differences in regulatory requirements across jurisdictions. The ERAA and Origin Energy considered both of these to be key potential barriers to entry, which should be monitored.

AGL SA concurred and considered:

*“that the removal of barriers to entry is a critical element in establishing the effectiveness in competition and support the Commission’s efforts to identify and remove barriers to entry”.*

### **2.5.2 Comment**

The Commission recognises the importance of barriers to entry, and the risk that significant barriers could impede the progress of the development of the energy retail market. Accordingly, the Commission has retained a barriers to entry competition indicator.

The retailer survey asks a range of questions on the existence of barriers to entry, which include questions in the areas identified by the ERAA and Origin Energy submissions (see Section 3.2).

The Commission is mindful of the complexity of consumer protection arrangements and differences in regulatory requirements across jurisdictions. As outlined in the

Energy Industry Codes Final Decision paper, the Commission will commence a limited review of the application of the Energy Retail Code within 12 months of its operation to assess the levels of protection required<sup>11</sup>. An aspect of this review will incorporate a proposed review of the continued appropriateness for small business of the cooling off rights provisions of the Energy Retail Code (see Section 3.1.2).

### 2.5.3 Position

The following table indicates the information that will be reported on the existence of barriers to entry.

**Indicator 3: Barriers to Entry**

Category	Indicator	Source	Reporting
Barriers to entry	<p>The existence of any barriers to entry which either are or might impede new entrant retailers:</p> <ul style="list-style-type: none"> <li>- general regulatory requirements (eg complexity &amp; jurisdictional differences)</li> <li>- extent of any insufficient headroom under standing offer prices (&amp; default contract prices) to enable competition</li> <li>- other (eg access to hedging products &amp; incumbency advantages)</li> </ul>	Retailer survey, to include retailers operating in other jurisdictions that are not currently licensed in SA <sup>(1)</sup>	September <sup>(2)</sup>

Note: (1) Any retailer information received from the retailer surveys will be suitably masked or presented as percentile information.

(2) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

## 2.6 Indicator 4: Information Asymmetries

### 2.6.1 Issue

#### **Issue 7**

***The Commission seeks comment on the usefulness of Indicator 4 and the indicators proposed to be employed to monitor progress.***

(Discussion Paper, p.14)

The provision of information in a market is crucial to the effective operation of the market. To the extent that consumers are not adequately informed, they are either less likely to consider switching retailers, or be vulnerable to accepting offers that may not be in their best interests.

The ERAA in its submission argued “*competition drives to some extent the appropriate level of information in the market*” and questioned the existence of a

<sup>11</sup> Refer to paper “Energy Industry Codes, Final Decision”, February 2004, which is available on the Commission’s website.

demonstrated link between a particular level of information and competitive activity. The ERAA was concerned that the Commission might advocate expenditure on information dissemination above an efficient level.

## 2.6.2 Comment

The ERAA submission appeared to mount the argument that, if customers have the ability to choose retailers, the market would be expected to provide an appropriate level of information. The Commission is not convinced by this argument, and points to the significant use being made of the public information services provided by the Commission. Given that a key potential source of market failure is information asymmetry, then it cannot be presumed that a market will provide an appropriate level of information and hence the need to monitor the operation of the market.

The Commission maintains the view that it is important that customers are aware of their ability to switch retailers and that they have access to an appropriate level of information to enable them to make informed choices.

## 2.6.3 Position

The following table indicates the information that will be reported on aspects of customer awareness and transfer costs.

**Indicator 4: Information Asymmetries**

Category	Indicator	Source	Reporting
Awareness	Residential and small business customers' awareness of ability to switch retailer & willingness to seek offers, by defined categories (e.g. income, consumption & location), including: <ul style="list-style-type: none"> <li>- any gaps or areas of misunderstanding</li> <li>- transfer experience</li> </ul>	Small customer survey	September <sup>(1)</sup>
Transfer Costs	Costs of transferring (search costs), by defined categories (e.g. income, consumption & location), including: <ul style="list-style-type: none"> <li>- ease of obtaining, understanding &amp; comparing information</li> <li>- information on prices, services and terms &amp; conditions &amp; whether sufficient to support informed choices</li> </ul>	Small customer survey	September <sup>(1)</sup>
Marketing behaviour	Extent and nature of marketing behaviour, by defined categories (e.g. income, consumption & location), including: <ul style="list-style-type: none"> <li>- extent &amp; nature of offers being made (see indicator 5)</li> <li>- extent of active marketing (eg level of advertising &amp; associated expenditures)</li> <li>- evidence of any misleading or deceptive behaviour</li> </ul>	Retailer survey <sup>(2)</sup>  Small customer survey	September <sup>(1)</sup>
Other Aids	Existence & output of third party information intermediaries	ESCOSA monitoring	September <sup>(1)</sup>

Note: (1) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

(2) Any retailer information received from the retailer surveys will be suitably masked or presented as percentile information.

## **2.7 Indicator 5: Price/Service Mix**

### **2.7.1 Issue**

#### **Issue 8**

***The Commission seeks comment on the usefulness of Indicator 5 and the indicators proposed to be employed to monitor progress.***

(Discussion Paper, p.14)

A key factor in a successful market is the extent to which customers have choice. With this indicator, the Commission seeks information on the detail and extent of market offerings made to customers, in order to monitor the extent to which retailers are responding in this area.

The ERAA saw no merit in monitoring price/service mix, and suggested that the Commission's "... monitoring in this regard would be to 'second-guess' what customers voluntarily select as the appropriate price/service mix and would appear to indicate nothing about the level of competition in the market".

### **2.7.2 Comment**

By selecting a range of indicators, the Commission is seeking to monitor the key elements that would be expected of a vibrant and competitive market, rather than focus on one or two elements. A competitive market would normally be characterised by informed consumers having a range of choices, supplied by a number of companies.

The Price/Service mix indicator monitors the extent to which the energy retail market demonstrates that consumers are enjoying significant choice. Whilst it might be expected that customers would be best placed to demand an optimal price/service mix, this may not occur if the market is not competitive.

It may be the case that energy consumers are predominantly concerned with price. If so, then less weight can be given to the existence or otherwise of non-price elements. The small customer survey includes a question which seeks to determine the extent to which price is important in the decision to switch to a market contract (see Section 3.1).

### **2.7.3 Position**

The following table indicates the information that will be reported on aspects of price and service mix.

**Indicator 5: Price/Service mix**

Category	Indicator	Source	Reporting
Nature of Offers	Extent and nature of offers being made to residential and small business customers, by defined categories (e.g. income, consumption & location), including: <ul style="list-style-type: none"> <li>- ability for customer to obtain a competitive offer</li> <li>- customer or retailer initiation of contact</li> <li>- degree customers have understood detail</li> <li>- reasons customers have chosen to accept or decline</li> </ul>	Retailer survey <sup>(1)</sup>  Small customer survey	September <sup>(2)</sup>

Note: (1) Any retailer information received from the retailer surveys will be suitably masked or presented as percentile information.  
(2) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

## 2.8 Indicator 6: Impacts on Low-Income Groups

### 2.8.1 Issue

**Issue 9**

***The Commission seeks comment on the usefulness of Indicator 6 and the indicators proposed to be employed to monitor progress.***  
(Discussion Paper, p.15)

This indicator is designed to assist in monitoring the extent to which all sections of the community are benefiting from competition, through access to a range of market offers at competitive prices. This is consistent with the Commission’s primary objective being the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services<sup>12</sup>.

The ERAA, whilst stating its support for the Government’s welfare objectives, argued that:

*“... the effectiveness of competition should be measured against its ability to deliver efficient prices over the long term. The rigour of a contestable market structure applies equally to all customer segments regardless of their income level. If there are low levels of active rivalry in some segments compared to others, then it may be a function of a lack of cost reflectivity of regulated tariffs applying to those segments rather than any failure of competition. Indeed, welfare policy is a response to community issues unrelated to the highly efficient operation of markets”.*

The ERAA noted that a retailer would only be aware of a customer’s level of consumption and not have details on the customer income.

<sup>12</sup> Refer section 6 of the *Essential Services Commission Act 2002*.

- ▲ The CCSA stated that, to understand the impact on electricity affordability for households, it was necessary to analyse income, price and consumption together. The CCSA advocated reporting a range of additional affordability indicators in the FRC Monitoring Statistical Reports.

## 2.8.2 Comment

An important focus for the FRC monitoring work is to determine whether low-income and hence vulnerable groups face particular issues, such as the lack of information in a suitable form or for reasons such as those advanced by the ERAA that there may be an issue of “...*lack of cost reflectivity of regulated tariffs...*” applying to certain customer segments. Such knowledge may permit targeted responses, such as the Commission’s support of the Council on the Ageing (COTA) service to assist older electricity consumers to compare retail electricity market offers, as well as the general telephone price comparison service.

In relation to the detailed set of low-income measures proposed by the CCSA, a similar set was put forward in a submission to the Commission’s consultation on Energy Industry Guideline No.2. In response, the Commission advised that its 2004-2006 Strategic Plan incorporates a review of energy disconnections, which is proposed to be undertaken in early 2005. This review may require an ad hoc data request of retailers and may also provide justification for additional data to be collected on a routine basis. The Commission would be best placed to consider the appropriateness of such additional measures in that context. Also, given the extensive nature of the data requirements proposed, an additional round of consultation would be considered necessary before incorporating significant additional data requirements.

As part of the proposed disconnection review, consideration may be given to what additional low-income targeted questions might be included in future small customer surveys conducted by the Commission. Potential candidate questions include ‘do you have a fuel debt’ and ‘have you been disconnected in the past two years’, to see if such customers face different experiences in receiving offers, etc. It is noted that this aspect may be covered to some extent in the 2004 small customer survey question which asks whether the respondent had ever been refused an offer by a retailer. This information will be able to be tabulated by income, consumption and postcode. It is also anticipated that next year’s classifications/demographics section of the small customer survey will be expanded to include a question on home ownership status, to see if those respondents renting accommodation are having a different energy FRC experience to those owning/purchasing their own homes.

The (FRC Monitoring) Statistical Reports will report the results of the small customer surveys, which seek to target the experience of low-income households with FRC. It should be possible to gain some indication of average residential consumption and average consumption of concession recipients by postcode (two of the CCSA

proposed measures) from the Commission's 2004 small customer survey. The small customer survey should also provide other relevant information, such as whether there are communities of consumers not having full access to competitive market offers (given the ability to cross tabulate information by income and postcode).

The CCSA suggested that the proposed measures be reported in the Statistical Reports, as a means of achieving more regular reporting than is possible with the Annual Performance Report. The Commission is prepared to consider avenues for more regular reporting, providing the relevant data has been collected.

Whilst the regular statistical information supplied by retailers (to be supplied in future in accordance with Energy Industry Guideline No.2) has to date only been reported annually in the Commission's Annual Performance Report published in November, retailers provide information quarterly, generally by the end of the month following the relevant quarter (31 August in the case of June Quarter data). The Commission intends to commence reporting some of the relevant Energy Industry Guideline No.2 affordability measures (eg payment difficulties, disconnections and reconnections) in the proposed March Statistical Reports, which would cover the preceding September and December quarters. Given the timing of receipt of the June Quarter data, the financial year data (incorporating the March and June Quarter data) would be best reported in the November Annual Performance Report, as is the current practice. Given the nature of the Annual Performance Report as the primary reporting mechanism for operator performance, this is considered an appropriate treatment. Nevertheless, such an approach would still effectively introduce biannual reporting for key affordability measures.

### **2.8.3 Position**

The following table indicates the information that will be reported on the impacts on low-income groups.

### **Indicator 6: Impacts on Low-Income Groups**

<b>Category</b>	<b>Indicator</b>	<b>Source</b>	<b>Reporting</b>
Awareness	Awareness of low-income residential customers of ability to switch retailer	Indicator 4	September <sup>(1)</sup>
Competitive Offerings	Evidence that low-income residential customers are experiencing competitive offerings	Indicator 5	September <sup>(1)</sup>
Switching	Number of low-income residential customers switching & future intentions	Indicator 2	September <sup>(1)</sup>
Impacts	Monitor impact changes: - Hardship baseline	NILS <sup>(2)</sup>	September <sup>(1)</sup>
	- Changes in Income & Prices	NILS/ Energy Industry Guideline No.2 reporting	September <sup>(1)</sup>
	- Supplier Action * no. of residential customers experiencing payment difficulties * no. of residential customer disconnections <sup>(3)</sup>	Energy Industry Guideline No.2 reporting	March & November <sup>(4)</sup>

Note: (1) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.

(2) National Institute of Labour Studies (NILS)<sup>13</sup>.

(3) Energy Industry Guideline No.2 defines disconnections as the number of events or occasions where a disconnection has been carried out due to a failure to pay amount due (including discontinuing supply to vacant premises following non payment).

(4) November refers to reporting in the Commission's Annual Performance Report.

## **2.9 Indicator 7: Innovation**

### **2.9.1 Issue**

#### **Issue 10**

***The Commission seeks comment on the usefulness of Indicator 7 and the indicators proposed to be employed to monitor progress.***

(Discussion Paper, p.16)

One of the intended benefits of energy retail competition is the potential for retailers to offer innovative products. Such innovation could range from billing and payment options through to the bundling of services.

The ERAA raised the following concerns with the innovation indicator:

<sup>13</sup> Refer to National Institute of Labour Studies (NILS), 2002 (October), "Fuel Poverty: A Concept with Power in South Australia?", report prepared for the Commission by Professor Sue Richardson and Associate Professor Peter Travers, and NILS, 2004 (February) "Household Energy Expenditure: Measures of Hardship & Changes in Income", report prepared for the Commission by Professor Sue Richardson and Associate Professor Peter Travers. Both reports available on the Commission's website at [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).

*“It is not only difficult to objectively measure levels of innovation, but doing so creates a danger of retailers ‘over-innovating’ in particular market segments simply to satisfy advocacy by ESCoSA or others against a subsequent arbitrary benchmark level. Such an outcome is inefficient and not supportive of competition”.*

## 2.9.2 Comment

The Commission accepts that it is difficult to objectively measure levels of innovation, but as outlined in the Prices/Service Mix discussion (see Section 2.7) the Commission is attempting to gain a ‘picture’ of the extent to which all the main elements of a healthy competitive market are in operation.

In response to the specific concern raised by the ERAA, it is not envisaged that the Commission would set an arbitrary benchmark level of innovation, that could risk “over-innovation”. Already there is evidence of significant activity by retailers in offering innovative products, such as ‘green energy’ and lifestyle energy products, varying payment options (eg direct debit), rebates, frequent flyer points etc., which indicate a level of responsiveness to customer requirements.

## 2.9.3 Position

The following table indicates the information that will be reported on the level of innovation occurring in the electricity market.

***Indicator 7: Innovation***

Category	Indicator	Source	Reporting
Innovation	Evidence of innovative product offerings	Retailer survey <sup>(1)</sup> Small customer survey	September <sup>(2)</sup>

Note: (1) Any retailer information received from the retailer surveys will be suitably masked or presented as percentile information.

(2) For any survey undertaken, the initial results will be reported in the September Statistical Report, but any additional analysis performed may be reported in the following March Statistical Report.



## 3 CUSTOMER & RETAILER SURVEYS

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This section considers issues raised in submissions concerning the proposed small customer and retailer surveys as outlined in the Discussion Paper, and provides a copy of the set of questions used for the 2004 survey questionnaires, which is intended to be used to model future surveys.

### 3.1 Small Customer Surveys

#### 3.1.1 Issue

**Issue 11**

***The Commission seeks comment on the appropriateness of the small customer survey questions. Have any important questions been omitted?***

(Discussion Paper, p.22)

The following summarises comments made in submissions on the small customer surveys. The specific comments made relate to the broad outline of proposed small customer survey questions contained in the Discussion Paper (pp 20-21).

Origin Energy:

- ▲ suggested questions on awareness of alternative retailers are interesting from a brand recognition perspective, but provide no information on whether the market is competitive;
- ▲ stated that for most questions it is unclear how the results will be interpreted, or what level of response is perceived to be consistent with a competitive market; and
- ▲ endorsed specific concerns detailed in the ERAA submission.

AGL SA:

- ▲ questioned the wisdom of increasing the number of questions from the number asked in the 2003 survey and encouraged the Commission to seek expert advice in the design of the questionnaire to ensure it is able to fully elicit information it seeks from customers;
- ▲ suggested that market behaviour was a difficult area of law and that customers would find it difficult to provide an informed reply. Regulators already have monitoring procedures in place, so why were customers being asked their opinion; and
- ▲ suggested that the innovation question appeared to be ambitious and it was unlikely that customers would remember details of 12 months ago.

The ERAA made a number of detailed specific comments on the proposed small customer survey questions, which are summarised in the following table against the broad survey questions outlined in the Discussion Paper.

SMALL CUSTOMER SURVEY QUESTIONS (DISCUSSION PAPER, PP 20-21)	ERAA COMMENTS
What is the customer's knowledge of current and alternative retailers?	Considered brand awareness questions, not relevant to the development of competition.
Had an offer of a contract been received?	Failed to recognise the role of mass-market recruitment campaigns, which should give customers sufficient information to enable them to approach a retailer.
How important is price and being able to have both contracts with the same retailer, in the decision to switch retailers?	Not considered relevant to assessing the development of competition and unclear how the results would be interpreted.
Had customers experienced any misleading or deceptive behaviour by a retailer or retailer representative?	Argued that market conduct is monitored through the Commission's performance monitoring requirements and the reporting of complaints by the EIO. It is unclear how the results will be interpreted and the Commission "... <i>should resist the temptation to expand their activities into this area of the economy</i> ".
For those customers who have taken out a contract, how easy was the transfer process?	Considered a customer satisfaction question, not relevant to the development of competition.
Are recent offers considered more innovative and varied than 12 months ago?	Argued that it was expecting a great deal from individual consumers to be able to define the level of innovation in a product, and to do so on a comparative basis across products, extending back 12 months. If required, this aspect should be monitored directly through an assessment of retailer products.

### 3.1.2 Comment

As advised in the introduction, given the September 2004 publication timeframe for the next substantive Statistical Report, the customer survey needed to be conducted before the Commission was in a position to formally respond, by way of this Final Decision paper, to the issues raised in submissions received on the Discussion Paper. A copy of the residential component of the 2004 small energy customer survey, being conducted by McGregor Tan Research (the Consultant), is provided as Attachment 1. The same questions were asked of small businesses.

Some submissions raised concern with the potential length of the survey. This issue was raised with the Consultant prior to the survey being undertaken. The Consultant indicated that the survey length was expected to be manageable,

particularly as the consultants believed that many of the respondents would skip a number of areas in the questionnaire, as these areas would not apply to their situation, thus reducing its length. It is also noted that the Commission's survey is of comparable length to a recent customer survey conducted by the ESCV for its FRC Effectiveness Review<sup>14</sup>.

As indicated above, some of the submissions also commented on the relevance of particular questions. Once again, a comparison with the customer survey conducted by the ESCV for its FRC Effectiveness Review indicates broad similarities in approach.

A Commission response to the specific issues raised by the ERAA on the proposed small customer survey questions is summarised in the following table, against the broad survey questions outlined in the Discussion Paper.

<b>SMALL CUSTOMER SURVEY QUESTIONS (DISCUSSION PAPER, PP 20-21)</b>	<b>COMMISSION RESPONSE TO ERAA COMMENTS</b>
What is the customer's knowledge of current and alternative retailers?	The focus of the questions is not on brand awareness, rather on respondents demonstrating their level of awareness by being able to name alternative retailers.
Had an offer of a contract been received?	Seeking details of those customers receiving mass marketing material would dilute the usefulness of this measure.
How important is price and being able to have both contracts with the same retailer, in the decision to switch retailers?	Some retailers have suggested that the energy retail market would not fully develop until it was possible to make dual fuel offers, so it would be of value to see how important it is to customers to have access to dual fuel contracts. Responses to this question might help explain the level of customer transfers experienced for both gas and electricity following the opening up of the gas retail market.  If price, and hence quantum of potential savings, is identified in the survey as a very important issue in consumers' decisions to move to market contracts, then this may reinforce the importance of measures such as the Commission's price comparison service.

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<sup>14</sup> ESCV, Special Investigation Background Report, op. cit., p55. and the Wallis Consulting Report for the ESCV – Survey of Domestic and Small Business Customers, February 2004. Copies of both reports available on the ESCV website.

<b>SMALL CUSTOMER SURVEY QUESTIONS (DISCUSSION PAPER, PP 20-21)</b>	<b>COMMISSION RESPONSE TO ERAA COMMENTS</b>
Had customers experienced any misleading or deceptive behaviour by a retailer or retailer representative?	It is agreed that experience of misleading or deceptive behaviour might be difficult for some respondents to report, and work has been undertaken with the Consultant to tailor the question sufficiently to reduce this risk. It is considered useful to gain some idea of the ratio of concerns expressed in the survey to the level of complaints received by the EIO, to provide some indication of the extent of any non-reporting of inappropriate behaviour. This question has been asked in the 2004 survey and, if not successful, may be dropped in future surveys.
For those customers who have taken out a contract, how easy was the transfer process?	The ease of transfer is considered to be more than a customer satisfaction issue. It is important that there be general awareness of any problems faced by customers in transferring, so action can be taken to address such problems, and so build confidence in the transfer system.  Also, the ERAA comment was qualified by stating that providing there are low barriers to entry there should be a competitive incentive for retailers to provide 'optimal' service standards. As the ERAA pointed out, the existence of barriers to entry is a key issue to be monitored and hence it cannot be assumed that the market is currently delivering optimal services.
Are recent offers considered more innovative and varied than 12 months ago?	A similar question was asked by the ESCV in its FRC Effectiveness customer survey, with the ESCV reporting <sup>15</sup> results showing 60% of residential customers thought the offers more innovative, 83% considered offers demonstrated greater variety. This question has been asked in the 2004 survey and if not successful then may be dropped in future surveys.

As noted in Section 2.8, following the Commission's proposed review of disconnections early in 2005, some supplementary low income based questions may be developed for inclusion in future small customer surveys.

The Discussion Paper (pp 20-21) indicated that not all questions would be asked of gas customers in the 2004 small customer survey. However, given the indications that the gas retail market would develop much faster than was the experience with the electricity retail market, in the end it was determined that the full set of questions would be asked of both gas and electricity customers.

<sup>15</sup> ESCV, Special Investigation Background Report, op. cit., p55.

As a result of the consultation undertaken on Energy Industry Guideline No.2, where retailers indicated some difficulty in supplying the number of dual fuel customers, the small customer surveys will be used to derive this number.

In addition to the broad questions outlined in the Discussion Paper, two additional questions have been asked in the 2004 small customer survey. One question asks respondents to rate the presentation of their bills in terms of the ability to obtain useful information for price comparison purposes (i.e. rate the importance of 'my electricity (gas) bills are easy to understand' and 'the information contained in by electricity (gas) bill enables me to make comparisons with other electricity retailer's offers').

The other additional question seeks information on the extent to which respondents have used the contract cooling off period provisions of the Energy Retail Code (clause 1.3, Part A), to assist a proposed review of the continued appropriateness for small business of such provisions (refer to Section 2.5.2), (i.e. 'have you, at any stage, entered into a contract and used the cooling off period to cancel?').

### **3.1.3 Position**

The Commission has decided that it will conduct small customer surveys to collect some of the information requirements for the energy retail market competition indicators, as outlined in the indicator information reporting tables provided in Section 2 of this paper.

It is envisaged that these surveys would initially be conducted annually, then be conducted less frequently once the electricity and gas retail markets start to mature. The survey questionnaires would be modelled on the questionnaires developed for the 2004 small customer survey (a copy of the residential survey questionnaire is provided as Appendix 1).

## **3.2 Retailer Surveys**

### **3.2.1 Issue**

***Issue 12***

***The Commission seeks comment on the appropriateness of the retailer survey questions. Have any important questions been omitted?***

(Discussion Paper, p.23)

All the retailer submissions opposed the question on marketing and advertising expenditure being included in the retailer survey. The specific comments made relate to the broad outline of proposed retailer survey questions contained in the Discussion Paper (p23).

As indicated in Section 3.1, a general theme in the retailer submissions was that the amount of information requested by the Commission vastly exceeds that requested by other regulators

### **3.2.2 Comment**

As advised in the introduction, given the September 2004 publication timeframe for the next substantive Statistical Report, the retailer survey needed to be conducted before the Commission was in a position to formally respond, by way of this Final Decision paper, to the issues raised in submissions received on the Discussion Paper.

A copy of the full 2004 retailer survey questionnaire is provided as Attachment 2, which seeks the level of retailer participation in nominated market segments, the nature of innovative products on offer and the extent of any barriers to entry into the energy retail market. This retailer survey questionnaire was sent to all South Australian licensed retailers. A shorter survey questionnaire, only asking the barrier to entry question, was sent to a number of interstate retailers not licensed to operate in South Australia, in order to have this question addressed from a broad range of perspectives.

The Commission notes the comment in the ERAA submission that the amount of information requested by the Commission vastly exceeds that requested by other regulators. The 2004 retailer survey questionnaire only requests information in three areas, and for areas that should not require a special search of retailer databases (e.g. the participation question only requires retailers to indicate whether market contracts are being offered to customers in broad consumption bands and locations, rather than provide details on the number of contracts offered). The Commission further notes that the retailer survey conducted by the ESCV for its FRC Effectiveness Review was far more extensive in the range and number of questions asked.

In response to specific comment on the retailer survey made in submissions to the Discussion Paper, the proposed question on advertising and associated expenditures has been dropped from the attached 2004 retailer survey questionnaire. It is acknowledged that the link between advertising expenditure and competitive activity may not be strong and so the value of the information is not sufficient to warrant requiring retailers to provide commercially sensitive data to the Commission at this time.

### **3.2.3 Position**

The Commission has decided that it will conduct retailer surveys to collect some of the information requirements for the energy retail market competition indicators, as outlined in the indicator information reporting tables provided in Section 2 of this paper.

It is envisaged that these surveys would initially be conducted annually, then be conducted less frequently once the electricity and gas markets start to mature. The survey questionnaires would be modelled on the questionnaires developed for the 2004 residential survey (a copy of the residential survey questionnaire is provided as Appendix 2).



## 4 PERFORMANCE TARGETS

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The Discussion Paper explored the usefulness of identifying appropriate performance targets against which assessment might be made as the gas retail market develops. This matter goes beyond mere monitoring and seeks to address whether or not progress is sufficient.

The Commission suggested setting a target of at least 2% to 4% of small gas customers switching to market contracts by the end of 2004. That is, the level of transfers as a proportion of the small customer base achieved in the first 12 months of electricity FRC should be achievable for gas in less than 6 months, noting that the level of switching in electricity experienced a slow start, with the potential for gas transfers to be double the electricity level (i.e. achieving 4%). After that, it would be expected that the performance of the gas retail market would be at least comparable with the development of the electricity retail market experienced for the period under consideration.

### 4.1 Issue

**Issue 13**

***The Commission seeks any comment on the expected performance of the gas retail market, both initially and over time. Is the Commission's initial performance target seen as appropriate? Is it appropriate to set such performance targets? Are there any other performance targets that could be set? (Discussion Paper, p.27)***

The Energy Industry Ombudsman (EIO) considered that the Commission's initial performance target for the gas retail market was appropriate. However, the ERAA in its submission stated:

*"It is not clear from the Discussion Paper what the purpose would be to set a performance target, based on customer churn, for the gas retail market. Setting any benchmark is an arbitrary exercise.*

*If a measure is to be adopted it should include the number of customers who have accepted a Market Contract but not transferred. Such customers have exercised choice, but a choice which entails remaining with their current retailer".*

AGL SA also raised concerns and stated that it:

*"... does not support the introduction of targets for expected performance as a means of encouraging competition. We do not believe that meaningful targets to measure the level of competition in the market can be established. For example, competition in a market can be effective and robust without high levels of churn or changes to market share. In our view the focus when assessing the effectiveness of competition should be on whether or not there are barriers to entry to a market.*

*The Commission can assess whether competition is effective with reference to performance of other similar markets taking into account the ease of entry and exit from the market".*

## **4.2 Comment**

It is acknowledged that setting any target for customer churn is an arbitrary exercise. However, drawing from the financial parallel of reporting actual performance against budget, merely reporting the level of customer transfers begs the question as to whether the performance is acceptable.

The Commission did not set any specific performance targets for the development of the electricity retail market in South Australia. The level of activity in the initial stages of electricity retail market development was deemed low, and action was taken to improve this level of activity.

In the absence of setting specific targets, performance can be compared (benchmarked) with experience interstate and overseas.

In relation to the ERAA's second point, the Commission proposed in the Discussion Paper that it would report an aggregate of the number of customers moving to market contracts, covering movement to market contracts with either their existing retailer or an alternative retailer.

## **4.3 Position**

The Commission does not intend to pursue the matter of setting targets further at this stage. The Commission's target for gas retail market churn activity can stand and it can be seen over the course of the next 12 months or so, how useful it has been to consider setting any target.

## 5 REPORTING

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In the Discussion Paper, the Commission proposed to move from the existing reporting schedule to producing two reports each year, one in September and the other in February, together with routine reporting of monthly electricity and gas transfer statistics only (i.e. each month reporting on the transfers of the previous month). The monthly reporting would be by way of the Commission's website newsletter and the updating of a schedule contained in the 'FRC Monitoring' sub-menu of the Commission's website.

Given that the customer transfer statistics include transfers to market contracts within AGL SA (electricity) and Origin (gas), then monthly reporting would require that these retailers provided this data on a timely basis.

### 5.1 Issue

**Issue 14**

***The Commission seeks comment on the appropriateness of the proposed revised reporting approach. Is a combined energy (electricity and gas) report considered appropriate, or is there some benefit in separate reports?*** (Discussion Paper, p.30)

The Minister for Energy stated:

*"Of particular note is your proposal to publish monthly customer transfer statistics with more detailed analysis to be released twice a year. I strongly support this suggestion, given it will provide the market place with more up to date information than is available under the current, more detailed reporting regime".*

The ERAA:

*"... supports the reduction in reports, but it is considered that one annual report is sufficient. ... the current retailer reporting requirements in South Australia exceeds those in other states, and the proposal to obtain marketing behaviour and contractual information will further add to that burden. The more resources devoted to supporting information requests to ESCOSA, the fewer resources that can be devoted to competing in the retail energy market, and thereby enhancing competition".*

Origin Energy did not support the proposal for monthly reporting of customer transfer statistics. Monthly reporting was suggested to be unnecessary and it was suggested that the ESCV had only published transfer data on two occasions since commencement of electricity FRC. Origin Energy argued that there was no benefit to customers of publishing the information more frequently.

AGL SA indicated concern:

*"... with the extent of reporting contemplated by the Commission which is significantly more than that of any other jurisdiction and believe that monitoring is only necessary in the early stages of full retail contestability.*



*It needs to be recognised that collection and reporting of data adds to the cost of business and diverts resources away from the business of further developing a competitive market. With this in mind we believe the Commission should limit its information requirements so that only necessary information is gathered”.*

AGL SA suggested that the NSW and Victorian reporting requirements are more limited and less frequent, than those proposed by the Commission for South Australia. AGL SA also suggested that to provide customer transfer statistics prior to the third week of the following month would require changes to internal reporting systems.

## **5.2 Comment**

In response to the ERAA submission, as indicated in Section 2.2, it is not considered that retailers will be required to devote significant additional resources to provide the required information to the Commission. Apart from the incumbent retailers AGL SA and Origin Energy being requested to provide regular monthly reports to the Commission on the number of their customers moving to market contracts with them, the information requirements of the retailer survey are considered modest.

Some submissions argued that the Commission should not seek to publish monthly customer transfers statistics, suggesting that the ESCV has only published transfer statistics on an irregular basis. However, monthly customer transfer statistics are reported for Victoria on the NEMMCO website. Similarly, VENCORP publishes monthly figures on gas customer transfers. Consequently, it has not been necessary for the ESCV to publish such data separately.

In order to address AGL SA’s confidentiality concerns, it has not been possible for NEMMCO to publish similar data for South Australia. Thus, rather than representing an additional report, the proposal for the Commission to publish monthly transfer statistics on its website is an attempt to achieve the same level of reporting that has been enjoyed in other jurisdictions since FRC commencement.

Rather than September and February, it is proposed that substantive (FRC Monitoring) Statistical Reports be released in September and March, so that reports are released on a six monthly basis. The initial results of survey work would be reported in the September Statistical Report, with any additional analysis performed reported in the following March Statistical Report.

## **5.3 Position**

The Commission has decided that it will move to releasing six-monthly substantive FRC Monitoring Statistical Reports. The Commission also intends to commence the routine reporting of monthly electricity and gas transfer statistics only (i.e. each month reporting on the transfers of the previous month). The monthly reporting would be by way of the

Commission's website newsletter and the updating of a schedule contained in the 'FRC Monitoring' sub-menu of the Commission's website.

The commencement of publishing monthly customer transfer data is dependent on when AGL SA and Origin Energy are in a position to start providing monthly data on the number of their customers moving to market contracts with them.



## ATTACHMENT 1

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### 2004 ESCOSA RESIDENTS QUESTIONNAIRE

Good ..... my name is ..... from McGregor Tan Research, the independent market research company. We are conducting a survey about competition in the electricity and gas market for the Essential Services Commission of South Australia and would like to speak to the main person in the **household** who makes decisions about the purchase of electricity and/or gas.

1. What energy combinations do you have in your household? **Read out single response**
- |  |   |
|--|---|
| 1 .....Electricity and reticulated natural gas | <b>Complete Sections 1, 2 &amp; 3</b>   |
| 2 .....Electricity and bottled gas             | <b>Complete Sections 1 &amp; 3 ONLY</b> |
| 3 .....Electricity only                        | <b>Complete Sections 1 &amp; 3 ONLY</b> |
| 4 .....Reticulated natural gas only            | <b>Complete Sections 2 &amp; 3 ONLY</b> |
| 5 .....Bottled gas or reticulated LPG only     | <b>Thank and terminate</b>              |
| 6 .....Don't know/not sure                     | <b>Thank and terminate</b>              |

#### SECTION 1 - ELECTRICITY

2. What is your current **approximate** average consumption of electricity as represented by your average quarterly bill? **Read out single response**  
(Interviewers note - we are looking for the best or closest approximation)
- |                                    |                            |
|------------------------------------|----------------------------|
| 1 .....Less than \$150 per quarter |                            |
| 2 .....\$151 to \$200 per quarter  |                            |
| 3 .....\$201 to \$250 per quarter  |                            |
| 4 .....\$251 to \$300 per quarter  |                            |
| 5 .....\$301 to \$500 per quarter  |                            |
| 6 .....\$501 to \$700 per quarter  |                            |
| 7 .....More than \$700 per quarter |                            |
| 8 .....Don't know                  | <b>Thank and terminate</b> |
3. As far as you are aware, which of the following applies?  
**Read out, single response rotated**
- |   |
|---|
| 1 .....I can choose my own electricity retailer now                   |
| 2 .....I am obliged to purchase electricity from my existing retailer |
| 3 .....Don't know   |
4. Which company do you currently buy electricity from? **Unprompted single response**  
(Interviewers note - if the respondent is confused as to who is the current retailer, the retailer selected should be the one they have moved, or are moving to)
- |                                |
|--------------------------------|
| 01 .....AGL                    |
| 02 .....Energy Australia       |
| 03 .....Origin                 |
| 04 .....Powerdirect            |
| 05 .....TXU                    |
| 06 .....Other - <b>specify</b> |
| 07 .....Don't know/not sure    |
5. Which companies do you think you could buy electricity from? Any others?  
**Unprompted multiple response**
- |                          |
|--------------------------|
| 01 .....AGL              |
| 02 .....Energy Australia |
| 03 .....Origin           |
| 04 .....Powerdirect      |
| 05 .....TXU              |

- 06.....Other - **specify**  
07.....Don't know/not sure
6. Have you received an individual **offer of a contract** from any electricity retailer, including your existing retailer, for them to sell you electricity?  
(Interviewer note: an offer should have identified the electricity charges that would apply to the respondent, rather than general savings through advertising and/or general promotional literature)  
1.....Yes **Go to Q7**  
2.....Don't know/not sure **Go to Q9**  
3.....No **Go to Q9**
7. **Have received an offer (code 1 in Q6):** Which retailer or retailers did you receive such an individual offer from? Any others? **Unprompted multiple response**  
01.....AGL  
02.....Energy Australia  
03.....Origin  
04.....Powerdirect  
05.....TXU  
06.....Other - **specify**  
07.....Don't know/not sure
8. **Have received an offer (code 1 in Q6):** How easy was it to understand the offer?  
1.....Very easy  
2.....Quite easy  
3.....Neither easy nor difficult  
4.....Quite difficult  
5.....Very difficult  
6.....Don't know/not sure
9. **ASK ALL:** Have you approached any electricity retailer or retailers, including your existing retailer, to ask about buying your electricity from them?  
1.....Yes **Go to Q10**  
2.....Don't know/not sure **Go to Q12**  
3.....No **Go to Q12**
10. **Have approached a retailer (code 1 in Q9):** Which retailer or retailers did you approach? Any others? **Unprompted multiple response**  
01.....AGL  
02.....Energy Australia  
03.....Origin  
04.....Powerdirect  
05.....TXU  
06.....Other - **specify**  
07.....Don't know/not sure
11. **Have approached a retailer (code 1 in Q9):** Were you refused by the retailer?  
1.....Yes  
2.....Don't know/not sure  
3.....No
12. **ASK ALL:** Have you taken out a contract with an electricity retailer?  
1.....Yes **Go to Q13**  
2.....Don't know/not sure **Go to Q15**  
3.....No **Go to Q15**
13. **Have taken out a contract (codes 1 in Q12):** How easy was the transfer process?  
1.....Very easy  
2.....Quite easy

- 3 ..... Neither easy nor difficult
- 4 ..... Quite difficult
- 5 ..... Very difficult
- 6 ..... Don't know/not sure/haven't taken out a contract

14. **Have taken out a contract (codes 1 in Q12):** What was the name of your old or previous electricity retailer? **Unprompted single response**  
 (Interviewers notes: It is possible for the new and old retailer to be the same; if there is confusion as to who is their current retailer, ask who were they with prior to taking out this contract)

- 01 ..... AGL
- 02 ..... Energy Australia
- 03 ..... Origin
- 04 ..... Powerdirect
- 05 ..... TXU
- 06 ..... Other - **specify**
- 07 ..... Don't know/not sure

15. **Have NOT taken out a contract (codes 2 - 3 in Q12):** Why haven't you taken out a contract?  
**Unprompted multiple response**

- 01 ..... Insufficient information
- 02 ..... Inadequate potential savings
- 03 ..... Concern with the transfer process
- 04 ..... Lack of confidence in the new retailer
- 05 ..... Happy with current retailer
- 06 ..... Higher costs with other retailers
- 07 ..... Waiting for better offers
- 08 ..... Other - **specify**
- 09 ..... Don't know/not sure

16. **ASK ALL:** Have you, at any stage, entered into a contract and used the cooling off period to cancel?

- 1 ..... Yes
- 2 ..... Don't know/not sure
- 3 ..... No

17. In the next twelve months, how likely is it that you will take out a contract with your current electricity supplier or switch to another electricity retailer? **Read out single response**

- 1 ..... Very likely
- 2 ..... Quite likely
- 3 ..... Neither unlikely nor likely
- 4 ..... Quite unlikely
- 5 ..... Very unlikely
- 6 ..... Don't know/not sure

18. On a scale of 1 to 5, where 5 is very important and 1 is not at all important, please rate the importance of the following in relation to the decision to switch retailers? **Read out - rotate**

	Strongly agree → Strongly disagree					Don't know
	5	4	3	2	1	
Price	5	4	3	2	1	6
Supply	5	4	3	2	1	6
Having both contracts with the one retailer	5	4	3	2	1	6



19. Have you looked for any information to assist you in making a decision about moving to a market contract with an electricity supplier, whether you have taken out a contract or not?  
 1.....Yes **Go to Q20**  
 2.....Don't know/not sure **Go to Q24**  
 3.....No **Go to Q24**
20. **Looked for information (code 1 in Q19):** What was the source of this information? **Unprompted multiple response**  
 01.....Retailer  
 02.....Representative of the retailer  
 03.....Advertisements - **specify where**  
 04.....The Internet  
 05.....Friends/family/work colleagues  
 06.....Other - **specify**  
 07.....Don't know/not sure
21. **Looked for information (code 1 in Q19):** How easy was it to obtain the information?  
 1.....Very easy  
 2.....Quite easy  
 3.....Neither easy nor difficult  
 4.....Quite difficult  
 5.....Very difficult  
 6.....Don't know/not sure
22. **Looked for information (code 1 in Q19):** How easy was it to understand the information and compare offers?  
 1.....Very easy  
 2.....Quite easy  
 3.....Neither easy nor difficult  
 4.....Quite difficult  
 5.....Very difficult  
 6.....Don't know/not sure
23. **Looked for information (code 1 in Q19):** Were you able to obtain sufficient information to make an informed choice?  
 1.....Yes  
 2.....Don't know/not sure  
 3.....No
24. **ASK ALL:** On a scale of 1 to 5, where 5 is very important and 1 is not at all important, please rate the importance of the following in relation to the ease of understanding your electricity bills? **Read out - rotate**

	→					
	Strongly agree				Strongly disagree	Don't know
	5	4	3	2	1	6
My electricity bills are easy to understand	5	4	3	2	1	6
The information contained in my electricity bill enables me to easily make comparisons with other electricity retailer's offers	5	4	3	2	1	6

25. Have you seen or received any advertising or promotional material from electricity suppliers relating to electricity offers in recent months?  
 1.....Yes  
 2.....Don't know/not sure  
 3.....No

26. **Seen or received advertising or promotional material (code 1 in Q25):** Did you respond to the advertising/promotional material?  
 (Interviewers note: probe to find out if there was any follow up with the retailer - details of rates, offers, etc.)  
 1 ..... Yes - **specify why**  
 2 ..... Don't know/not sure  
 3 ..... No

## SECTION 2 - GAS

27. What is your current approximate average consumption of gas as represented by your average quarterly bill? **Read out single response**  
 (Interviewers note - we are looking for the best or closest approximation)  
 1 ..... Less than \$50 per quarter  
 2 ..... \$51 to \$100 per quarter  
 3 ..... \$101 to \$150 per quarter  
 4 ..... \$151 to \$200 per quarter  
 5 ..... \$201 to \$300 per quarter  
 6 ..... More than \$300 per quarter  
 7 ..... Don't know **Thank and terminate**
28. As far as you are aware, which of the following applies?  
**Read out, single response rotated**  
 1 ..... I can choose my own gas retailer now  
 2 ..... I am obliged to purchase gas from my existing retailer  
 3 ..... Don't know
29. Which company do you currently buy gas from? **Unprompted single response** (Interviewers note - if the respondent is confused as to who is the current retailer, the retailer selected should be the one they have moved, or are moving to)  
 01 ..... AGL  
 02 ..... Energy Australia  
 03 ..... Origin  
 04 ..... TXU  
 05 ..... Other - **specify**  
 06 ..... Don't know/not sure
30. Which companies do you think you could buy gas from? Any others?  
**Unprompted multiple response**  
 01 ..... AGL  
 02 ..... Energy Australia  
 03 ..... Origin  
 04 ..... TXU  
 05 ..... Other - **specify**  
 06 ..... Don't know/not sure
31. Have you received an individual **offer of a contract** from any gas retailer, including your existing retailer, for them to sell you gas?  
 (Interviewers note: an offer should have identified the gas charges that would apply to the respondent, rather than general savings through advertising and/or general promotional literature)  
 1 ..... Yes **Go to Q32**  
 2 ..... Don't know/not sure **Go to Q34**  
 3 ..... No **Go to Q34**
32. **Have received an offer (code 1 in Q31):** Which retailer or retailers did you receive such an individual offer from? Any others? **Unprompted multiple response**  
 01 ..... AGL  
 02 ..... Energy Australia



- 03..... Origin  
04..... TXU  
05..... Other - **specify**  
06..... Don't know/not sure
33. **Have received an offer (code 1 in Q31):** How easy was it to understand the offer?  
1..... Very easy  
2..... Quite easy  
3..... Neither easy nor difficult  
4..... Quite difficult  
5..... Very difficult  
6..... Don't know/not sure
34. **ASK ALL:** Have you approached any gas retailer or retailers, including your existing retailer, to ask about buying your gas from them?  
1..... Yes **Go to Q35**  
2..... Don't know/not sure **Go to Q37**  
3..... No **Go to Q37**
35. **Have approached a retailer (code 1 in Q34):** Which retailer or retailers did you approach? Any others? **Unprompted multiple response**  
01..... AGL  
02..... Energy Australia  
03..... Origin  
04..... TXU  
05..... Other - **specify**  
06..... Don't know/not sure
36. **Have approached a retailer (code 1 in Q34):** Were you refused by the retailer?  
1..... Yes  
2..... Don't know/not sure  
3..... No
37. **ASK ALL:** Have you taken out a contract with a gas retailer?  
1..... Yes **Go to Q38**  
2..... Don't know/not sure **Go to Q40**  
3..... No **Go to Q40**
38. **Have taken out a contract (codes 1 in Q37):** How easy was the transfer process?  
1..... Very easy  
2..... Quite easy  
3..... Neither easy nor difficult  
4..... Quite difficult  
5..... Very difficult  
6..... Don't know/not sure/haven't taken out a contract
39. **Have taken out a contract (codes 1 in Q37):**  
What was the name of your old or previous gas retailer? **Unprompted single response**  
(Interviewers notes: It is possible for the new and old retailer to be the same; if there is confusion as to who is their current retailer, ask who they were with prior to taking out this contract)  
01..... AGL  
02..... Energy Australia  
03..... Origin  
04..... TXU  
05..... Other - **specify**  
06..... Don't know/not sure

40. Have **NOT** taken out a contract (codes 2 - 3 in Q37):  
 Why haven't you taken out a contract? **Unprompted multiple response**  
 01 .....Insufficient information  
 02 .....Inadequate potential savings  
 03 .....Concern with the transfer process  
 04 .....Lack of confidence in the new retailer  
 05 .....Happy with current retailer  
 06 .....Higher costs with other retailers  
 07 .....Waiting for better offers  
 08 .....Other - **specify**  
 09 .....Don't know/not sure
41. **ASK ALL:** Have you, at any stage, entered into a contract and used the cooling off period to cancel?  
 1 ..... Yes  
 2 ..... Don't know/not sure  
 3 ..... No
42. In the next twelve months, how likely is it that you will take out a contract with your current gas supplier or switch to another gas retailer? **Read out single response**  
 1 ..... Very likely  
 2 ..... Quite likely  
 3 ..... Neither unlikely nor likely  
 4 ..... Quite unlikely  
 5 ..... Very unlikely  
 6 ..... Don't know/not sure

43. On a scale of 1 to 5, where 5 is very important and 1 is not at all important, please rate the importance of the following in relation to the decision to switch retailers?  
**Read out - rotate**

	Strongly agree		→		Strongly disagree		Don't know
	5	4	3	2	1	6	
Price	5	4	3	2	1	6	
Supply	5	4	3	2	1	6	
Having both contracts with the one retailer	5	4	3	2	1	6	

44. Have you looked for any information to assist you in making your decision about moving to a market contract with a gas supplier, whether you have taken out a contract or not?  
 1 ..... Yes **Go to Q45**  
 2 ..... Don't know/not sure **Go to Q49**  
 3 ..... No **Go to Q49**
45. Looked for information (code 1 in Q44): What was the source of this information? **Unprompted multiple response**  
 01 .....Retailer  
 02 .....Representative of the retailer  
 03 .....Advertisements - **specify where**  
 04 .....The Internet  
 05 .....Friends/family/work colleagues  
 06 .....Other - **specify**  
 07 .....Don't know/not sure



46. **Looked for information (code 1 in Q44):** How easy was it to obtain the information?  
 1.....Very easy  
 2.....Quite easy  
 3.....Neither easy nor difficult  
 4.....Quite difficult  
 5.....Very difficult  
 6.....Don't know/not sure
47. **Looked for information (code 1 in Q44):** How easy was it to understand the information and compare offers?  
 1.....Very easy  
 2.....Quite easy  
 3.....Neither easy nor difficult  
 4.....Quite difficult  
 5.....Very difficult  
 6.....Don't know/not sure
48. **Looked for information (code 1 in Q44):** Were you able to obtain sufficient information to make an informed choice?  
 1.....Yes  
 2.....Don't know/not sure  
 3.....No
49. **ASK ALL:** On a scale of 1 to 5, where 5 is very important and 1 is not at all important, please rate the importance of the following in relation to the ease of understanding your gas bills? **Read out - rotate**

	Strongly agree → Strongly disagree					Don't know
	5	4	3	2	1	
My gas bills are easy to understand	5	4	3	2	1	6
The information contained in my gas bill enables me to easily make comparisons with other gas retailer's offers	5	4	3	2	1	6

50. Have you seen or received any advertising or promotional material from gas suppliers relating to electricity offers in recent months?  
 1.....Yes **Go to Q51**  
 2.....Don't know/not sure **Go to Q52**  
 3.....No **Go to Q52**
51. **Seen or received advertising or promotional material (code 1 in Q50):**  
 Did you respond to the advertising/promotional material?  
 (Interviewers note: probe to find out if there was any follow up with the retailer - details of rates, offers, etc.)  
 1.....Yes - **specify why**  
 2.....Don't know/not sure  
 3.....No

**SECTION 3 - ASK ALL**

52. Have you experienced any of the following behaviour from an energy (electricity or gas) retailer or retailer's representative in the past 12 months?  
**Read out and rotate multiple response**  
 01.....High pressure selling including badgering and harassment  
 02.....An attempt to trick you into signing a contract  
 03.....Transferring you to another retailer without your explicit consent

- 04 .....Not adhering to contract cooling off requirements
- 05 .....Provision of misleading or deceptive information
- 06 .....Actual tariffs did not match quoted tariffs
- 07 .....Other - **specify**
- 08 .....None of these

53. On a scale of 1 to 5, where 5 is strongly agree and 1 is strongly disagree, please rate the following statements in relation to gas and electricity offers. **Read out and rotate**
- .....In comparison to a year ago, the offers are more innovative
  - .....There is a greater variety of offers available compared to a year ago
54. Are you aware of the availability of any independent assistance to help in making energy decisions, such as the Essential Service Commission of South Australia's Electricity Price Comparison Service?
- 1 ..... Yes
  - 2 ..... Don't know/not sure
  - 3 ..... No

### **CLASSIFICATIONS**

55. Which of the following broad categories best describes your household situation?  
**Read out, single response**
- 1 ..... Single, live on my own
  - 2 ..... Single, live in a shared household
  - 3 ..... Live with partner/spouse without dependent children
  - 4 ..... Single adult, with dependent child or children
  - 5 ..... Two adults with dependent child or children
  - 6 ..... Two or more adults with dependent child or children
56. **If Single (codes 1-2 in Q55):**  
Is your gross household income,(this includes salary, pension and other concessions, other income sources etc.) **Read out, single response**
- 1 ..... \$20,000 or less
  - 2 ..... More than \$20,000
57. **If Live with partner/spouse (code 3 in Q55):**  
Is your gross household income,(this includes salary, pension and other concessions, other income sources etc.) **Read out, single response**
- 1 ..... \$25,000 or less
  - 2 ..... More than \$25,000
58. **If Single adult with dependent child/children (code 4 in Q55):**  
Is your gross household income,(this includes salary, pension and other concessions, other income sources etc.) **Read out, single response**
- 1 ..... \$30,000 or less
  - 2 ..... More than \$30,000
59. **If Two adults with dependent child/children OR Two or more adults with dependent child/children (codes 5 or 6 in Q55):**  
Is your gross household income,(this includes salary, pension and other concessions, other income sources etc.) **Read out, single response**
- 1 ..... \$35,000 or less
  - 2 ..... More than \$35,000
60. **ASK ALL:** Do you currently receive a State Government energy concession on your electricity bill?
- 1 ..... Yes
  - 2 ..... No



61. How many people live in your household? **Unprompted single response**  
01.....One  
02.....Two  
03.....Three  
04.....Four  
05.....Five  
06.....Six  
07.....Seven  
08.....Eight  
09.....Nine  
10.....Ten  
11.....More than ten  
12.....Don't know/not sure
62. Gender and age  
11.....Male 18 to 24  
12.....Male 25 to 30  
13.....Male 31 to 39  
14.....Male 40 to 54  
15.....Male 55 to 64  
16.....Male 65+  
21.....Female 18 to 24  
22.....Female 25 to 30  
23.....Female 31 to 39  
24.....Female 40 to 54  
25.....Female 55 to 64  
26.....Female 65+
63. Are you in paid employment?  
**If yes:** What is your occupation?  
1.....Professional/executive  
2.....White collar  
3.....Blue collar  
**If no:** Could you please tell me how you describe your occupation?  
4.....Home duties  
5.....Retired  
6.....Other
64. Which of the following best describes your Gross Household Income?  
1.....Under \$15,000 pa  
2.....\$15,001 - 25,000 pa  
3.....\$25,001 - 35,000 pa  
4.....\$35,001 - 50,000 pa  
5.....\$50,001 - 75,000 pa  
6.....\$75,001 - 100,000pa  
7.....More than \$100,000  
8.....Refused
65. Metro/ Regional  
1.....Metro  
2.....Regional
66. Postcode

## ATTACHMENT 2

### CONFIDENTIAL

#### Essential Services Commission of South Australia

#### Monitoring the Development of Retail Competition in South Australia

#### Retailer Survey Questionnaire: 2004

Name of Retailer: .....

Contact: Name .....

Phone Number .....

#### Confidentiality

The Commission understands that some of the information requested in this questionnaire may be considered commercially sensitive. Any information received from this survey will be suitably masked or presented as percentile information. However, any information provided to the Commission that is considered particularly sensitive should be clearly marked as such.

### Survey Questions

Please note that a small electricity customer is defined as a customer consuming less than 160MWh p.a. and a small gas customer is defined as a customer consuming less than 1TJ p.a.

#### 1. Participation

##### Small Business

Did you offer market contracts for the supply of electricity and/or gas to the following categories of South Australian small business during the 2003-04 financial year? (Please tick relevant boxes below)

Electricity

Gas

##### **Small business with consumption: 0 to 80MWh/0 to 0.5TJ p.a.**

-metropolitan Adelaide	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-rural & regional	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

##### **Small business with consumption: 80 to 160MWh/0.5 to 1.0TJ p.a.**

-metropolitan Adelaide	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-rural & regional	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Do you intend to offer market contracts for the supply of electricity and/or gas to the following categories of South Australian small business during the 2004-05 financial year? (Please tick relevant boxes below)

Electricity

Gas

##### **Small business with consumption: 0 to 80MWh/0 to 0.5TJ p.a.**

-metropolitan Adelaide	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-rural & regional	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

##### **Small business with consumption: 80 to 160MWh/0.5 to 1.0TJ p.a.**

-metropolitan Adelaide	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
-rural & regional	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>



Residential

Did you offer market contracts for the supply of electricity and/or gas to the following South Australian residential categories during the 2003-04 financial year? (Please tick relevant boxes below)

	Electricity		Gas	
<b>Residential: metropolitan Adelaide</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
<b>Residential: rural &amp; regional</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Do you intend to offer market contracts for the supply of electricity and/or gas to the following South Australian residential categories during the 2004-05 financial year? (Please tick relevant boxes below)

	Electricity		Gas	
<b>Residential: metropolitan Adelaide</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
<b>Residential: rural &amp; regional</b>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

**2. Innovative Products**

Please outline the nature of any innovative product offerings that your company currently has available in the market place for small electricity and gas customers. If the innovative product offerings are confined to a particular customer category(ies) or energy type (i.e. electricity or gas), please identify the relevant customer category or energy type. (Use box below, or provide separate attachment(s))

.....

.....

.....

.....

.....

Please identify which, if any, of the above product offerings were introduced within the past 12 months. Once again, if the innovative product offerings are confined to a particular customer category(ies) or energy type (i.e. electricity or gas), please identify the relevant customer category or energy type. (Use box below, or provide separate attachment(s))

.....

.....

.....

.....

**3. Barriers to Entry**

The Commission is interested to identify the existence of any barriers to entry, which either are impeding or may impede potential new entrant retailers, particularly to the small customer segment of the South Australian retail market.

This question is being asked of both South Australian licensed retailers and a number of interstate licensed retailers that do not currently have a South Australian retail licence. For those licence holders already servicing the small customer market, please answer the questions in terms of what issues were seen as barriers, or remain issues of concern.

For each Barrier to Entry category, only one response should be circled, with the graduated rating scale defined as follows: 1=*strongly believe it is not an issue*; 2=*believe it is not an issue*; 3=*neutral*; 4=*believe it is an issue*; 5=*strongly believe it is an issue*.

Category of Entry Barrier	Electricity					Gas				
	not an issue	→		major issue		not an issue	→		major issue	
Level of State regulation (e.g. customer protections)	1	2	3	4	5	1	2	3	4	5
Regulation differences between jurisdictions	1	2	3	4	5	1	2	3	4	5
Regulatory uncertainty	1	2	3	4	5	1	2	3	4	5
Standing offer price regulation	1	2	3	4	5	1	2	3	4	5
Level of available retail margins	1	2	3	4	5	1	2	3	4	5
Wholesale market imperfections	1	2	3	4	5	1	2	3	4	5
Access to energy supply at reasonable cost	1	2	3	4	5	1	2	3	4	5
Access to risk mitigation products (e.g. hedging)	1	2	3	4	5	1	2	3	4	5
Incumbency advantages	1	2	3	4	5	1	2	3	4	5
Customer billing system establishment cost	1	2	3	4	5	1	2	3	4	5
Retailer brand awareness	1	2	3	4	5	1	2	3	4	5
Customer inertia	1	2	3	4	5	1	2	3	4	5
Exit or termination fees for some customer contracts	1	2	3	4	5	1	2	3	4	5
Access to sufficient customer data to make offers	1	2	3	4	5	1	2	3	4	5
Customer transfer processes	1	2	3	4	5	1	2	3	4	5
Business-to-Business (B2B) systems & processes	1	2	3	4	5	1	2	3	4	5

For any additional comments, please use box below, or provide separate attachment(s). Where possible, please rate any additional issues identified according to the above scale.

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**Please direct any enquiries on this request to Mike Philipson, ESCOSA, (08) 8463 3193.**

**Questionnaires to be returned to ESCOSA by 31 August 2004 – Fax Number (08) 8463 3190.**