



## Summary of Key Findings

### 2014 Annual Performance Report – Energy Retailers

#### Key Points

- Total electricity and gas customer numbers both grew; rising 2.2% and 3.9% respectively, in 2014.
- 2014 was the first full year of competition in the natural gas market; the new entrant, Wesfarmers grew its residential customer base by 164.2%, up from 8,212 customers to 21,697 customers.
- In 2014, the proportion of residential electricity customers granted more time to pay a bill continued its downward trend.
- The state-wide residential customer disconnection rate increased in electricity, reaching a six year high.
- Residential electricity complaints reached their lowest level since 2009. This was driven by a decline in complaints received by Synergy, due to its large customer base.

## Affordability

Customers experiencing financial hardship are afforded a number of protections. The Electricity Customer Code<sup>1</sup> and the Gas Compendium<sup>2</sup> require retailers to assist customers experiencing payment difficulties or financial hardship. Assistance may involve giving the customer more time to pay a bill, and/or offering the customer an instalment plan to pay arrears and minimise the risk of the customer getting into further debt.

### Electricity

**The proportion of electricity customers on instalment plans increased in 2014, while the proportion of customers granted more time pay continued to decline...**

The percentage of residential electricity customers who were granted more time to pay a bill under Part 6 of the Electricity Customer Code in 2014 (9.1%) has continued the downward trend from a six year peak of 11.3% in 2011. The percentage of non-residential electricity customers granted more time to pay in 2014 (5.6%) was also down, falling from a six year peak of 9.9% in 2012. Perth Energy was the only retailer to report an increase in customers granted more time to pay (due to 2014 being the first time Perth Energy has reported customers being granted more time to pay).

The percentage of residential and non-residential customers placed on an instalment plan in 2014 both rose, to 3.8% and 1.2% of customers respectively. At 3.8%, the percentage of residential customers placed on an instalment plan is almost at the six

<sup>1</sup> *Code of Conduct for the Supply of Electricity to Small Use Customers.*

<sup>2</sup> *Compendium of Gas Customer Licence Obligations*

year peak of 3.9%. The percentage of non-residential customers on an instalment plan matched the six year peak of 1.2% reached in 2012. Alinta Energy was the only retailer to report a decrease in the percentage of non-residential customers placed on a plan; falling from 2.1% in 2013 to 1.6% in 2014.

## Gas

**The proportion of gas customers being granted more time to pay a bill increased in 2014, whilst the proportion of customers on instalment plans remained relatively unchanged...**

Gas retailers were first required to report on customers granted more time to pay a bill in 2013. The percentage of residential and non-residential gas customers granted more time to pay rose, to 11.5% and 15.3% respectively; up from the first reported figures of 9.7% and 10.3% in 2013. As more data becomes available in future years, it will be possible to further analyse the trends among gas retailers.

Residential customers placed on an instalment plan increased slightly in 2014, with 2.2% of customers placed on a plan, up from 2.1% in 2013. The underlying data shows a notable increase in the number of customers on an instalment plan reported by Wesfarmers.

The percentage of non-residential customers on instalment plans has remained in a relatively narrow range of 0.3% to 0.6% over the past six years; in 2014, 0.4% of customers were on a plan.

## *On-time Billing*

**The percentage of customers issued with a bill by electricity retailers outside of the prescribed timeframes fell, while late bills issued to customers by gas retailers rose...**

Horizon Power and Synergy were the only electricity retailers to issue bills outside of the prescribed time frames<sup>3</sup> to customers. Synergy issued late bills to 0.41% of residential and 1.75% of non-residential customers in 2014; down from 2.5% and 6.5% in 2013. Horizon Power's on-time billing performance has improved significantly, with 1.38% of residential and 6.9% of non-residential customers being issued with a late bill. This is compared to 44.6% of its (combined residential and non-residential) customers receiving late bills in 2013<sup>4</sup>.

In gas, Alinta Energy issued late bills to 1.3% of residential customers and 4.4% of non-residential customers; compared to 1.5% and 3.2% in 2013. For the first time Wesfarmers reported issuing bills outside of the prescribed timeframes, with 1% of residential and 15.5% of non-residential customers receiving late bills. Esperance Gas Distribution Company (EGDC) issued late bills to 9% of its non-residential customers.

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<sup>3</sup> The prescribed timeframe for retailers to issue a bill is contained in clause 4.1 of both the Gas Compendium and the Electricity Customer Code.

<sup>4</sup> System problems prevented Horizon Power being able to provide separate figures for residential and non-residential customer bills in 2013.

## *Termination of Direct Debit Plans*

**Electricity retailers terminated more direct debit plans due to default, while, in gas Alinta Energy terminated significantly fewer plans...**

Both Horizon Power and Synergy terminated direct debit plans due to default in 2014; with both retailers reporting increases in the number of terminations. The number of direct debit plan terminations by Synergy was up 12% for residential customers (5,093 in 2013 to 5,707 in 2014), and by 21.9% for non-residential customers (169 in 2013 to 206 in 2014). Horizon Power terminated 39 residential customer direct debit plans in 2014; a 44.4% increase from the 27 residential customer direct debit plans terminated in 2013.

Alinta Energy was the only gas retailer to terminate direct debit plans; termination of residential direct debit plans dropped by 57%, falling from 722 in 2013 to 238 in 2014. Alinta Energy terminated one non-residential direct debit plan in 2014.

## **Disconnections**

Recent trends in electricity and gas disconnections presented in this section show that, disconnections of both residential electricity customers and non-residential electricity and gas customers are trending upwards. The exception is residential gas customer disconnections that, despite a rise in 2013, have continued a six year downward trend. The absolute disconnection rates (per 100 customers) for gas and electricity are also markedly different; gas disconnection rates are substantially higher than electricity disconnection rates.

### ***Electricity***

**Disconnection rates for residential electricity customers rose throughout Western Australia in 2014...**

In 2014, the total residential electricity disconnection rate was 0.97 per 100 customers, up from 0.72 per 100 customers in 2013. Western Australia had the lowest disconnection rate of the three other jurisdictions that we benchmark against: New South Wales, South Australia and Victoria.

Approximately 15% of residential disconnections involved customers who had been disconnected on at least one other occasion in 2013 and 2014. The ERA generally considers multiple disconnections to be an indirect indicator of customers experiencing long term financial hardship.

Horizon Power's disconnection rate was 3.03 per 100 customers, up from 1.18 per 100 customers in 2013. Synergy's disconnection rate also rose; from 0.71 per 100 customers in 2013 to 0.89 per 100 customers in 2014. Both companies attributed the increase in disconnections to the introduction of new measures aimed at improving the collection of outstanding debt.

Total non-residential electricity disconnections rose; up from 0.43 per 100 customers in 2013 to 0.55 per 100 customers in 2014. Alinta Energy was the only retailer to report a decrease in its disconnection rate, falling from 0.81 per 100 customers in 2013 to 0.36 per 100 customers in 2014.

## Gas

### Gas disconnection rates fell to a near six year low in 2014...

In 2014, total residential gas disconnections were 1.55 per 100 customers, down from 1.69 per 100 customers in 2013. This rate is only marginally higher than the six year low of 1.52 per 100 customers reported in 2012. Total gas disconnections mirror Alinta Energy's disconnection rate, due to its large customer base.

In 2014, 25% of residential disconnections involved customers who had been disconnected on at least one other occasion in 2013 and 2014.

The Western Australian disconnection rate was the highest of the three other jurisdictions that we benchmark against: New South Wales reported a rate of 0.39 per 100 customers, Victoria's rate was 1.33 per 100 customers and South Australia's rate was 0.86 per 100 customers.

Total non-residential gas disconnections rose for the third consecutive year in 2014, up from 1.54 per 100 customers in 2013 to 1.65 per 100 customers in 2014.

## Reconnections

Reconnections count the customers who were reconnected within seven days of disconnection. This measure is used as an indication of customers whose disconnection may have been avoided had they engaged with their retailer to agree to an arrangement in respect of the outstanding debt.

The data presented in this section shows that a significant proportion of the customers who are disconnected by retailers are not reconnected in the same name, or may not be reconnected at all, for example because they have vacated the premises.

## Electricity

### Reconnection rates for residential electricity customers in regional areas increased markedly in 2014...

Almost six in every 10 residential electricity customer disconnections in 2014 resulted in a reconnection within seven days, which is almost the same as in 2013 (60.1%). The underlying data for the two electricity retailers that supply residential customers shows, in 2014, Horizon Power's reconnection rate (within seven days) of 19.6% was more than twice the level reached in 2013 (7.1%). Synergy's reconnection rate (within seven days) also rose, reaching a six year peak of 65.2% in 2014.

If we include the residential electricity reconnections that took place after seven days then the overall reconnection rate in 2014 rose slightly to 67.1%. Both electricity retailers reported that total residential reconnections were marginally higher than those that occurred within seven days; Horizon Power's total reconnection rate was 20.9%, while Synergy's was 73.6%.

Synergy performed the vast majority of non-residential reconnections in 2014. The overall level of non-residential electricity customer reconnections within seven days rose from 41.5% in 2013, to 44% in 2014; the equivalent rates for Horizon Power were

42.9% and 45.3%. If we include the non-residential reconnections that took place after seven days then Synergy's reconnection rate in 2014 increases to 57%.

## Gas

### **Residential gas reconnection rates were slightly lower in 2014...**

All three retailers that supply residential customers performed reconnections in 2014, although almost all of the reconnections were performed by Alinta Energy. The overall residential reconnection (within seven days) rate was 36.1% in 2014, down from 38.7% in 2013.

Gas retailers also provided data on the total number of residential reconnections that occurred in 2014 (i.e. including reconnections more than seven days after disconnection). The overall residential reconnection rate for both retailers was much higher than the within seven day rate: Alinta Energy's reconnection rate was 63.9% and Wesfarmers reconnection rate was 60.3%.

In 2014, for the first time, Alinta Energy was not the only retailer to disconnect non-residential customers, with Wesfarmers disconnecting one non-residential customer. In 2014, Alinta Energy's non-residential reconnection rate (within seven days) was 37.6%, down from 43.9% in 2013. The Alinta Energy non-residential reconnection rate rises to 58.9% if all of the reconnections are included.

## Customer Service

### *Complaints*

### **In 2014, electricity customer complaints fell, with residential complaints at their lowest level since 2009...**

In 2014, total residential customer complaints per 100 customers received by electricity retailers continued the downward trend, reaching its lowest level since 2009, while residential customer complaints received by gas retailers were relatively unchanged.

Horizon Power's residential customer complaints fell to 0.72 per 100 customers in 2014, after reaching a six year high of 1.06 per 100 customers in 2013. Residential customer complaints received by Synergy continued to fall; down from 0.41 per 100 customers in 2013 to 0.30 per 100 customers in 2014.

Although the total residential gas complaint rate was relatively unchanged, Wesfarmers received 0.91 complaints per 100 customers, which is significantly higher than the industry average of 0.16 per 100 customers. Wesfarmers attributes the level of complaints they received to a range of factors related to their entry into the natural gas market: product understanding, calculation of instalment payments and the impact of customer churn on the calculation of the customer complaint rate.<sup>5</sup>

The total number of non-residential complaints received by electricity retailers also fell, down from 0.49 complaints per 100 customers in 2013 to 0.38 complaints per 100

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<sup>5</sup> The calculation is based on the total number of complaints received during the year divided by the number of customers as at 30 June. The customers who made a complaint and then left Wesfarmers before 30 June are therefore excluded from the total number of customers, which has the effect of inflating the complaint rate.

customers in 2014. Horizon Power reported a substantial drop in complaints (down from 1.08 per 100 customers in 2013 to 0.58 per 100 customers in 2014), while Synergy reported a more modest reduction in complaints (down from 0.43 per 100 customers in 2013 to 0.35 per 100 customers in 2014).

Non-residential gas customer complaints received by Alinta Energy fell significantly, down to 0.07 per 100 customers in 2014 from 0.39 per 100 customers in 2013. Alinta Energy was the only gas retailer to receive non-residential customer complaints.

### **The majority of complaints continue to involve billing and account matters...**

As has been the case in previous years, the majority of both residential and non-residential complaints received by electricity and gas retailers related to billing and account matters. Wesfarmers was the exception, with marketing complaints accounting for more than half of all complaints they received.

In 2014, the majority of electricity and gas retailers resolved between 80% and 100% of complaints within 15 working days. The exception was Horizon Power and Rottnest Island Authority. Horizon Power resolved 61.6% of residential complaints and 63% of non-residential complaints within 15 days. Rottnest Island Authority resolved 66.7% of complaints within 15 days; however, due to the small number of complaints involved, this rate can vary significantly each year.

Up until 2013, complaints data for Western Australian electricity and gas retailers has been compared with data for retailers in New South Wales, South Australia and Victoria. The Australian Energy Regulator (AER) has now taken over the role of retailer performance reporting for New South Wales, South Australia, Tasmania and the Australian Capital Territory. In 2014, the complaints data collected by the AER does not distinguish between electricity and gas complaints, instead being reported under a single energy category. There are also plans to transfer energy reporting for Victorian retailers to the AER in 2015. Accordingly, the ERA has decided to discontinue its inter-jurisdictional comparison of complaints.

### ***Call Centre Performance***

#### **Calls to gas retailers increased in 2014 as Wesfarmers continued its expansion into the natural gas market...**

In gas, the two gas retailers that operate a call centre, Alinta Energy and Wesfarmers, reported call volumes that were higher by 5.9% and 6.8% respectively in 2014. Compared to 2013, Alinta Energy reported a slight deterioration in its performance against all three measures; Wesfarmers reported a slight deterioration against two of the three measures with the third (percentage of unanswered calls) remaining unchanged.

In electricity, the total number of calls to electricity retailer call centres fell by 7.2% in 2014; Alinta Energy was the only retailer to report an increase in call volumes. Compared to 2013, Horizon Power, Synergy and Rottnest Island Authority improved their call handling performance, based on the three measures of average wait time, the percentage of calls answered within 30 seconds and the percentage of calls abandoned. Conversely, Alinta Energy reported a deterioration in more than one performance measure this year.