

# 2005/06 Annual Report - Code of Conduct (For the Supply of Electricity to Small Use Customers)

(incorporating Corrigenda of 11 May 2007)

11 May 2007

Economic Regulation Authority



WESTERN AUSTRALIA

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## Scope and purpose of the report

The Economic Regulation Authority (Authority) administers industry specific legislation in the areas of electricity, gas, rail and water. The Authority's electricity responsibilities commenced on 30 November 2004. The Authority is responsible for licensing and performance monitoring of gas electricity and water service providers. Licensing and monitoring of electricity service providers commenced on 1 January 2005 when Part 2 of the *Electricity Industry Act 2004* came into force.

The *Code of Conduct (For the Supply of Electricity to Small Use Customers)* (Code) commenced on 31 December 2004. The Code prescribes standards for the supply of electricity to small use customers (annual consumption <160MWh<sup>1</sup>) by retailers, marketers and distributors licensed by the Authority. The Code requires retailers, marketers and distributors to keep records of the information prescribed by the Code for a minimum period of 3 years from the date the record was made and to make these records available to the Authority on request. An overview of the Code can be found in Appendix 1.

This report presents the key performance indicators set out in Part 13.11 of the Code for retailers and distributors who are licensed by the Authority. The information published in this report is derived from the records provided to the Authority by retailers and distributors<sup>2</sup> for the year ending 30 June 2006. Differences between Western Australia's electricity performance reporting and that of other jurisdictions make it difficult to compare performance across jurisdictions but, where possible, comparisons are provided.

In 2004 the Government embarked on a reform of the electricity industry to provide greater scope for competition in the industry. This resulted in the restructure, from 1 April 2006, of Western Power into four new statutory Corporations:

- Western Power retained the transmission and distribution network in the SWIS<sup>3</sup>;
- Synergy was created to retail electricity within the SWIS;
- Horizon Power was created to generate, transmit, distribute and retail electricity in the areas outside the SWIS; and
- Verve was created to operate the former Western Power generation facilities

## Future amendments to the reporting framework

There are two initiatives currently underway that will impact on the structure and content of future performance reports:

- 1) The review of the Code, which is being undertaken by the Electricity Code Consultative Committee (ECCC). The ECCC report with recommendations will be presented to the Authority in mid-2007. The report is likely to include recommendations to amend the Code and reporting requirements.

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<sup>1</sup> Equates to an annual electricity expenditure in the order of \$28,000 at regulated business tariffs

<sup>2</sup> There were no marketers operating in Western Australia in the year ending 30 June 2006.

<sup>3</sup> South West Interconnected System, which includes the south-western coastal area and Kalgoorlie

- 2) The Electricity Compliance Reporting Manual, which was published in January 2007, includes new performance reporting requirements for distributors and retailers based on the SCONRRR<sup>4</sup> reporting framework. Adoption of the SCONRRR framework is aimed at achieving consistency across jurisdictions. The manual includes transitional provisions for retailers and distributors to adopt the SCONRRR reporting framework within an 18-month period from its publication

Due to the time needed to transition to a new reporting framework, the 2006/07 report will retain the existing framework defined in Part 13 of the Code. The 2007/08 will be the first report to incorporate the modified reporting framework arising from the review of the Code and the introduction of the SCONRRR reporting framework.

## Summary

This is the first year that the Authority has published a report on the performance of retailers and distributors supplying electricity to the small use electricity market in Western Australia. 2005/06 was the first full year in which the competitive market for small use customers operated in the State<sup>5</sup>. However, only around 1.6% of all small use electricity customers are currently contestable.

### *The competitive retail electricity market for small use customers in Western Australia*

By 30 June 2006 there were approximately 914,000 small use customers in Western Australia comprising 800,000 residential customers and 113,000 business customers. At present non franchised<sup>6</sup> retailers can only market and sell electricity to contestable customers, that is customers who consume over 50MWh per annum. It is estimated that the size of the contestable small use market is approximately 15,000 customers<sup>7</sup>.

There were 11 retail licences and 3 integrated regional licences<sup>8</sup> in issue at 30 June 2006. Appendix 2 provides details of the licensees. Only 4 of the 11 retail licensees and 2 of the 3 integrated regional licensees reported retailing electricity in the franchise or contestable market, these were:

- Alinta Sales Pty Ltd
- Horizon Power
- Perth Energy Pty Ltd
- Rottnest Island Authority
- Synergy

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<sup>4</sup> Steering Committee on National Regulatory Reporting Requirements, a working group reporting into the Utility Regulators Forum

<sup>5</sup> The *Electricity Industry Act 2004*, which introduced the electricity licensing scheme for Western Australia, came into force in June 2004.

<sup>6</sup> Franchised retailers, Synergy, Horizon and Rottnest Island Authority are the only ones permitted to retail electricity to customers consuming less than 50MWh customers in their respective licence areas

<sup>7</sup> Based on data provided by the Office of Energy in February 2007.

<sup>8</sup> Three integrated regional licences issued by the Authority included the right to retail electricity to small use customers.

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The number of retailers supplying electricity to small use customers is relatively small at this early stage in the development of the competitive market<sup>9</sup>. At 30 June 2006 only 3 retailers (Horizon Power, Rottnest Island Authority and Synergy) supplied electricity to residential small use customers. It is anticipated that, until the introduction of full retail contestability, i.e. the inclusion of customers consuming <50MWh per annum, the number of retailers supplying small use customers will continue to be limited.

### *Affordability and Access*

The key performance indicators related to affordability and access, measure the effectiveness of the policies implemented by retailers in relation to payment difficulties and financial hardship. A key measure of success for these policies is reducing the level of disconnections for failure to pay a bill to a minimum. Retailers reported 0.13% of customers experiencing financial hardship in the year ending June 2006. In future years it may be possible to assess the effectiveness of each retailer's financial hardship policies by trending the number of customers who are subject to special billing arrangements and comparison with the level of disconnections.

### *Special Billing Arrangements*

Between 4.16% (Horizon) and 5.80% (Synergy and Western Power combined) of residential customers were subject to an instalment payment plan, the majority of plans were entered into as a result of payment difficulties rather than financial hardship. The proportion of customers who were granted more time to pay a bill ranged between 4.88% (Horizon) and 16.22% (Synergy and Western Power combined).

The data on instalment plans and more time to pay a bill has to be interpreted with caution as it does not identify the number of occasions a customer has been granted additional time to pay, nor does it identify customers who have been granted more time to pay and subsequently agreed to an instalment payment plan.

### *Disconnections and Reconnections*

Disconnection of supply for failure to pay a bill is seen as an action of last resort. The disconnection and reconnection of supply at the same address is a costly and inconvenient exercise for customers and should be avoided where possible. The proportion of customers who are disconnected for failure to pay a bill and then reconnected at the same address within 30 days may be minimised by retailers adjusting their payment difficulty and hardship policy to reasonably address the causes of disconnection.

In 2005/06 the proportion of customers who were disconnected for failure to pay a bill varied between 1.13% (Synergy and Western Power combined) and 2.71% (Horizon) with an average across the State of 1.16%. Table 1 compares the level of disconnections reported in Western Australia with 4 other jurisdictions.

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<sup>9</sup> Retail competition in the small use segment of the market was introduced on 1 January 2005

**Table 1: Comparative disconnections across jurisdictions (per 100 residential and non-residential<sup>10</sup> customers) for 2005/06**

	<b>New South Wales<sup>11</sup></b>	<b>South Australia<sup>12</sup></b>	<b>Victoria<sup>13</sup></b>	<b>Tasmania<sup>14</sup></b>	<b>Western Australia</b>
Disconnections per 100 residential and non-residential customers	0.86	1.13	0.22	0.51	<b>1.16</b>

Western Australia has the highest disconnection rate of the 5 jurisdictions for its residential and non-residential customers. Victoria, which has the lowest level of disconnections, has introduced consumer protection measures that include a \$250 per day penalty for wrongful disconnection by retailers and the requirement for hardship policies to be approved by the Essential Services Commission or the Minister. In Victoria the government provides financial assistance to customers who may be at risk of disconnection through the Utility Relief Grant Scheme (URGS). In Western Australia there is no equivalent to the URGS.

Reconnection of customers who have been disconnected for failure to pay a bill at the same supply address within 30 days averaged 42.5% of disconnections. It is noted that there might be room to refine the hardship policies of Western Australian retailers to reduce the proportion of disconnections that result in reconnections.

### *Customer complaints*

There were a total of 749 customer complaints recorded by retailers with the majority (743) being received by Synergy and Western Power. This equates to an average of 0.082 complaints per 100 customers, which is low when compared to more mature markets such as Victoria (0.7) and South Australia (0.82). The largest volume of complaints related to billing and account enquiries (78%) followed by marketing (10%) and disconnections (5%).

Horizon Power recorded 5 complaints and resolved them in an average of 1 day. Synergy and Western Power recorded a total of 743 complaints of which 420 were received directly and 323 were referred to them by the Electricity Ombudsman. The average time to conclude a complaint extended from 4.85 days for the former Western Power retail unit to 6.63 days in the first 3-months of Synergy operating as a standalone business<sup>15</sup>. Synergy advised that the increase in the average time to respond to marketing complaints

<sup>10</sup> The Western Australian Code does not discriminate between residential and non-residential customers so the comparison with other jurisdictions is based on the sum of domestic and business disconnections

<sup>11</sup> Table 2 – Independent Pricing and Regulatory Tribunal Electricity Information Paper No.4: Retail business's performance against customer service indicators for the period 1 July 2001 to 30 June 2006

<sup>12</sup> Table 3 – Essential Services Commission of South Australia National Comparative Performance Data Retailing Quality of Service Reporting Template, Jurisdiction: South Australia

<sup>13</sup> Tables 18 & 22 – Essential Services Commission of Victoria Energy Retailers Businesses Comparative Performance Report for the 2005-06 Financial Year

<sup>14</sup> Table 7.11 – Office of the Tasmanian Energy Regulator Tasmanian Energy Supply Industry Performance Report 2005-06

<sup>15</sup> Synergy reported in the average time to conclude a complaint increased due to a 33% increase in the number of complaints received in response to an increase in marketing and other information provided to customers following the disaggregation of Western Power.



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is largely attributed to the one off event of disaggregating Western Power and the creation of Synergy

### *Compensation payments to non-contestable customers*

Non-contestable customers (consuming <50MWh per annum) are entitled to compensation payments for wrongful disconnection or late reconnection of supply. Customers are also entitled compensation for failure to acknowledge or respond to a customer complaint in a timely manner. In the year ending 2005/06 Horizon Power made no compensation payments and Synergy made a total of 14 payments.

## **Performance of Distributors**

### *Distributors supplying small use customers in Western Australia*

There were 5 distribution licences and 3 integrated regional licences<sup>16</sup> as at 30 June 2006. Licensees who distributed electricity to small use customers in 2005/06 were:

- Horizon Power
- Rottnest Island Authority
- Western Power

Each of the licensees listed above operates a small use customer distribution network in non-overlapping areas of the State. Western Power distributes electricity in the South West Interconnected System (SWIS), Horizon Power distributes electricity in the North West Interconnected System (NWIS) plus 28 standalone areas outside the SWIS, and Rottnest Island Authority distributes electricity on Rottnest Island.

### *Timely establishment of customer connections*

Horizon Power reported a 100% success rate with establishing the 3,496 new customer connections within the prescribed time scales. Western Power reported that 21% of the 18,786 customer connection requests they processed were not completed within the prescribed time scales.

### *Customer complaints*

There were a total of 2,601 customer complaints to distributors, of which 16 were received by Horizon Power and 2,585 by Western Power. The largest single category of complaint was "Other" (1,361) followed by "Network Assets" (404) and "Reliability of Supply" (346).

In all categories except "Network Assets" Horizon reported complaint conclusion within 2 working days or less. Western Power reported complaint conclusion times of between 6.4 and 9.8 days during the 7-months from December 2005<sup>17</sup>.

### *Compensation payments to non-contestable customers*

Part 14 of the Code makes provision for the payment of \$20 to non-contestable customers (consume <50MWh per annum) for failing to provide sufficient notice of a planned

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<sup>16</sup> Three integrated regional licences issued by the Authority included the right to operate a distribution network. However, one licensee (EDL NGD) was not operating a network during the reporting period.

<sup>17</sup> Western Power reported longer complaint conclusion periods between July and November 2005 but the accuracy of the data was questionable due to the implementation of a performance indicator system.

interruption or failure to acknowledge a complaint within the prescribed time scales. Customers are also entitled to a payment of \$80 for each occasion that their supply is interrupted for more than 12 hours<sup>18</sup>. These payments are included in the annual network quality and reliability of supply reports published by distributors.

Horizon Power reported they have made no compensation payments during the year ending 30 June 2006. Western Power reported making a total of 51 payments. The level of payments needs to be interpreted with caution as payments are only made at the customers request.

### *Time to repair faulty street lights*

Horizon Power reported a total of 60 faults logged with 100% being repaired within 9 working days.. This is a very low number of faults, particularly when compared to the number of regional faults logged by Western Power (2,255). Horizon Power reported an average time to repair street lights of 2 working days.

Western Power repaired 89.5% of the 2,255 regional faults reported within 9 working days and 91.8% of the 21,622 metropolitan faults reported within 5 working days.

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<sup>18</sup> This payment is made under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*

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## **OBLIGATIONS PARTICULAR TO RETAILERS**

## The electricity retail market in Western Australia

**Table 2: Number of small use customers served by retailers at 30 June 2006**

Retailer	Number of residential accounts	Number of business accounts	Total number of customer accounts
Alinta Sales <sup>19</sup>	NA	NA	NA
Horizon Power <sup>20</sup>	28,879	7,356	36,235
Perth Energy	0	14	14
Rottnest Island Authority	16	98	114
Synergy <sup>21</sup>	770,997	105,577	876,574
<b>Total</b>	<b>799,892</b>	<b>113,045</b>	<b>913,937</b>

Examination of Table 2 shows that the total market for small use customers in Western Australia is just over 900,000 customers. Of these approximately 15,000<sup>22</sup> are contestable customers who consume between 50 and 160MWh per annum. This report is the first since the introduction of competition in the small use customer market on 1 January 2005 and since 3 new retailers entered the market supplying business customers. However, the vast majority of small use customers are being supplied by the former Western Power business units.

## Affordability and Access

The credit management policies of retailers impact on access to electricity, particularly for those customers experiencing financial hardship. Part 6 of the Code requires retailers to implement effective hardship policies that provide reasonable assistance to residential customers who are assessed as experiencing payment difficulties or financial hardship.

This section of the report assesses the effectiveness of the policies implemented by retailers to facilitate access to electricity supply by customers. Key measures of performance include measuring the number of customers who:

- are experiencing financial hardship and who are subject to special billing arrangements;
- have been disconnected;
- have been disconnected and reconnected at the same address; and

<sup>19</sup> The Authority has agreed to a request from Alinta Sales that the Authority treat its customer numbers as commercially confidential information for the purposes of this report.

<sup>20</sup> Horizon Power, a former Western Power business unit, was granted a licence to retail electricity in regional areas outside of the South West Interconnected System (SWIS) on 30 March 2006.

<sup>21</sup> Synergy, took on the SWIS retail functions of the former Western Power retail business unit, it was granted a licence to retail electricity in the South West Interconnected System (SWIS) on 30 March 2006.

<sup>22</sup> Data supplied by Office of Energy in February 2007

- have been required to provide a refundable advance to secure the connection or reconnection of their electricity supply.

The following retailers have reported they supply small use customers but have a nil return in respect of affordability and access performance indicators:

- Alinta Sales Pty Ltd
- Perth Energy Pty Ltd
- Rottnest Island Authority

### *Customers experiencing financial hardship*

Part 6.1 of the Code makes provision for a residential customer to represent to a retailer that they are having payment problems. The retailer is then required to assess whether the customer is experiencing payment difficulties or financial hardship<sup>23</sup>. If the assessment outcome is that the customer is experiencing financial hardship then the customer must be offered an alternative payment arrangement and assistance in accordance with Parts 6.6 to 6.9 of the Code.

Examination of Table 3 shows that the two largest retailers (Horizon Power and combined Synergy/Western Power) had approximately 0.13% of their customers experiencing financial hardship.

**Table 3: Residential customers experiencing financial hardship**

Retailer	Number of customers experiencing financial hardship	Number of customers experiencing financial hardship per 100 residential accounts
Horizon Power	37	0.13
Synergy (1/4/06 to 30/6/06) <sup>24</sup>	461	0.06
Western Power (1/7/05 to 31/3/06) <sup>25</sup>	504	0.06
Combined Synergy and Western Power [see footnote below]	965	0.13

Caution has to be applied to interpreting the disaggregated data for Synergy/Western Power because of the different reporting periods (9 months for Western Power and 3 months for Synergy) and seasonal factors.

<sup>23</sup> The Code defines financial hardship as a customer not being able to pay an outstanding amount without affecting their ability to meet their basic living needs or those of a dependent.

<sup>24</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 30/3/2006.

<sup>25</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

## *Residential customers subject to special billing arrangements*

Part 6 of the Code requires retailers to offer alternative billing arrangements to residential customers who are assessed as experiencing payment difficulties or financial hardship. Alternative billing arrangements includes offering more time to pay a bill or offering the customer a no-cost instalment plan that takes account of the customers consumption and ability to pay.

It can be seen in Table 4 that no customers were placed on a shortened billing cycle. Nearly 5% of Horizon Power's customers had been granted additional time to pay their bill compared to just over 16% of Synergy/Western Power's customers. The proportion of Synergy/Western Power's customers on payment plans is almost twice that of Horizon Power's, which implies customers in the SWIS<sup>26</sup> may be having more difficulty paying for their electricity. As a point of comparison with a mature competitive energy retail market, the Essential Services Commission of Victoria reported that 4.66% of all Victorian domestic electricity customers were on budget instalment plans during 2005/06<sup>27</sup>. In Western Australia 5.74% of residential customers were on an instalment payment plan during the same period.

It is difficult to draw direct comparisons between the performance of retailers in providing special billing arrangements to customers because of the separate markets that they service. Caution also has to be applied to interpreting the disaggregated data for Synergy/Western Power because of the different reporting periods (9 months for Western Power and 3 months for Synergy) plus seasonal factors relating to these reporting periods.

The absence of data detailing the number of customers who have been subject to special billing arrangements more than once during the reporting period, leads to the possibility that the actual number of customers subject to special billing arrangements could be over-reported.

As this is the first report under the Code it is not possible to report on trends in the application of special billing arrangements. It is expected future reports will provide trend data that will be used to assess the effectiveness of retailers policies to address payment difficulties and financial hardship.

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<sup>26</sup> SWIS – South West Interconnected System, the operating area serviced by Synergy.

<sup>27</sup> Table 20 of the Energy Retail Businesses Comparative Performance Report for the 2005-06 Financial Year published by the Essential Services Commission of Victoria.

**Table 4: Customers subject to special billing arrangements**

Retailer	Customers on an instalment payment plan under Part 6 of the Code <sup>28</sup>		Customers granted additional time to pay their bill under Part 6 of the Code		Customers placed on a shortened billing cycle	
	Number	Number per 100 residential accounts	Number	Number per 100 residential accounts	Number	Number per 100 residential accounts
Horizon Power	1200	4.16	1408	4.88	0	0.0
Synergy <sup>29</sup>	12,305	1.60	31,918	4.14	0	0.0
Western Power <sup>30</sup>	32,375	4.23	93,150	12.16	0	0.0
Combined Synergy and Western Power	44,680	5.80	125,068	16.22	0	0.0
<b>State Total</b>	<b>45,880</b>	<b>5.74</b>	<b>126,476</b>	<b>15.81</b>	<b>0</b>	<b>0.0</b>

## Disconnections and reconnections

Part 7 of the Code applies to disconnections for failure to pay a bill. Disconnection is seen as an action of last resort when dealing with non-payment of a bill by a customer. Prior to disconnection, a retailer must send the customer a reminder of the outstanding bill and a disconnection notice in a process that takes a minimum of 24 business days before physical disconnection occurs.

Part 8 of the Code sets out the terms and conditions for the reconnection of customers who have previously been disconnected for failure to pay a bill, including any charges that may be levied for reconnection.

<sup>28</sup> Retailers have reported the total number of customers who have been granted an instalment payment plan during the reporting period.

<sup>29</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 30/3/2006.

<sup>30</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

**Table 5: Disconnections for failure to pay a bill and reconnections within 30 days of disconnection for failure to pay a bill**

Retailer	Disconnections for failure to pay a bill		Reconnections at the same supply address within 30 days of disconnection for failure to pay a bill		Reconnections within 30 days (%)
	Number	Number per 100 accounts	Number	Number per 100 accounts	
Horizon Power	982	2.71	456	1.58	46.4
Synergy (1/4/06 to 30/6/06) <sup>31</sup>	1,995	0.23	857	0.11	43.0
Western Power (1/7/06 to 31/3/06) <sup>32</sup>	7,876	0.90	3,185	0.42	40.4
Combined Synergy and Western Power	9,871	1.13	4,042	0.52	40.9
<b>State Total</b>	<b>10,583</b>	<b>1.16</b>	<b>4,498</b>	<b>0.56</b>	<b>42.5</b>

Table 5 shows that the level of disconnections for failure to pay a bill is nearly 2.5 times higher for Horizon Power compared to Synergy/Western Power but the proportion of reconnections within 30 days is similar. Synergy has commented that the majority of it's reconnections occur shortly after disconnection.

The Essential Services Commission of Victoria<sup>33</sup> reported an average ratio of reconnections within 30 days following disconnection for non-payment of a bill at 33.8% compared to 42.5% for Western Australia.

Table 6 shows that, of the 5 jurisdictions that have reported on disconnections for failure to pay bills in 2005/06, Western Australia has reported the highest level of disconnections for its residential and non-residential customers. Victoria reported the lowest level of disconnections at 0.22 per 100 customers, which is indicative of the relative maturity of the electricity retail market in Victoria.

<sup>31</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 1/4/06.

<sup>32</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

<sup>33</sup> Tables 18 and 19 of the Energy Retail Businesses Comparative Performance Report for the 2005-06 Financial Year published by the Essential Services Commission of Victoria.



**Table 6: Comparative disconnections across jurisdictions (per 100 residential and non-residential<sup>34</sup> customers) for 2005/06)**

	New South Wales <sup>35</sup>	South Australia <sup>36</sup>	Victoria <sup>37</sup>	Tasmania <sup>38</sup>	Western Australia
Disconnections per 100 residential and non-residential customers	0.86	1.13	0.22	0.51	<b>1.16</b>

## Customers providing a refundable advance to obtain connection or reconnection

**Table 7: Customers who have provided a refundable advance**

Retailer	Number of customers who have provided a refundable advance
Horizon Power	0
Synergy <sup>39</sup>	4
Western Power <sup>40</sup>	0
Combined Synergy and Western Power	4

It can be seen from Table 7 that only 4 customers have been required to provide a refundable advance to obtain connection or reconnection of supply during 2005/06.

## Customer Complaints

Part 13.3 of the Code requires retailers to keep records of customer complaints against 7 separate categories as described in Table 8 below. Part 9.11 of the Code requires retailers to record pre-payment meter complaints. Parts 13.3 and 9.11 also require retailers to provide details of the actions taken by a retailer to address a complaint and the

<sup>34</sup> The Western Australian Code does not discriminate between residential and non-residential customers so the comparison with other jurisdictions is based on the sum of domestic and business disconnections

<sup>35</sup> Table 2 – Independent Pricing and Regulatory Tribunal Electricity Information Paper No.4: Retail business's performance against customer service indicators for the period 1 July 2001 to 30 June 2006

<sup>36</sup> Table 3 – Essential Services Commission of South Australia National Comparative Performance Data Retailing Quality of Service Reporting Template, Jurisdiction: South Australia

<sup>37</sup> Tables 18 & 22 – Essential Services Commission of Victoria Energy Retailers Businesses Comparative Performance Report for the 2005-06 Financial Year

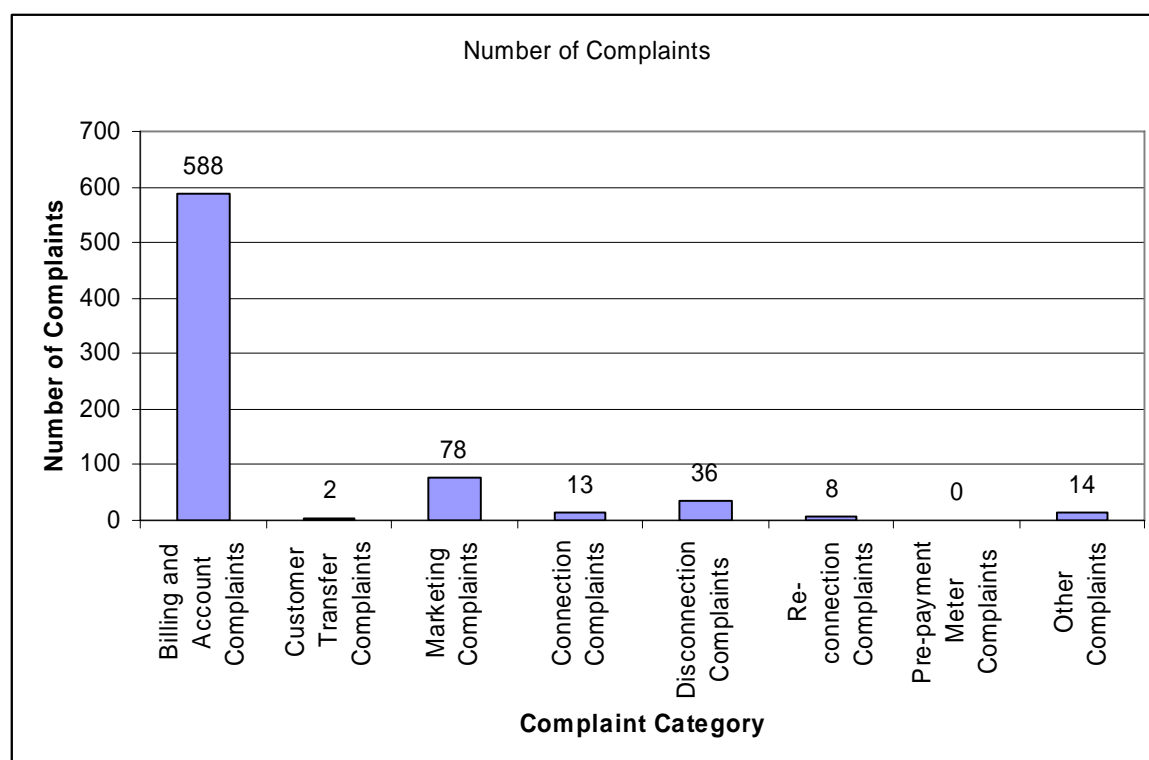
<sup>38</sup> Table 7.11 – Office of the Tasmanian Energy Regulator Tasmanian Energy Supply Industry Performance Report 2005-06

<sup>39</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 30/3/2006 Synergy advises these are all business customers.

<sup>40</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

time taken for a complaint to be concluded, although this might not involve a resolution to the customers satisfaction.

Table 8 shows that Horizon Power, Rottnest Island Authority and Synergy/Western Power were the only retailers to receive customer complaints during the reporting period and that the average level of complaints received by all retailers is less than 0.1 per 100 customers. This is very low when compared to the level of complaints reported by retailers in other jurisdictions (i.e. Victoria recorded a level of approximately 0.7 and South Australia recorded 0.82 complaints per 100 customers for 2005/06). Figure 1 shows the distribution of reported complaints between the different complaint categories. The largest volume of complaints received by retailers was in the billing and account category followed by marketing, disconnections and connections categories.



**Figure 1: Distribution of complaints by complaint category (all retailers)**

Table 9 provides information on the actions taken by Horizon Power to address the complaints that have been received and the average time for a complaint to be concluded.

**Table 8: Customer complaints**

<b>Retailer</b>	<b>Billing and Account Complaints</b>	<b>Customer Transfer Complaints</b>	<b>Marketing Complaints</b>	<b>Connection Complaints</b>	<b>Disconnection Complaints</b>	<b>Reconnection Complaints</b>	<b>Pre-payment Meter Complaints</b>	<b>Other Complaints</b>	<b>Total Complaints</b>	<b>Total Complaints per 100 customers</b>
Alinta Sales	0	0	0	0	0	0	NA	0	0	0.000
Horizon Power	4	0	0	0	0	1	0	0	5	0.014
Perth Energy	0	0	0	0	0	0	NA	0	0	0.000
Rottneest Island Authority	1	0	0	0	0	0	NA	Not Available	Not Available	Not Available
Synergy <sup>41</sup>	165	1	60	2	14	1	NA	4	247	0.028
Western Power <sup>42</sup>	418	1	18	11	32	6	NA	10	496	0.057
Combined Synergy and Western Power	583	2	78	13	36	7	NA	14	733	0.085
<b>Total</b>	<b>588</b>	<b>2</b>	<b>78</b>	<b>13</b>	<b>36</b>	<b>8</b>	<b>0</b>	<b>14</b>	<b>748</b>	<b>0.082</b>

NR – In accordance with Part 9 of the Code, the only retailers who are able to supply pre-payment meters to customers are Synergy, Western Power and Horizon Power. Horizon Power reported a total of 95 pre-payment meter customers as of 30 June 2006, Synergy and Western Power did not have any pre-payment meter customers..

<sup>41</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 1/4/06.

<sup>42</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

**Table 9: Horizon Power complaint conclusion**

Complaint Category	Number of Complaints	Action taken to address a complaint	Time taken for a complaint to be concluded (days)
Billing and account	4	NA	1
Customer transfer	0	NA	0
Marketing	0	NA	0
Connection	0	NA	0
Disconnection	0	NA	0
Reconnection	1	NA	1
Other	0	NA	0

Western Power reported that 276 of the 496 complaints it received were concluded by direct written response and the remaining 220 complaints were referred via the Ombudsman and then concluded via a direct written response. The average time for a complaint to be concluded was 4.85 days.

Synergy reported that 144 of the 247 complaints it received were concluded by direct written response and the remaining 103 complaints were referred via the Ombudsman and then concluded via a direct written response. The average time for a complaint to be concluded was 6.63 days<sup>43</sup>.

Rottnest Island Authority received a single billing and account complaint during the reporting period but the Authority has no record regarding the actions taken to conclude this complaint.

## Compensation payments to non-contestable customers

Part 14 of Code makes provision for compensation payments to eligible customers (non-contestable customers consuming <50MWh per annum) for:

- late reconnection at \$50 per day up to a maximum of \$250 total (Part 14.2);
- wrongful disconnection at \$50 per day up to a maximum of \$250 total (Part 14.3); and
- failure to acknowledge or respond to a customer complaint within the prescribed timeframes at \$20 per occurrence (Part 14.4).

There are only 3 retailers serving non-contestable customers: Horizon Power, Rottnest Island Authority and Synergy/Western Power. Table 10 shows that there were very few compensation payments made overall in 2005/06 and Horizon Power reported zero compensation payments. Without further information it is not possible to determine whether the low level of compensation payments is due to there being few events giving rise to compensation payments or customer awareness of the availability of compensation payments given that payment is only made upon the request of the customer.

<sup>43</sup> Synergy reported in the average time to conclude a complaint increased due to a 33% increase in the number of complaints received in response to an increase in marketing and other information provided to customers following the disaggregation of Western Power.

**Table 10: Number of compensation payments to non-contestable customers**

Retailer	Number of payments for late reconnection	Number of payments for wrongful disconnection	Number of payments for failure to respond to customer complaints in prescribed timeframes
Horizon Power	0	0	0
Rottnest Island Authority	0	0	0
Synergy <sup>44</sup>	0	4	0
Western Power <sup>45</sup>	2	3	5
Combined Synergy and Western Power	2	7	5

<sup>44</sup> Synergy provided records for the 3 month period 1/4/06 to 30/6/06 to coincide with the grant of their licence on 1/4/06.

<sup>45</sup> Synergy also provided records for the former Western Power for the 9 month period 1/7/05 to 31/3/06 being the period prior to the break up of Western Power into separate operating units.

## **OBLIGATIONS PARTICULAR TO DISTRIBUTORS**

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## Distributors supplying small use customers in Western Australia

There are 3 distributors supplying small use customers in Western Australia:

- Horizon Power, a former Western Power business unit, which was granted a licence to retail electricity in regional areas outside of the South West Interconnected System (SWIS) on 30 March 2006;
- Rottnest Island Authority, which supplies electricity to Rottnest Island; and
- Western Power, which was granted a distribution licence covering the SWIS on 30 March 2006.

## Establishment of customer connections

The *Electricity Industry (Obligation to Connect) Regulations 2005* (Regulations) prescribe the conditions for and time scales associated with establishing a connection for a small use customer. Part 8 of the Code details the time scales for re-connecting a customer. Part 13.6 of the Code requires distributors to report on the total number of connections established and the number not established within the period prescribed in the Regulations, Code or as agreed with the customer.

**Table 11: Number of customer connections established within the period prescribed in the Regulations, Code or as agreed with the customer**

Distributor	Number of connections established	Number of connections not established
Horizon Power	3,496	0
Rottnest Island Authority	1	0
Western Power <sup>46</sup>	18,786	3,931

Table 11 shows that Horizon Power and Rottnest Island Authority reported a 100% success rate in establishing connections on time. However, nearly 1 in 5 customer connections (based on 9 months data) on the Western Power network were not connected within the prescribed or agreed time scales.

## Customer complaints to distributors

Part 13.8 of the Code requires distributors to keep records of customer complaints against 7 separate categories as described in Table 12 below. Part 9.11 of the Code requires retailers to record pre-payment meter complaints. Parts 13.8 and 9.11 also require distributors to provide details of the actions taken by a retailer to address a complaint and the time taken for a complaint to be concluded.

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<sup>46</sup> Western Power was only able to provide data for the period October 2005 to June 2006

**Table 12: Customer complaints received by distributors**

Complaint category	Horizon Power	Rottnest Island Authority	Western Power
Reliability of supply	4	0	342
Quality of supply	0	0	108
Street lighting	5	0	147
Network assets	3	0	401
Network charges and costs	0	0	4
Administrative processes and customer service	4	0	222
Pre-payment meters	0	NA	NA
Other	0	0	1361
<b>Total complaints</b>	<b>16</b>	<b>0</b>	<b>2585</b>

Table 12 shows that Horizon Power and Western Power were the only distributors to receive customer complaints during the reporting period. It is significant to note the very low number of complaints received by Horizon Power. It is also significant to note that just over half of the complaints received by Western Power were categorised as “Other”. This is an area that would benefit from further analysis.

**Table 13: Horizon Power complaint conclusion**

Complaint Category	Number of Complaints	Action taken to address a complaint	Time taken for a complaint to be concluded (days)
Reliability of supply	4	NA	1
Quality of supply	0	NA	0
Street lighting	5	NA	2
Network assets	3	NA	16
Network charges and costs	0	NA	0
Administrative processes and customer service	4	NA	1
Pre-payment meters <sup>47</sup>	0	NA	NA
Other	0	NA	0

Table 13 shows that the time taken for complaints to be concluded by Horizon Power was relatively short for all categories except those relating to network assets, which took an average of 16 days to resolve.

<sup>47</sup> Horizon Power had a total of 95 pre-payment meter customers as of 30 June 2006.



**Table 14: Western Power complaint conclusion times (days)**

Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
8.8	13.7	14.5	10.0	10.7	6.4	7.5	9.8	7.4	8.2	7.2	7.2

Western Power did not provide any information regarding the actions taken to resolve complaints. It can be seen from Table 14 that in the 6-month period<sup>48</sup> from January to June 2006 the average time taken to close out complaints was just over 7 days.

## Compensation payments to non-contestable customers

Part 14 of the Code makes provision for compensation payments to eligible customers (non-contestable customers consuming <50MWh per annum) for:

- failure to provide sufficient notice of a planned interruption of supply at \$20 per occurrence (Part 14.5); and
- failure to acknowledge or respond to a customer complaint within the prescribed timeframes at \$20 per occurrence (Part 14.6).

There are only 3 distributors serving non-contestable customers: Horizon Power, Rottnest Island Authority and Western Power. Table 15 shows that there were very few compensation payments made by these distributors in 2005/06.

**Table 15: Number of compensation payments to non-contestable customers**

Retailer	Number of payments for failure to provide sufficient notice of a planned interruption of supply	Number of payments for failure to respond to customer complaints in prescribed timeframes
Horizon Power	0	0
Rottnest Island Authority	0	0
Western Power	30	21

Horizon Power has reported zero compensation payments and Western Power a total of 51 compensation payments in 2005/06. Without further information it is not possible to determine whether the low level of compensation payments is due to there being few events giving rise to compensation payments or customer awareness of the availability of compensation payments. Rottnest Island Authority also reported zero compensation payments, which is consistent with the low number of residential customers it has.

<sup>48</sup> Western Power stated data accuracy commenced after December 2005. Data prior to this date is inaccurate due to the implementation of a new performance indicator system.

## Time to repair faulty street lights

Part 13.7 requires distributors to keep records of:

- the total number of street lights reported faulty each month; and
- the number of occasions that a distributor failed to repair faulty street lights within:
  - 5 business days for the metropolitan area; and
  - 9 business days for the regional area.

**Table 16: Number of street light faults repaired within time scales prescribed in the Code**

	Metropolitan street lights			Regional street lights		
	Total faults logged	Faults fixed outside Code (>5 working days)	Faults fixed outside Code (%)	Total faults logged	Faults fixed outside Code (>9 working days)	Faults fixed outside Code (%)
Horizon Power	NA <sup>49</sup>	NA	NA	60 <sup>50</sup>	0	0.0
Rottnest Island Authority	NA	NA	NA	4	0	0.0
Western Power	21,622	1,781	8.2	2,255	236	10.5
<b>Total for the State</b>	<b>21,622</b>	<b>1,781</b>	<b>8.2</b>	<b>2319</b>	<b>236</b>	<b>10.2</b>

Table 16 shows that across the State 91.8% of all street light faults in metropolitan areas are repaired within 5 working days of being reported. In regional areas 89.8% of street light faults are repaired within 9 working days.

Horizon Power (regional areas only) reported an average time to repair street light faults of 2 working days. Rottnest Island Authority did not provide any data on the time taken to repair street light faults other than to report all faults were repaired in less than 9 business days. Table 17 below summarises the monthly time to repair street light fault performance of Western Power for metropolitan (Metro) and regional (Region) areas.

**Table 17: Western Power average time to repair faulty street lights**

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Metro	3.11	2.32	2.01	2.32	2.01	2.06	1.84	1.56	2.07	2.69	4.26	2.43
Region	4.08	3.33	4.28	3.33	4.28	4.56	4.01	2.75	3.25	13.57	9.71	6.82

Table 17 shows that the average time to repair metropolitan street lights was in the range 1.56 (Feb-06) to 4.26 (May-06) working days during 2005/06. The corresponding range for regional street light repairs was 2.75 (Feb-06) to 13.57 (Apr-06) working days. No information has been provided as to the cause of the extended repair times for regional street lights in April to June 2006.

<sup>49</sup> Horizon Power does not supply electricity in metropolitan areas

<sup>50</sup> Horizon Power did not provide a monthly breakdown, rather they reported 5 street light faults per month with an average repair time of 2 days.

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## Appendix 1 Code of Conduct (For the Supply of Electricity to Small Use Customers) 2005

The *Code of Conduct (For the Supply of Electricity to Small Use Customers)* (Code) was gazetted on 31 December 2004. The Code applies to retail licences, distribution licences, and integrated regional licences that include retailing electricity to small use customers or operating a distribution network. There are several parts to the Code, each of which is described below.

### *Part 2 – Marketing*

The objectives of Part 2 are to protect customers from undesirable marketing conduct by marketers and retailers. This includes setting out minimum standards governing the behaviour of marketers and retailers, the provision of appropriate product information to customers and protecting the privacy of personal information gathered in the sales and customer support process.

### *Part 3 - Connections*

This Part prescribes the processes to be followed to ensure a retailer promptly forwards a customer's application for connection to the relevant distributor.

### *Part 4 – Billing*

The objectives of Part 3 are to protect customers by, among other things ensuring:

- customers are subject to manageable billing cycles;
- customers receive bills that are based on actual meter readings, except in prescribed circumstances;
- retailers provide a prescribed minimum set of information provided on the bill;
- retailers follow prescribed processes to collect undercharged amounts or repay overcharged amounts; and
- retailers provide final bills in accordance with the customer's reasonable requests.

### *Part 5 - Payment*

This Part covers a range of payment issues including:

- payment methods including pre-payment and direct debit;
- customers vacating an address; and
- late payment and debt recovery.

### *Part 6 – Payment difficulties and financial hardship*

Retailers are required to develop policies to assist residential customers who are experiencing payment difficulties or financial hardship and make this available to customers or their representatives on request. This includes undertaking, at the

customer's request, an assessment to determine whether the customer is in financial difficulty or hardship.

Retailers are required to offer customers who are assessed as experiencing payment difficulties or financial hardship assistance in the form of alternative payment arrangements such as instalment plans or more time to pay the bill. Retailers are required to offer further assistance to customers who are experiencing financial hardship, including giving reasonable consideration to a request for a reduction in fees, charges or debts.

### *Part 7 – Disconnection*

This Part prescribes a process to be followed by retailers prior to disconnecting a customer for failure to pay a bill. This includes sending reminder notices and notices of disconnection prior to ordering the physical disconnection. The entire process takes a minimum of 24 business days to complete.

This Part includes the processes to be followed by the retailer when disconnecting for denying access to the meter or emergency disconnections.

Retailers are required to maintain a register of addresses where life support equipment is in use and ensure that supply is not disconnected for failure to pay a bill for as long as the person using the equipment is resident at that address and require use of the equipment.

### *Part 8 – Reconnection*

This Part prescribes the processes and time scales for retailers and distributors to arrange for the reconnection or reconnect a customer's supply.

### *Part 9 – Pre-payment meters in remote communities*

Customers in remote or town reserve communities in which the Aboriginal and Remote Communities Power Supply Project or the Town Reserve Regularisation Program apply can be provided with pre-payment meters. This Part prescribes the rules surrounding the installation and operation of pre-payment meters by retailers. The rules preclude the use of a pre-payment meter at an address where life support equipment is in use.

### *Part 10 – Information and communication*

This Part prescribes the information to be provided by retailers and distributors to customers in relation to tariffs and historical account information. It also requires retailers and distributors to communicate with customers in a clear and easy to understand manner and to cater for customers with special information needs.

### *Part 11 – Customer Service Charter*

Retailers and distributors are required to produce and publish a Customer Service Charter that must address a minimum information set prescribed in this Part. Copies of the Charter are to be made available to customers on request at no charge.

### *Part 12 – Complaints and dispute resolution*

Retailers, marketers and distributors are required to implement a complaints handling process in accordance with AS 4269:1995. They must also develop a guideline that delineates customer enquiries from customer complaints and keep records of customer

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complaints including providing for a classification of complaints into the categories prescribed in Part 13 of the Code.

### *Part 13 – Record keeping*

This Part requires retailers, marketers and distributors to keep records for a minimum period of 3 years. For retailers the prescribed record keeping categories are:

- affordability and access;
- customer complaints;
- compensation payments; and
- number of customer accounts.

For distributors the record keeping categories are:

- connections;
- customer complaints;
- compensation payments; and
- timely repair of street lights.

A retailer, marketer or distributor is required to provide on request to the Authority records kept in relation to compliance with the Code.

### *Part 14 – Service standard payments*

This Part prescribes a number of payments that are to be made to non-contestable customers where a retailer or distributor fails to meet prescribed service standards. The objective is to provide financial incentives to retailers and distributors to maintain standards of service.

## Appendix 2 Retailers and distributors licensed at 30 June 2006

### *Distribution Licensees*

Croesus Mining N/L

Electricity Networks Corporation (Western Power)

Newmont Power Pty Ltd

TEC Desert Pty Ltd & TEC Desert No.2 Pty Ltd trading as Southern Cross Energy Partnership

WMC Resources Limited trading as Nickel West

### *Retail Licensees*

Alinta Sales Pty Ltd

CSBP Pty Ltd

Electricity Retail Corporation (Synergy)

Goldfields Power Pty Ltd

Griffin Power Pty Ltd

Landfill Gas and Power Pty Ltd

Newmont Power Pty Ltd

Perth Energy Pty Ltd

Premier Power Sales Pty Ltd

TEC Desert Pty Ltd & TEC Desert No.2 Pty Ltd trading as Southern Cross Energy Partnership

WMC Resources Limited trading as Nickel West

### *Integrated Regional Licensees*

North Western Energy Pty Ltd, Pacific Hydro Group 2 Pty Ltd and Energis Australia Pty Ltd

Regional Power Corporation (Horizon Power)

Rottnest Island Authority