

# 2006/07 Annual Performance Report Electricity Retailers

January 2008

Economic Regulation Authority



WESTERN AUSTRALIA

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## Summary

This is the second report published by the Authority that examines the performance of electricity retailers who supply small use<sup>1</sup> customers in Western Australia. The previous report<sup>2</sup> presented performance information based on the record keeping requirements set out in Part 13 of the *Code of Conduct (For the Supply of Electricity to Small Use Customers)* (**Code of Conduct**). This report is based on the performance indicators contained in the Electricity Compliance Reporting Manual (**Reporting Manual**) published in May 2007. The Reporting Manual combines the record keeping requirements of the Code of Conduct with the national energy retail performance indicators published by the Utility Regulators Forum<sup>3</sup>.

It is not possible in this report to compare the Code of Conduct performance data for 2005/06 with the 2006/07 data because the 2005/06 data for Synergy and Horizon Power (the successor entities to Western Power Corporation) only covers the 3 months to 30 June<sup>4</sup>, whereas the 2006/07 data covers 12 months. The 2005/06 data has been retained to provide a point of reference for the 2006/07 data and to provide a breakdown of the whole of State data for some performance indicators. The 2007/08 report will exclude the 2005/06 dataset for individual retailers, but it will retain the whole of State data where relevant.

Synergy and Horizon Power were the only retailers to report non-zero data for the categories of Affordability, Disconnections and Reconnections, Complaints and Compensation Payments.

## Customers

By June 2007 there were just over 1 million small use customers in the State, comprising 910,000 residential customers and 91,000 non-residential customers. Synergy is the largest retailer with 96% of the residential and 92.5% of the non-residential customers. Horizon Power, which services regional areas of the State, is the second largest retailer with 3.9% of residential and 6.4% of non-residential customers.

The remaining customers are divided between Alinta Sales, Perth Energy and Rottneest Island Authority.

## Affordability

The proportion of customers who were assessed as experiencing financial hardship across the State has risen sharply compared to 2005/06. Some of this increase may be due to the increased awareness of the hardship provisions contained in the Code of Conduct amongst retailers, customers and customer advocates. Horizon Power has quoted anecdotal evidence of increased hardship among lower income households due to significant increases in rental costs. Synergy has reported that its new hardship policy,

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<sup>1</sup> Small use customers consume less than 160MWh of electricity per annum.

<sup>2</sup> 2005/06 Annual Report – Code of Conduct (For the Supply of Electricity to Small Use Customers).

<sup>3</sup> National Energy Retail Performance Indicators, Utility Regulators Forum, Steering Committee on National Regulatory Reporting Requirements, November 2006.

<sup>4</sup> It was not possible to separate the Western Power performance data for the 9 months to 31/3/06 (pre-disaggregation) into metropolitan and regional customer datasets. Consequently, the Synergy and Horizon Power performance data only cover the 3 months to 30/6/06.

which takes a pro-active approach to assisting hardship customers, has increased the number of its customers being assessed as experiencing hardship.

It is difficult to identify underlying trends in the number of customers on an instalment plan or being granted more time to pay due to the data separation issues identified earlier in this document. However, Horizon Power reported that there has been a real increase in the underlying numbers with anecdotal evidence suggesting the level of rental stress among households on lower incomes is causing more customers to experience difficulties meeting their utility costs.

Synergy reported an increase in the number of customers taking up Centrepay<sup>5</sup> to pay their electricity bills. This number has increased by 44% from 2005/06. The number of customers using their automated phone facility to request a payment extension has also increased.

## Disconnections and Reconnections

### *Disconnections*

The Reporting Manual contains two sets of indicators for reporting disconnections and reconnections: one set based on the Code of Conduct and the other on the 2006 Steering Committee on National Regulatory Reporting Requirements (SCONRRR) Report<sup>6</sup>. The latter is preferred because it supports direct comparison with retailer performance in other jurisdictions.

### *Code of Conduct*

The level of disconnections on a whole of State basis fell by 16% from 1.16% to 0.98%<sup>7</sup>. It is difficult to identify underlying trends in the number of customers being disconnected by each retailer due to the data separation issues identified earlier in this document. Synergy reported that it has calculated a reduction of 25% in disconnections due to initiatives it has introduced following on from its new hardship policy. Horizon Power has expressed the view that the underlying level of disconnections has been consistent between 2005/06 and 2006/07.

### *SCONRRR*

The residential disconnection rate (SCONRRR disconnection indicators) on a whole of State basis was 0.97% of customers (8,837 disconnections). It is noted however, that the proportion of customers disconnected by Horizon Power is 9 times greater than that by Synergy.

Table 1 provides an inter-jurisdictional comparison of residential disconnection rates. It can be seen that Western Australia has the highest disconnection rate of the 3 jurisdictions reporting in 2006/07.

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<sup>5</sup> Centrepay is a payment scheme operated by Centrelink that enables Centrelink to make regular payments directly to the electricity retailer on behalf of the customer.

<sup>6</sup> National Energy Retail Performance Indicators, Utility Regulators Forum, Steering Committee on National Regulatory Reporting Requirements, November 2006.

<sup>7</sup> This is the Code of Conduct disconnections, which includes both residential and non-residential customers.

**Table 1: Inter-jurisdictional comparison of residential disconnections in 2006/07**

	Western Australia	Victoria	Tasmania	South Australia	New South Wales
Disconnections per 100 residential customers	<b>0.97</b>	0.33 <sup>8</sup>	0.47 <sup>8</sup>	0.76	0.87 (2005/06) <sup>9</sup>

This is the first year that the Authority has reported on non-residential disconnections. The overall non-residential disconnection rate was 0.3% of customers (278 disconnections), with Synergy reporting a rate of 0.28% (239) and Horizon Power 0.67% (39).

## Reconnections

The Code of Conduct measures total customer reconnections up to 30 days after disconnection, whereas the SCONRRR indicators measure reconnections up to 7 days after disconnection. Both measures are included in this report.

The reconnection rate (Code of Conduct – 30 day window) on a whole of State basis increased by 12% from 42.5% in 2005/06 to 55.4% in 2006/07. The SCONRRR indicator for residential reconnections within 7 days showed a reconnection rate of 48% on a whole of State basis with Synergy reporting a rate of 46% (3,008) and Horizon Power 53.7% (1,236). Synergy commented that the high 7-day reconnection rate indicates there are a large proportion of customers who can pay but choose not to do so by the required date as opposed to customers who want to pay but cannot.

Non-residential reconnection rates (SCONRRR) were lower than residential with an overall reconnection rate of 33.8%. The Synergy reconnection rate was 32.6% (78) and Horizon Power's rate was 41% (16).

## Complaints

Customer complaints recorded under the Code of Conduct framework on a whole of State basis increased by 100% from 748 (0.085 per 100 customers) in 2005/06 to 1,506 (0.15 per 100 customers) in 2006/07. The largest number of complaints to retailers concerned billing and account matters. Horizon Power commented that "difficulties with the Western Power metering system led to an increase in billing complaints and that the data separation issue following the disaggregation of Western Power also resulted in under-reporting of complaints in 2005/06".

Synergy commented that the number of channels available for customers to lodge a complaint has expanded to include telephone, web, complaint form and verbal (in person). Synergy has also promoted the Energy Ombudsman scheme in various customer communications material.

<sup>8</sup> Data provided by the Essential Services Commission of Victoria

<sup>9</sup> Independent Pricing and Regulatory Tribunal – Electricity Industry Information Paper No.4

**Table 2: Inter-jurisdictional comparison of complaints per 100 customers**

	Western Australia	Victoria	South Australia
Total complaints per 100 residential customers	0.15	0.81 <sup>10</sup>	0.75 <sup>11</sup>

Table 2 shows that, of the 3 jurisdictions that have reported in 2006/07, the level of complaints to retailers in Western Australia is the lowest. One possible explanation for some of this difference is the absence of full retail contestability in Western Australia, which limits the level of customer transfer and connection related activity. Synergy commented that the low level of complaints indicates its customers are generally satisfied with its service.

## Compensation Payments

The Code of Conduct prescribes compensation payments for non-contestable customers<sup>12</sup> for late reconnection, wrongful disconnection and failure to provide a timely response to a complaint. The number of payments in the first two categories rose significantly in 2006/07 whereas the payments in the latter category fell.

## Contact Centre Performance

This is the first time that the retailers contact centre performance has been reported. Three retailers operate contact centres for their electricity retail businesses: Alinta Sales<sup>13</sup>, Horizon Power and Synergy.

The retailer's call centres handled a total of 1.12 million calls in 2006/07, with 90% of these calls being handled by Synergy. A measure of customer satisfaction with their retailer's call centre is the proportion of calls answered within 30 seconds of trying to contact an operator. Table 3 shows that an average of 63.5% of calls was answered within 30 seconds in Western Australia compared to between 72% and 82% in Victoria and South Australia respectively.

**Table 3: Inter-jurisdictional comparison of the percentage of operator calls responded to within 30 seconds**

	Western Australia	Victoria	South Australia
Percentage of operator calls responded to within 30 seconds	63.5	72.0 <sup>14</sup>	81.9 <sup>15</sup>

<sup>10</sup> Data provided by the Essential Services Commission of Victoria

<sup>11</sup> Data provided by the Essential Services Commission of SA

<sup>12</sup> Non-contestable customers consume less than 50MWh of electricity per annum

<sup>13</sup> Alinta Sales is the largest gas retailer in the state

<sup>14</sup> Data provided by the Essential Services Commission of Victoria

<sup>15</sup> Data provided by the Essential Services Commission of SA. Note that this value is the combined performance for calls concerning electricity and gas supply to the retailer, which is a valid comparison because the same call centre is handling all of the customer calls.

## Purpose of the Report

The purpose of this report is to bring transparency and accountability to the performance of electricity retail<sup>16</sup> businesses and to benchmark, where possible, performance against similar businesses in other electricity markets.

This report focuses on the performance data provided by electricity retailers in accordance with the performance reporting obligations set out in the Electricity Compliance Reporting Manual<sup>17</sup> (**Reporting Manual**). The report focuses on performance in the following areas:

- **Affordability:** information about the number of customers experiencing financial hardship and the effectiveness of the retailers credit management policies through the availability of special billing arrangements such as instalment payment plans, shortened billing cycles and providing customers with more time to pay their bill.
- **Access:** information about the rates of disconnection and reconnection of customers for non-payment of bills, with particular attention being paid to customers with financial difficulties and those in receipt of government funding assistance.
- **Customer Service:** information about customer satisfaction with service provided by their retailer as measured by complaints and customer contact centre responsiveness.
- **Compensation Payments:** information about the number of compensation payments made by retailers for failing to meet the service standards prescribed in the *Code of Conduct (For the Supply of Electricity to Small Use Customers)* (**Code of Conduct**).

## Electricity Retail Market Structure

The *Electricity Industry Act 2004 (EIA)* includes provisions for the licensing of electricity supply. Part 2 of the EIA, which came into force on 1 January 2005, sets out the provisions pertaining to the licensing scheme for electricity service providers, including retailers. In order to facilitate greater scope for competition in the Western Australian electricity market, the Government restructured Western Power into four new statutory Corporations:

- **Western Power:** operates the transmission and distribution network in the SWIS<sup>18</sup>;
- **Synergy:** retails electricity within the SWIS;
- **Horizon Power:** vertically integrated electricity business that operates in all areas of the State outside the SWIS; and
- **Verve:** operates the former Western Power generation facilities.

From 1 January 2005, the Government introduced measures to make all customers who consume more than 50MWh of electricity per annum eligible to choose their electricity retailer. This created two classes of small use customer:

<sup>16</sup> Retail licensees and integrated regional licensees who retail electricity to small use customers.

<sup>17</sup> Electricity Compliance Reporting Manual which can be found on the Authority's web site:  
[http://www.era.wa.gov.au/2/281/51/regulatory\\_guid.pm](http://www.era.wa.gov.au/2/281/51/regulatory_guid.pm)

<sup>18</sup> South West Interconnected System, which includes the south-western coastal area and Kalgoorlie

- Contestable customers: consume 50-160MWh of electricity per annum.
- Non-contestable customers: consume <50MWh of electricity per annum.

Currently non-contestable customers are unable to be supplied by retailers other than Synergy, within the SWIS, and Horizon Power in the rest of the State.

The size of the Western Australian contestable market is in the order of 15,000<sup>19</sup> customers, or 1.5% of the total small use customer market. However, these customers, being large consumers of electricity, may represent up to 60% of small use customer energy consumption<sup>20</sup>.

During 2006/07, the number of retailers who supply small use customers has remained unchanged from 2005/06, with 5 retailers participating in the market:

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

Synergy is the largest retailer in the State, with almost 960,000 customers or 96.8% of the total market, followed by Horizon Power, with almost 41,000 customers or 4.1% of total market, and then Alinta Sales with just over 1,000 customers or 0.1% of the total market.

Horizon Power, Rottnest Island Authority and Synergy supply both small use residential and non-residential customers. Alinta Sales and Perth Energy have focused their marketing operations toward the contestable non-residential market.

Horizon Power and Rottnest Island Authority are currently operating in markets that do not have any competition in the contestable segment of the market. Synergy is operating in a market, the SWIS, where there is competition in the non-residential contestable customer segment from Alinta Sales and Perth Energy, who between them have just under 1,100 customers, or approximately 7% of the estimated contestable market.

Retailers who supply electricity to small use customers are required to supply under a Standard Form Contract (SFC) approved by the Authority. The *Electricity Industry (Customer Contract) Regulations 2005* prescribe the format and content of the SFC and impose an obligation on Horizon Power and Synergy to offer to supply small use customers, who request supply, under a SFC, including the requirement that the SFC include pricing information. The *Energy Operators Powers Act 1979* includes powers for the Government to approve By-Laws to regulate the tariffs that Horizon Power and Synergy can charge customers. All small use customers, who request supply from Synergy and Horizon Power, must be offered a SFC which includes the regulated tariffs, but contestable small use customers supplied by Horizon Power and Synergy have the option to contract at regulated tariffs or to negotiate a separate supply contract. The other retailers are not subject to regulated tariffs, but they are required to make available pricing information to their customers under the SFC.

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<sup>19</sup> Western Power web site:

<http://www.wpcorp.com.au/mainContent/workingWithPower/NetworkAccessServices/Contestability.html>

<sup>20</sup> Electricity Reform Implementation Unit - Electricity Retail Market Review Background Paper:

[http://www.energy.wa.gov.au/2/3240/64/electricity\\_ret.pm](http://www.energy.wa.gov.au/2/3240/64/electricity_ret.pm)

Section 55 of the Electricity Corporations Act 2005 requires that the Government review the introduction of full retail contestability (**FRC**) by April 2009. The WA Office of Energy is currently undertaking a review<sup>21</sup> to:

- assess electricity tariff arrangements to make tariffs more cost reflective, promote competition and to examine the merits of time of use tariffs and critical peak pricing;
- assess the costs and benefits associated with the implementation of FRC in WA; and
- assess the costs and benefits associated with the rollout of smart meters.

The final recommendations paper is scheduled to be presented to the Minister for Energy in mid-March 2008.

## Review of the Code of Conduct

The Code of Conduct was reviewed by the Electricity Code Consultative Committee (**ECCC**). The Authority approved the final report of the ECCC in October 2007 and the amended Code of Conduct came into effect on 1 January 2008.

Part 13 (Record Keeping) of the new Code of Conduct will be consistent with the performance indicators in the 2002 SCONRRR Report<sup>22</sup> and the 2006 SCONRRR Report<sup>23</sup>. This will, in effect, reduce the number of performance indicators that retailers will be required to report against as a number of the Code of Conduct indicators are similar to SCONRRR indicators. However, the Code of Conduct will retain some indicators that are not included in the SCONRRR framework, such as compensation payments, and which are specific to the Western Australian retail market.

## Electricity Compliance Reporting Manual

The Authority published the Electricity Compliance Reporting Manual (**Reporting Manual**) in May 2007<sup>24</sup>. The Reporting Manual includes details of the reports that electricity licensees must provide to the Authority and the timing of these reports.

The Reporting Manual includes a number of performance reporting obligations based on the record keeping requirements set out in the Code of Conduct and the retail performance indicators contained in the 2006 SCONRRR Report.

The Reporting Manual requires retailers to provide to the Authority annual performance reports by 20 September annually. The Authority has provided Data Sheets and a Data Input Guide document to assist retailers with the reporting process.

This report is the first to be based on the performance information provided under the

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<sup>21</sup> For more information refer to the Office of Energy web site:  
[http://www.energy.wa.gov.au/2/3240/64/electricity\\_ret.pm](http://www.energy.wa.gov.au/2/3240/64/electricity_ret.pm)

<sup>22</sup> National Regulatory Reporting for Electricity Distribution and Retailing Businesses, Utility Regulators Forum, Steering Committee on National Regulatory Reporting Requirements, March 2002

<sup>23</sup> National Energy Retail Performance Indicators, Utility Regulators Forum, Steering Committee on National Regulatory Reporting Requirements, November 2006.

<sup>24</sup> The Reporting Manual can be found on the Authority's web site:  
[http://www.era.wa.gov.au/2/281/51/regulatory\\_guid.pm](http://www.era.wa.gov.au/2/281/51/regulatory_guid.pm)

Reporting Manual. Retailers have been given until 2008 to fully comply with the additional performance indicators in the 2006 SCONRRR Report. However, the retailers have been able to report against the majority of these indicators in their 2007 reports.

It is expected that the Reporting Manual will be reviewed in 2008 to be consistent with the changes to the record keeping requirements part of the Code of Conduct when the amended Code of Conduct is published in 2008.

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## RETAILER PERFORMANCE

## Customers

In 2006/07 there were a total of 5 retailers active in the small use electricity market: Alinta Sales, Horizon Power, Perth Energy, Rottnest Island Authority and Synergy. No new retailers have entered the market during the year ending 30 June 2007.

The Code requires a retailer to keep records of the number of residential and business accounts. Table 4 shows that the number of residential accounts has increased by 5% and the number of business accounts has fallen by 21%. Caution has to be applied when interpreting this data as it only refers to customer account numbers rather than the actual number of customers served by the retailer. Comparing the number of customers in Table 5 with the number of accounts in Table 4 illustrates this point.

**Table 4: Number of small use electricity customer accounts (Code of Conduct)**

Reporting Year	Number of Residential Accounts	Number of Business Accounts	Total Number of Accounts
2005/06	799,892	113,056	913,948
2006/07	839,864	89,287	929,151

**Table 5: Number of small use electricity customers (SCONRRR)**

Retailer	Number of Residential Customers	Number of Non-residential Customers	Total Number of Customers
Alinta Sales	0	1,013	1,013
Horizon Power	35,179	5,811	40,990
Perth Energy	0	53	53
Rottnest Island Authority	74	24	98
Synergy	875,133 <sup>25</sup>	84,561	959,694
<b>State Total (2006/07)</b>	<b>910,386</b>	<b>91,462</b>	<b>1,001,848</b>

Synergy, which services the South West Interconnected System,<sup>26</sup> is the largest electricity retailer with 96% of residential and 92.5% of non-residential customers. Horizon Power, which services regional areas of the State, is the other large retailer with 3.9% of residential and 6.4% of non-residential customers.

Rottnest Island Authority retails electricity to the residents and businesses located on the Rottnest Island reserve that it manages. Alinta Sales is an operating division of the State's largest gas retailer. Both Alinta Sales and Perth Energy are niche retailers who have focused on the business customer market.

<sup>25</sup> This figure includes 19,530 customers that are on a combined residential and business (K1) tariff plan

<sup>26</sup> South West Interconnected System, which includes the south-western coastal area and Kalgoorlie

## Affordability

The credit management policies of retailers impact on access to electricity, particularly for those customers experiencing financial hardship. Part 6 of the Code of Conduct 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 policies implemented by retailers to facilitate access to electricity supply by residential customers. Key measures of performance include measuring the number of customers who:

- are experiencing financial hardship; or
- are subject to special billing arrangements such as instalment payment plans or being given additional time to pay a bill; or
- have been placed on a shortened billing cycle.

Table 5 shows that there are only 3 retailers who supply electricity to small use residential customers: Horizon Power, Rottneest Island Authority and Synergy.

Rottneest Island Authority reported that none of its customers were subject to any of the access and affordability measures defined in Part 16.2(B) of the Reporting Manual. Consequently, the remainder of this section focuses on the performance of Horizon Power and Synergy.

## Financial Hardship

Table 6 shows that there has been a significant increase in the number of residential customers who have been assessed as experiencing financial hardship. It is estimated that some of the increase is due to the increased awareness of the hardship provisions in the Code of Conduct among retailers, customers and customer advocate groups arising from the recent review of the Code of Conduct by the Electricity Code Consultative Committee, and the focus on retailer hardship policies by the Authority, retailers and consumer stakeholders.

**Table 6: Residential customers experiencing financial hardship**

Retailer	2005/06		2006/07	
	Number of customers experiencing financial hardship <sup>27</sup>	Customers experiencing financial hardship <sup>27</sup> (%)	Number of customers experiencing financial hardship	Customers experiencing financial hardship <sup>28</sup> (%)
Horizon Power (1/4/06 – 30/6/06)	37	0.13	241	0.80
Western Power (1/7/05 – 31/3/06)	504	0.06	-	-
Synergy (1/4/06 – 30/6/06)	461	0.06	3,391	0.42

<sup>27</sup> It was not possible to separate the hardship data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06

<sup>28</sup> In order to be consistent with the calculation methodology used in the 2006 report, the denominator of the percentage is the number of residential customer accounts rather than customer numbers.

Horizon Power commented that “there is anecdotal data inferring that there are an increasing number of regional households on lower, non-mining, incomes that are struggling with significant increases in rental costs (driven by the resources boom), which has reduced their capacity to afford other costs including utilities”.

Synergy reported that their new hardship policy, which adopts a more pro-active and customer focussed approach to financial hardship, came into effect when their licence was granted in April 2006. Application of the new policy has increased the number of customers assessed as experiencing hardship. Synergy has also undertaken education and training initiatives for its credit management staff.

### Special Billing Arrangements

Table 7 provides details of the number of customers who are subject to three classes of special billing arrangement: instalment plans, shortened billing cycles or being granted additional time to pay their bill.

**Table 7: Residential customers subject to special billing arrangements (Code of Conduct)**

Billing Arrangement	Horizon Power		Synergy	
	2005/06 <sup>29</sup>	2006/07	2005/06 <sup>29</sup>	2006/07
Residential customers on an instalment plan	1,200	2,357	12,305	22,967
Percentage of residential customers on an instalment plan	4.16	7.82	1.60	2.84
Residential customers granted additional time to pay their bill	1,408	3,365	31,918	61,632
Percentage of residential customers granted additional time to pay their bill	4.88	11.12	4.14	7.61
Residential customers placed on a shortened billing cycle	0	0	0	0
Percentage of residential customers placed on a shortened billing cycle	0.00	0.00	0.00	0.00

It is not possible to compare the data for 2005/06 with 2006/07 because the 2005/06 data for both retailers only covers the 3 months to 30 June, whereas the 2006/07 data covers 12 months.

Table 7 shows that retailers do not use a shortened billing cycle as a means of managing customer payment issues. However, Synergy commented that “Centrelink payment option, Centrepay, enables customers to make fortnightly or weekly payments against their electricity account.” The number of customers taking up Centrepay increased by 44%.

Synergy reported a reduction in the number of customers calling their contact centre to request instalment plans and payment extensions, but there has been an increase in the number of customers using the Interactive Voice Response (IVR)<sup>30</sup> system option to request a payment extension.

<sup>29</sup> It was not possible to separate the hardship data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06

<sup>30</sup> Interactive Voice Response system – collects data from the customer over the phone using voice recognition and keyed data from the telephone keypad.

Horizon Power's comment, noted above relating to increased rental costs driven by the resources boom appears to have increased the take up of payment arrangements and extensions of time to pay bills.

Table 8 provides details of the number of residential and non-residential customers who are on instalment payment plans in 2006/07. It is important to note that this indicator is based on the number of customers, rather than customer accounts. Table 8 shows that the proportion of residential customers on instalment payment plans in country areas is almost 2.5 times higher than in the SWIS whereas that for non-residential customers is only around 1.5 times higher.

**Table 8: Customers on instalment payment plans (SCONRRR)**

Retailer	Residential Customers on instalment plans		Non-residential customers on instalment payment plans	
	Number	(%)	Number	(%)
Horizon Power	2,279	6.48	78	1.34
Synergy	22,221	2.54	746	0.88

## Disconnections and Reconnections

### Residential Disconnections

Alinta Sales, Perth Energy and Rottnest Island Authority have reported that there were no customer disconnections for failure to pay a bill in 2005/06 and 2006/07. Consequently this section will focus on Horizon Power and Synergy experience only.

Table 9 shows the level of disconnections based on the Code of Conduct definition, which does not distinguish between residential and non-residential customers. It is not possible to compare the data for 2005/06 with 2006/07 because the 2005/06 data for both retailers only covers the 3 months to 30 June, whereas the 2006/07 data covers 12 months. However, the level of disconnections on a whole of State basis over the 12 months to June 2007 has fallen by 16% from 1.16% to 0.98% of customers.

**Table 9: Disconnections for failure to pay a bill (Code of Conduct)**

Retailer	2005/06 <sup>31</sup>		2006/07	
	Number of disconnections	Disconnections (%)	Number of disconnections	Disconnections (%)
Horizon Power (1/4/06 – 30/6/06)	982	2.71	2,341	6.62
Western Power (1/7/05 – 31/3/06)	7,876	0.90	-	-
Synergy (1/4/06 – 30/6/06)	1,995	0.23	6,774	0.76
<b>State Total</b>	<b>10,853</b>	<b>1.16</b>	<b>9,115</b>	<b>0.98</b>

Synergy commented that "it calculated a 25% reduction<sup>32</sup> in disconnections in the SWIS in 2006/07 compared to 2005/06." Initiatives used to achieve the reduction included revised

<sup>31</sup> It was not possible to separate the hardship data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06.

payment reminders and disconnection notices, the new hardship policy, which adopts a more customer focused approach to financial hardship, and increasing the level of contact with customers who are facing disconnection by their field credit officers.

Table 10 shows that there are significant differences in the level of residential disconnections in the Synergy and Horizon Power service areas. It is noted that the proportion of customers disconnected by Horizon Power is 9 times greater than that by Synergy. Horizon Power has cited anecdotal data inferring that there are an increasing number of regional households on lower, non-mining, incomes that are struggling with significant increases in rental costs (driven by the resources boom), which has reduced their capacity to afford other costs including utilities. It is reasonable to assume that this is a contributing factor to the higher level of disconnections in regional areas.

**Table 10: Residential customers disconnected for failure to pay in 2006/07 (SCONRRR)**

	Number of residential customers disconnected	Residential disconnections (%)
Horizon Power	2,302	6.54
Synergy	6,535	0.74
<b>State Total</b>	<b>8,837</b>	<b>0.97</b>

**Table 11: Additional residential customer disconnection indicators for 2006/07 (SCONRRR)**

Retailer	Residential customers previously on a budget instalment plan		Residential customers disconnected previously within the past 24 months		Government funded rebate customers disconnected	
	Number	(%) <sup>33</sup>	Number	(%) <sup>33</sup>	Number	(%) <sup>33</sup>
Horizon Power	573	24.89	780	33.89	217	9.43
Synergy	1,604	24.54	889	13.60	1,250	19.13

Table 11 provides additional information about residential customer disconnections. Nearly 1 in 4 of all customers who were disconnected for failure to pay in 2006/07 were previously on a budget instalment plan.

Of those residential customers who were disconnected in 2006/07 for failure to pay, between 1 in 10 (Horizon Power) and 1 in 5 (Synergy) customers were on government funded rebate schemes and between 1 in 3 (Synergy) and 1 in 7 (Horizon Power) customers had previously been disconnected since 1 July 2005. At first sight, this data supports the view that there is a group of customers, particularly those at the lower end of the income scale, who experience ongoing difficulties with their electricity bills.

Table 12 provides an inter-jurisdictional comparison of residential disconnections. The 2005/06 disconnection data for New South Wales has been included to provide a relative comparison point with Western Australia. It can be seen that (excluding the NSW data) the Western Australian residential market continues to experience the highest level of disconnections in 2006/07 for the second consecutive year. It is noted that the proportion of customers disconnected in Western Australia is almost 3 times greater than that in Victoria, where customer hardship policies, including disconnection policies, were subject to regulatory review in 2006 and where the State Government provides direct financial

<sup>32</sup> The Authority is not able to confirm the accuracy of this statement due to the data separation issues related to the disaggregation of Western Power mentioned earlier in the report

<sup>33</sup> This is expressed as the percentage of the total customers who were disconnected

assistance to customers who may be at risk of disconnection. Disconnection rates in other jurisdictions, where hardship policies are not subject to regulatory approval, are also higher than those in Victoria.

**Table 12: Inter-jurisdictional comparison of 2006/07 residential disconnections (SCONRRR)**

	Western Australia	Victoria	Tasmania	South Australia	New South Wales
Disconnections per 100 residential customers	<b>0.97</b>	0.33 <sup>34</sup>	0.47 <sup>34</sup>	0.76 <sup>35</sup>	0.87 (2005/06) <sup>36</sup>

## Non-residential Disconnections

**Table 13: Non-residential customers disconnected for failure to pay in 2006/07 (SCONRRR)**

	Number of non-residential customers disconnected	Non-residential disconnections (%)
Horizon Power	39	0.67
Synergy	239	0.28
<b>State Total</b>	<b>278</b>	<b>0.30</b>

Comparing Table 10 with Table 13 shows that the percentage of non-residential disconnections is much lower than residential disconnections. Again, it can be seen that the proportion of non-residential customer disconnections is much higher in regional areas than in the SWIS.

## Residential Reconnections

**Table 14: Customers reconnected at same supply address within 30 days following disconnection (Code of Conduct)**

Retailer	2005/06 <sup>37</sup>		2006/07	
	Number of reconnections	Reconnections (%)	Number of reconnections	Reconnections (%)
Horizon Power (1/4/06 – 30/6/06)	456	46.4	1,513	64.6
Western Power (1/7/05 – 31/3/06)	3,185	40.4	-	-
Synergy (1/4/06 – 30/6/06)	857	43.0	3,541	52.3
<b>State Total</b>	<b>4,498</b>	<b>42.5</b>	<b>5,054</b>	<b>55.4</b>

Table 14 shows that the overall level of customer reconnections within 30 days has risen from 2005/06 levels. It is not possible to compare individual retailer data for 2005/06 with

<sup>34</sup> Data provided by the Essential Services Commission of Victoria

<sup>35</sup> Data provided by the Essential Services Commission of SA

<sup>36</sup> Independent Pricing and Regulatory Tribunal – Electricity Industry Information Paper No.4

<sup>37</sup> It was not possible to separate the reconnection data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06.

the 2006/07 data because the 2005/06 data for both retailers only covers the 3 months to 30 June, whereas the 2006/07 data covers 12 months. However, the level of reconnections on a whole of State basis has improved by 12% over the 12 months to 30 June 2007.

**Table 15: Residential customers reconnected at the same supply address within 7 days following disconnection (SCONRRR)**

	Number of residential customers reconnected	Residential customers reconnected (%)
Horizon Power	1,236	53.7
Synergy	3,008	46.0
<b>State Total</b>	<b>4,244</b>	<b>48.0</b>

Table 15 shows that almost 1 in every 2 customers who are disconnected for failure to pay a bill are reconnected within 7 days of disconnection. It is important to recognise that the retailers pass on the costs they incur for reconnection to customers, which represents an additional cost to customers over and above normal supply charges.

Synergy commented that “the high proportion of customers being reconnected within 7 days appears to indicate a large proportion of customers are those that can pay but choose not to do so by the required date opposed to customers who want to pay but cannot due to financial hardship or payment difficulties.”

Table 16 provides additional information about residential customer reconnections. Between 50% and 90% of all customers who were previously on a budget instalment plan or who received government funded rebates were reconnected. At face value this data suggests there is further scope for retailers to refine their hardship policies related to these customers to reduce the level of disconnections.

**Table 16: Additional residential reconnection indicators (SCONRRR)**

Retailer	Residential customers reconnected who were previously on a budget instalment plan		Residential customers reconnected who were previously disconnected within the past 24 months		Government funded rebate customers reconnected	
	Number	(%)	Number	(%)	Number	(%)
Horizon Power	482	84.1	346	44.4	197	90.9
Synergy	851	51.8	301	33.9	772	61.8

## *Non-residential Reconnections*

**Table 17: Non-residential customers reconnected at the same supply address within 7 days following disconnection (SCONRRR)**

	Number of non-residential customers reconnected	Non-residential customers reconnected (%)
Horizon Power	16	41.0
Synergy	78	32.6
<b>State Total</b>	<b>94</b>	<b>33.8</b>

Table 17 shows that, from a much smaller population of disconnected customers, the overall level of non-residential customer reconnections is lower than residential reconnections.

## Refundable Advances and Security Deposits

All 5 retailers reported that they had not required any of their customers to provide a refundable advance or a security deposit in order to secure an electricity supply.

## Complaints

Alinta Sales, Perth Energy and Rottnest Island Authority have reported that there were no customer complaints received in 2006/07. Also Rottnest Island Authority only received a single complaint in the 2005/06 reporting year. Consequently this section will focus on the performance of Horizon Power and Synergy.

### Complaints Recorded under the Code of Conduct Framework

Table 18 shows the level of complaints based on the provisions of the Code of Conduct. It is not possible to compare individual retailer data for 2005/06 with 2006/07 because the 2005/06 data for both retailers only covers the 3 months to 30 June, whereas the 2006/07 data covers 12 months. However, the level of recorded complaints on a whole of State basis has risen by 100% over the 12 months to 30 June 2007.

**Table 18: Customer complaints (Code of Conduct)**

Retailer	2005/06 <sup>38</sup>		2006/07	
	Number	(%)	Number	(%)
Horizon Power (1/4/06 – 30/6/06)	5	0.014	87	0.25
Western Power (1/7/05 – 31/3/06)	496	0.057	-	-
Synergy (1/4/06 – 30/6/06)	247	0.028	1,419	0.16
<b>State Total</b>	<b>748</b>	<b>0.082</b>	<b>1,506</b>	<b>0.16</b>

Horizon Power commented that “their 2005/06 data under-reported the level of complaints due to difficulties associated with separating historical data following the disaggregation of Western Power on 1 April 2006. A formal complaints register was set up in April 2006 and contact details of the Energy Ombudsman included on bills since January 2007”.

Synergy commented that “a key reason is an increase in the channels through which a complaint may be lodged. Complaints are no longer confined to written complaints. Other channels now include telephone, web, complaint form and verbal (in person). Synergy widely promoted the existence of the Energy Ombudsman on a larger proportion of its customer communications, such as bills, late payment notices and disconnection notices.

<sup>38</sup> It was not possible to separate the complaints data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06.

Table 19 provides a breakdown of the total complaints recorded into the complaint categories that are defined in the Code of Conduct.

**Table 19: Categorisation of customer complaints (Code of Conduct)**

Compliant Category	Horizon Power		Synergy	
	2005/06 <sup>39</sup>	2006/07	2005/06 <sup>49</sup>	2006/07
Billing and Account	4	41	165	1,114
Customer transfer	0	0	1	0
Marketing	0	0	60	72
Connection	0	13	2	89
Disconnection	0	10	14	88
Reconnection	1	9	1	56
Pre-payment meters	0	0	N/A	N/A
Other	0	14	4	9
<b>Total</b>	<b>5</b>	<b>87</b>	<b>247</b>	<b>1,419</b>

Horizon Power commented that “a number of the billing and account complaints were due to some difficulties with the Western Power metering system that led to inconsistent billing and estimated accounts”.

The majority of the complaints recorded by Synergy were also related to billing and account issues. Synergy commented that “there were a number of occasions where Synergy could not bill because the Network Operator<sup>40</sup> had not provided meter data in a timely manner”.

Both retailers experienced significant increases in the number of connection, disconnection and reconnection complaints. Horizon Power commented that the increase “can be attributable to problems experienced with the Western Power connections process post disaggregation. Horizon Power has now taken over this process and has made the necessary changes to improve customer service delivery. Synergy commented that the level of complaints related to connections, disconnections and reconnections is very small compared to its customer numbers.

Horizon Power reported that the typical time to conclude a billing complaint was 15 days. The time to conclude a connection/disconnection/reconnection complaint was between 2 and 5 days.

Synergy reported that the average time to conclude all complaints was 5.8 days.

<sup>39</sup> It was not possible to separate the complaints data for the 9 months to 31/3/06 into metropolitan and regional customers. Consequently, the Synergy and Horizon Power data only covers the 3 months to 30/6/06.

<sup>40</sup> The principal network operator in the SWIS is Western Power. [Check ???]

## Complaints Recorded under the SCONRRR Framework

**Table 20: Customer complaints in 2006/07 (SCONRRR)**

Retailer	Number of Residential Complaints	Per 100 Residential Customers	Non-residential Complaints	Per 100 Non-residential customers
Horizon Power	72	0.20	15	0.26
Synergy	1,329	0.15	90	0.11
<b>State Total</b>	<b>1,401</b>	<b>0.15</b>	<b>105</b>	<b>0.11</b>

Table 20 provides a summary of the number of complaints received from residential and non-residential customers in 2006/07. It can be seen that the proportion of complaints per 100 customers is broadly similar between customer groups, but on much lower complaint volumes in the case of non-residential complaints.

Table 21 provides a similar breakdown to the data in Table 19, with the majority of residential customer complaints being about billing issues followed by other (connection, disconnection and reconnection included).

**Table 21: Categorisation of residential and non-residential customer complaints**

Complaint Category	Residential customer complaints		Non-residential customer complaints	
	Horizon Power	Synergy	Horizon Power	Synergy
Total Number of Complaints	72	1,329	15	90
Billing (% of total)	48.6	77.1	40.0	100.0
Marketing (% of total)	0.0	5.4	0.0	0.0
Transfer (% of total)	0.0	0.0	0.0	0.0
Other (% of total)	51.4	17.5	60.0	0.0

Table 22 shows that the overall level of complaints recorded by Western Australian retailers is substantially lower than the level in South Australia and Victoria. One possible explanation for this difference is the absence of full retail contestability in Western Australia, which gives rise to increased levels of marketing, transfer and billing complaints. Synergy commented that “the low level of complaints recorded indicates its customers are generally satisfied with its customer service.”

**Table 22: Inter-jurisdictional comparison of complaints per 100 customers**

	Western Australia	Victoria	South Australia
Total complaints per 100 residential customers	<b>0.15</b>	0.81 <sup>41</sup>	0.75 <sup>42</sup>

<sup>41</sup> Data provided by the Essential Services Commission of Victoria

<sup>42</sup> Data provided by the Essential Services Commission of SA

## Compensation Payments

Part 14 of the Code of Conduct makes provision for compensation payments to non-contestable small use customers, who consume less than 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 that serve non-contestable small use customers: Horizon Power, Rottneest Island Authority and Synergy. Rottneest Island Authority did not make any compensation payments during 2006/07.

**Table 23: Compensation payments under Part 14 of the Code of Conduct**

Retailer	Number of payments for late reconnection		Number of payments for wrongful disconnection		Number of payments for failure to respond to customer complaints within prescribed timeframes	
	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07
Horizon Power	0	2	0	4	0	0
Synergy	2	15	7	17	5	1

Table 23 shows that the level of compensation payments for late reconnection and wrongful disconnection for both retailers has risen in 2006/07. Synergy reported a fall in the number of payments for failing to respond to complaints in a timely manner.

Horizon Power commented that “the level of compensation payments for late reconnection and wrongful disconnection have risen in 2006/07 as customers have been made more aware of their entitlement to payments.” Synergy commented that “the number of payments relative to total customers is still small notwithstanding the increase in 2006/07.”

## Contact Centre Performance

A customer contact centre comprises a dedicated telephone infrastructure and customer service officers to handle customer enquiries. The telephone infrastructure is capable of recording a range of information about the calls that it is handling, including performance statistics.

Only 3 retailers, Alinta Sales, Horizon Power<sup>43</sup> and Synergy, have customer contact centres. Perth Energy and Rottneest Island Authority provide telephone support to their customers using simpler telephone systems that do not record performance statistics.

Table 24 shows that there is a wide variation in the performance of the call centres operated by the 3 retailers. The Alinta Sales call centre handles calls from both Alinta Sales electricity and gas customers, so the performance data needs to be interpreted accordingly. Paradoxically, it can be seen that the Horizon Power call centre answered

<sup>43</sup> Horizon Power has a service level agreement with Synergy for contact centre services.

the highest proportion of calls within 30 seconds, but also had the highest call abandon rate. It will be interesting to follow the trends in call centre performance in future years.

**Table 24: Contact centre performance during 2006/07**

Retailer	Total number of calls to an operator	Operator calls responded to within 30 seconds (%)	Calls abandoned (%)	Average wait before call is answered by an operator (seconds)
Alinta Sales	1,659	64.1	1.9	33.0
Horizon Power	111,919	70.0	9.4	26.5
Synergy	1,007,865	62.8	5.1	56.8
<b>State Total</b>	<b>1,121,443</b>	<b>63.5</b>	<b>5.5</b>	-

Horizon Power commented that “the high call abandon rate may indicate that people residing in regional and remote locations are less likely to persist on call waiting than people in the metropolitan area.”

Synergy stated that it measures service from a more holistic perspective including direct customer surveys and regular external service benchmarking.

**Table 25: Inter-jurisdictional comparison of the percentage of operator calls responded to within 30 seconds during 2006/07**

	Western Australia	Victoria	South Australia
Percentage of operator calls responded to within 30 seconds	<b>63.5</b>	72.0 <sup>44</sup>	81.9 <sup>45</sup>

Table 25 compares the performance of call centres operated by Western Australian retailers with their counterparts in South Australia and Victoria. A key measure of performance is the proportion of calls responded to within 30 seconds. It can be seen that, on average, the proportion of calls answered by Western Australian retailers is lower than South Australian and Victorian retailers.

<sup>44</sup> Data provided by the Essential Services Commission of Victoria

<sup>45</sup> Data provided by the Essential Services Commission of SA. Note that this value is the combined performance for calls concerning electricity and gas supply to the retailer. It is noted that all calls are handled by the same call centre.