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Australian Energy Market Commission
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Thank you for the opportunity to comment on the *AEMC Issues Paper Review of Competition in the Retail Electricity and Natural Gas Markets in NSW*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

We note that in addition to this submission EWON has been asked by the AEMC to provide some complaint data to assist the AEMC to gain a full understanding of the energy market and its interaction with customers in NSW.

In this submission we respond to some of the specific questions in the Issues Paper.

For ease of reference we have adopted the same numbering as the *AEMC Issues Paper Review of Competition in the Retail Electricity and Natural Gas Markets in NSW*.

3 Overview of the NSW small customer electricity and natural gas retail markets

The single biggest change to the electricity retail market in NSW has been the sale of the three government owned retail businesses. In January 2013 Integral Energy ceased to exist as a brand and their customers were moved onto Origin Energy accounts. It is expected that a similar process will occur with Country Energy customers in 2014. As well, in late 2012 TRUenergy rebranded as EnergyAustralia. NSW has therefore seen a reduction from five major retailers down to three and only a 2% growth in the market share of smaller retailers active in the NSW market.¹

Table 1 Retailers Share of NSW Electricity Market

Retailer	2009-2010	2011-2012
EnergyAustralia	36%	34%
Integral Energy	22%	0%
Country Energy	21%	0%
AGL	12%	19%
Origin Energy	6%	42%

¹ IPART Customer service performance of electricity retail suppliers 2009-2010 & 2011-2012



All others	3%	5%
Total	100%	100%

The gas retail market is more stable as the figures in Table 2 show.

Table 2 Retailers Share of NSW Natural Gas Market²

Retailer	2009-2010	2011-2012
AGL	67%	63%
EnergyAustralia	20%	22% (inc TRUenergy)
Origin Energy	5%	11% (inc Country Energy)
Country Energy	3%	0
TRUenergy	3%	0
ActewAGL	2%	2%
All others	0	2%
Total	100%	100%

EWON notes that the Issues Paper references IPART³ with the comment that 70% of NSW small customers were on unregulated gas prices (i.e. market offer contracts) as at 30 June 2012, up from under 50% in June 2009. Given the relative stability of the gas market this stood out to EWON as a surprising development. In IPART's "Review of regulated retail prices and charges for gas 2013 to 2016: Gas - Issues Paper" we note that this statement is unreferenced and with no statistical information included. We would appreciate confirmation of the data relating to NSW small gas customers on market offer contracts.

4 Assessing the state of competition

Question 4 Market definition

(a) Are there different costs of supplying electricity, and/or natural gas, to small customers located in different geographical areas or distribution networks of NSW? For example, the cost(s) of supplying energy to small customers residing in rural or remote areas of NSW compared to the cost(s) of supplying energy to small customers residing in urban areas.

It is clear from the differing structure of the regulated price in the three distribution areas that there is a higher cost for the provision of electricity services in regional NSW. The daily Service Availability Charge (SAC) in the regulated tariffs reflects the differing network costs. The SAC in the Ausgrid region is 70c per day, in Endeavour Energy's it is 75c and in Essential Energy's region it is \$1.38 per day.

² IPART Customer service performance of natural gas retail suppliers 2009-2010 & 2011-2012

³ P11 AEMC Issues Paper Review of Competition in the Retail Electricity and Natural Gas Markets in NSW



In EWON's experience we have had customers in regional NSW complain because some retailers will not offer contracts in the Essential Energy region.

Question 6 Market structure

- (a) Have the structural conditions for small customer electricity and natural gas retailing in different geographical areas or distribution networks of NSW supported or hindered the development of effective competition?**
- (b) Are the structural conditions referred to in (a) likely to support or impede improvements in competition in the future**
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One structural condition that EWON has identified as having an impact on the development of effective competition has been the existence of obsolete tariffs in the Essential Energy region. There still remain small pockets of customers on obsolete tariffs and for these customers no retailer can offer a viable contract alternative to these tariffs. IPART has worked with Country Energy to phase out these tariffs in such a way that avoids serious price shock to these customers.

Question 12 Market conduct

- (a) On what basis, and to what extent, might energy retailers be expected to compete in NSW's small customer electricity and natural gas retail markets in the future?**
- (b) Describe the availability and take up of time of use tariffs in NSW's small customer electricity and natural gas retail markets?**
- (c) What impact may time of use tariffs have on competition in NSW's small customer electricity and natural gas retail markets in the future?**
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On the whole in NSW customers have gained access to an interval meter through either the EnergyAustralia/Ausgrid roll out/replacement program or when they have had a solar array installed. In both cases the customer has had no option in the meter replacement that has occurred. EnergyAustralia responded to complaints about the lack of choice by offering retail customers the choice of either a time of use tariff or a flat tariff. All other retailers in NSW will impose a time of use tariff on customers if the meter is an interval meter. If a customer prefers a flat tariff then EnergyAustralia is their only choice of retailer. Many customers have complained to EWON that this situation is anti-competitive and reduces their choice of retailer.

Question 14 Market conduct

- (a) What types of marketing practices, or business behaviours, have small customers experienced in NSW's small customer electricity and natural gas retail markets?**
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While the Issues Paper notes that marketing complaints to EWON were only 6% of total matters in 2011-2012⁴ the adverse impact on vulnerable customers of misleading and pressure marketing is significant.

Case studies of marketing to vulnerable customers

- The advocate advised EWON that a marketer signed her son to a contract even though he is blind and mentally impaired. The advocate said that the marketer had 'helped her son to sign the agreement'. The advocate tried to cancel the contract but the retailer would not speak to her as they did not have authority from the customer.
- An advocate who works for the Tribunal advised that the customer is a "protected person" under the NSW Trustee and Guardianship Tribunal. The customer was contacted by a retailer twice about transferring his electricity account. The retailer was advised by the customer during the first attempt that he is under NSW Trustee and Guardianship, and therefore could not transfer his electricity account. The retailer contacted the customer a few days later, however, and persuaded the customer to open an electricity account. The advocate spoke to the retailer who refused to cancel the transfer, and requested confirmation of the customer's disability in writing.
- The customer was approached by a door to door marketer who advised that the customer would receive a large government discount if he signed over. The advocate was there at the time, and told the marketer they were happy with their retailer and not to come back to the premises as the customer has a mental illness. The marketer then came back when the advocate was not present and signed the customer to a contract.
- The advocate rang on behalf of her mother who is 89 years old, is legally blind and has a hearing impairment. She said that her mother has a no marketing sticker but was approached by two marketers from two different retailers in the last few months and does not understand that she has signed contracts for transfer. The latest retailer refused to transfer the customer back to her original retailer as the request was outside the cooling off period.
- The customer lives in public housing. In March 2012 she was approached by a marketer and she said she was not interested in anything he was selling. The marketer advised that he was not selling anything and he just wanted to see her concession card. She told the marketer twice that she did not want to show him her concession card and that she did not want to transfer. The marketer kept

⁴ P16 AEMC Issues Paper Review of Competition in the Retail Electricity and Natural Gas Markets in NSW



insisting that he was not selling electricity. The customer said the marketer then put her on the phone to someone and he kept prompting her to say yes and he then handed her a piece of paper to sign which she thought was to prove that she was a concession holder. She read the paper and realised that he had signed her up. The next day she called the retailer and advised that she did not want to transfer. She said the person she spoke to was quite rude though he eventually agreed to cancel the transfer. She has now received a welcome letter from the retailer.

A further 14% of electricity issues raised with EWON in 2011 – 2012 were transfer errors. This is an area where the market processes need to be improved if further competition is to be encouraged. Delays in transfers, transfers in error or transfers without consent can have an adverse impact on consumer confidence in the market and lead to complaints to EWON.

Case Studies of Transfer Errors

- The customer came home and found that the power had been disconnected. A card was left advising that no customer was registered for the address. When the customer moved into the property, over 2 months before, he had rung his preferred retailer and established an account. The customer had not received any billing notices addressed to the occupant. The customer established an account with his standard retailer to ensure reconnection.
- The customer moved into a new home and opened a gas and electricity account with his preferred retailer. One month later he found his electricity disconnected. When he rang his retailer he was advised that someone had cancelled his account and that they would arrange reconnection. Investigation by EWON established that in fact the retailer had raised two incorrect service orders and the transfer had failed. The customer advised that he had not received any dear occupant notices.
- The customer began receiving electricity bills to the supply address but in another person's name. He contacted the retailer and was advised that the account was a 'corrupt file' and they would transfer the account back to his original retailer. The customer then started to receive bills for a period prior to when the retro transfer took effect. He does not want to pay the retailer who took his account anything as he feels that the account was taken in the wrong way. The retailer who took the account agreed to cancel the billing.
- The customer says he was called by a retailer and was told that he would be switched over. He asked the retailer how this could happen as he had not given any details or talked to anyone from that retailer regarding any type of switch. He rang his original retailer and was told that the account had been transferred. He



did not want to speak with the new retailer who took his account. He advised that he has health problems and he has lung cancer. The retailer who took the account retro transferred this account after contact with EWON.

Question 16 Market conduct

(c) With respect to electricity feed-in tariffs, have small customers experienced any difficulties in terms of switching retailer due to a leasing agreement for their solar panels?

From EWON's experience we are not aware of any solar panel leasing agreements entered into by retailers in NSW. There has been significant panel and installation offers provided to solar customers by retailers however with one exception these offerings have been unconnected to retail energy supply contracts. One of the smaller NSW retailers was offering free panels and installation in return for a five year contract and EWON has received many complaints about this particular product offering.

Complaints stemming from solar matters have played a significant role in the growth of overall complaints to EWON over the last 3 years. These solar complaints can be broken down into three key areas:

1. Complaints about the various and changing solar tariffs and funding schemes.
2. Complaints about equipment and installation.
3. Complaints reflecting the difficulty retailers have encountered in adapting billing systems to this new and complex product. These complaints include lengthy delays in the provision of bills as well as inaccurate billing.

Case Studies of Feed in Tariff Complaints

- The customer said that he transferred to a retailer after he was approached by a door to door marketer. The marketer advised that they would give him the 68c solar feed in tariff, however the first bill from the retailer only had the 28c rate. His previous retailer was only paying him 6c solar feed in tariff. He has written letters to the retailer with no response.
- The customer was with another retailer and had solar panels installed in September 2011. His retailer advised they would not pay a feed-in tariff, so he rang a number of providers to see who offered the best solar tariff. A retailer advised they would pay 28c on a 3 year contract. He transferred to that retailer in October 2011 on the basis of that information. His first bill showed the 28c feed-in tariff had been applied. His next bill showed that he only received 8c. He rang the retailer who advised they had made a mistake and would reissue a bill. They sent him a new bill for the same period with an extra \$98.40 (to make up for the fact that they should not have paid him at 28c). He rang to query this and was advised they could only pay him 8c, and that the first bill was a mistake. He cannot see



anywhere in his contract to show what he would be receiving; he relied on the information from the marketer. The customer said he is fed up with the customer service from that retailer.

- The customer had a solar system installed and connected in early 2011. Prior to the solar system installation, the customer had been receiving quarterly bills that were easy to understand however since connecting the solar system he has found that his bills have become irregular and difficult to interpret. The customer provided EWON copies of his last 4 bills, 2 of which were amended bills. He sought assistance from EWON to understand what these bills mean. He also advised that he received solar credits only when he phones to request that the credit be paid. The customer wanted to receive regular quarterly bills from the retailer and also have his solar credits paid to him automatically. He said that he has contacted the retailer by telephone on several occasions however received little assistance with this request for an explanation of his electricity bills.
- The customer said that she installed solar panels at her property over 12 months ago but has only received one payment for her solar generation. She generates more electricity than she uses and is entitled to a refund cheque for about \$550. She said she has contacted her retailer by email and phone over 33 times but has not been issued with a refund cheque for her solar generation. She often does not receive a response to her emails.

Question 17 Market conduct

(a) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that is easy to understand, relevant and up to date?

(b) Are small customers in NSW's electricity and natural gas retail markets able to access energy related information that enables competing energy offers from energy retailers to be compared?

(c) To what extent do small customers in NSW's electricity and natural gas retail markets rely on the energy related information referred to in (a) and (b) when deciding whether to switch energy retailers?

Customers in NSW are able to access the IPART *My Energy Offers* website. This is easy to understand, relevant and up to date. This site enables customers to compare those offers that are on the site.

Given that the bulk of market transfers are still initiated through door to door selling arrangements it is unlikely that the IPART site is used to the extent that would be desirable. However EWON encourages customers to consult the site if they contact us for



information about energy offers. We note that from 1 July 2013, as NSW implements the National Energy Customer Framework, NSW customers will be able to access the AER's independent price comparator website.

Question 17 Market conduct

(d) What information are small customers presented with by their energy supplier at, or near, expiry of their existing energy supply contract? What action(s) must small customers undertake to ensure a continuation of energy supply?

In EWON's experience, at the expiry of contracts some retailers automatically renew the contract for a similar period unless contacted by the customer. Other retailers just retain the customer on the current terms and conditions without a renewal of the contract for a specific set period. The renewal process appears to be ad hoc and one which varies from retailer to retailer.

If you would like to discuss these matters further, please contact me or Emma Keene, Manager Policy, on 8218 5225

Yours sincerely

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