



16 February 2015

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Lodged online at: www.aemc.gov.au
Project number RPR000

Dear Sir/Madam

Re: AEMC Approach Paper – 2015 Retail Competition Review

Thank you for the opportunity to comment on the Australian Energy Market Commission (AEMC)'s *Approach Paper – 2015 Retail Competition Review* (the Paper).

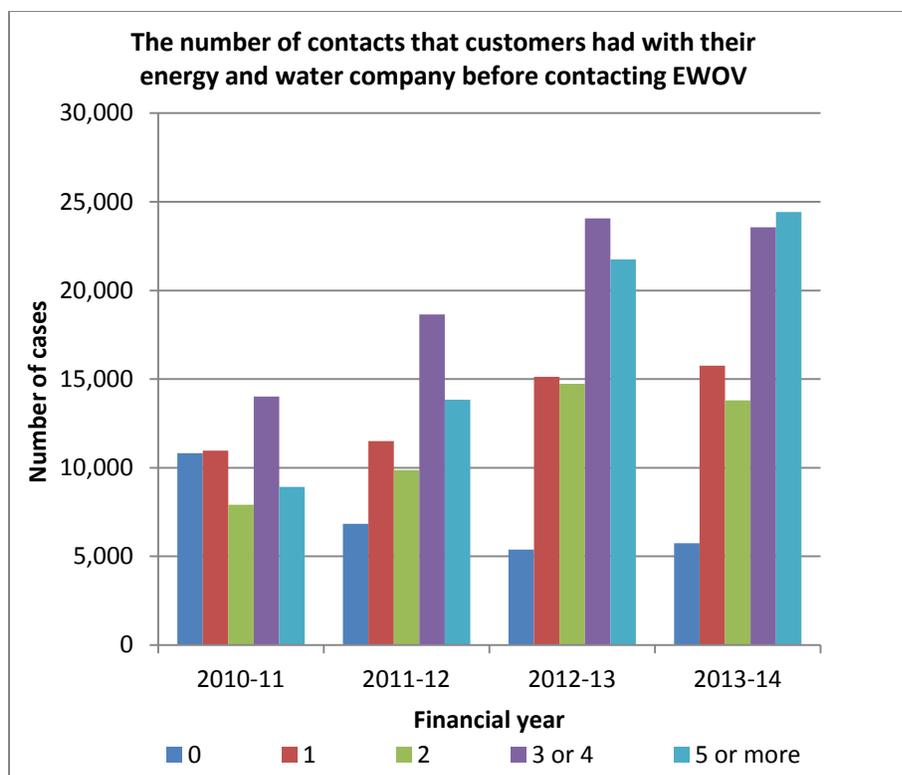
The Energy and Water Ombudsman (Victoria) (EWOV) is an industry-based external dispute resolution scheme that helps Victorian energy and water consumers by receiving, investigating and facilitating the resolution of their complaints.

We have responded to three submissions questions which we think are relevant to our extensive experience in handling customer complaints in the energy sector.

12. Is there evidence that customers are satisfied with the service quality they receive from their energy retailer(s) and the value for money?

Victorian energy customers are increasingly providing their energy and water companies more chances to resolve their complaint before they contact us for assistance.

The graph on the next page shows the number of contacts that customers had with their energy and water company before contacting EWOV.



The graph shows a trend towards an increasing proportion of customers having five or more contacts with their company before contacting EWOV. In the four years from 2009-10 to 2013-14, the proportion of customers having five or more contacts increased from 17% to 29%. This trend suggests three possibilities – that either customers are tending to give companies more opportunities to address their complaint, that companies are taking too long to resolve the issue, or both.

In Victoria, this trend is occurring in the context of more people complaining to their energy retailer. The recent Essential Services Commission (ESC)'s *Energy Retailers Comparative Performance Report – Customer Service (2013-14)* found a 42% annual increase in complaints from electricity customers and a 41% increase in complaints from gas customers compared to 2012-13¹. Interestingly, in 2013-14, energy retail cases to EWOV rose much less - 7% for electricity cases² and 21% for natural gas cases³. This suggests that energy retailers are achieving some success in managing complaints that might otherwise go to EWOV.

¹ See page IV, *Energy Retailers Comparative Performance Report - Customer Service (2013-14)* <http://www.esc.vic.gov.au/Energy/Energy-retail-performance-reports/Energy-Retailers-Comparative-Performance-Report-Pr>

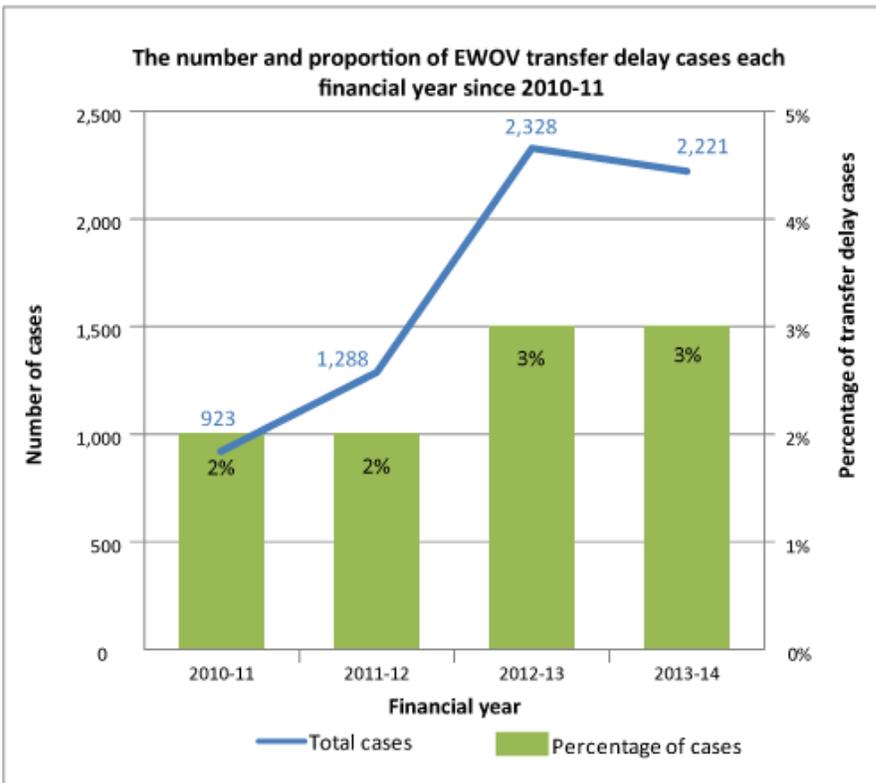
² See page 39, *EWOV 2014 Annual Report* - <http://www.ewov.com.au/publications-and-media/2014-annual-report>

³ See page 45, *ibid.*

14. Are customers satisfied with the ease and speed with which they can switch retailers?

EWOV receives cases where customers complain about a delay in their electricity or gas transfer process between retailers. For example, where they are informed by their new energy retailer that the transfer will occur from the next scheduled meter read, but instead the customer receives another bill from their previous retailer.

The graph below shows the number and proportion of transfer delay cases we received each financial year since 2010-11.



The graph illustrates how after a steep growth in transfer delay cases in previous years, cases are now falling. They fell by 5% from 2012-13 to 2013-14, and since 1 July 2014, we’ve observed that transfer delay cases have continued to drop. The *Quarterly EWOV Marketing and Transfer Report* (January 2015)⁴ revealed that EWOV received 227 transfer delay cases in the October – December 2014 quarter, 26% fewer than in the previous quarter. This decrease was spread across several retailers. However, despite this, the graph shows how transfer delay cases have increase slightly as a proportion of overall EWOV cases, from 2% in 2010-11 to 3% in 2013-14.

⁴ See page 12, *Quarterly EWOV Marketing and Transfer Report* (January 2015) http://ewov.com.au/_data/assets/pdf_file/0012/14052/Quarterly-Marketing-and-Transfer-Report-January-2015.pdf

Since 1 July 2013, EWOV has seen a decline in the number of transfer cases as a proportion of the number of completed electricity and gas transfers in Victoria⁵. In 2012-13, the ratio was one EWOV case for every 96 completed transfers, but by 2013-14 this ratio had improved to 1 to 109, and between July 2014 and December 2014, had improved further to 1 to 150. This is a clear suggestion that customers are having fewer transfer problems and an indication that transfers may be progressing with more ease and speed.

In previous EWOV submissions to the AEMC⁶ we explained how transfer delays can have a significant impact on customers and energy retailers alike. We wrote⁷:

‘Typically, a customer who has experienced a delay in transferring to their new energy retailer would also complain that they have not received their first bill, or that when received, the bill is higher than expected as it relates to a longer than usual billing period (sometimes several months). This may have serious financial repercussions for customers, especially if they are experiencing financial hardship. The consequences of a transfer delay may also have a detrimental effect on retailers.

Retailers will be obliged to field more queries and complaints from customers who have yet to receive their first bill, have received a high backbill or need payment assistance. Retailers may also be required to write off any charges over nine months old, pursuant to clause 6.2 of the Energy Retail Code⁸.

It is therefore pleasing to see a recent drop in transfer delay cases. We will track this development to monitor whether it is an ongoing downward trend and as an indication that customers are now experiencing a smoother transfer process.

⁵ The number of Victorian electricity and gas transfers is based on electricity data published by the Australian Energy Market Operator (AEMO). See <http://www.aemo.com.au>

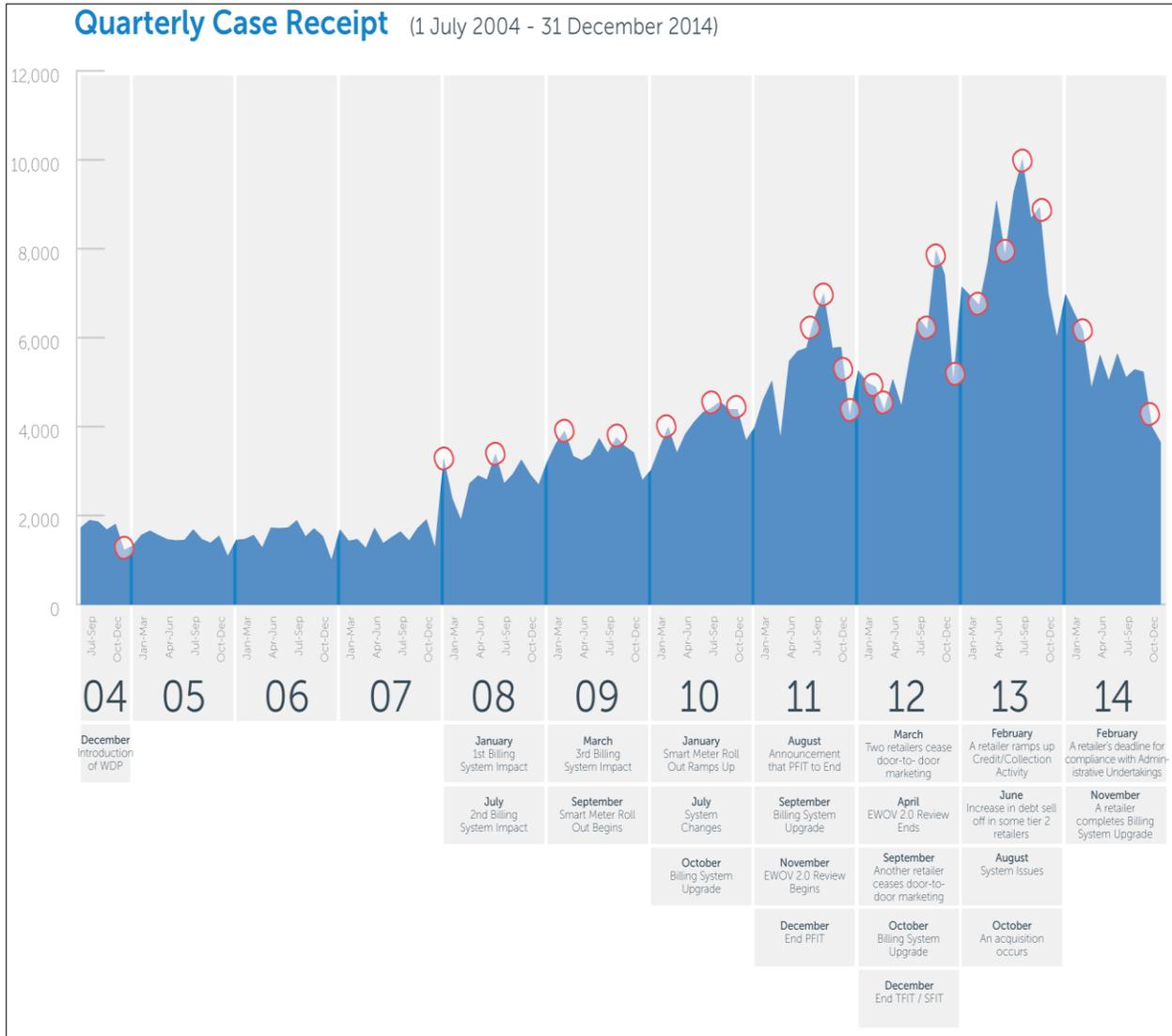
⁶ See *Australian Energy Market Commission Issues Paper – Review of Electricity Customer Switching* – http://www.ewov.com.au/_data/assets/pdf_file/0008/10007/EWOV-comments-AEMC-Issues-Paper-Review-of-Electricity-Customer-Switching.JS.pdf and *Australian Energy Market Commission Options Paper – Review of Electricity Customer Switching* – http://www.ewov.com.au/_data/assets/pdf_file/0011/10631/EWOV-comments-AEMC-Options-Paper-Review-of-Electricity-Customer-Switching.pdf

⁷ See page 7, *Australian Energy Market Commission Issues Paper – Review of Electricity Customer Switching* – http://www.ewov.com.au/_data/assets/pdf_file/0008/10007/EWOV-comments-AEMC-Issues-Paper-Review-of-Electricity-Customer-Switching.JS.pdf

⁸ See the Essential Services Commission’s *Energy Retail Code* - <http://www.esc.vic.gov.au/getattachment/64a7c91d-45c1-468c-a15f-5accaedcdbc9/Energy-Retail-Code-%28version-10a%29.pdf>

15. Do the number and nature of customer complaints to retailers or Ombudsmen provide evidence of any trends in the quality of customer outcomes?

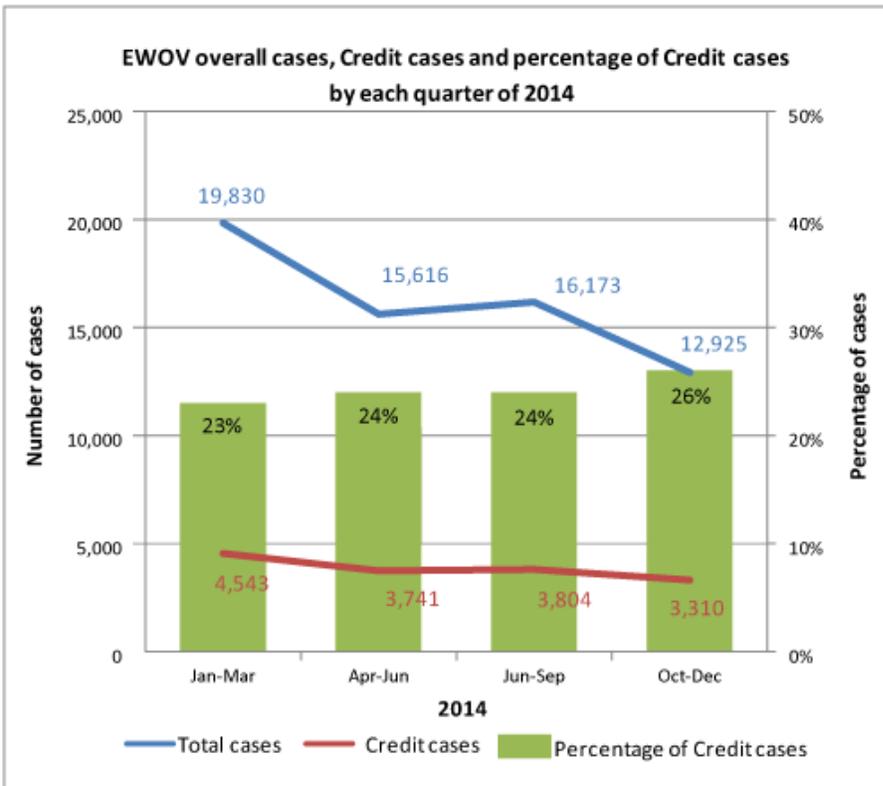
The graph below shows EWOV case receipt from 1 July 2004, with annotations to explain the peaks and troughs in our case numbers.



In 2014, EWOV case numbers have declined significantly. The graph shows several reasons for EWOV's year-on-year case growth over the last decade. During this time we've noticed some common drivers for EWOV case increases:

- retailer billing systems upgrades (often leading to a surge in cases to EWOV and ongoing retailer problems)
- government policy introductions, such as WDP, the Smart Meter roll out and solar tariffs
- increases in credit management and debt collection.

The graph below shows overall EWOV cases, credit cases⁹ and percentage of credit cases tracked by quarter over 2014.



This graph illustrates how the number of EWOV’s overall cases declined throughout 2014, yet the decline in credit cases was more modest and rose as a proportion of EWOV’s case receipt. Over 2014, EWOV’s overall cases fell from 19,830 in the January to March 2014 quarter to 12,925 cases for October to December 2014 – a decrease of 35%.

We welcome this downward trend in EWOV cases, but have not identified a clear driver for the reduction other than a large retailer overcoming the consequences of its billing system upgrade. The case decrease may indicate that retailers have made marked improvements in complaint handling and have focused on providing more effective customer service in the competitive Victorian market. This is particularly relevant when considered in the context of the ESC reporting a strong rise in complaints being handled directly by retailers¹⁰, as outlined on page 2 of this submission.

⁹ Our Credit issue category comprises cases involving disconnections, restrictions, payment difficulties and debt collection.

¹⁰ See page IV, *Energy Retailers Comparative Performance Report - Customer Service (2013-14)*
<http://www.esc.vic.gov.au/Energy/Energy-retail-performance-reports/Energy-Retailers-Comparative-Performance-Report-Pr>

Over the corresponding 2014 period, EWOV credit cases dropped by 27%, yet as a proportion of overall EWOV cases grew by 3% from 23% to 26%. In 2015 we continue to see the relative growth of credit cases and have responded by allocating increasing EWOV resources into assisting customers with affordability issues to reach sustainable outcomes with their company.

We trust that these comments are useful. Should you require further information or have any queries, please contact Justin Stokes, Senior Research and Communications Advisor on (03) 8672 4272.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cynthia Gebert', with a stylized flourish at the end.

Cynthia Gebert
Energy and Water Ombudsman (Victoria)