



# VICTORIAN ENERGY MARKET REPORT **2015-16**

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NOVEMBER 2016

An appropriate citation for this paper is:

Essential Services Commission 2016: Victorian Energy Market Report 2015-16, November

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# Contents

5	CHAIRPERSON'S OVERVIEW
10	<b>PART 1 THE CUSTOMER EXPERIENCE</b>
10	Who can sell me gas and electricity?
11	So how does the market actually work?
13	How do I choose an energy retailer?
14	What products can I choose?
19	Did energy costs increase?
20	Did energy costs change equally across the state?
22	How can I compare?
22	Can I save on my energy bills?
22	Which retailers have the most customers?
24	Can you participate in the energy market with confidence?
27	How do I enter the market?
28	How do I sign up with a retailer and what happens then?
28	Do many people switch retailer?
29	What should I expect from my new retailer?
32	What do I do if I am in a dispute with my Retailer?
33	What do I do if I can't pay my electricity or gas bill?
35	Can I get financial assistance from Government if I can't pay my bills?
36	Am I protected from being wrongfully disconnected?
37	Disconnections in 2015-16
42	What happens if my retailer goes out of business?
42	What happens if my contract ends?
43	Who delivers my energy?
43	How much do I pay for delivery?
44	Maps of distribution areas
46	Can I rely on my energy supply?
47	Do I get a payment if my electricity or gas goes off?
48	What is the future for my energy supply?
49	<b>PART 2 DETAILED RESULTS</b>
49	2.1 Retailer Profiles
74	2.2 Retailer Performance Indicators
155	2.3 Retailer Pricing Performance
232	TABLE OF STATUTORY REPORTING OBLIGATIONS

## THE PURPOSE OF THIS REPORT

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This is our first annual Victorian Energy Market Report. It is designed to provide information about what is happening in the electricity and gas markets in Victoria. It is written from the customer's point of view. The report aims to:

- Promote effective competition in the energy market to achieve the best outcomes for energy consumers
- Provide gas and electricity customers with information that may help them to actively seek better deals from retailers
- Explain the consumer protection rules that apply in Victoria, particularly for people who find it difficult to pay their energy bills
- Report on the retailers' and distributors' performance in observing the regulations that govern them and any enforcement actions taken against them.

The Essential Services Commission (the Commission) is responsible for licensing all businesses involved in the supply of electricity and gas in Victoria. We also regulate the retail sale of energy and the consumer service standards for energy distribution. However, we have no role in determining energy prices. Prices are set in the market through competition between energy retailers. Competition, if effective, will deliver the level of service customers want and the lowest possible prices.

This report provides information and insights into how the energy market is operating in Victoria. It is based on the best information available to us for 2015-16, including data supplied by energy companies.

We aim to improve this report and its insights year by year. We will progressively fill gaps in information needed to present a clearer picture of how well the energy market in Victoria is working for consumers. The report will also evolve as we modernise our regulation in light of changes in technologies and business models.

The report meets our reporting obligations under Sections 54V and 54W of the *Essential Services Commission Act 2001*, Section 39A of the *Electricity Industry Act 2000* and Section 47 of the *Gas Industry Act 2001*.

## HOW THE REPORT IS STRUCTURED

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The report has two parts.

### **Part 1 is an overview of the energy market from a customer's point of view.**

It describes the customer experience of how the electricity and gas markets work and the consumer protections available to them. It is structured as a series of questions customers might ask about how to participate in the market, and is interspersed with summaries of retailer price, compliance and performance results for 2015-16.

### **Part 2 sets out detailed price, compliance and performance results for the Victorian energy market for 2015-16.**

It includes profiles of each energy retailer in Victoria and provides data on their individual compliance and performance. It also sets out reported compliance, performance and retail price data for electricity and gas markets as a whole.



**CHAIRPERSON'S  
OVERVIEW**

## Chairperson's Overview

The energy market affects the lives of every Victorian household. Likewise, no business, school or community organisation in the state could operate without energy. Since the early 2000s, energy has been provided to Victorians via an increasingly contested market where customers find suppliers and suppliers are generally free to tailor their services and their prices without fetter by regulators. Over the past 15 years, Victorians have become increasingly familiar with the notion of market-based energy supply. As this report shows, only 10 per cent of Victorian households remain on contracts that were not acquired via the market.

While more Victorians are turning to the market to purchase their electricity and gas, it is also true that the market on which they rely is becoming more complicated. A typical household in Victoria will be faced with 10 or 20 different market offers from which to choose. Offers vary in duration, price, tariff structure, discounts and terms and conditions. Whereas discounts were once offered to customers unconditionally, retailers now attach conditions to those discounts (or colloquially, discounts now come with 'strings attached'). If those conditions are met, customers can receive larger discounts than at any time in the history of the local energy market. However, if they breach those conditions, their bills can be substantially higher than they may have expected.

Until recently, standard contracts (which are the default contracts all retailers must publish) were thought by regulators to provide an upper limit to pricing. In return for these higher priced standard contracts, customers benefited from additional protections preserved under regulation. As we show in this report, there are now market contracts that exceed the price of standard contracts when conditions are breached — most notably, when the customer fails to pay on time.

The market continues to evolve. Retailers' pricing strategies continue to become more sophisticated and standard contracts are becoming less relevant as benchmarks against which the benefit of a discount can be judged. Customers need to be more wary than ever when reading the 'fine print' in their energy contract. They must form realistic expectations about how well they are likely to meet the enclosed conditions or risk paying substantially higher prices than they may have otherwise expected (up to 35 per cent in some instances).

It is worth noting that although the market has become an increasingly more complicated place for customers to navigate, the underlying service — whether electricity or gas — has remained largely unchanged for most customers. The electrical current and gas molecules delivered to customers today are no different from those that were delivered 10 or 15 years ago; nevertheless, customers need to be much more diligent than at any time in the past 10 to 15 years before entering into a contract.

As well as investigating different contract types, this report also looks at the overall shifts in the price of energy in Victoria over the past year. In 2015-16, the wholesale spot prices of electricity and gas increased by around 50 and 60 per cent, respectively. The wholesale price actually paid by retailers for their energy may be lower than the spot price due to hedging arrangements. Because the wholesale price of energy only comprises one component of the overall customer bill (say, around 25-30 per cent), the impact of these price changes on customers will be significantly less. Indeed, in 2015-16 the average cost of new electricity contracts remained unchanged from the year before — *provided* customers were in a position to accept and meet all the conditions required for their discounts.

Fully discounted gas bills increased by about four per cent over the previous year. It's worth noting that customers who avoid conditionally discounted market contracts altogether would have seen the price of electricity and gas contracts increase by seven and nine per cent, respectively.

In addition to looking at contract prices in retailers' offers, this report also examines customer service levels. For example, around 340,000 complaints were made by gas and electricity customers to their retailer in 2015-16. This was broadly unchanged from the previous year. By way of comparison, Victoria's water businesses, who serve a near-identical group of customers, received about 13,000 complaints state-wide in 2015-16. There is a similarly large disparity in the number of calls received by the Energy and Water Ombudsman Victoria (EWOV). The complicated choices customers are required to make before entering an energy market contract may contribute to the significantly higher rate of energy customer complaints. That is, the higher rate of complaints may be related to customers misinterpreting, misunderstanding or failing to heed the terms of their electricity and gas contracts. Billing-related concerns are certainly a major source of customer complaints to EWOV.

In Victoria, there are important protections in place for customers who may be experiencing difficulty paying their bills. These protections include the provision of: payment plans, hardship policies, assistance with managing energy use, and facilitating access to government and non-government support services. In 2015-16, the average number of electricity customers on payment plans each month rose by 12 per cent to almost 90,000. The average number of gas customers on payments plans each month rose by 16 per cent to about 68,000. Only one in four of these customers were in hardship programs, suggesting that payment difficulty extends well beyond the customers who retailers classify as being in financial hardship.

This report shows that the number of customers who were in a hardship program at some time during the year continued to increase in 2015-16. Almost 70,000 customers participated in retailers' hardship programs during the year. This is a 30 per cent increase year-on-year. All things being equal, this suggests that retailers are making their hardship programs more readily available to customers who are in need.

To assess the efficacy of these programs as well as the retailers' use of these programs, the Commission collects data on the debt status of affected customers. This year the average debt on entry to hardship programs fell by five per cent to \$926. However, the average debt of customers in hardship programs increased by 21 per cent to \$1,422 in 2015-16.

These findings are important because they suggest that while customers are being offered assistance earlier than in the past, the available assistance is not supporting many customers from getting further into debt to their energy retailer. This finding is consistent with findings highlighted in the Commission's recent inquiry into Victoria's hardship assistance framework — namely, hardship programs are available but for many customers they often come too late and they are not effective in limiting further debt and avoiding the risk of disconnection.

In 2015-16, a total of 61,529 customers (residential and small business) were disconnected from their energy supply (electricity or gas) for non-payment. The total number of customers disconnected from their gas supply increased by about 2,000 but this was offset by the reduction in total number of customers disconnected from their electricity supply to give a net reduction of about half a per cent in total disconnections. The total number of residential customers

disconnected for non-payment remained largely unchanged in the past year at almost 57,000.

Of all these disconnections, 565 were found to have been wrongful. In other words, the retailer failed to meet all its regulatory obligations before disconnecting the customer. This is a marked reduction (of almost 50 per cent) in the number of wrongful disconnections over the previous two years. This may be explained, at least in part, by the increase from 1 January 2016 in the statutory amount a retailer must pay a customer for wrongful disconnection from \$250 to \$500 per day.

Retailers only self-identified one in four wrongful disconnections with the remainder largely being identified by EWOV. It is also worth noting that a retailer may choose to offer to make a payment to a customer (equivalent to a wrongful disconnection payment) during an EWOV investigation without admitting the disconnection was wrongful. In 2015-16, there were 316 such payments without an admission of liability (down from 393 the year before). There was also a marked increase in the number of wrongful disconnection cases EWOV referred to the Commission after it was unable to reach resolution with the energy retailer. The Commission received 30 referred cases compared to 12 the year before. The Commission ruled on 27 cases in 2015-16, of which 3 were ruled in favour of the retailer and 24 cases were ruled in favour of the customer.

The Commission welcomes the overall reduction in the number of wrongful disconnections. We remain concerned, however, about rising levels of debt among customers who are in hardship programs and the lack of consistent and effective outcomes for customers in payment difficulty. As shown in the detailed analysis in Part 2 of this report, results vary significantly between retailers; and as shown in the Commission's recent hardship inquiry, the outcomes for otherwise similar customers can vary enormously. Ensuring customers receive timely and effective assistance in times of payment difficulty is the objective of the Payment Difficulty Framework currently being developed by the Commission.

## THIS REPORT

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This is the first comprehensive Victorian Energy Market Report that we have prepared. It brings together the Commission's previous annual pricing, retailer performance, and compliance reports. Doing so provides a more comprehensive picture of the Victorian energy market. As already noted, the market is complicated and becoming more complicated. This Victorian Energy Market Report has been produced to help readers better understand what is happening 'out there'.

Part 1 of the report is written from the perspective of a customer. Using a series of questions that a customer might ask, it describes how customers experience electricity and gas markets and provides information about the protections available to them. Part 2 includes profiles for each energy retailer in Victoria describing its compliance and performance in 2015-16. Each profile also includes a diagram that shows the competitiveness of each retailer's overall pricing strategy relative to the rest of the market. Part 2 also includes detailed tables of results for each retailer.

Being the first report of its kind, we will continue to explore opportunities to refine and expand the analysis it offers. For example, better pricing data will help shed light on customers' experiences in an energy market that is becoming more complex. We would welcome feedback on the Victorian Energy Market Report and suggestions for how it might be enhanced in future years.

**Dr Ron Ben-David**  
**Chairperson**





# PART 1

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## The Customer Experience

## PART 1: The Customer Experience

### WHO CAN SELL ME GAS AND ELECTRICITY?

In Victoria, you can choose from a number of licensed energy retailers to buy your gas and electricity. Depending on where you live in Victoria, you can expect to have up to 20 electricity retailers and 10 gas retailers competing to sell you energy.

In Victoria you have been able to choose your electricity and gas retailer since 2002. Before then, your energy came from an energy company assigned to the area in which you lived. Prices were regulated until 2009. Now, the price you pay for your energy is set by retailers. New retailers can enter the market if they are granted a licence by the Commission.

Every energy customer has a contract with a retailer. But many retailers don't generate the electricity or produce the gas that their customers actually use. They don't deliver electricity or gas to customers' homes, businesses or other premises either.

### VICTORIAN ENERGY LICENCES GRANTED IN 2015-16.

During 2015-16 three new licences were granted:

- An electricity generation licence was granted to Coonooer Bridge Wind Farm Pty Ltd
- An electricity transmission licence was granted to Transmission Operations Australia 2 Pty Ltd
- A retail licence to supply and sell electricity was granted to 1st Energy Pty Ltd.

### THE VICTORIAN ENERGY LICENSING SYSTEM

In Victoria all businesses involved in the supply of energy are required to hold a licence unless they are exempt by law from having to do so.

Businesses operating power stations and high voltage transmission lines, and those that deliver gas and electricity through pipes and wires, operate under licence. Businesses that sell you energy – energy retailers - are also required to hold a licence.

We grant licences to businesses that can demonstrate that they are financially viable, technically capable and are 'fit and proper' to hold a licence.

Licences are granted on a range of conditions, which include obligations to comply with codes and guidelines we publish.

## SO HOW DOES THE MARKET ACTUALLY WORK?

Retailers buy energy in wholesale markets. They also make arrangements with distribution companies that deliver the energy – electricity through poles and wires, and gas through pipelines. The distribution companies also measure the amount of energy each customer uses and pass that information on to the retailers. The retailers use this information to issue your bill.

The price your retailer charges you covers the wholesale cost of energy, the cost of delivering it to you, and the cost of government policy obligations to buy a proportion of renewable energy and energy efficiency services. The price also covers the retailers' cost of billing and customer service and their profit margin.

When retailers set their prices, they have to estimate how much they expect to pay for wholesale energy and its delivery to their customers - distribution. The price that distribution businesses can charge for delivering your energy is determined by the Australian Energy Regulator.

### TOTAL NUMBER OF ENERGY RETAILERS IN VICTORIA – 2015-16

In 2015-16, 29 different retailers sold electricity to 2.7 million Victorian residential and small business customers.

If you were one of the 1.9 million Victorian residential and small business gas customers you were supplied by one of the 11 gas retailers operating under licence in Victoria.

Not all retailers sell in all areas of Victoria.

## WHOLESALE ENERGY PRICES IN 2015-16

The price of wholesale electricity is determined every half an hour on what is called the spot market. Spot market prices can fluctuate significantly across a day, a week or a month.

In 2015-16, the average annual spot market price went up by 50 per cent to \$46 per MWh, with a monthly average price of between \$34 to \$92 per MWh. The highest price of wholesale electricity in Victoria during the year was \$411 per MWh.

Across the year, wholesale gas prices in Victoria averaged \$5 per GJ, an increase of 64 per cent, with a quarterly average price of between \$3.94 and \$6.87 per GJ.



## THE COST OF DELIVERING THE ENERGY YOU USED

The amount that you pay to have the energy you use delivered to you is set by the Australian Energy Regulator.

In 2015-16, electricity distribution charges changed significantly. How much they change depended on where you live. Charges went up in some areas by up to 5 per cent, and down in other areas by as much as 12 per cent.

### ANNUAL ELECTRICITY DISTRIBUTION CHARGES (Residential Flat tariff 4000kWh annual consumption)

	2015 (\$)	2016 (\$)	change
Citipower	334	348	4%
Jemena	399	398	0%
United Energy	374	359	-4%
Powercor	491	433	-12%
Ausnet Services	477	500	5%

Gas distribution charges in Victoria increased by between 3.5 per cent and 4.3 per cent in 2015-16.

The maps on pages 44 and 45 will enable you to see which electricity and gas distribution area you are in.

## HOW DO I CHOOSE AN ENERGY RETAILER?

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If you have not changed your energy retailer before, you are likely to have what is called a **standard contract**. We determine the terms and conditions of standard contracts which are set out in the Energy Retail Code (the code).

If you have a standard contract:

- it will be on-going
- it will not include discounts for paying on time or setting up automatic payments
- you can receive quarterly paper bills
- you will have a choice of payment method.

If you have changed retailer in the past you will have what is called a **market contract** with your retailer. Although we determine some minimum standards for market contracts, most of the terms and conditions of these contracts are set by the retailer.

You will typically pay less for your energy use if you are on a market contract than if you are on a standard contract - provided you meet the terms and conditions of the contract.

If you choose a market contract, the amount you pay will typically vary according to:

- the length of the contract
- whether there are conditional discounts for paying on-time or using a particular payment method
- the duration of the period of any discount
- whether you want to receive paper bills or choose e-billing
- how often you want to be sent a bill
- your method of payment.

Retailers are required to publish any market offer that is 'generally available' to any customer on the Victorian Government on-line comparison website *Victorian Energy Compare*.

## WHAT PRODUCTS CAN I CHOOSE?

There are three broad types of energy product in the market.

### SET PRICE

Some retailers offer products that do not include discounts for paying on-time or require you to set up automatic payments. These products typically include paper bills, although some retailers may charge you extra for this service.

### CONDITIONAL DISCOUNTS

All retailers offer products that reward you for paying on-time and may also reduce the price if you set up automatic payment from your bank account. However, the price you will actually pay for your energy will depend on whether you meet the conditions required to receive the discounts.

### ON-LINE

Some retailers offer fully on-line products that do not involve any paper based contracts, bills or notices. On-line products may also include discounts, including for buying the energy you need in advance.

Most retailers offer either only gas or electricity, although 11 offer both. The number of offers you can choose from will depend on what type of energy product you want, and where you live. Not all retailers offer all product types. Not all retailers sell energy in all areas of Victoria.

### AVERAGE NUMBER OF GENERALLY AVAILABLE MARKET OFFERS FOR EACH PRODUCT TYPE

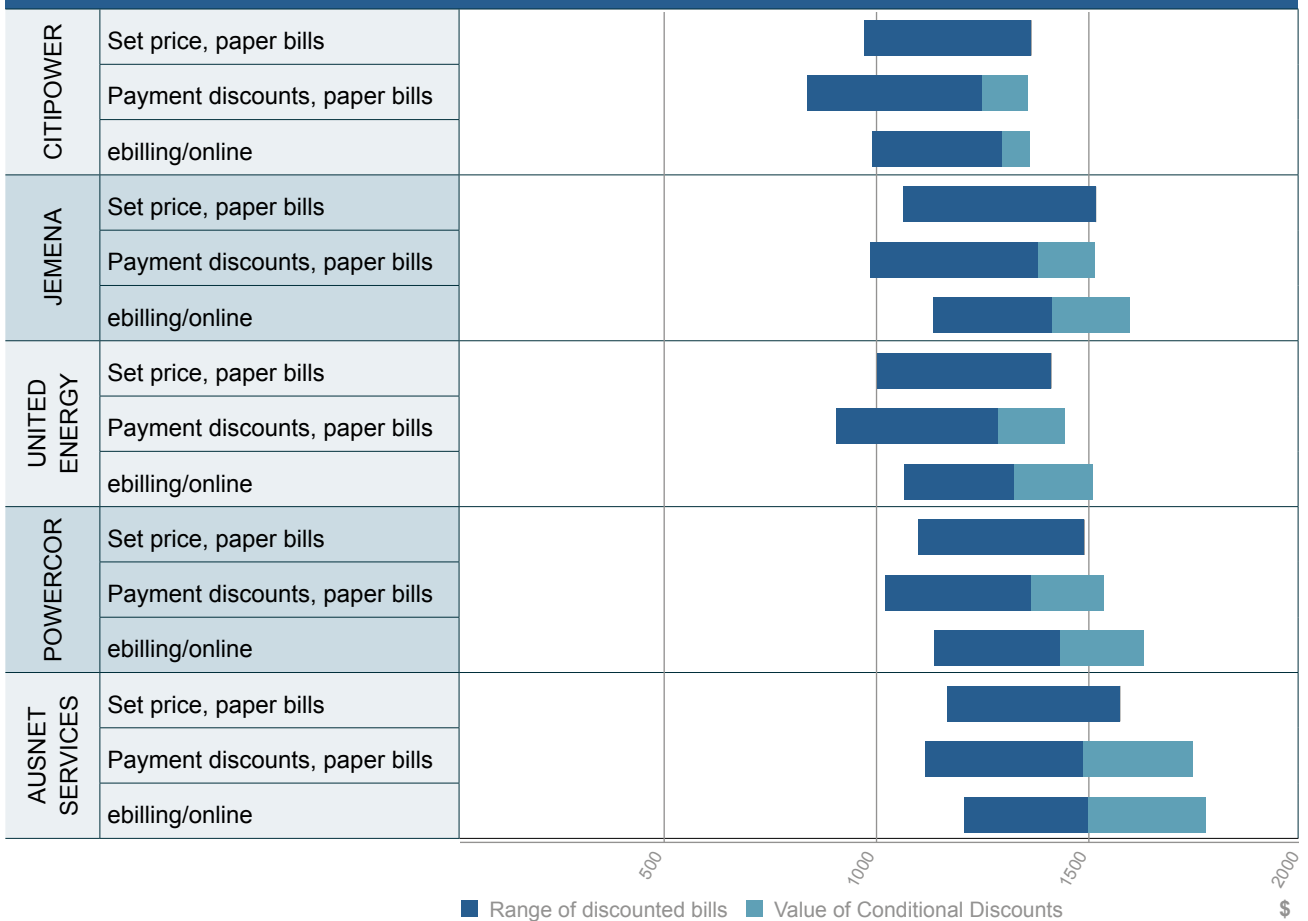
PRODUCT TYPE	ELECTRICITY		GAS	
	2014-15	2015-16	2014-15	2015-16
Set price	10	8	-	8
Conditional discounts	25	25	-	10
Online	8	12	-	5
<b>Total</b>	<b>43</b>	<b>45</b>	<b>13</b>	<b>23</b>

We have analysed the generally available offers for each of the three product types during 2015-16. We do not have any data on offers that are not generally available. In particular we have no data on individual offers made to customers over the phone or through other marketing channels. We plan to collect more data about these offers to enable us to include this in future reports. Our full analysis is presented in Part 2.3 of this report.

Once you have decided what product type you want, you can choose from a range of retailers that make that product type generally available.

Different retailers charge different amounts for a particular product type. We have calculated the range of annual electricity and gas bills that you could have paid for each product type during 2015-16, depending on which retailer you chose and where you live.

**FIGURE 1: RANGE OF ANNUAL RESIDENTIAL ELECTRICITY BILLS BY PRODUCT TYPE 2015-16**



4000kWh annual consumption. Excludes standing offers

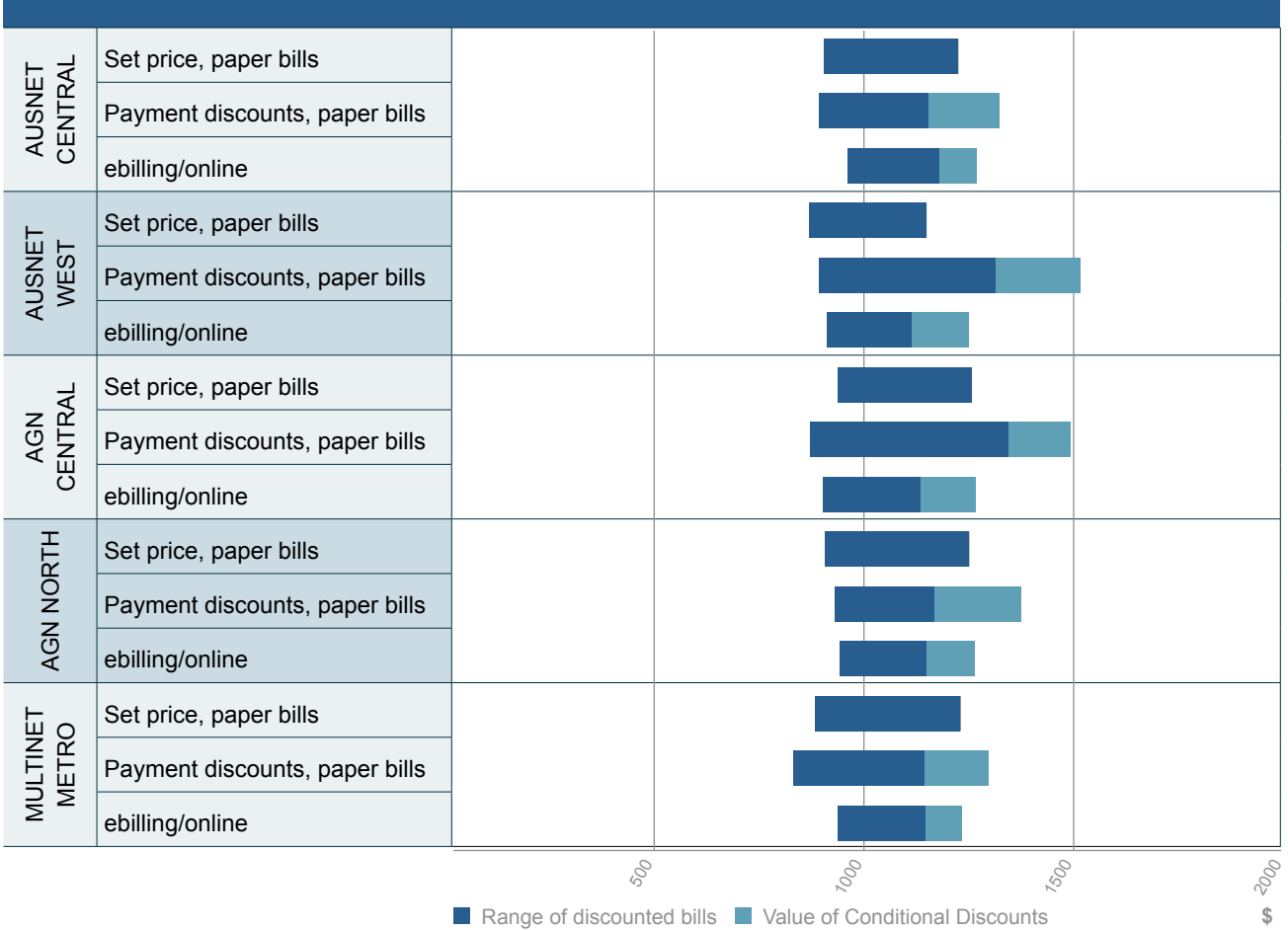
Figures 1 and 2 show that if you are on a market contract with conditional discounts, your bill may be significantly higher if you do not meet the conditions of the contract. We do not currently have any data on how many customers actually receive discounts, although we plan to collect this information in future.

If you are able to find the cheapest offer in the market and meet all of the conditions of the contract your bill may be substantially lower than if you are on the most expensive offer and do not meet the conditions of your contract.

For example, if you were a gas customer in Warrnambool and used 54.4 GJ of gas in 2015-16, depending on which retailer you chose, your annual bill could have ranged from \$893 to \$1,313 – if you met all the conditions that entitled you to receive the published discounts. However, your annual gas bill could have been up to \$1,593 if you chose the most expensive retailer - and did not meet the conditions that entitled you to receive the published discount. If you were on a standard contract your bill would have been between \$1,032 and \$1,214.

Gas bills varied less between different geographic areas than electricity bills.

**FIGURE 2: RANGE OF ANNUAL RESIDENTIAL GAS BILLS BY PRODUCT TYPE 2015-16**



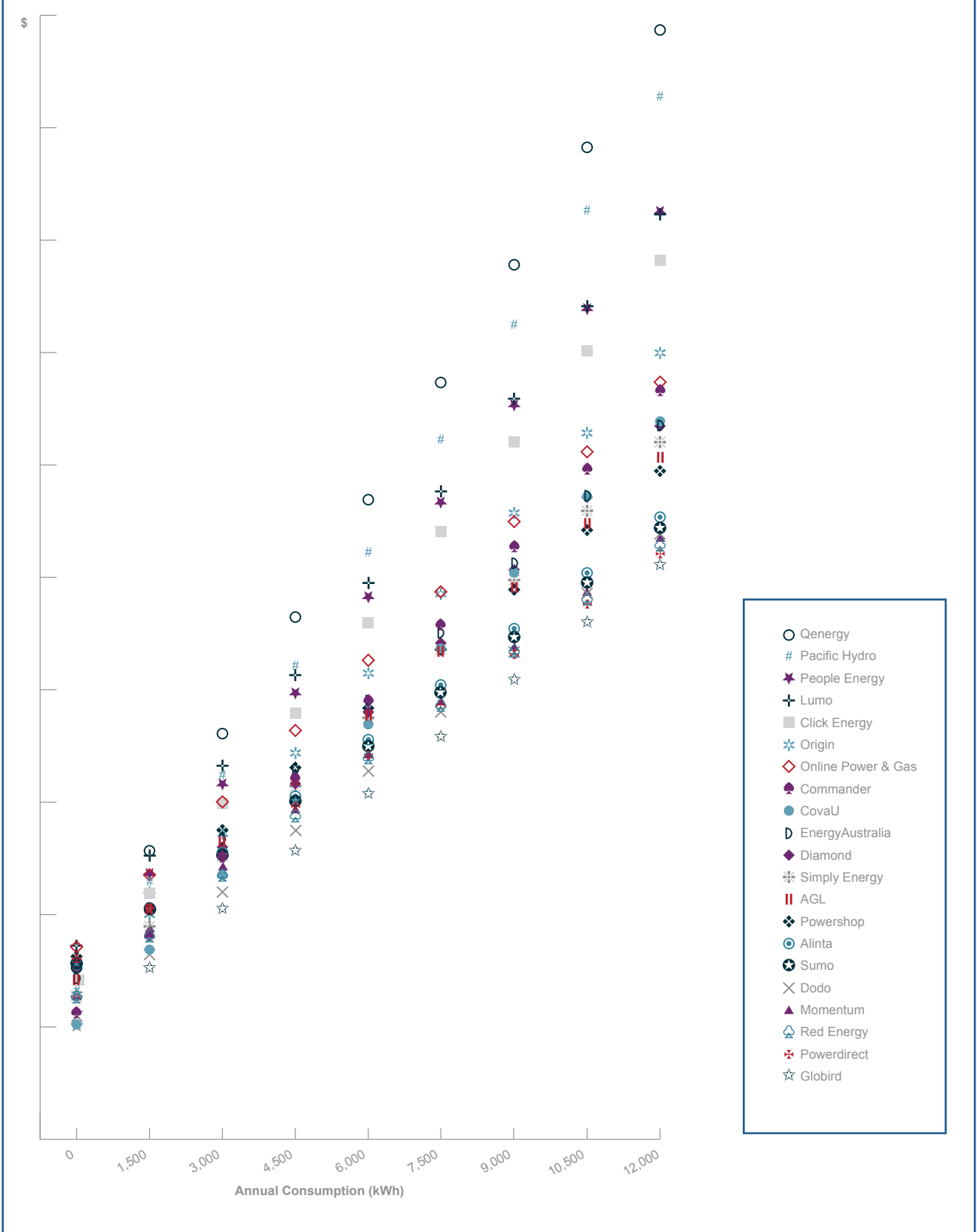
NOTE: Only shows regions with over 50,000 residential customers. For 54.4GJ annual consumption. Market offers only.

Before you enter into a contract, your retailer must make you aware of all important terms and conditions, to ensure that you are fully informed of the risk you are taking by accepting a contract containing conditional discounts.

The price retailers charge also depends on how much energy you use. We have looked at the average cost of the generally available offers of all retailers as consumption increases. How the electricity retailers compare is shown in Figure 3 and gas retailers in Figure 4.



**FIGURE 3: RELATIVE POSITIONS OF AVERAGE PUBLISHED OFFERS OF EACH RETAILER FOR DIFFERENT LEVELS OF CONSUMPTION. RESIDENTIAL ELECTRICITY**



The range of offers that all retailers made generally available in each distribution area, for both gas and electricity are presented in Part 2.3.



## DID ENERGY COSTS INCREASE?

Yes and no. On average, the cost of generally available market offers rose. But on average, the cost of electricity standard contracts fell very slightly.

### AVERAGE GAS AND ELECTRICITY COSTS IN 2015-16

Across generally available product types, average annual bills for both gas and electricity rose in 2015-16, with the exception of a one per cent reduction in the average price of a standard contract. The greatest increase was in gas and electricity market contracts that do not offer discounts, which rose seven per cent for electricity and nine per cent for gas.

As shown in the table below, if you were on an average discounted market contract and met the all of the conditions to receive the discounts in full, you would have saved on average 18 per cent on your electricity bill and 13 per cent on your gas bill.

However, over three quarters of all retailers had generally available offers that would have resulted in you paying more than if you were on an undiscounted contract or the standard contract of the local retailer<sup>1</sup>, if you failed to meet the conditions that entitled you to the discounts.

The table also shows that on average you would have paid less for your energy if you were on a standard contract than if you were on a market contract where discounts were available, but you failed to meet the conditions that entitled you to the discounts.

PRODUCT TYPE	AVERAGE ANNUAL BILL (\$) – RESIDENTIAL			
	ELECTRICITY – 4,000 KWH		GAS – 54.4 MJ	
	2014-15	2015-16	2014-15	2015-16
<b>Undiscounted offers</b>				
Standard contract	1384	1376	1196	1258
Market contract	1223	1306	1097	1196
Reduction from standing offer	12%	5%	8%	5%
<b>Discounted offers</b>				
Market contract (discounts not applied)	1332	1383	1208	1274
Market contract (discounts applied)	1139	1137	1072	1110
Value of discounts	14%	18%	11%	13%

\* Excludes standard contracts applying to fewer than 200 customers

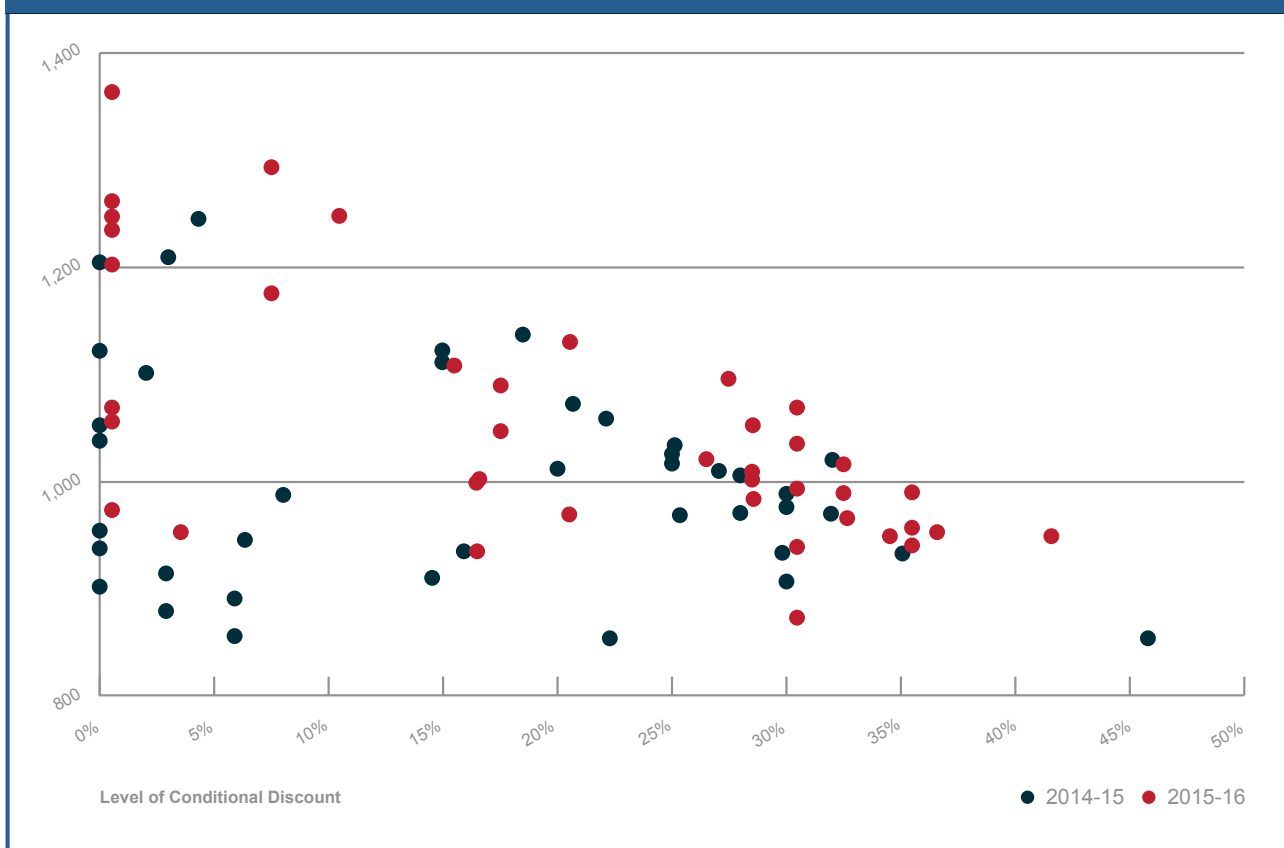
1 Local retailers are the retailer of last resort in each distribution area, being either Origin, AGL or EnergyAustralia.

## DID ENERGY COSTS CHANGE EQUALLY ACROSS THE STATE?

There was little change in the overall range of electricity offers in 2015-16, except in the Citipower and Ausnet distribution areas.

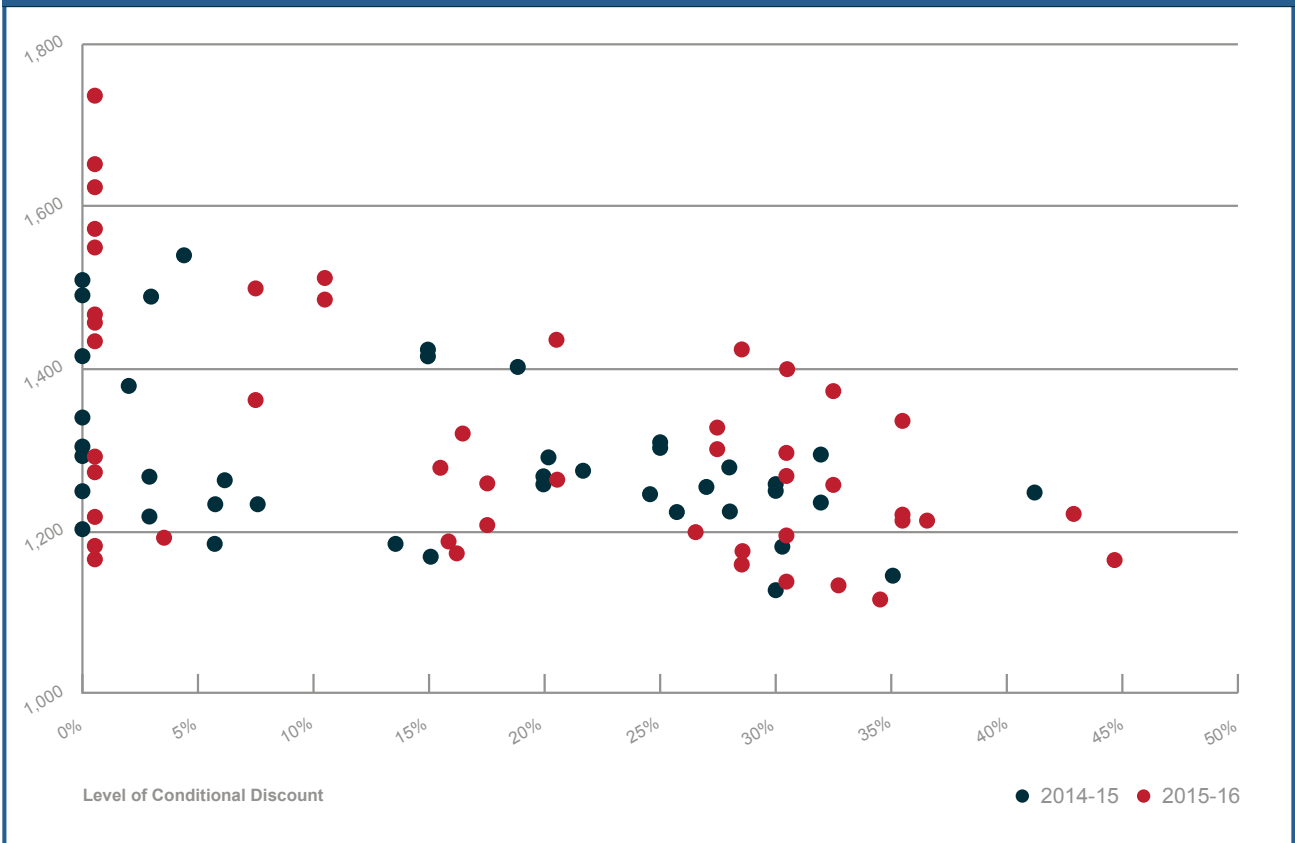
In the Citipower area cheap offers with low discounts almost disappeared from the market, meaning that if you were in search of a lower bill, you would have needed to enter a contract with a much higher conditional discount.

**FIGURE 5: CHANGES IN THE RANGE OF DISCOUNTED AND UNDISCOUNTED ELECTRICITY OFFERS IN THE CITIPOWER DISTRIBUTION AREA (DOMESTIC FLAT TARIFF, 4000KWH ANNUAL CONSUMPTION).**



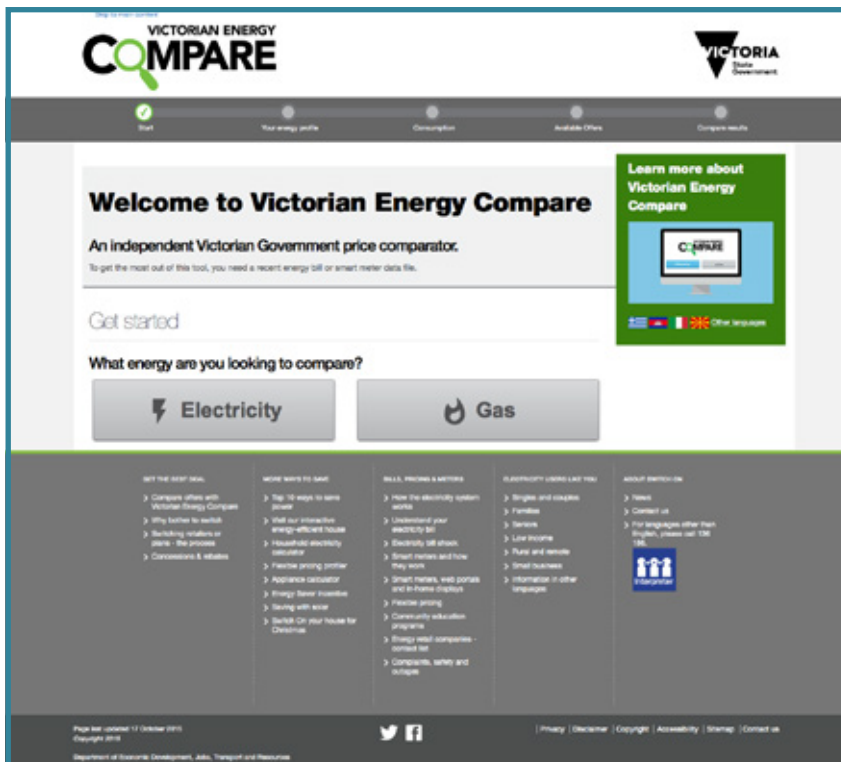
In the Ausnet area the range of cost of offers with no discount was significantly higher in 2015-16. Like the Citipower area, cheap offers with low discounts almost disappeared from the market.

**FIGURE 6: CHANGES IN THE RANGE OF DISCOUNTED AND UNDISCOUNTED ELECTRICITY OFFERS IN THE AUSNET DISTRIBUTION AREA (DOMESTIC FLAT TARIFF, 4000KWH ANNUAL CONSUMPTION)**



## HOW CAN I COMPARE?

Comparing energy products and prices is not easy. To assist you to choose the Victorian Government has an on-line comparison tool Victorian Energy Compare which can be found at <https://compare.switchon.vic.gov.au/>



## CAN I SAVE ON MY ENERGY BILLS?

Overall, this analysis suggests that there has been a shift in the market so that customers wanting to minimise their energy bills must now enter contracts involving increasingly large conditional discounts, say, 20 to 35 per cent. Customers must ensure they are able to meet the relevant conditions (typically, by paying on time) or face the risk of paying substantially more for their energy.

## WHICH RETAILERS HAVE THE MOST CUSTOMERS?

The number of Victorians supplied by different retailers in 2015-16 varied significantly. AGL, Origin, EnergyAustralia and Red/Lumo<sup>2</sup> together supplied 79 per cent of the residential electricity market and 85 per cent of the residential gas market in 2015-16.

2 Red Energy and Lumo are both owned by Snowy Hydro.

## CHANGES IN RETAILER RESIDENTIAL CUSTOMER AND MARKET SHARE 2015-16

Retailer	ELECTRICITY		GAS	
	2014-15	2015-16	2014-15	2015-16
<b>AGL Sales</b>				
Residential customers	538,895	533,231	531,670	517,856
Percentage of market share	23%	22%	29%	27%
<b>Origin Energy</b>				
Residential customers	492,290	484,353	383,247	378,709
Percentage of market share	21%	20%	21%	20%
<b>EnergyAustralia</b>				
Residential customers	479,707	477,011	424,702	420,435
Percentage of market share	20%	20%	23%	22%
<b>Red Energy</b>				
Residential customers	215,544	216,877	136,357	140,748
Percentage of market share	9%	9%	7%	7%
<b>Simply Energy</b>				
Residential customers	187,856	202,646	145,564	160,001
Percentage of market share	8%	8%	8%	8%
<b>Lumo Energy</b>				
Residential customers	196,685	188,517	156,475	153,426
Percentage of market share	8%	8%	8%	8%
<b>Alinta Energy</b>				
Residential customers	64,728	74,199	37,281	42,187
Percentage of market share	3%	3%	2%	2%
<b>Momentum</b>				
Residential customers	49,977	59,409	2,868	20,726
Percentage of market share	2%	2%	0%	1%
<b>M2 Energy</b>				
Residential customers	44,788	49,948	32,129	38,601
Percentage of market share	2%	2%	2%	2%
<b>Powershop</b>				
Residential customers	27,070	44,872	0	0
Percentage of market share	1%	2%	0%	0%
<b>Powerdirect<sup>3</sup></b>				
Residential customers	36,175	34,863	0	0
Percentage of market share	2%	1%	0%	0%
<b>Click Energy</b>				
Residential customers	25,121	29,777	2,426	12,114
Percentage of market share	1%	1%	0%	1%
<b>Other<sup>4</sup></b>				
Residential customers	20,996	21,948	0	43
Percentage of market share	1%	1%	0%	0%
<b>TOTAL</b>	<b>2,379,833</b>	<b>2,417,650</b>	<b>1,852,718</b>	<b>1,884,844</b>
<b>TOTAL percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>3</sup> Powerdirect is fully owned by AGL

<sup>4</sup> There are 11 other retailers for residential electricity customers and one other retailer for residential gas customers

## CAN YOU PARTICIPATE IN THE ENERGY MARKET WITH CONFIDENCE?

If you and other Victorians actively participate in the energy market, by selecting the energy products and retailer that best meet your needs, it will work more effectively. A range of rules aim to enable you to participate in the market with confidence.

In addition to general consumer protection rules, particular rules apply to the sale of gas and electricity. Some of these rules are required because gas and electricity are essential services that underpin the wellbeing of all Victorians.

In Victoria, energy companies must comply with the conditions of their energy licence. These conditions include rules set out in industry codes and guidelines published by the Commission, in accordance with laws made by the Victorian Parliament.

The main rules that currently apply to energy companies in Victoria can be found in four documents:

- the Energy Retail Code
- the Marketing Code of Conduct
- the Electricity Distribution Code, and
- the Gas Distribution System Code.

Because energy is an essential service, rules about disconnection are particularly important. If a customer is disconnected in breach of these rules, they are entitled by law to a wrongful disconnection payment.

By promoting and enforcing compliance with these rules, we aim to ensure that energy companies conduct their business in a way that gives you confidence to participate in the energy market, ensure that you have accurate and timely information about your energy supply, and understand your entitlement to assistance if you are experiencing payment difficulties.

Energy companies are required to tell us if they break the rules. We check that the reports energy companies send us are accurate, through independent audits. We also draw on other publicly available sources of information about customers' experiences.

In 2015, the Victorian Government tightened the protections for energy consumers, with new legislation that came into force on 1 January 2016. The legislation also provided us with new enforcement powers.

This year we published a new *Compliance and Enforcement Policy* that sets out how we will enforce the rules using our new powers.

### ENERGY - AN INCREASINGLY ESSENTIAL SERVICE

Access to energy has long been regarded as essential for health and wellbeing. Heating, lighting, cooking and refrigeration are widely regarded as basic necessities for modern life.

Many aspects of our lives now depend on technology. Access to electricity in particular, is essential to enable you to obtain information, communicate with family, friends and work colleagues, study and carry out a wide range of everyday activities.

Energy, and electricity in particular, is an increasingly essential service.



## OUR COMPLIANCE AND ENFORCEMENT POWERS

OUR COMPLIANCE AND ENFORCEMENT POWERS		EXISTING	NEW
LICENSING	Licence revocation	YES	
	Appoint an administrator	YES	
	Licence variation [unilateral] – necessary	YES	
	Licence variation [unilateral] – non-compliance		YES
	Licence variation [by consent]	YES	
ENFORCEMENT	Enforcement Order [Final]	YES	
	Enforcement Order [Provisional]	YES	
	Enforceable Undertaking		YES
	Civil Penalty Notice ( <b>CPN</b> )	\$18,655	\$105,712
	Energy Industry Penalty Notice ( <b>EIPN</b> )		Up to \$20,000 per breach
	Wrongful Disconnection Penalty Notice ( <b>WDPN</b> )		\$5,000 per breach
COMPLIANCE	Determination	YES	
	Administrative Undertaking	YES	
	Investigation	YES	
	Communication & consultation	YES	

## RETAILER COMPLIANCE IN 2015-16

In 2015-16, retailers reported 667 breaches of the rules, down from 1,200 in 2014-15. The reduction is mainly the result of a 50 per cent fall in the number of customers reported as being wrongly disconnected.

One breach may affect one customer or many thousands of customers. We estimate that at least 138,000 customers were affected by the 667 reported breaches.

TYPE OF BREACH	NUMBER OF BREACHES REPORTED	CUSTOMERS AFFECTED
Disconnection	565	565
Billing	42	78,927
Price disclosure	11	35,367
Information to customers	9	14,086
Account transfer	4	8,568
Marketing	6	558
Explicit informed consent	20	384
Payment	7	174
Other	3	1
<b>Total</b>	<b>667</b>	<b>138,630</b>

There were four general causes of the 102 reported breaches that were not related to disconnection. Retailers are required to provide us with remediation plans that set out what they have done or are planning to do to change their policies, procedures and systems so that the breaches do not occur again.

We also require retailers to remedy harm to customers that may have occurred.

Details of retailer compliance and performance are provided in Part 2 of this report.

CAUSE OF BREACH	NUMBER OF BREACHES REPORTED	CUSTOMERS AFFECTED
System failure	36	130,588
Human error	23	4,288
Policies and procedures	36	3,093
Fraud	7	96
<b>Total</b>	<b>102</b>	<b>138,065</b>
Disconnection	565	565
<b>Total</b>	<b>667</b>	<b>138,630</b>

## HOW DO I ENTER THE MARKET?

Many retailers actively market their products to individual customers, often by phone or door-to-door. They all have offers prominently featured on their websites. When an energy company offers to sell you energy it must comply with the rules set out in the Energy Retail Code and Marketing Code of Conduct.

The retailer offering to sell you energy must provide you with information about the key elements of their offer in writing, and allow you a period of time to consider this information before you switch retailer.

### ENERGY MARKETING RULES

Contracts for the supply of energy are complicated documents. A typical contract will be many pages in length. The parts of the contract that set out how you will be charged for your energy use can be particularly difficult to understand.

As a result, rules for energy marketing require retailers to provide you with specific information, both before and promptly after you have entered into a contract.

You are entitled to expect that your retailer will bring all relevant information to your attention prior to entering a contract. If they fail to do so, you will not have legally given what is called 'Explicit Informed Consent' to the contract.

Retailers must ensure that their staff and agents are adequately trained to be able to explain their products to you in plain language and provide you with accurate information about the terms and conditions of the contract.

You are also entitled to change your mind about entering into a contract. This is to enable you to fully consider the contract information that has been sent to you by the retailer. You have 10 days to change your mind.

General consumer laws also apply and prohibit retailers from misleading and deceptive conduct in marketing their products, or coercing you into entering a contract against your will.

## MOMENTUM ENERGY - MISLEADING CONDUCT

Between September and December 2015, Momentum Energy advertised that they generated and supplied renewable electricity. Specifically they claimed that "all our electricity is 100 per cent renewable".

The ACCC found that this was misleading as its supply came from the National Electricity Market, which included coal-fire generated power.<sup>5</sup>

Momentum was issued with five infringement notices by the ACCC, totalling \$54,000 for breaches of the Australian Consumer Law.

<sup>5</sup> <https://www.accc.gov.au/media-release/momentum-energy-pays-penalties-of-54000-in-relation-to-renewable-energy-advertising>

## HOW DO I SIGN UP WITH A RETAILER AND WHAT HAPPENS THEN?

If you agree to an offer from a retailer after having been provided with all of the information you need about their product, it can sign you up as a customer. You then have a contract with the retailer.

The rules require the retailer to send you information to enable you to confirm that the contract is consistent with the price and terms and conditions that you agreed to. Retailers will often send this information to you in a 'welcome pack'.

## DO MANY PEOPLE SWITCH RETAILER?

A recent survey by the Australian Energy Market Commission estimated that nationally around 50 per cent of customers have not switched electricity retailer in the past five years.<sup>6</sup>

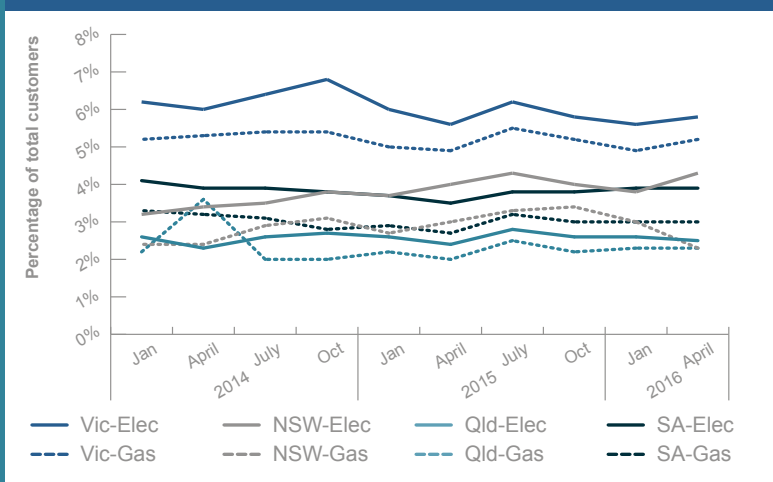
### CUSTOMER SWITCHING IN 2015-16

Our analysis of customer transfer data shows that at least 11 per cent of Victorian customers made an active choice to switch retailer in 2015-16. We have previously estimated that around 16-17 per cent of customers switch retailer annually through active participation in the market.<sup>7</sup>

Although in total 25 per cent of all domestic and small business energy customers changed retailer in 2015-16, they do so for a range of 'non-market' related reasons, including because they have moved to a new address, which is already being supplied by another retailer.

An average of 56,744 electricity customers and 35,303 gas customers changed retailer each month in 2015-16 in Victoria. Overall customer transfers were down five per cent compared to 2014-15, but the proportion of customers changing retailer remained significantly higher than in other states.

#### QUARTERLY CUSTOMER TRANSFERS BY STATE



## BREACHES OF THE MARKETING CODE OF CONDUCT - CUSTOMER INFORMATION

In 2015-16, six retailers reported that approximately 14,000 customers either did not receive the information they must send you when you agree to an offer, or it was received late, or it contained inaccurate or insufficient information.

These breaches of the Marketing Codes of Conduct were reported by EnergyAustralia (three times), Alinta, Momentum, Sumo, Red and Simply Energy.

In most cases, the problems were the result of internal systems failure at the retailers or the outsourced agencies they use to provide customers with their welcome packs.

6 AEMC, 2016 Retail Competition Review (iii).

7 Essential Services Commission 2013, Progress of Electricity Retail Competition in Victoria: Research Paper, May.

## WHAT SHOULD I EXPECT FROM MY NEW RETAILER?

You should expect your new retailer to provide you with all of the services detailed in your contract in a way that complies with relevant rules and standards.

### YOUR ENERGY BILLS

Your bill will be an important regular communication from your retailer.

Your energy bill lets you know how much energy you have used and how much you owe your retailer. You need to be confident that your bill is accurate and tells you what you need to do to continue to meet the conditions of your contract, and remain connected to your energy supply.

We set minimum standards for energy bills to help you manage your energy account.

### YOUR ENERGY BILL

Your energy bill must:

- be issued either quarterly, or at a frequency that you have agreed
- give you a set amount of time to pay
- tell you the date by which you need to pay
- accurately calculate the amount you owe, including any discounts, rebates and fees
- state your account information including your name, account number and the address to which the energy was supplied
- include other important information such as contact phone numbers, energy use and/or greenhouse gas emissions.

## COMPLIANCE WITH BILLING STANDARDS

Other than wrongful disconnections there were more self-reported breaches of the rules on billing than any other breach type in 2015-16.

This was mainly because EnergyAustralia reported that more than 40,000 customers were not given the agreed number of days to pay their bills.

This happened because bills generated on 31 December 2015 were not printed and mailed until 5 January 2016.

## YOUR CUSTOMER SERVICE

If you have a question about your contract, your account or a particular bill you should call your retailer.

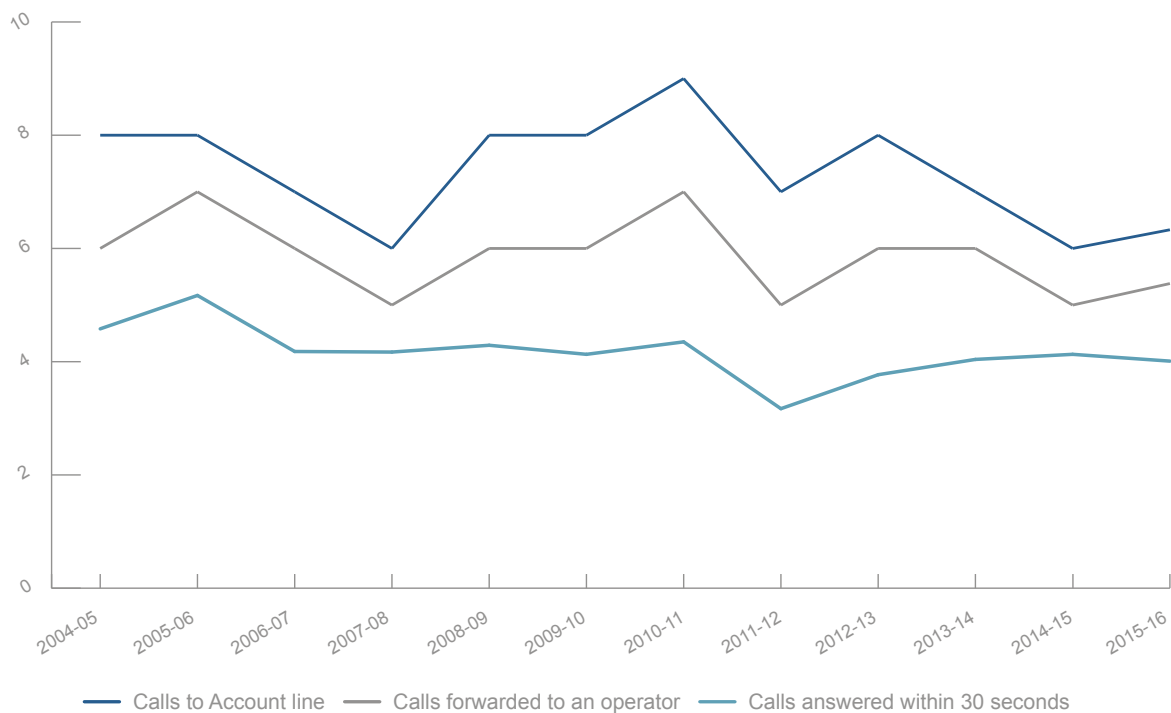
### CALLS TO RETAILERS IN 2015-16

In 2015-16, retailers recorded 6.33 million calls from customers to their account lines, which is the equivalent of 1.3 calls per customer account per year.

You may call your retailer for a range of reasons, such as a bill inquiry, responding to an offer from your retailer, or because you are having trouble paying your bill. The time it takes to answer your call, and whether you are put through to another person, have historically been used as measures of customer service.

In 2015-16, 75 per cent of calls to a customer service operator were answered within 30 seconds.

#### TOTAL CALLS TO RETAILER ACCOUNT LINES



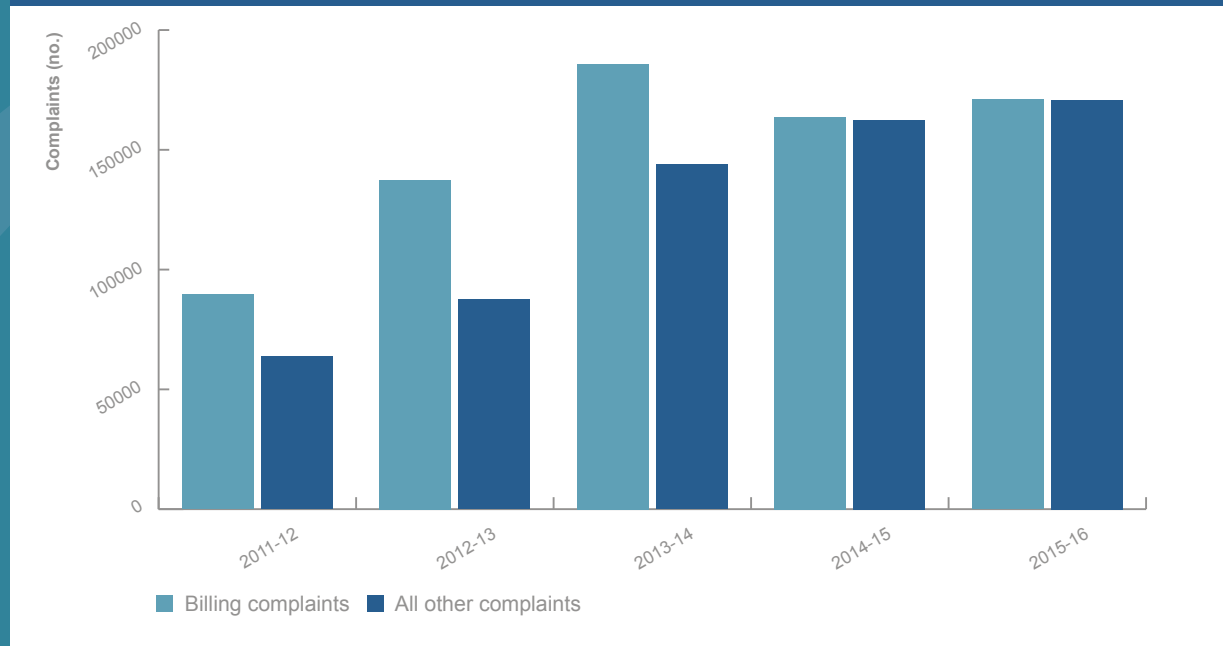
RESPONDING TO YOUR COMPLAINTS

Retailers are required to keep records and report customer complaints. Complaints to retailers have been steadily rising over the past five years.

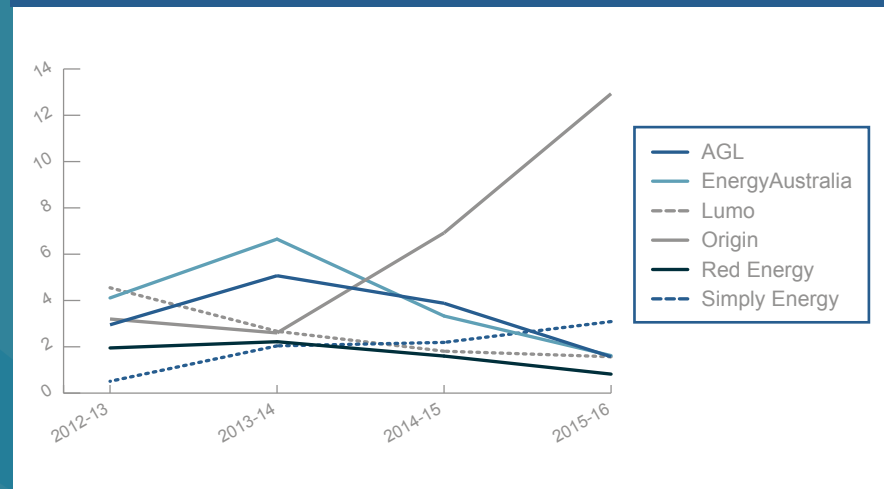
REPORTED CUSTOMER COMPLAINTS IN 2015-16

Complaints about the accuracy, timeliness and size of bills represented half of all complaints in 2015-16.

REPORTED CUSTOMER COMPLAINTS TO RETAILERS



REPORTED BILLING COMPLAINTS PER 100 CUSTOMERS – RETAILERS WITH MORE THAN 150,000 CUSTOMERS



Origin advised that increases in its complaints numbers were due to its introduction of new complaints processes, which led to it capturing higher complaint numbers over the first three quarters of 2015-16.

**NOTE:** The six retailers with over 150,000 customers service more than 85% of domestic and small business customers

## WHAT DO I DO IF I AM IN A DISPUTE WITH MY RETAILER?

If you cannot resolve an issue with your retailer, you can contact the Energy and Water Ombudsman Victoria on 1800 500 509 who may investigate the issue.

The Energy and Water Ombudsman Victoria is an independent and free dispute resolution service. However, it will only consider an investigation if you have already tried to reach a resolution with your retailer.

### ENERGY AND WATER OMBUDSMAN INVESTIGATIONS

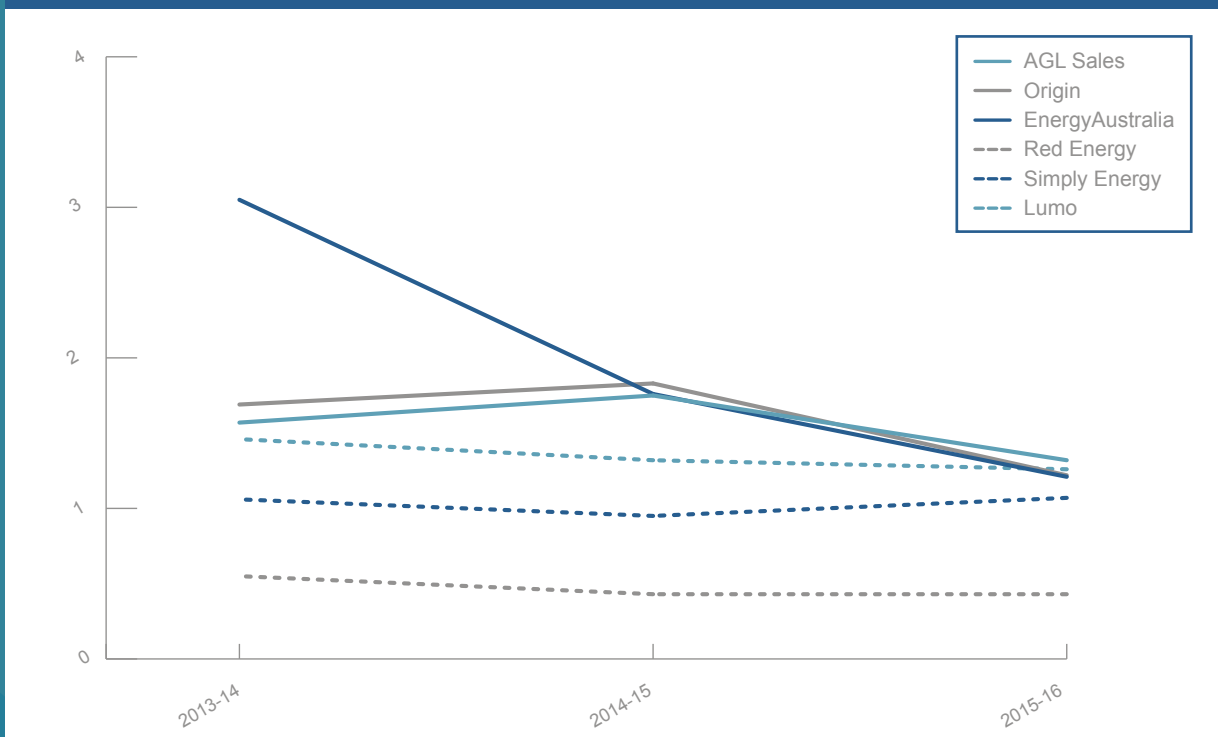
The Energy and Water Ombudsman Victoria had 29 587 overall cases for retail electricity and gas and carried out 5018 investigations in 2015-16. This is equivalent to 1.1 investigations for every 1,000 domestic or small business customer accounts. This represents a 25 per cent reduction overall in the number of investigations since 2014-15.

#### TOTAL EWOV INVESTIGATIONS

	2013-14	2014-15	2015-16
ELECTRICITY RETAIL	6901	4841	3331
GAS RETAIL	2382	1817	1687
<b>TOTAL</b>	<b>9283</b>	<b>6658</b>	<b>5018</b>

Some 85% of investigations were into complaints about affordability issues, including claims of billing errors, credit issues and disconnections.

#### TOTAL EWOV INVESTIGATIONS PER 1000 CUSTOMERS





## WHAT DO I DO IF I CAN'T PAY MY ELECTRICITY OR GAS BILL?

If you cannot pay a bill, you need to contact your retailer to remain connected to your energy supply.

Your retailer should be understanding and supportive of your payment difficulty.

Your retailer should provide you with information about payment plans and hardship programs that may help you manage your payment difficulty.

### ASSISTANCE FOR CUSTOMERS EXPERIENCING PAYMENT DIFFICULTY

Retailers are required to provide you with two main forms of assistance if you are facing payment difficulty.

First, if you tell your retailer you are having difficulty they must offer you a payment plan to help you to pay what you owe in a manageable way.

Second, your retailer must tell you about their hardship policies and the assistance that may be available to you under the policy.

Your retailer must also tell you about government funded energy rebates, concessions or relief schemes such as the Victorian Government's Utility Relief Grant Scheme.

If you are provided access to your retailer's hardship program you cannot be disconnected while you are on the program.

### CUSTOMERS ASSISTED THROUGH PAYMENT PLANS 2015-16

The average number of electricity customers being assisted through payment plans each month increased by 12 per cent to 88,639 customers during the year. The number of gas customers assisted each month was 68,115 gas, an annual increase of 16 per cent.

Of all customers receiving payment plan assistance, 75 per cent were not in hardship programs.

This suggests payment difficulty extends well beyond the customers who retailers clarify as being "in hardship".

However, there was a significant increase in the number of customers being disconnected after having previously being provided with a payment plan.

## PERFORMANCE OF RETAILER HARDSHIP PROGRAMS 2015-16

The total number of customers that retailers granted access to their hardship programs at some time during 2015-16 reached nearly 70,000. This was over 16,000 more than in the previous year – a 30 per cent increase.

The average monthly participation in hardship programs increased 18 per cent to 33,689. The average length of time customers participate in a hardship program was unchanged at 278 days.

Average debt on entry to hardship programs fell by three per cent to \$917. However, the average debt of customers in hardship programs increased 21 per cent to \$1,422 in 2015-16.

Over the past year, the total debt of customers in hardship programs rose by \$12.6 million (34 per cent) to \$49.3 million.

About 68 per cent of hardship program participants were concession card holders. There was a 52 per cent increase in customers being excluded from hardship programs. If you are excluded from your retailer's hardship program you may be disconnected.

The number of customers disconnected from their energy supply after participating in a hardship program continued to increase, rising by 15 per cent.

### FINANCIAL HARDSHIP PROGRAMS - SUMMARY

	2013-14	2014-15	2015-16
Hardship program participants – yearly total (number of participants at 30 June plus total exits during FY)	40 620	53 565	69 688
Hardship program participants – monthly average	20 195	28 549	33 689
Hardship program participants as at 30 June	21 603	29 626	31 528
Hardship program participants who were concession card holders (monthly average)	13 272	19 845	22 925
Customers denied access to hardship program during the period	1 723	506	511
Average debt of new entrants	1 012	944	917
Average debt of participants as at 30 June	1 374	1 172	1 422
Average length of participation	275	278	278
Participants exiting by agreement	4 754	6 315	13 043
Participants excluded from program	9 182	11 819	17 971
Participants exiting by switch/transfer	5 081	5 805	7 146
Disconnections of previous participants	1 941	2 912	3 350
Reconnections of previous participants	945	1 678	1 909
Energy field audits provided at no cost	449	178	497
Appliances provided (large)	1 123	336	245
Appliances provided (small)	4	82	19

During the year, we completed a year-long inquiry into energy hardship. The inquiry found that energy company hardship programs are not preventing customers from accumulating large debts or being disconnected. The inquiry also found that customers are not getting the assistance they need, and many of the current rules cannot be enforced.

In 2015-16, customers in retailer hardship programs got into even more debt. We are currently consulting on a new framework to improve protections for customers facing payment difficulty.

## CAN I GET FINANCIAL ASSISTANCE FROM GOVERNMENT IF I CAN'T PAY MY BILLS?

Yes, you can. The Victorian Government provides concessions and Utility Relief Grants, which are administered by the Department of Health and Human Services. The assistance is available to low income individuals and families who meet certain eligibility requirements.

To receive a Utility Relief Grant you need to be a health or concession card holder or be taking part in your retailer's hardship program. You may receive up to \$500 for electricity or gas.

### CONCESSIONS AND UTILITY RELIEF GRANTS

In 2015-16, energy consumers received State Government concession payments totalling \$223.9 million, \$23 million more than in the previous year. Utility Relief Grants totalled \$12.75 million.

There were 33,294 applications for Utility Relief Grants in 2015-16, up by 12 per cent on the previous year. Of those, 88 per cent were approved, consistent with previous years. The average grant for electricity customers was \$446 and for gas it was \$424.

## AM I PROTECTED FROM BEING WRONGFULLY DISCONNECTED?

Disconnection of your energy supply has significant impact and should be a measure of last resort, therefore your retailer must strictly follow the rules for disconnection.

### HELP TO AVOID DISCONNECTION

If you are in arrears and have arranged a payment plan with your retailer, you will not be disconnected if you pay the required instalments.

If you cannot pay the instalments and you contact your retailer, they should offer you another payment plan with more manageable payments. If you do not pay the instalments required by this second payment plan you may be disconnected.

However, if you contact your retailer they may offer you access to their hardship program. You cannot be disconnected while you are on their hardship program.

If you leave, or do not meet your retailer's conditions for continuing in their hardship program and are 'excluded', you may be disconnected.

Before being disconnected you will receive a disconnection warning notice inviting you to contact the retailer to explore opportunities to remain connected.

## RESTRICTIONS ON DISCONNECTION

Disconnecting a customer's energy supply should be a last resort. The Energy Retail Code prohibits a retailer disconnecting a customer:

- for a debt under \$120
- who is participating in the retailer's hardship program
- has an open complaint with their retailer or the Energy and Water Ombudsman Victoria
- on weekends, Fridays, the day before a public holiday or anytime between 20 December and 31 December
- before 8am or after 2pm on any day.

If a retailer disconnects a customer without following these or any other rules, they must compensate them with a payment equivalent to \$500 for every day they went without energy.

## DISCONNECTIONS IN 2015-16

You can be disconnected for a number of reasons – the main one is for not paying your energy bill.

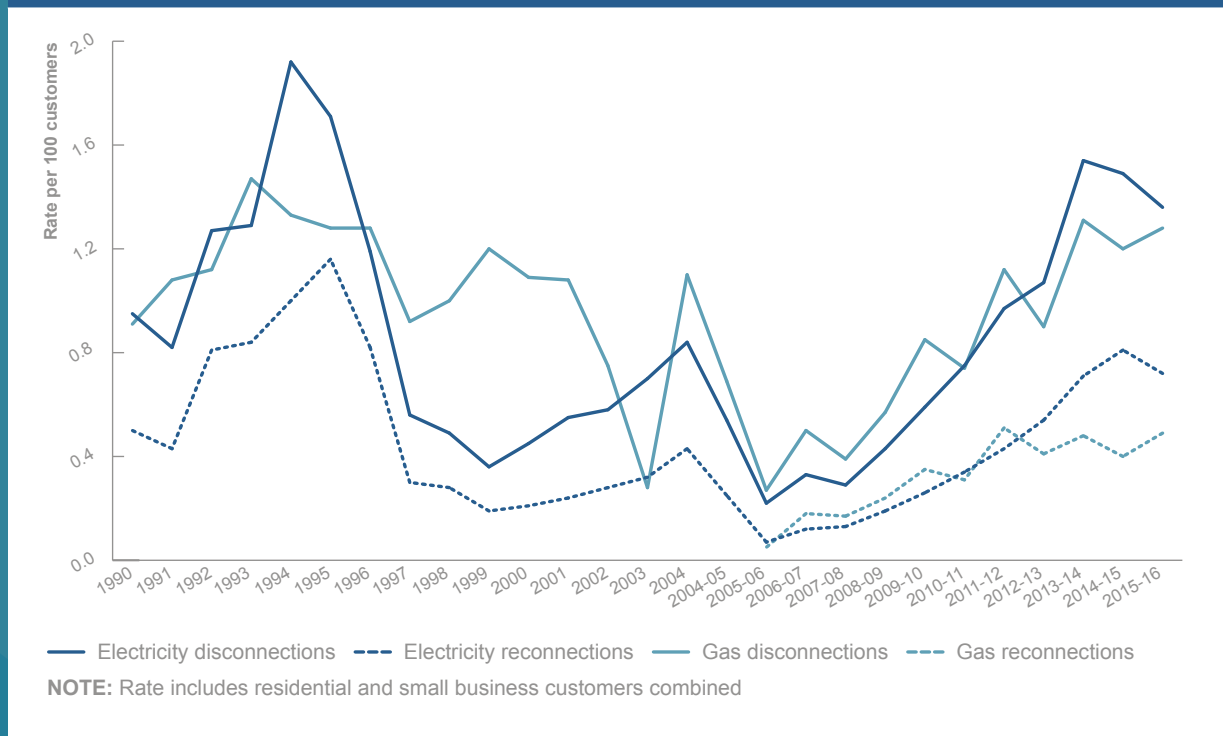
*During the year a total of 32,360 residential electricity customers and 24,150 residential gas customers were disconnected because they did not pay their bills. This is equivalent to 1.3 disconnections for every 100 residential customers.*

DISCONNECTION NUMBERS AND RATES 2013-14 TO 2015-16						
RETAILER	NUMBER OF DISCONNECTIONS			PER 100 CUSTOMERS		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
<b>Electricity</b>						
Residential	34,496	34,418	32,360	1.47	1.45	1.34
Small Business	5,297	4,906	4,319	2.19	1.91	1.58
Total Electricity				1.54	1.49	1.36
<b>Gas</b>						
Residential	24,007	22,322	24,150	1.31	1.20	1.28
Small Business	651	647	700	1.25	1.14	1.14
Total Gas				1.31	1.20	1.28

*Electricity disconnections went down seven per cent while gas disconnections went up eight per cent.*

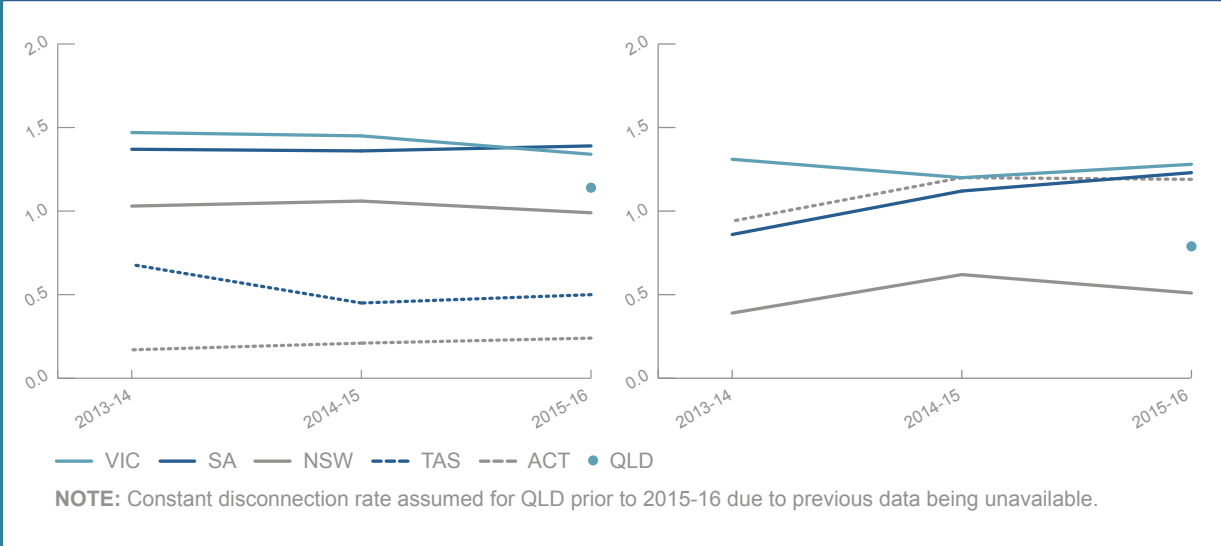
*Although total disconnections reduced marginally by 0.4 per cent they remained close to their recent high levels.*

DISCONNECTION AND RECONNECTION RATE PER 100 CUSTOMERS 1990 TO 2015-16



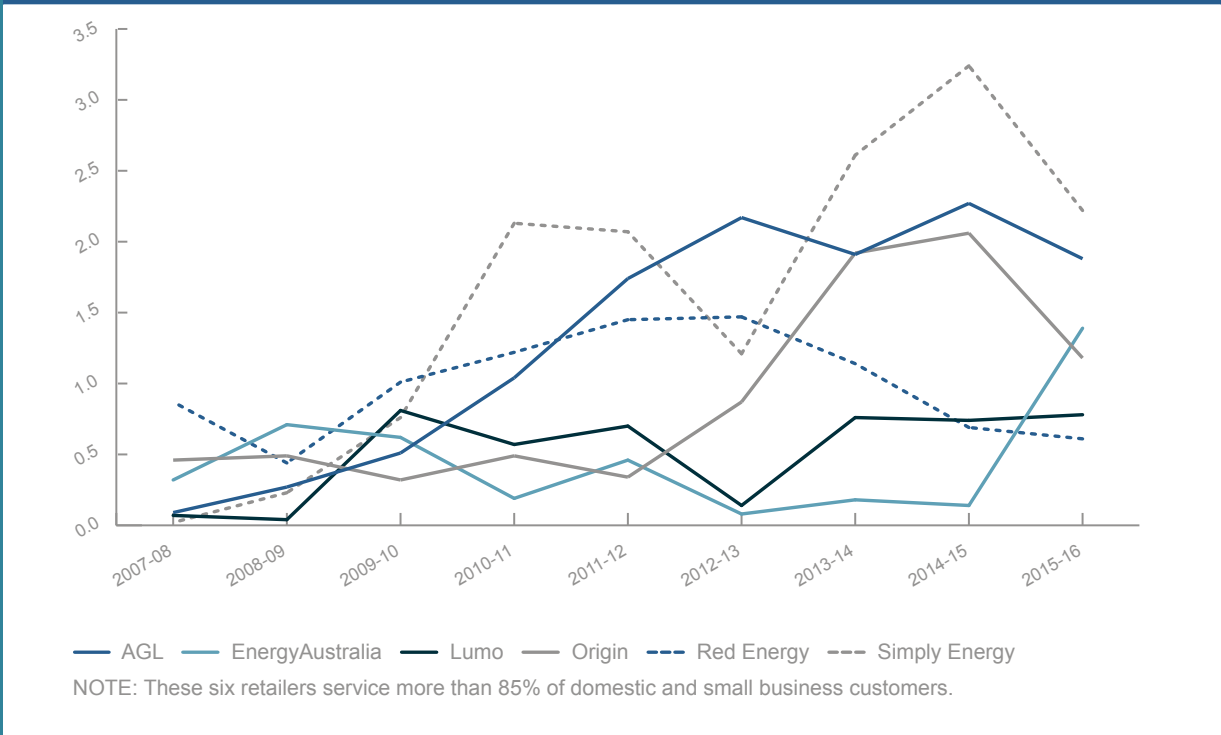
In comparison to other States, Victoria had the second highest electricity disconnection rate after South Australia and the highest gas disconnection rate.

RESIDENTIAL ELECTRICITY DISCONNECTIONS PER 100 CUSTOMERS - RETAILER COMPARISON



Disconnection rates differed significantly from retailer to retailer reflecting different credit policies and the varying effectiveness of payment plans and hardship programs.

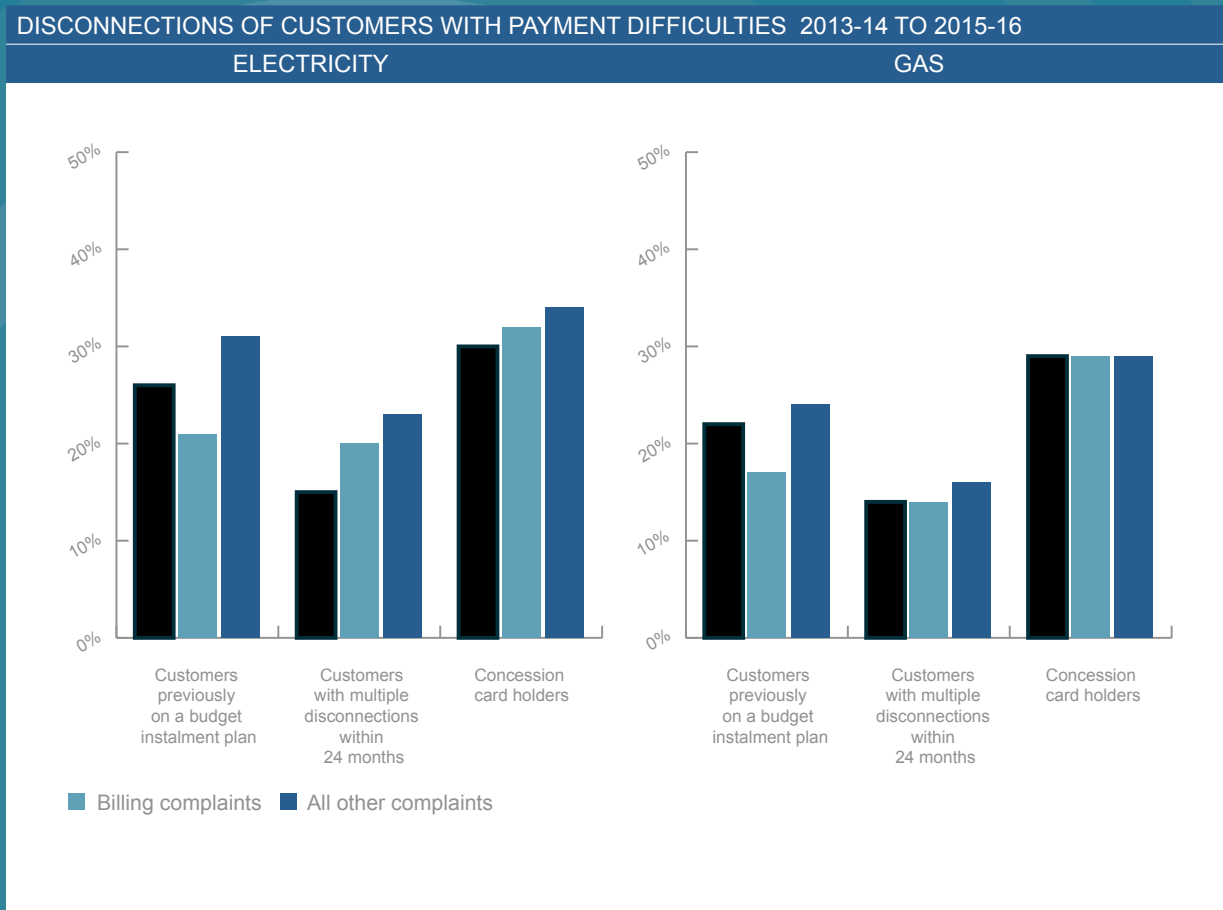
RESIDENTIAL ELECTRICITY DISCONNECTION PER 100 CUSTOMERS - RETAILER COMPARISON



*Lumo and Red Energy both disconnected fewer than 1 in 100 residential customers for non-payment. AGL and Simply Energy were twice as likely to disconnect residential customers. EnergyAustralia's disconnection rate increased significantly on previous years.*

*About 30 per cent of disconnected electricity and gas customers were people on concession cards. Some 30 per cent were previously on instalment based payment plans – up from 20 per cent the year before. Retailers are able to disconnect you if you do not make the requirement payments for two payment plans within a 12 month period.*

*More than 20 per cent of Victorian households that had their electricity disconnected in 2015-16 had also been disconnected in the previous two years. More customers are being disconnected multiple times.*



On average 53 per cent of residential customers disconnected for non-payment in 2015-16 were reconnected in the same name. In other cases, either the customer switched to another retailer, or another household member may have entered into a new contract. The figure for small business customers was 49 per cent.

Retailers are required to advise us when they realise they have wrongfully disconnected a customer.

The amount a retailer has to pay a customer for wrongful disconnection increased from \$250 to \$500 per day on 1 January 2016.

During the year there were a total of 565 wrongful disconnections. This was almost 50 per cent less than in 2013-14. Wrongful disconnection rates varied widely from retailer to retailer.

WRONGFUL DISCONNECTION BY RETAILER 2013-14 TO 2015-16						
RETAILER	NUMBER OF CUSTOMERS			PER 100 CUSTOMERS		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
AGL Sales	116	69	34	1.2	0.6	0.3
Alinta Energy	53	23	30	17.5	2.3	3.9
Australian Power and Gas <sup>a</sup>	130	na	na	9.6		
BlueNRG	1					
Click Energy	18	61	9	6.9	22.1	3
Dodo (M2)	1	2	10			1.9
EnergyAustralia	265	133	117	2.8	1.5	2.3
Lumo Energy	33	390	63	1	11	3.1
Momentum Energy	24	29	13	6.7	5.5	1.4
Neighbourhood Energy	42	4		13.3	3.5	
Origin Energy	266	213	214	3	2.4	3.9
People Energy		2	2			
Powerdirect	9	4	8	2.6	1.1	1.7
Powershop			1			
QEnergy	1	2	3			
Red Energy	25	10	9	0.8	0.3	0.4
Simply Energy	38	155	52	1.5	4.6	2.3
<b>Total</b>	<b>1022</b>	<b>1097</b>	<b>565</b>	<b>4.3</b>	<b>4.6</b>	<b>2.3</b>

<sup>a</sup> Australian Power and Gas was acquired by AGL in 2014

Retailers identified 25 per cent of total wrongful disconnections themselves, up from 19 per cent the previous year. 75 per cent of wrongful disconnections were not reported to us by retailers. The Energy and Water Ombudsman Victoria identified 66 per cent of all wrongful disconnections following a complaint.

WRONGFUL DISCONNECTION AVENUES OF IDENTIFICATION				
	NO.		%	
	2014-15	2015-16	2014-15	2015-16
Identified by EWOV	859	371	78	66
Detected by Retailer (self-identified)	207	139	19	25
Referred by EWOV to the ESC	12	30	1	5
Identified by Customer	19	20	2	4
Not provided	-	5	0	0.8
<b>Total Reported</b>	<b>1097</b>	<b>565</b>	<b>100</b>	<b>100</b>
Payment to customer - no admission of breach	393	316		



In some cases, during an Energy and Water Ombudsman Victoria investigation, a retailer may choose to offer to make a payment to a customer - the equivalent of a wrongful disconnection payment - without admitting the disconnection was wrongful.

Retailers do not report these to the Commission as wrongful disconnections. The Energy and Water Ombudsman Victoria reported 316 of these in 2015-16, lower than the previous year (393), and well below the 827 payments without admission of breach in 2013-14.

The most common cause of wrongful disconnections is human error, often in data entry. For example, a customer moving house or business premises may arrange disconnection for a particular date, but the retailer records the wrong date and the electricity or gas is cut off too early.

Another common mistake is when a customer arranges disconnection but the wrong customer is cut off.

Another reason for wrongful disconnection is because a case manager fails to follow the Energy Retail Code's procedures for disconnection.

*In 2015-16, 162 or 29 per cent of wrongful disconnections were caused by breaches of the rules designed to protect customers facing payment difficulties.*

Common causes were:

- *failing to follow mandated procedures or to give customers sufficient time to pay*
- *failing to inform customers about their payment options*
- *agreeing hardship payment plans that exceeded the customer's capacity to pay*
- *disconnecting customers despite having agreed payment arrangements with them.*

WRONGFUL DISCONNECTIONS BY REASON 2015-16		
	NUMBER	PERCENTAGE
Customer in financial hardship not provided with information or assessed	56	10%
Customer paid, provided assurances, or was not provided time to repay	38	7%
Instalment plan related	68	12%
Human error	171	30%
Non-compliant notices	103	18%
When a retailer may not de-energise a customer's premises	1	0%
Other	127	23%
Customer owed less than \$120	1	0%
<b>Total</b>	<b>565</b>	<b>100%</b>

## WHAT HAPPENS IF MY RETAILER GOES OUT OF BUSINESS?

Effective competition between energy retailers is good for consumers as it leads to lower prices, better service and innovation. But, effective competition may also mean that some energy companies will go out of business.

When this happens it is our job to make sure your electricity and gas are not cut off. We do that by transferring your service to what is known as a Retailer of Last Resort. The Retailers of Last Resort in Victoria are Origin, AGL and EnergyAustralia.

If you are transferred to a Retailer of Last Resort, you will be placed on a standard contract. You can decide whether to remain on the standard offer, accept a market offer by that retailer or switch to another retailer.

While Retailer of Last Resort events are rare (there have only ever been two in Victoria), they can undermine customer confidence if the transfer of affected customers does not proceed smoothly. We work closely with other regulators to ensure a smooth transition and regularly rehearse the steps that must be taken in the event that a retailer unexpectedly and suddenly exits the market.

## WHAT HAPPENS IF MY CONTRACT ENDS?

Your energy supply will not be cut off at the end of a fixed term contract. Your retailer should notify you when the contract is about to end and the tariff arrangements that will apply after that if you stay with the retailer.

The arrangements that apply once your contract comes to an end are included in your copy of the contract. This varies between retailers and between offers. It may be that your contract is renewed on the same terms, or that your benefits (including discounts) expire. The renewal period is an opportunity to negotiate with your retailer, or shop around for a new deal. If you do nothing, you will continue to be supplied, but you may not be on the best available offer.

## COMPLIANCE WITH END OF CONTRACT REQUIREMENTS

Retailers' failure to comply with notification and information requirements at the end of fixed term contracts was a major source of reported breaches in 2015-16.

In 2015-16, four retailers reported such breaches which affected almost 44,000 customers. 99 per cent of these were AGL customers.

## RETAILER OF LAST RESORT EVENT - GOENERGY

In April 2016, GoEnergy went into administration. As a result, approximately 300 Go Energy customers in Victoria were transferred to Origin, AGL and EnergyAustralia. At the time customers received a letter advising them of their rights to remain with the new retailer or to switch to another retailer.

The Commission received 20 queries from GoEnergy's customers and received no complaints.

## WHO DELIVERS MY ENERGY?

Energy is delivered to your home by a different business to the one from which you buy your energy.

Businesses that deliver your energy through pipes, poles and wires are called distributors.

Distributors are responsible for delivering energy in different parts of the State.

Please see the following pages for maps of electricity and gas distribution areas.

## HOW MUCH DO I PAY FOR DELIVERY?

The amount you pay to have your energy delivered depends on where you live. It may also vary depending on when you use your electricity.

Your home has been assigned a distribution tariff, which determines your delivery charges. These charges are regulated by a national body the Australian Energy Regulator.

### ELECTRICITY DISTRIBUTION TARIFFS

Every property in Victoria is assigned a distribution tariff. Your distribution tariff determines how you are charged for delivering the energy you use. Your electricity meter is set up to reflect that tariff. There are four types of electricity distribution tariff.

**Flat** – where all usage is charged at a set rate.

**Flexible** – where the rate varies within the day and over the week. Usually an off-peak rate between 10pm and 7am every day, a peak rate between 3pm and 9pm on week days, and a shoulder rate at all other times.

**Peak/Off-Peak** (sometimes called Time of Use) – where usage between 11pm and 7am is charged at an off peak rate and all other usage is charged at a peak rate

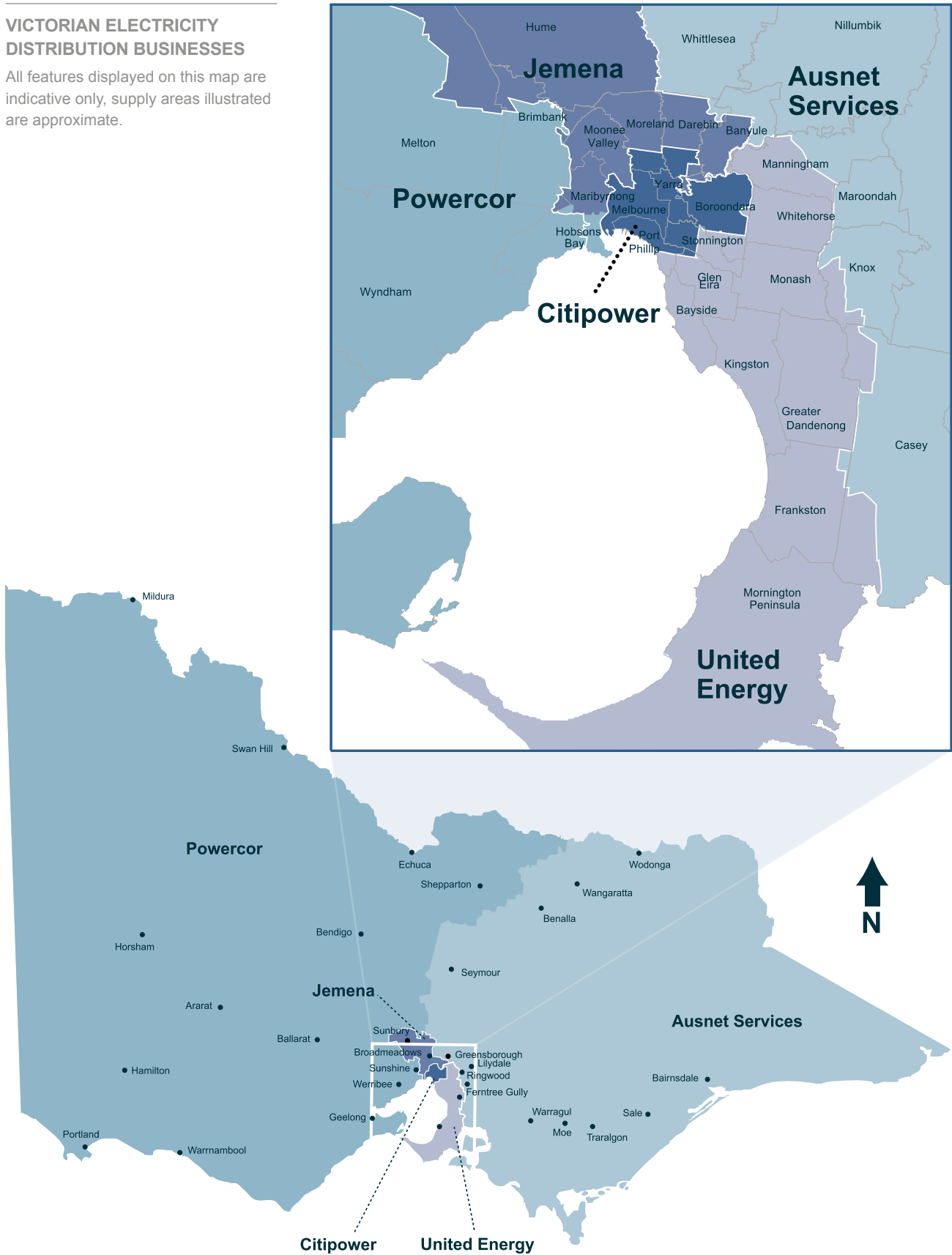
**Dedicated circuit** (sometimes called Controlled Load) – where one appliance (usually a hot water heater) is wired through a dedicated off-peak meter and set to only operate in off peak times.

The Peak/Off Peak and Dedicated circuit configurations are no longer available to new customers.

**FIGURE 7: MAP OF ELECTRICITY DISTRIBUTION AREAS**

**VICTORIAN ELECTRICITY DISTRIBUTION BUSINESSES**

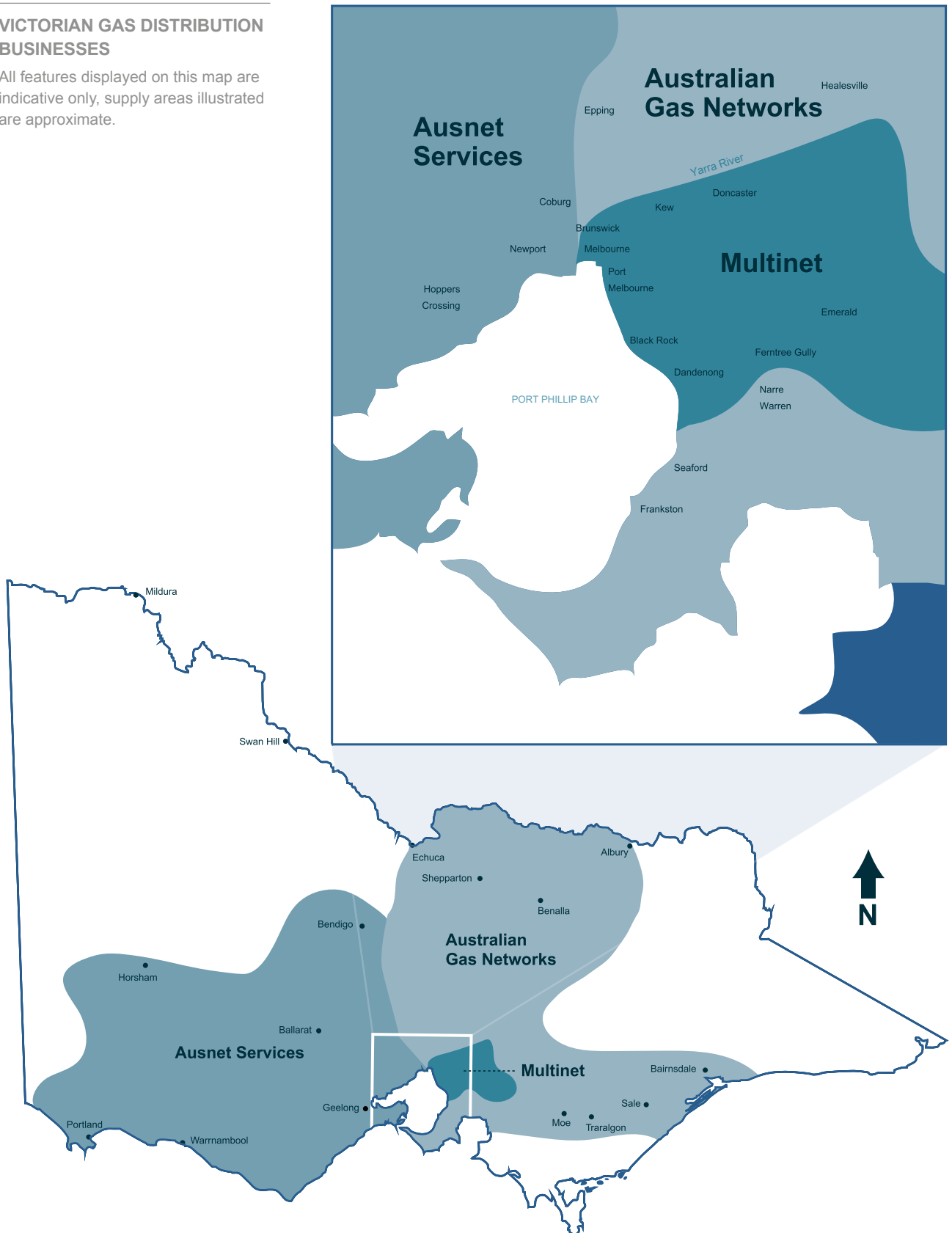
All features displayed on this map are indicative only, supply areas illustrated are approximate.



**FIGURE 8: MAP OF GAS DISTRIBUTION AREAS**

**VICTORIAN GAS DISTRIBUTION BUSINESSES**

All features displayed on this map are indicative only, supply areas illustrated are approximate.



## CAN I RELY ON MY ENERGY SUPPLY?

Distributors are responsible for the reliability of your energy supply.

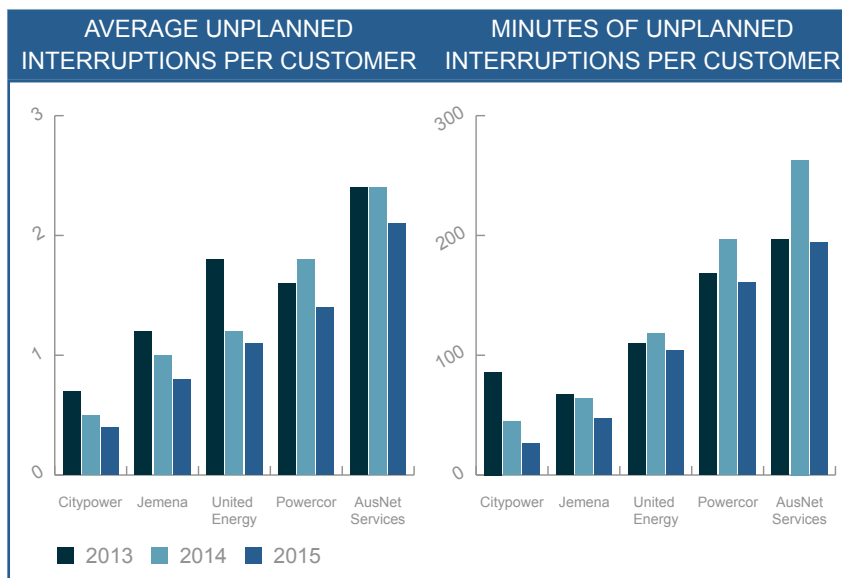
Reliability of supply means making sure that your energy supply is there when you want it. It also means ensuring that the amount of energy you need is delivered, and that it meets the required quality standards. For example, electricity is delivered without large variations in voltage that could damage electrical equipment.

Your distributor maintains the electricity poles and wires and gas pipelines, and is required to notify you in advance if they plan to shut off your supply. Unplanned outages are inevitable, but your distributor has reliability targets on the length of time that supply is unavailable. They aim to meet or exceed those targets each year.

Distributors submit audited reports on reliability. Reliability is generally measured by counting ‘unplanned interruptions’ – the number of times your supply was interrupted without warning for more than a minute – and calculating how long the unplanned interruptions lasted.

Most unexpected interruptions are caused by equipment failure. Other causes are mistakes by the distributor’s staff or contractors, damage from weather conditions or vehicle accidents and animal interference with power lines.

The gas distribution network is more reliable than the electricity system, mainly because the pipelines are underground and therefore protected from the weather and other interference.



## DO I GET A PAYMENT IF MY ELECTRICITY OR GAS GOES OFF?

Yes – if it happens often, or for long periods of time. We provide a Guaranteed Service Level (GSL) scheme that requires distributors to make cash payments to individual customers when certain service levels are not met.

You will receive a GSL payment of up to \$300 if you have long periods without your electricity or gas, or you have a high number of service interruptions.

ELECTRICITY GSL PAYMENTS	2013	2014	2015
Appointments	1 207	1 138	49
Connections	590	407	317
Low Reliability Payments	67 149	92 052	79 991
Streetlights	118	302	211
<b>Payments made</b>	<b>70 225</b>	<b>94 704</b>	<b>82 613</b>
<b>Total (\$)</b>	<b>6 193 930</b>	<b>9 272 677</b>	<b>8 192 650</b>

## GSL PAYMENTS IN 2015-16

GSL payments by distributors to electricity customers totalled \$8 million in 2015<sup>8</sup>.

Distributors also make GSL payments to customers if service personnel don't turn up after making an appointment to do so or if they don't connect electricity supply to a property on an agreed date.

The table shows how many GSL payments distributors made to customers in 2013, 2014 and 2015.

<sup>8</sup> Distribution results are reported on a calendar year. 2015 is the most recent audited data available.

## WHAT IS THE FUTURE FOR MY ENERGY SUPPLY?

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The way that you are supplied with energy is changing.

New energy technologies and business models are currently emerging that create new opportunities for you to participate in the energy market. For example, increased use of solar technologies and the emergence of battery storage are changing the way electricity is produced.

The way energy is delivered is changing too. Distributors are working with local communities to test different ways that electricity can be distributed locally.

You may be offered energy technologies such as solar panels, and energy efficiency services along with your energy supply. You may also be offered energy contracts that require you to be more actively engaged in the market, by, for example, buying power in advance.

Therefore, in future you will need to 'navigate an array of choices and a web of relationships'<sup>9</sup> to source the energy products and services that you need.

The rules by which the energy market in Victoria operates are based on how energy has been supplied for many decades.

We have a program to modernise these rules, so that energy suppliers can continue to evolve and innovate, while customers can participate in the modern market with confidence.

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9 Consumer Action Law Centre, 2016 Power Transformed, p4.