



EnergyAustralia

25 November 2013

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Dear Dr Ben-David

ESC ASSURANCES AND ADMINISTRATIVE UNDERTAKING

Thank you for your letter dated 18 November 2013 (C/13/27623) (**ESC Letter**) requesting administrative undertakings and assurances in relation to EnergyAustralia's compliance with the Victorian Retail Energy Code (**Code**). Specifically, the ESC Letter requests that EnergyAustralia:

- provide certain assurances to the ESC by 25 November 2013; and
- provide the ESC with administrative undertakings on certain matters by 29 November 2013.

This letter sets out EnergyAustralia's response.

C1 and improvements

When considering a number of the matters the subject of the ESC letter it is helpful to firstly have regard to the recent upgrade by EnergyAustralia of its customer care and billing system. As you know, in September 2012 EnergyAustralia implemented its C1 billing system (**C1**).

While the implementation of C1 has resulted in short term challenges for our business and our customers (and may have unfortunately resulted in instances of Code non-compliance), EnergyAustralia is confident that our investment in C1 is in the best long term interests of our customers and has been working hard to achieve that end.

We have been transparent with the Commission about that process. We have also, where necessary, notified the Commission of compliance matters, and we have expedited and prioritised remediating them where possible.

We are making progress. Over the past year, we have experienced a considerable improvement in C1 performance and efficiency. That has come as a result of a significant investment in stabilising the system, rectifying system defects and initiating system enhancements. With each successive release we see the number of business issues and customer complaints reduce and we continue to reduce backlogs.

Ultimately, the C1 system will improve the way we manage our business and liaise with our customers. It provides a modern and streamlined billing and data management system that is smarter than previous systems. Already, it has improved processes, shortened turnaround times for customer demands, resulted in greater

accuracy and enhanced data quality and visibility through a single view of each customer.

For our customers, this means a better service and customer experience through faster streamlined processes and more agile customer serviceability. C1 also allows us to answer more of our customers' questions at the first point of contact with fewer calls needing to be transferred between departments.

We respectfully request that the Commission keep the above context in mind when reviewing our responses, below, to the assurance matters raised in the ESC Letter.

Administrative Undertaking: reduce the number of Victorian Customer accounts unbilled

EnergyAustralia is committed to delivering an exceptional customer experience, and in doing so, reducing the number of unbilled Victorian accounts.

In August 2013, EnergyAustralia entered into an Administrative Undertaking with the Commission to reduce the number of unbilled accounts. In September 2013, EnergyAustralia met the target and the Commission discharged the undertaking. EnergyAustralia has continued to reduce the number of unbilled accounts week-on-week.

The target put forward by the Commission in the ESC Letter is aggressive due to the external influences outside of EnergyAustralia's control. These factors specifically relate to where the customer's distributor has failed to provide the appropriate meter read information, restricting EnergyAustralia from billing these customers. EnergyAustralia confirms that there is currently a significant number of instances where meter data has not been provided by a particular distributor dating back in some cases to April 2012. This includes the provision of actual or estimated data. Whilst staff at this distributor have been most helpful, their IT system constraints have meant that they have not been able to assist in clearing the backlog of meter data provision.

As we continue to reduce the number of unbilled accounts in Victoria to a "business as usual" level, a larger proportion of these accounts are due to issues that are outside of our control.

EnergyAustralia agrees to enter into an administrative undertaking to reduce the number of unbilled customer accounts for more than 30 days by 14 February 2014 on the basis that the target excludes those unbilled accounts that are caused by matters outside of EnergyAustralia's direct control.

EnergyAustralia agrees to continue fortnightly reporting of this measure, including details of unbilled accounts due to matters outside of EnergyAustralia's direct control, to demonstrate acceptable performance levels are maintained.

So that the Commission can obtain comfort in our assertions around matters outside of our control, we are happy to engage an independent third party to assure this information, at the Commission's request.

The application of applicable discounts to customer accounts

EnergyAustralia can confirm the system defect which resulted in pay on time discounts not being applied to the customer's accounts has been rectified.

Remediation details were provided in our communication (breach report) dated 13 November 2013. This report provides assurance that EnergyAustralia has completed

the necessary corrective action and applied the discounts to the affected customer accounts. This remediation was completed in October 2013.

Commission Compliance and Billing Audit

In July 2013 the Commission undertook a special audit of EnergyAustralia's compliance framework and billing obligations (**ESC Billing Audit**). This audit demonstrated general compliance with the Code obligations, with the exception of some billing delays and our ability to retrospectively access underlying data due to system constraints outside of our business as usual processes.

In response to the Commission's findings from that audit, EnergyAustralia implemented a new reporting logic to enable the provision of underlying data in relation to unbilled customers at any point in time.

EnergyAustralia confirms the follow-up audit is in progress. The audit is being conducted by Ernst and Young on behalf of the Commission and in accordance with the audit scope dated 18 November 2013. EnergyAustralia has facilitated the audit and we confirm that Ernst and Young are required to deliver their findings to the Commission by 29 November 2013.

Billing greater than 9 months

For customers who have been billed for a period greater than 9 months:

1. EnergyAustralia gives the Commission assurance sought in item 1 of the ESC Letter. EnergyAustralia has discovered a system defect which has resulted in some customers being billed for amounts older than 9 months. Our remediation of these accounts involves identifying impacted customers and crediting customers on their next bill. This will be communicated to customers via letter (**Bill Remediation Process**).
2. EnergyAustralia gives the Commission the assurance sought in item 2 of the ESC Letter. To address the underlying system defect, a system change request has been raised through our IT outsource partner, IBM. While this system change is being developed, we have initiated an interim solution which will identify, reverse and inform any customers affected by this issue on a daily basis.
3. EnergyAustralia gives the Commission the assurance sought in item 3 of the ESC Letter. EnergyAustralia will ensure that customers are billed according to the tariffs that were in force during the period for which bills were not provided.
4. EnergyAustralia gives the Commission the assurance sought in item 4 of the ESC Letter. EnergyAustralia has not disconnected a customer's supply due to non-payment of an amount arising from a period in which an account was not issued by EnergyAustralia.
5. EnergyAustralia gives the Commission the assurance sought in item 5 of the ESC Letter. EnergyAustralia will not disconnect a customer's supply due to non-payment of an amount arising from a period in which an account was not issued by EnergyAustralia.
6. EnergyAustralia gives the Commission the assurance sought in item 6 of the ESC Letter. EnergyAustralia will not disconnect or issue a disconnection notice to a customer if the customer's payment difficulties arise from the repayment of amounts owing for periods where bills were not issued by EnergyAustralia, even if that payment has exceeded the period in which EnergyAustralia failed to issue a bill to that customer.

EnergyAustralia may only initiate the disconnection process in relation to non-payment of bills which were issued within the required regulatory timeframe.

7. We do not consider it necessary for EnergyAustralia to give the assurance sought in item 7 of the ESC Letter, in relation to establishing additional programs for extended payment periods, for the following reasons:
 - EnergyAustralia considers our existing program to assist customers facing financial difficulties in the payment of delayed bills is adequate.
 - Where a customer receives a delayed bill they are provided information about payment options and are offered a payment extension or a payment plan in accordance with the Energy Retail Code requirements.
 - This program involves pro-actively sending a customer a text message upon the bill being delayed greater than 30 days. In the event that the customer is unable to be contacted via text message, a letter is issued to the customer (**Delayed Bill Customer Repayment Options**).
 - Repayment options and information is also displayed on the EnergyAustralia website at <http://www.energyaustralia.com.au/latebills>

8. EnergyAustralia gives the Commission the assurance sought in items 8 and 9 of the ESC Letter. EnergyAustralia will:
 - ensure that repayment options and information are displayed more prominently on the EnergyAustralia website by 6 December 2013; and
 - continue to write to relevant customers in accordance with our existing Bill Remediation Process and the Delayed Bill Customer Repayment Options process.

10. EnergyAustralia does not consider it in the best interests of our customers to give the assurance sought in item 10, for the following reasons:
 - EnergyAustralia considers our existing Customer Dispute and Resolution Policy (**Policy**) is effective and efficient and seeks to treat all customers fairly in their treatment and resolution.
 - The Policy states that '[a]ny individual has a right to complain, have their complaint heard and be treated with dignity and respect. Any individual who makes a complaint also has the right to not be discriminated against as a result of making a complaint. This means customers will not be treated unfavourably, including in the way EnergyAustralia communicates and provides services both during the resolution of the complaint and once the complaint is resolved.'
 - EnergyAustralia believes that prioritising a sub-set of customers is inconsistent with our Policy and any process changes to our complaint handling approach will adversely impact our service levels to our customers' detriment.

Administrative Undertaking: information required for smart meter customers

EnergyAustralia has considered a variety of options to achieve compliance with its regulatory requirements in relation to providing index read information on bills generated from Ausgrid's SAP billing system, including:

- an end-to-end solution in Ausgrid's SAP system;
- replicating requirements as an insert printed on bill stock; and
- a marketing campaign aimed at enticing customers onto better products which are administered in C1.

Through correspondence and discussions with the Commission, EnergyAustralia has explained the constraints and complexity preventing us from achieving compliance in Ausgrid's SAP billing system. Up until receipt of the ESC Letter, the Commission agreed to take no further action in relation to this non-compliance, subject to

EnergyAustralia integrating Ausgrid customers onto the EnergyAustralia C1 billing system by 30 March 2014 (**EA Integration Project**).

In October 2013, EnergyAustralia's General Manager, Retail Regulation and Compliance, notified the Commission of a schedule change in relation to the EA Integration Project due to a risk based reassessment of the project deliverables. It is important that the migration of these customer accounts goes smoothly to avoid compliance breaches and poor customer experience after the event.

As a result of the delay, and the inability for EnergyAustralia to migrate customers onto C1 earlier, in early October we raised a request under the Ausgrid Transitional Services Agreement for revised business impact assessments (**BIAs**) in relation to two possible Ausgrid SAP compliant solutions. EnergyAustralia has not yet received a detailed BIA for each solution from Ausgrid; however, on 22 November 2013, we received the high level estimates, both of which have implementation timelines in excess of 6 months and at significant cost. Ausgrid also indicated that both of these solutions would cause significant delays to the EA Integration Project.

Given the significance of this issue I would appreciate the opportunity for our Group Executive Manager, Retail and General Manager, Retail Regulation and Compliance, to meet with the Commission to discuss these issues and options in more detail.

As an interim solution, EnergyAustralia proposes to contact each Victorian customer in the SAP system and notify them of the availability of index reads upon request. We will continue to encourage customers to take up our free eWise product, which is an energy reporting tool allowing customers to compare and reduce usage. This also allows customers to compare historical usage.

Incorrect application of Early Termination Fees

EnergyAustralia currently offers products from two separate operating systems (C1 and SAP). When an EnergyAustralia customer switches energy plans, resulting in the customer transferring between our two operating systems, a system configuration automatically and incorrectly applies an early termination fee (ETF). This is due to each system operating in the market under a separate participant ID as a legacy of the acquisition of the EnergyAustralia (Ausgrid) customer base. For this reason, the 'losing' system recognises that the customer is being transferred to another market participant but has been unable to distinguish between transfers between EnergyAustralia systems and transfers to other retailers.

Since September 2013, EnergyAustralia has remediated 2,700 impacted accounts by crediting each account with the amount of the ETF. As at today, we are in the process of remediating 351 accounts.

EnergyAustralia has also implemented a process to manage the ongoing issue to ensure that incorrectly applied ETFs are proactively identified and reversed.

EnergyAustralia assures the Commission that remediation of the outstanding 351 customers will be completed by 30 November 2013.

Adequately recording customer explicit informed consent

EnergyAustralia identified instances of non compliance with Clause 4 of the Code of Conduct for Marketing Retail Energy in Victoria due to an increase in the level of complaints and cancellations. Following further investigations, it was identified that these instances were specifically relating to the sales actions of one of our marketing vendors.

EnergyAustralia has subsequently terminated its relationship with this vendor.

The Commission has been consulted on the development and progress of our remediation approach since we commenced remediation on 28 October 2013.

EnergyAustralia assures the Commission that all impacted Victorian customers will be contacted by 24 December 2013.

Progress reporting

During this year, EnergyAustralia's General Manager, Retail Regulation and Compliance, has met semi-regularly with the Commission's energy team to provide them with updates on a number of regulatory compliance issues. We have found this to be a very helpful process in communicating EnergyAustralia's compliance matters and provide context surrounding the operational issues which lead to these matters. My expectations are that we will continue with these meetings on at least a monthly basis and welcome feedback from the Commission on the content and issues they wish to cover.

Finally, I would like to acknowledge and thank the Commission for the work it has done in managing issues that result from our non-compliance. I appreciate that these are not simple matters and have diverted resources away from your other commitments.

Regards



Richard McIndoe
Managing Director
EnergyAustralia Pty Ltd