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**Dr Paul Paterson**  
**Chair**  
**Independent Pricing and Regulatory Tribunal**  
**PO Box K35**  
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**Sydney NSW 1240**

Online submission

**27 October 2020**

Dear Dr Paterson,

## **Monitoring the retail energy markets in NSW 2019-20**

AGL welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s draft reports on the performance and competitiveness of the NSW retail electricity and gas markets in 2019-20, published on 29 September 2020.

In the retail electricity market, the 2019-20 year commenced with the introduction of the DMO and is impacted by COVID-19 in the latter part of the year. There were continued regulatory changes including Prohibiting Energy Market Manipulation Act, AEMC rule changes and Energy Security Board reviews.

Despite these challenges, we agree with IPART's draft findings that, over 2019-20, there is increased competition in the electricity market and, to a lesser extent, the gas market.

AGL is not one of the incumbent electricity retailers in NSW. AGL's electricity customer base in NSW has been built up mainly through sales and acquisition activities over a period of time since the commencement of full retail contestability in 2002, and to a lesser extent, through the acquisition of Australian Power and Gas in 2013. As at 30 June 2020, AGL had 861,000 electricity customers in NSW, an overall gain of 18,000 customer over the year.

In the NSW retail gas market where AGL is the incumbent retailer in the Jemena Gas Network region, AGL had 622,000 gas customers as at 30 June 2020. This is a loss of 8,000 gas customer during 2019-20, continuing a trend over several years.

Further details including AGL's comments on a number of aspects of IPART's draft reports are provided below.

### **COVID-19**

On 27 March 2020, AGL introduced a COVID-19 Customer Support Program for customers who may be under financial stress as a result of the pandemic. This program had included:

- Fast-tracked access to a program allowing deferred payments.



- Customers also have access to a payment plan that allows them to pay in instalments.
- No disconnections for customers in financial stress during the deferred payment period.
- Waiving disconnection and reconnection fees for small businesses that have been forced to temporarily close.
- Maintaining AGL's existing priority service to customers on life support.

This program was additional to AGL's well-established hardship programs. It was consistent with the AER's Statement of Expectation on energy businesses in relation to COVID-19.

AGL has also set up a one stop resource centre web-page, which can be easily accessed from AGL's homepage, <https://www.agl.com.au/coronavirus?cidi=A10492>, that contains detailed information on support available to customers impacted by COVID. Resources available include access to payment support options, support for small businesses, access to our hardship program, advice on concessions available, energy efficiency tips, how to contact us and information for life support customers.

As IPART has noted, the pandemic has resulted in energy retailers facing rising operating and debt expenses while revenues are falling. In AGL's annual result, we have reported expected credit loss, or bad debts, for FY20 of \$20 million as a result of the COVID-19 impact. FY21 impact for expected credit loss is forecast at \$40 million but this is highly uncertain, and the actual loss could be higher or lower depending on economic conditions, and the length and breadth of the pandemic.

## **DMO**

IPART has observed that, as expected, the introduction of the DMO has reduced standing offers and also reduced the general spread of offers available in the market. AGL agrees with IPART's view that the reduced spread in price has reduced the incentive for switching. However, the retail energy markets remain highly competitive. In 2019-20, COVID-19 had initially slowed the churn rate but switching activity has been increasing as some restrictions in NSW were lifted<sup>1</sup>.

While AGL supports using the DMO as the reference price, there is risk that the regulated price does not adequately reflect underlying costs. In the 2020-21 DMO, final network charges were not available when the DMO was set. The DMO price which is determined as an annual representative bill using a flat tariff could also inhibit innovation in customer offerings particular where they involve cost reflective tariffs such as time of use tariffs which may also include a solar sponge component.

## **Customer satisfaction**

IPART has noted there was higher satisfaction with electricity retailers based on a survey by ECA during 2019-20. This is consistent with AGL's Net Promoter Score, which is positive for the first time in 2019-20, rising from -11.1 in FY19 to +2.3 in FY20.

AGL has invested in technology and digital systems which has provided benefits in many areas such as<sup>2</sup>:

- Ombudsman complaints have fallen 37 percent, particularly, in bill complaints, reflected our customers' increasing oversight of usage and understanding of their bills.

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<sup>1</sup> AEMO, Monthly retail transfer statistics

<sup>2</sup> AGL, FY20 Results Presentation, 13 August 2020, p 16



- The increasing take-up of digital bills together with the digitalisation of the move and new connection process, improved digital payment capabilities, and messaging platforms has improved the customer experience and reduced operational costs.
- Call volumes are down 20 percent since 2017 and 39 percent in the last 12 months, as customers increasingly utilise the options we provide online, allowing our call centre team to focus on issues that require personal attention.

### **New products**

In December 2019, AGL acquired Southern Phone and we are able to offer phone and data services in our product range.

Responding to our customers' desire to participate in the energy market transition to lower carbon, we have recently developed:

- a virtual power plant program, with solar and battery bundles,
- bring-your-own battery program,
- a demand response program, Peak Energy Rewards (scalable from 20,000 customer to 1 million customers)
- a carbon neutral offer for our electricity plan, aiming to have a carbon neutral offer available on all products by the end of FY21.

In addition, in September 2020, we have launched an EV subscription service in partnership with car subscription service, Carbar, and EV charging supplier, JET Charge. This will be the first time an EV subscription service with these features has been offered in Australia.

We have also been installing digital meters in NSW. Digital meters are an important enabler for these new behind the meter services. With the commencement of remote re and de-energisation services from October 2020, digital meters should also lead to operational improvements, allowing customers more flexibility and speed to dis-connect and re-connect when moving home, leading to more accurate billing.

If you have any questions in relation to this submission, please contact Meng Goh, Senior Manager Regulatory Strategy, on [mgoh@agl.com.au](mailto:mgoh@agl.com.au) or (02) 9921 2221.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux  
General Manager Policy and Markets Regulation