UTILITIES COMMISSION
OF THE NORTHERN TERRITORY

Northern Territory Electricity Retail Review

2017-18

www.utilicom.nt.gov.au

Disclaimer

The Northern Territory Electricity Retail Review (NTERR) is prepared using information sourced from participants in the electricity supply industry, Northern Territory Government agencies, consultant reports and publicly available information. The NTERR covers the financial year ending 30 June 2018. The Utilities Commission understands the information received to be current as at November 2018.

The NTERR contains analysis and statements based on the commission's interpretation of data provided by Territory electricity industry participants. To enable comparison with other jurisdictions, the commission has sought to align the data reporting with the other Australian jurisdictions where possible. However, there are some differences so any comparisons should be considered indicative only.

Any person using the information in the NTERR should independently verify the accuracy, completeness, reliability and suitability of the information and source data. The commission accepts no liability (including liability to any person by reason of negligence) for any use of the information in the NTERR or for any loss, damage, cost or expense incurred or arising by reason of any error, negligent act, omission or misrepresentation in the information in the NTERR or otherwise.

Any questions regarding this report should be directed to the Utilities Commission, utilities.commission@nt.gov.au or phone 08 8999 5480.

Acknowledgement

The image used for Chapter 3: Payment difficulties and hardship is the property of the Northern Territory Government.

About this report

Since 2001, the commission has published an annual Power System Review (PSR) as a single document providing a review of past and current generation, network and retail performance, forecasts of system demand and supply reliability, and an assessment of the adequacy of the fuel supply.

Following publication of the 2016-17 Power System Review, the commission undertook a stakeholder survey to gauge the usability and usefulness of the report. Accordingly, to improve the commission's annual reporting, the PSR will be split into three separate reports, namely:

- Northern Territory Electricity Retail Review (this report)
- Northern Territory Electricity Outlook Report
- Northern Territory Power System Performance Review.

The Northern Territory Electricity Retail Review (NTERR) focuses on retail performance and quality of services provided to small customers, defined as consuming less than 160 MWh per annum by the Electricity Industry Performance Code (the Code). However, the NTERR does include some observations in relation to larger customers, including those related to market share and competition.

The NTERR's main purpose is to inform the Treasurer (as regulatory minister), government, licence holders and stakeholders about the 2017-18 retail performance of the Territory's power systems.

Regular reporting on the electricity industry should help increase understanding and transparency of issues and, consequently, improve planning, investment, understanding of value for money (price compared to level of service) and general performance by holding electricity businesses accountable for their performance and impacts on customers.

As the NTERR focuses solely on Northern Territory retail performance, the commission expects any issues will be highlighted in a way not achieved previously.

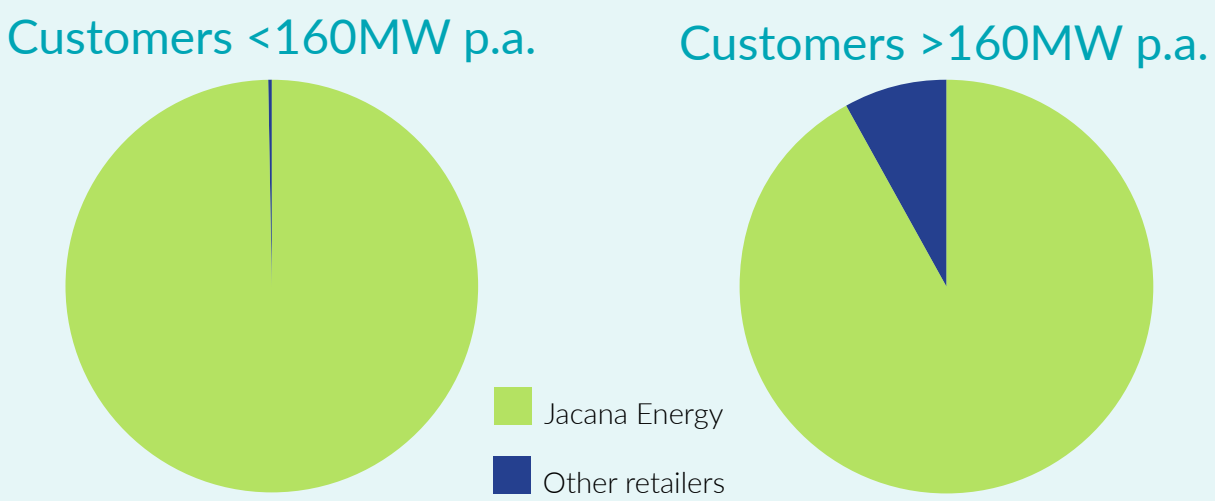
The NTERR is the first report of its type in the Territory, therefore comparisons with past performance are limited. The commission intends to further develop the NTERR over the coming years. This will be achieved primarily with improvements to the data the commission receives from licensed retailers and the way it is used, including observing trends.

The 2017-18 NTERR is prepared by the Utilities Commission in accordance with section 45 of the *Electricity Reform Act 2000* (ER Act). The NTERR is restricted to the Territory's regulated power systems, namely Darwin-Katherine, Alice Springs and Tennant Creek.

Key findings and recommendations

Retail market overview

- There was very limited retail competition in the Territory in 2017-18, with Jacana Energy remaining the dominant retailer, particularly for small customers (households and small businesses), and no indication of increased competition eventuating under current market conditions.
- Competition remains most evident for the largest customers consuming more than 750 MWh per annum in the Darwin-Katherine system. The Territory Government's regulated electricity tariffs do not apply to these customers.
- Annual electricity bills as a percentage of disposable income have remained largely unchanged over the three years from 2015-16 to 2017-18.
- Although affordability of electricity in the Territory may appear to be consistent with, or in some cases better than, that reported for the national jurisdictions, generally the amount of electricity consumed by Territory customers is higher, resulting in higher annual bills.
- Regulating prices for customers up to 750 MWh per annum results in a significant number of very large commercial customers receiving below-cost reflective prices.
- The Territory Government's community service obligation payment to electricity retailers lacks transparency for customers and industry and may be an associated barrier to competition.



Disposable household income spent on electricity for a representative customer in Darwin-Katherine

Low income household

7.6%

Middle income household

3.4%

Retail performance

- In 2017-18 the number of calls abandoned before being answered by Jacana Energy remained consistent with that reported for the previous year. However, the number of calls answered within 30 seconds has deteriorated to 64 per cent.
- Complaints to Jacana Energy are consistently dominated by the 'billing' and 'other' categories. However, the complaints regarding billing have steadily decreased over the last three years.
- While Jacana Energy has reported a 10.6 per cent reduction in complaints as a percentage of customers for 2017 18, there has been a significant increase in approaches to the Ombudsman NT (Ombudsman).
- A reduction in Ombudsman approaches may be achieved through putting in place obligations on all retailers to provide appropriate internal dispute resolution procedures. Accordingly, the commission will consider updating its Electricity Retail Supply Code to include associated obligations.
- To date, there are no external dispute resolution services available to customers of privately owned electricity retailers, which the commission considers is a gap in customer protections. The Territory Government has indicated it is exploring options to strengthen the external dispute resolution framework.

Jacana Energy calls taken within 30 seconds

64%

(down 7.6%)

Jacana Energy calls abandoned before being answered

4.2%

(no change)

Customer complaints

0.4%

(down 10.6%)

Approaches to NT Ombudsman as a total of Jacana Energy complaints

35.3%

(up 20.6%)

Payment difficulties and hardship

- Over the last three years, the Territory has seen a continued reduction in the number of residential customers disconnected for non-payment. However, the number is still considered very high compared to other jurisdictions.
- The commission is concerned by the high number of residential customer disconnections for non-payment given the low number of small customers reported to be on a hardship program and the lack of customer protections in the Territory, such as dispute resolution obligations and requirements to have an approved hardship policy.
- The percentage of small business customers disconnected for non-payment in 2017-18 is significantly higher than reported in 2016-17, and significantly higher than in other jurisdictions. This is likely due to challenging economic and climatic conditions.
- The commission recommends the Territory Government introduces fit-for-purpose obligations on retailers to have an approved hardship policy in place for small customers that is appropriate for the Territory's circumstances, in line with electricity industry best practice.

Residential customers with debt
3.5%

Small business customers with debt
2.9%

Average residential customer debt
$424

Average small business customer debt
$2371

Residential customers disconnected for non-payment
3.1%

Small business customers disconnected for non-payment
2.5%

Residential customers on a payment plan
2.8%

Residential customers on a hardship program
0.1%

Contents

About this report iii

Key findings and recommendations iv

- Retail market overview iv
- Retail performance v
- Payment difficulties and hardship vi

Retail market overview 4

- Retailers 4
- Retail competition 5
- Affordability 6
- Electricity costs for consumers and Territory taxpayers 11

Retail performance 16

- Customer service 16
- Complaints 17
- Dispute resolution 20

Payment difficulties and hardship 24

- Debt 24
- Payment plans 25
- Hardship programs 26
- Disconnections 27
- Hardship policy 29

Glossary 31

1 | Retail market overview

Retail market overview

This chapter provides an overview of the Territory electricity retail industry and considers:

- entities licensed in the Territory to sell and retail electricity to consumers
- competition within the electricity retail industry, by assessing market share
- affordability of electricity in the Territory.

This chapter also includes high level discussion of issues that impact electricity costs for electricity consumers or Territory taxpayers or both.

Retailers

Electricity retailers are the interface between customers and the rest of the electricity industry as they purchase electricity in bulk from generators and sell it to households and businesses. Retailers are the first point of contact for the public to connect to the electricity grid and, accordingly, facilitate connections, undertake billing services and provide customer service, generally through a call centre.

The ER Act requires all entities operating in the electricity supply industry to be licensed by the commission. This includes entities selling electricity.

Table 1 below lists the licensed retailers in the Territory as at 30 June 2018.

Table 1. Licensed retailers in the Territory[1] as at 30 June 2018

Retailer	Licence issued
EDL NGD (NT) Pty Ltd	30 June 2016
ERM Power	1 June 2012
Jacana Energy	1 July 2014
Next Business Energy Pty Ltd	29 June 2018
Power and Water Corporation[2]	1 July 2008
QEnergy Limited	4 February 2011
Rimfire Energy Pty Ltd	11 August 2014

By the end of the 2017-18 financial year, the number of licensed retailers in the Territory had increased from six to seven, compared to the previous year, with the issue of a retail licence to Next Business Energy on 29 June 2018. Subsequently, the number reduced to six with ERM Power surrendering its retail licence, effective 31 August 2018. Although there are currently six licensed retailers in the Territory, a number of these are not currently active.

1 http://www.utilicom.nt.gov.au/Publications/Registers/Pages/Registry-of-Electricity-Licences-and-Exemptions.aspx.

2 PWC's retail licence does not include the sale of electricity in the regulated systems of the Territory.

Retail competition

Although full retail contestability in the Territory was achieved in 2010 and there were up to six licensed electricity retailers able to operate in the three regulated systems in the Territory during the 2017-18 financial year, excluding the Power and Water Corporation (PWC), there was (and remains) limited retail competition in the Territory in 2017-18. This is particularly evident in the small customer segment where the market share is dominated by Jacana Energy, the government-owned retailer (Figure 1).

Figure 1. Market share of retailers by customer numbers for customers consuming less than 160 MWh per annum

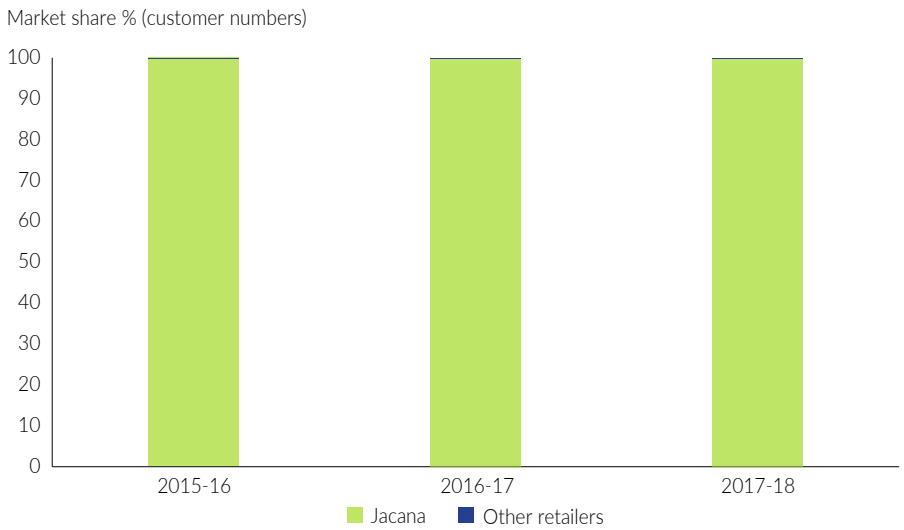
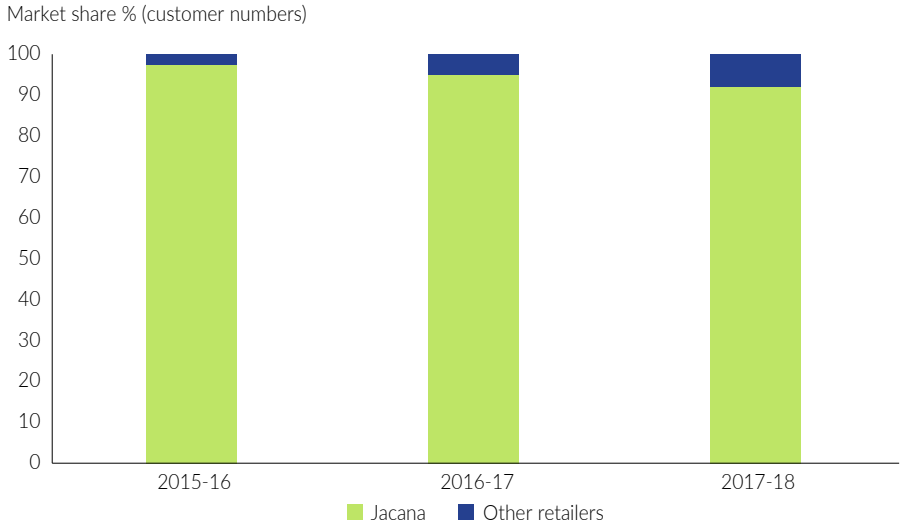


Figure 1 shows the dominance of Jacana Energy for small customers with no indication of increased competition eventuating under current market conditions.

The lack of interest from retailers in competing for small customers is further demonstrated by the commission's observation that one of the most active alternative electricity retailers (to Jacana Energy) states on its website it is currently only selling to customers consuming more than 750 MWh per annum and a select group of small customers, with a possible scope to increase this in the future. The commission notes the same retailer has no information available on its website regarding its electricity tariffs or associated products, which may deter potential small customers.

In contrast to small customers, the market share of retailers for customers consuming greater than 160 MWh per annum (large customers) is increasing (Figure 2). However, the level is still relatively low at just under 10 per cent of large customers. Although not shown, the commission notes competition is most pronounced among the largest customers (consuming greater than 750 MWh per annum) and in the Darwin-Katherine system.

Figure 2. Market share of retailers by customer numbers for customers consuming greater than 160 MWh per annum



As discussed later in this report, and in previous power system reviews undertaken by the commission, there are a number of potential barriers to retail competition in the small customer market that historically contributed to private retailers' lack of interest in actively targeting small customers' business. These include the requirement for an interval meter to enable customers to change retailers (as stipulated by the Electricity Retail Supply Code, currently under review by the commission) and the Territory Government's uniform tariff policy that regulates the maximum tariff for relevant customers.

The commission acknowledges the Territory Government has addressed the barrier to retail competition presented by regulated tariffs to a degree by providing an associated community service obligation (CSO) to all retailers, rather than just Jacana Energy, from 1 January 2016. However, based on 2017-18 data, it appears further work is needed to encourage the entry of retailers interested in competing in the small to medium electricity customer market to encourage retailers to offer innovative products and services and provide consumers with choice.

Retail competition for small customers has also remained low in the Australian Capital Territory and Tasmania, the two remaining National Energy Customer Framework (NECF)[3] jurisdictions[4] with regulated prices. The commission notes an assessment of retail competition based on market share by customer numbers alone is limited in its ability to effectively analyse competition. The commission will work with electricity retailers in future reviews to identify additional indicators to enhance the retail competition assessment.

Affordability

Electricity affordability is a measure of a customer's ability to pay electricity bills. There are numerous factors that may impact electricity affordability, such as the economic environment (for example, there may be limited job or work opportunities), energy consumption (particularly if the customer is located where there are extreme temperatures requiring electricity to heat or cool) and retail electricity prices.

3 NECF applies to NSW, ACT, QLD, TAS, SA but not NT, VIC or WA.

4 Australian Energy Regulator Annual Report on Compliance and Performance of the Retail Energy Market 2016-17.

To assess electricity affordability and its impact on Territory households, the commission has compared the annual electricity bill for a representative Darwin-Katherine customer against the disposable income of low and middle income households.[5]

The representative Darwin-Katherine customer is that used by the Australian Energy Market Commission (AEMC) in its 2018 Residential Electricity Price Trends Review and has been applied to the previous three years. This is a two-person household that consumes 6613 kWh of electricity per year, has no mains gas connection, has airconditioning and is subject to the regulated prices set by the Territory Government through the Electricity Pricing Order. The commission used Australian Bureau of Statistics data to determine disposable household income.

Figure 3 shows the annual electricity bill (for a representative Darwin-Katherine customer) as a percentage of disposable household income for low and middle income households, noting (for comparison purposes) the commission assumed the level of consumption does not change with the level of disposable household income.

Figure 3. Annual electricity bill as a percentage of disposable household income using consumption level for a representative Darwin-Katherine customer

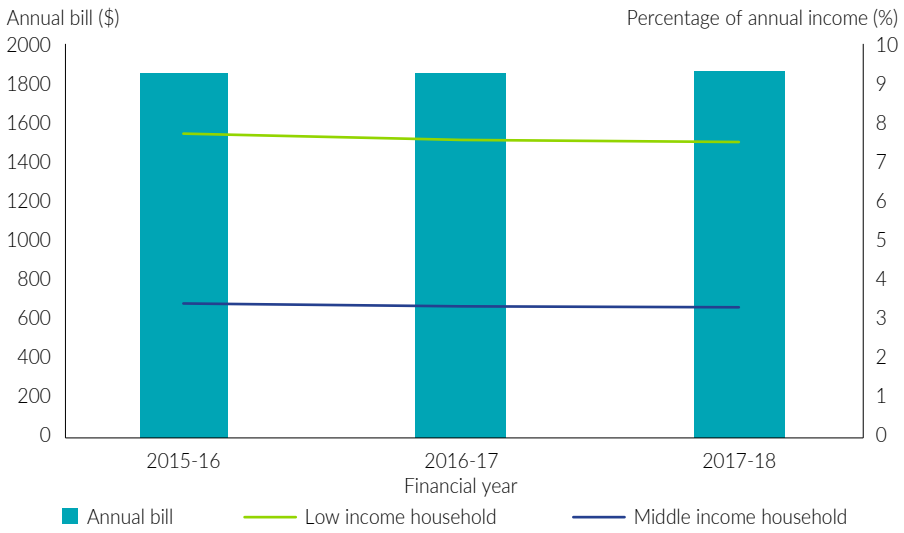


Figure 3 shows, based on a consistent consumption level over the three years, annual electricity bills as a percentage of disposable household income have slightly decreased.

In 2017-18 the annual electricity bill for low and middle income households accounted for 7.6 and 3.4 per cent of disposable household income, respectively. Over the three years shown, the annual electricity bill as a percentage of disposable household income has seen a slight decrease of around 2.8 per cent for both low and middle income households. The data particularly demonstrate the importance of electricity affordability for low income households, where the annual electricity bill constitutes a significantly higher percentage of disposable income than for other income levels. Consequently, low income households are most impacted by any changes.

5 2015-16 data can be found at http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16?OpenDocument. The commission has applied the Northern Territory Wage Price Index to obtain values for subsequent years, available at https://treasury.nt.gov.au/dtf/economic-group/economic-briefs/wage-price-index. The commission has assessed low income as the bottom quintile and middle income as the middle quintile. The commission's use of the terms 'low and middle income households' may not align with the AER's (Australian Energy Regulator) use of the same terms.

Nationally, the AER (Australian Energy Regulator) uses a static national average consumption level[6] (5689 kWh in 2017-18) to compare electricity affordability across various jurisdictions, reported as part of the Annual Report on Compliance and Performance of the Retail Energy Market. The commission has applied the AER's static consumption to the Territory in tables 2 and 3 to compare the Territory against national jurisdictions (not including Western Australia), for low[7] and middle income households.

For NECF jurisdictions, electricity offers are defined as either a standing or market offer[8]. Standing offers are available to small customers for the sale and supply of energy under a standard retail contract. Model terms and conditions for standing offer plan contracts are prescribed by the National Energy Retail Rules (NERR). In contrast, market offers have less prescriptive terms and conditions with retailers generally offering lower tariffs. As the Territory has not adopted NECF, these defined terms are not strictly relevant to the Territory although a standing offer is most aligned with the regulated tariff.

Table 2. Annual electricity bill as a percentage of disposable household income for low income households using the static national average consumption, as used by the AER[9]

Jurisdiction	Price type	2015-16	2016-17	2017-18
Northern Territory	n.a.	6.8	6.7	6.6
New South Wales	Market offer	5.6	6.2	6.9
	Standing offer	6.2	7.0	8.8
Queensland	Market offer	6.4	6.6	6.4
	Standing offer	6.9	7.1	7.4
South Australia	Market offer	8.5	9.0	10.6
	Standing offer	8.9	10.4	12.4
Australian Capital Territory	Market offer	3.2	3.3	4.1
	Standing offer	3.3	3.7	4.4
Victoria	Market offer	6.1	6.4	6.6
	Standing offer	7.7	8.0	8.8
Tasmania	Standing offer	5.6	5.8	5.6

n.a.: not applicable
Note: Values in grey indicate an annual electricity bill as a higher percentage of disposable income than in the Territory, and values in green indicate a lower or equivalent percentage of disposable income than in the Territory.

For low income households in the Territory, Table 2 shows electricity bills are in the middle of the range reported by national jurisdictions. The commission has not included

6 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

7 The AER applies relevant energy concessions to the reported annual electricity bill for low income households but this has not been included for the Territory data. Information regarding concessions available in the Territory can be found at https://nt.gov.au/community/seniors/nt-seniors-and-concession-schemes.

8 The AER Retail Pricing Information Guidelines is available at https://www.aer.gov.au/system/files/AER%20Retail%20Pricing%20Information%20Guidelines%20-%20Version%205.0%20-%20April%202018.pdf

9 Market and standing offers refer to the median offer across the jurisdiction. AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

electricity concessions available under the previous Northern Territory Pensioner and Carer Concession Scheme (NTPCCS) in the annual bill as part of the assessment, as is the case with the data reported by the AER. If these electricity concessions were applied to the Territory data, the annual electricity bill as a percentage of a low income household's disposable income would decrease. The commission notes the Territory Government provided approximately $15.5 million in electricity concessions through Territory Families in 2017-18 to NTPCCS customers.[10]

Where the static national average consumption is applied, percentages reported by national jurisdictions have generally increased over the three years shown while Territory percentages have slightly decreased by around 2.9 per cent of disposable household income.

In 2017-18 the only standing offers available in national jurisdictions that were lower as a percentage of disposable household income than the Territory were in jurisdictions with regulated prices.

Table 3. Annual electricity bill as a percentage of disposable household income for middle income households using the static national average consumption, as used by the AER[11]

Jurisdiction	Price type	2015-16	2016-17	2017-18
Northern Territory	n.a.	3.0	3.0	2.9
New South Wales	Market offer	2.8	3.0	3.3
	Standing offer	3.1	3.4	4.1
Queensland	Market offer	3.5	3.6	3.5
	Standing offer	3.7	3.8	3.9
South Australia	Market offer	4.2	4.4	5.1
	Standing offer	4.3	5.0	5.9
Australian Capital Territory	Market offer	2.0	2.1	2.4
	Standing offer	2.1	2.3	2.6
Victoria	Market offer	3.0	3.2	3.3
	Standing offer	3.8	4.0	4.4
Tasmania	Standing offer	4.2	4.2	4.1

n.a.: not applicable
Note: Values in grey indicate an annual electricity bill as a higher percentage of disposable income than in the Territory, and values in green indicate a lower percentage of disposable income than in the Territory.

Table 3 shows electricity bills account for a lower percentage of disposable household income for middle income households in the Territory than for all national jurisdictions except the Australian Capital Territory, as reported by the AER. As with low income households, when the static national average consumption is applied the percentage of disposable income for middle income households in the Territory has decreased slightly over the three years shown, to 2.9 per cent in 2017-18. Consistent with low income households, most national jurisdictions have trended upwards over the three years.

10 Northern Territory Budget Paper Number 3 2018-19, available at https://budget.nt.gov.au/__data/assets/pdf_file/0010/499375/2018-19-BP3-book.pdf

11 Market and standing offers refer to the median offer across the jurisdiction. AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

Although the affordability of electricity in the Territory may appear to be consistent with, or in some cases better than, that reported for the national jurisdictions, generally the amount of electricity consumed by customers in the Territory is higher, largely due to climatic conditions, resulting in higher annual bills that negate the positives of having more affordable electricity. This is highlighted in Figure 4, with both the consumption of a representative Darwin-Katherine customer, as used by the AEMC, and the static national average, as used by the AER, held constant over three years and the relevant Territory electricity prices applied for each year.

Figure 4. Annual electricity bill as a percentage of disposable household income comparing Darwin-Katherine and static national average consumption

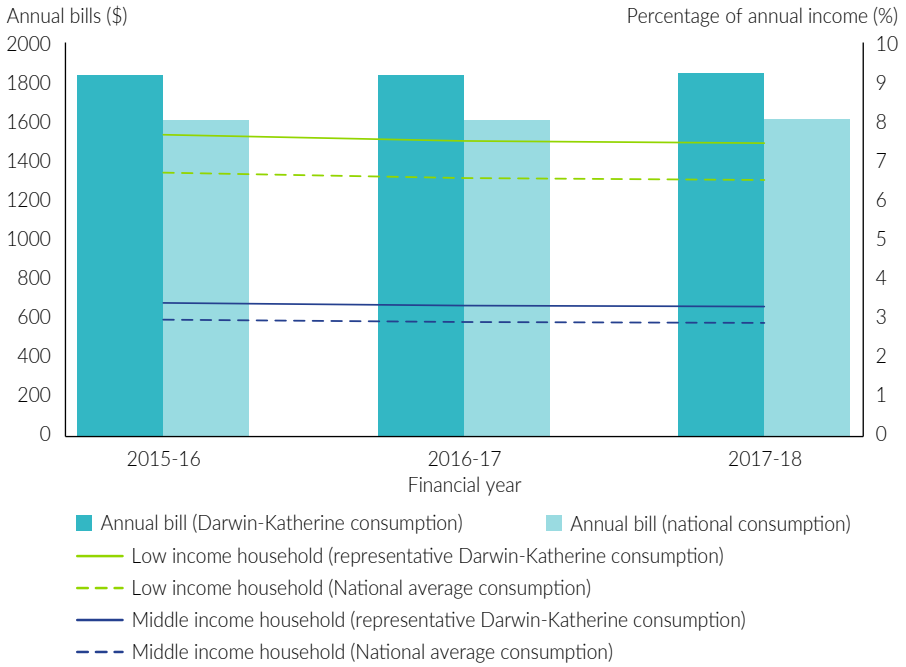


Figure 4 shows the higher consumption of a representative Darwin-Katherine customer compared to the static national average reported by the AER results in a higher annual bill of around 14.4 per cent for low income households in the Territory during 2017-18.

This helps to explain why many customers in the Territory think electricity prices are higher than the national average. However, electricity prices in the Territory are more affordable relative to most national jurisdictions and have become slightly more affordable over the last three years. Increases observed by Territory customers were primarily driven by higher consumption.

Electricity costs for consumers and Territory taxpayers

This section briefly discusses several issues that impact electricity costs for consumers and Territory taxpayers. These include costs to supply electricity, regulated electricity tariffs and the associated uniform tariff CSO.

Cost of supply

The AEMC's annual Residential Electricity Price Trends Report details changes in the electricity supply chain cost components and price trends based on current expectations and assumptions driving residential electricity prices and bills for each Australian state and territory, and the national average. The key cost components considered in the report are environmental policies,[12] regulated networks, wholesale and retail costs. The report is prepared at the request of the Council of Australian Governments Energy Council.

Figure 5, based on data from the AEMC's 2018 Report, compares the cost of supply per kWh for a representative residential customer in the Darwin-Katherine system to the national average. The maximum price for residential customers (the regulated tariff set by the Electricity Pricing Order) is indicated by the black diamonds[13] and is lower than the cost of supply.

The retail cost component for the Territory is not reported by the AEMC. Accordingly, the total cost of supply in the Darwin-Katherine system would be higher than shown in Figure 5.

Figure 5. Cost of supply[14]

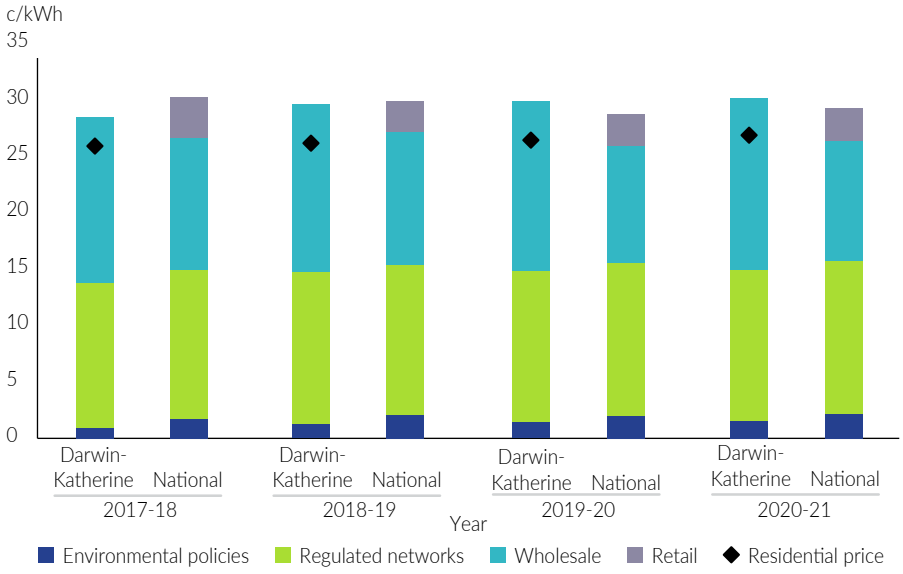


Figure 5 shows, compared to costs nationally, the cost of regulated networks in Darwin-Katherine is comparable, the cost of environmental policies is slightly lower and wholesale electricity costs are significantly higher with the gap expected to widen as

12 Environmental policy costs are related to environmental schemes that have been introduced by Commonwealth and jurisdictional governments. The costs included in this measure do not capture all costs to government associated with renewable energy.

13 This includes both fixed and usage charges, excluding GST, for a representative customer as defined by the AEMC's 2018 Residential Electricity Price Trends Review.

14 Based on the AEMC 2018 Residential Electricity Price Trends Review available at: https://www.datocms-assets.com/6959/1545274459-2018-residential-electricity-price-trends-final-report.PDF

wholesale costs are forecast to fall nationally.[15] The AEMC report only considers data for the Darwin-Katherine system. The commission expects the gap would be widened further if wholesale costs for Alice Springs and Tennant Creek were included as these costs would likely be higher than for Darwin-Katherine.

The commission continues to monitor changes and trends in the electricity market that may impact the costs of electricity supply. This is particularly important as the Territory Government implements its electricity market reforms, including its policy to deliver 50 per cent renewable energy by 2030. Accordingly, the commission will continue to provide advice to the Territory Government, as appropriate, to protect the long-term interests of Territory consumers.

Electricity Pricing Order

The current and previous Territory Governments have regulated electricity tariffs for relevant customers (currently customers consuming less than 750 MWh per annum) in accordance with a uniform tariff policy implemented through the making of an Electricity Pricing Order by the Treasurer pursuant to section 44 of the ER Act. There are only around 0.2 per cent of customers in the regulated systems that consume greater than 750 MWh per annum and are therefore not subject to regulated prices.

The current Territory Government has committed to capping any electricity price rises at the Consumer Price Index (CPI) for its first term of government. For 2017-18, the maximum price set by the Electricity Pricing Order for a domestic standard tariff customer (consuming less than 750 MWh per annum) was 25.67 cents per kWh plus a fixed daily charge of 50.60 cents. On 1 July 2018, these tariffs increased by 1.1 per cent in line with the Territory March quarter CPI.

As discussed, the Territory's regulated residential price is below the cost of supply in Darwin-Katherine with the gap increasing further when the retail component is included (not shown in Figure 5). Further, given the costs of supply for Alice Springs and Tennant Creek would likely be higher, the gap between costs and the regulated tariff would be even greater.

Regulating prices for customers up to 750 MWh per annum results in a significant number of very large commercial customers receiving below-cost reflective prices. In 2017-18 there were around 800 customers that consumed between 160 and 750 MWh per annum and received a regulated tariff.

While the commission acknowledges the Territory Government wishes to protect consumers from having to pay for the high cost of supplying electricity in the Territory, regulating electricity prices may be negating efficient market outcomes by distorting price signals and thus contributing to higher costs.

15 AEMC 2018 Residential Electricity Price Trends Review.

Community service obligation

The Territory Government provided CSO funding of approximately $80 million to electricity retailers in 2017-18, equating to 1.2 per cent of the Territory's estimated 2017-18 operating budget.[16] This is to fund the shortfall between cost of supply and the regulated electricity tariff for residential and business customers across the Territory consuming below 750MWh per annum, and customers in Alice Springs and Tennant Creek using between 750MWh and 2GWh per annum (primarily large businesses and other organisations) on a subsidised tariff.

The CSO applies to approximately 86 000 domestic and commercial customers in the Territory's three regulated systems (Darwin-Katherine, Alice Springs and Tennant Creek), which translates to an average subsidy from the Territory Government of about $930 per customer in 2017-18. However, the commission understands that it is not calculated in this simplistic manner.

The CSO is in addition to the government subsidy available to pensioners and carers under the Northern Territory Pensioner and Carer Concession Scheme (now the NT Concession Scheme and NT Senior Recognition Scheme), noting customers in remote areas are subsidised by the Territory Government through the Indigenous Essential Services (IES) grant paid by the Department of Housing and Community Development.

High level details of the Territory Government's CSO allocation to electricity retailers are provided in the Territory's Budget Papers. However, provision of the CSO lacks transparency for customers who are unaware of the level of subsidy they are receiving for electricity supply, and industry that is unaware of how government calculates and makes the payment available to electricity retailers. Accordingly, the commission considers this may be a barrier to competition.

Any reduction in the cost of supplying electricity could translate to a reduction in the level of CSO paid to electricity retailers and a redirection of the funds to other government priorities, such as health, education and police. Alternatively, the savings could be provided to customers.

16 https://treasury.nt.gov.au/__data/assets/pdf_file/0011/277607/Budget-Overview-2017-18-book.pdf

2 Retail performance

Retail performance

This chapter considers the performance of retailers providing services to small electricity customers (customers consuming less than 160 MWh per annum) and focuses on:

- telephone responsiveness
- complaints by type and retailer.

This chapter also discusses the commission's views in relation to potential gaps in dispute resolution obligations for retailers.

It should be noted retailers are only required by the Code to report to the commission on customers consuming less than 160 MWh per annum. Accordingly, information on performance for large customers is not included in this report.

Customer service

A retailer's role is to look after its customers' electricity needs and act as first point of contact for any electricity matters. An electricity customer may need to contact their retailer for a number of reasons, such as to query a bill, change payment arrangements or make a complaint.

Customer service provided by retailers is important as it is the main interaction between customers and the market. One indication of customer service is a retailer's telephone responsiveness, measured through total calls received, calls taken within 30 seconds and calls abandoned before being answered (Table 4).

The commission acknowledges it is not appropriate to rely on telephone responsiveness alone in assessing the level of a retailer's customer service but is limited by the data it has received. The commission will seek to enhance the level of data and subsequent analysis regarding customer service in future reports.

Table 4. Retailers telephone responsiveness

	Total Calls			Calls taken within 30 seconds			Calls abandoned before being answered		
Retailer	2016-17	2017-18	change	2016-17	2017-18	change	2016-17	2017-18	change
Jacana	151 000	153 172	1.4%	69.3%	64.0%	- 7.6%	4.2%	4.2%	0.0%
Other	0	3	n.a.	n.a.	100%	n.a.	n.a.	0.0%	n.a.

n.a.: not applicable

The commission notes 2016-17 was the first full year that Jacana Energy operated its own call centre following structural and operational separation from PWC.

Although fairly consistent with levels reported in previous years, there was a small increase in the number of calls Jacana Energy received during 2017-18. The commission does not consider this increase an issue as there were some extenuating circumstances that may have contributed to this increase, such as Tropical Cyclone Marcus and new billing, discussed further in this report.

While the number of calls abandoned before being answered has remained consistent with that reported for the previous year, the number of calls answered within 30 seconds

has fallen by 7.6 per cent to 64 per cent. In contrast, it was reported by the AER[1] that for NECF retailers in 2017-18, more than half of energy retailers answered at least 80 per cent of calls within 30 seconds and had average waiting times of less than one minute.

Jacana Energy has indicated the deterioration in performance regarding calls taken within 30 seconds is due to increased call traffic associated with its transition to a new retail operating system. Further, Jacana Energy states, before the transition, it was forecasting to be above its target of 70 per cent. The commission has been assured a recovery plan is in place.

The commission considers the small number of total calls taken by other retailers for small customers is reasonable given few small customers have transferred from Jacana Energy to a private retailer.

Complaints

In accordance with the Code, complaints are recorded and categorised by retailers as billing, marketing, transfers, hardship and other. These categories, and associated definitions, are largely consistent with those adopted by the AER[2] for the following:

- billing, including complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- marketing, including complaints about sales practices, advertising, contract terms and misleading conduct
- transfers, including complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- other, including complaints about customer service, privacy issues, failure to respond to complaints, and health and safety issues.

The remaining category, 'hardship', is a specific reporting category included in the Territory's Code and refers to complaints associated with customer hardship measures.

Customer complaints as a percentage of total customers, further segmented by category, for all retailers supplying small customers are shown in Figure 6 for the three years to 2017-18.

1 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

2 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

Figure 6. Customer complaints as a percentage of total customers, further segmented by category

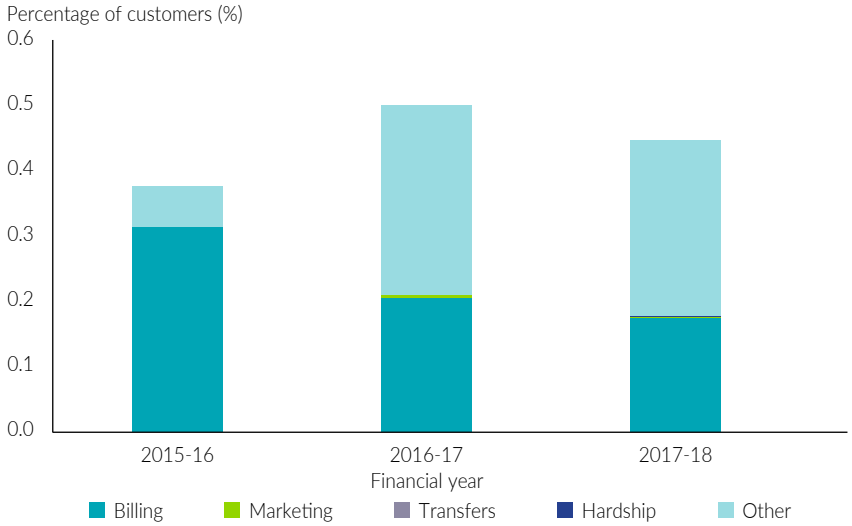


Figure 6 indicates customer complaints for all retailers as a percentage of total customers is relatively low in the Territory, approximately 0.4 per cent, for 2017-18. This is 10.6 per cent lower than for 2016-17 and lower than the 3.2 per cent reported by jurisdictions covered by NECF[3], noting this includes complaints by customers related to gas as well as electricity.

Due to the very low number of complaints categorised as 'marketing', this category cannot been seen in Figure 6. No complaints have been recorded over the last three years for the 'transfers' category. This is not unexpected considering the low number of small customers churning (transferring to a different retailer).

Complaints are consistently dominated by the 'billing' and 'other' categories, with the percentage of complaints categorised as 'other' increasing as a percentage of total complaints. The high number of complaints categorised as 'other', compared to the alternative categories, may suggest a need to broaden the definition of the existing categories or include additional categories to provide more detail on the types of complaints to retailers.

The number of complaints regarding billing has steadily decreased over the last three years. In contrast to the Territory, the main driver for complaints in the NECF jurisdictions is billing-related issues, followed by transfers.[4]

The total number of small customer complaints by retailer and approaches to the Ombudsman is shown in Table 5. As the Ombudsman can only deal with complaints regarding the government owned electricity retailer, Jacana Energy (and PWC) in relation to electricity retail issues, no data is reported for other retailers in relation to this indicator.

As the Ombudsman can only deal with electricity retail complaints relating to the government owned electricity retailer, Jacana Energy (and PWC), no data is reported for other retailers in relation to this indicator.

3 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

4 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

Table 5. Total small customer complaints to retailers and approaches to the Ombudsman[5]

	Complaints to retailer			Approaches to Ombudsman				
Retailer	2016-17	2017-18	Change[1]	2016-17	2017-18	Change	2017-18 approaches as a percentage of retailer complaints	2017-18 approaches regarding Jacana Energy as a percentage of total Ombudsman complaints
Jacana	0.5%	0.4%	-10.6%	83	134	61.4%	35.3%	5.8%
Other	0	0	0.0%	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.: not applicable

1 Percentage change is calculated using full (unrounded) numbers.

Jacana Energy has reported a 10.6 per cent reduction in complaints as a percentage of customers to 0.4 per cent for 2017-18, a 5.5 per cent reduction in the total number of complaints. The percentage of Jacana Energy complaints to customers is significantly lower than the 3.2 per cent[6] average reported by NECF jurisdictions. However, there has been a significant increase in approaches to the Ombudsman.

While the increase in approaches to the Ombudsman may provide positive evidence consumers are aware of their ability to seek advice and escalate a complaint to an external dispute resolution provider, it could indicate Jacana Energy's internal dispute resolution processes may not be aligned with best practice.

The commission discussed the increase in approaches to the Ombudsman with Jacana Energy, and Jacana Energy has indicated the result is largely due to extenuating circumstances in 2017-18, namely from estimation of bills as a result of Tropical Cyclone Marcus in March 2018. The commission understands there were approximately 26 900 electricity customers impacted by Tropical Cyclone Marcus with large numbers of customers' meters unable to be read. Where a meter is not read, a bill will be estimated.

Jacana Energy states once a bill has been estimated it is unable to accept an out-of-cycle meter read and, therefore, any changes must wait for the next billing cycle. This can lead to customer frustration, particularly when the estimate (and therefore the bill) is higher than the actual amount of electricity consumed. This was further exacerbated by recent improvements to the format of Jacana Energy's bills that makes it clearer when a bill has been estimated.

The Ombudsman NT Annual Report 2107-18 supports Jacana Energy's explanation of increases in approaches to the Ombudsman. Two of the top three most commonly raised issue categories were excessive charges and solar. These categories include issues arising from the estimation of bills.

Approaches to the Ombudsman in 2017-18 equate to 35.3 per cent of the total complaints received by Jacana Energy. Although not shown, this is an increase from 20.6 per cent reported in 2016-17. This is significantly higher than the average reported by NECF jurisdictions at around 18 per cent[7].

5 NT Ombudsman 2017-18 Ombudsman Annual Report available at: http://www.ombudsman.nt.gov.au/publications/2017-18-ombudsman-annual-report

6 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

7 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

Jacana Energy indicated to the commission it has found occasions where customers present to the Ombudsman without providing an opportunity for Jacana Energy to resolve complaints in the first instance. In these cases, the complainant is referred to Jacana Energy by the Ombudsman and evidence shows Jacana Energy is usually able to resolve these complaints directly with the customer. The Ombudsman has indicated to the commission that this is correct. Jacana Energy publishes information on its website regarding the handling of complaints, which is mandated in NECF jurisdictions but not in the Territory. However, this information is difficult to locate.

Jacana Energy has advised the commission it is currently undertaking a comprehensive review of its Complaints Management Policy and procedures and practices for managing complaints, including how complaints are handled at the first point of contact and escalated for internal review or investigation if frontline customer care agents are unable to resolve the issue to the satisfaction of the customer. The review and policy refresh is intended to improve employee and customer awareness and understanding of Jacana Energy's complaints management practices and aims to reduce the level of complaints made externally in the future.

Consistent with the previous three years, other retailers reported zero complaints. The commission will work to determine in future reports whether this is due to a smaller market share or compliance issues in relation to the recording and reporting of complaints.

Dispute resolution

Through existing retail licence conditions in the Territory, retail licensees must fix standard terms and conditions for the sale of electricity to customers, which can include a dispute resolution process. However, there is no legislated obligation on retailers to have in place an internal or external dispute resolution process. Therefore, retailers are left to determine what is appropriate regarding the handling of disputes, which may not be in the best interests of consumers.

The commission has the function to investigate and help resolve complaints relating to conduct or operations of licensed entities under relevant industry legislation. In practice, this mechanism is only used by large customers that wish to pursue a licensed entity on the basis there has been a breach of a licence condition or the entity has operated contrary to the objects of the ER Act.

Accordingly, the commission investigates and receives complaints from large customers and refers small customer complaints to the Ombudsman who can deal with complaints relating to Jacana Energy and PWC as they are government owned. However, there is a gap whereby no external dispute resolution services are available to customers of privately owned electricity retailers. Further, as the Ombudsman deals with complaints relating to all government entities it may not have specialist knowledge of the electricity industry and associated customer issues. The Ombudsman has indicated to the commission that, although the office does not have a dedicated electricity industry team or possess specialist electricity industry knowledge, staff members have a reasonable level of expertise due to the significant volume of electricity complaints.

In the Territory, Australian Consumer Law also provides non-electricity industry-specific protections regarding safe goods, fair contracts and sound sales practices administered

by NT Consumer Affairs, an independent office within the Department of the Attorney-General and Justice.

Nationally

Nationally, all jurisdictions except the Northern Territory place requirements on retailers to have internal and external dispute resolution processes in place. In New South Wales, Queensland, Tasmania, Australian Capital Territory and South Australia, this is managed through the NECF. Victoria has largely harmonised the Victorian Energy Retail Code with NECF. Western Australia manages customer protections within the Code for the Supply of Electricity to Small Use Customers.

Retailers in these jurisdictions are generally required to develop, publish (via a website) and comply with a set of procedures consistent with Australian standards for handling residential and small business customer complaints and disputes. These procedures must be regularly reviewed and updated where necessary.

Nationally, small customers have access to an external dispute resolution scheme, regardless of the ownership of the retailer, ensuring a customer has an independent means of escalating a complaint. This is provided through either a dedicated energy ombudsman, such as the Energy and Water Ombudsman South Australia and the Energy and Water Ombudsman Victoria or, as is the case in Tasmania, a broader Ombudsman scheme (compared to the Ombudsman) that enables the provision of associated services to customers of all electricity retailers, regardless of ownership.

Recommendation

In the short term, as a reduction in Ombudsman approaches may be achieved through putting in place obligations on all retailers to have internal dispute resolution procedures in line with Australian standards and electricity industry best practice, the commission will consider updating its Electricity Retail Supply Code to include associated obligations appropriate for the Territory's circumstances. The code is currently under review.

The commission understands the Territory Government has not committed to adopting NECF but is considering a formal framework for electricity customer protections, including options to strengthen the external dispute resolution framework, as part of the its broader electricity market reform agenda.

Regarding establishing a dedicated electricity ombudsman or expanding the Ombudsman's remit to deal with private retailer customers, the commission acknowledges this may lead to increased costs that would need to be funded by government (that is, taxpayers) or the Territory electricity industry, or both, and is aware there is currently only a small number of customers supplied electricity by private retailers.

Nonetheless, it is important appropriate external dispute resolution services are available to electricity customers, regardless of which retailer a household or business chooses. Accordingly, it is encouraging that the Territory Government is exploring options to strengthen the external dispute resolution framework.

3 Payment difficulties and hardship

Payment difficulties and hardship

This chapter considers how retailers manage customers experiencing payment difficulties and financial hardship and focuses on:

- debt level of customers
- customers on payment plans
- customers on a hardship program
- disconnections for non-payment.

This chapter also discusses the commission's views in relation to potential gaps in hardship policy obligations for retailers.

Retailers are only required by the Code to report to the commission on customers consuming less than 160 MWh per annum. Accordingly, information on payment difficulties for large customers is not included in this report.

Debt

Electricity bill debt is an indicator of the affordability of electricity and how effectively retailers are dealing with customers experiencing payment difficulties. Increasing or prolonged electricity bill debt should be an indicator to a retailer that a customer may require assistance, such as being placed onto a payment plan or, in more serious cases, a hardship program.

Under the Code, retailers are required to report on the number of residential and small business customers with electricity bill debt and the average debt of customers. For the purpose of this reporting, electricity bill debt is defined as debt outstanding for 90 days or longer from the date a bill is due, consistent with the AER's reporting requirements.

Jacana Energy has advised the commission it is aware some retailers in other jurisdictions are calculating debt from the invoice issue date, which is inconsistent with the AER's reporting requirements. Following discussions with the AER, the commission understands this may be the case. While this difference in approach to the reporting of debt has the potential to impact accurate comparisons between retailers and jurisdictions, the comparisons are still indicative.

The percentage of residential customers with electricity bill debt and the average debt are shown in Table 6, noting there are no comparisons with past performance due to reporting against the Code only commencing in 2017-18.

Table 6. Level of residential customer debt (90 days or greater)

	2017-18
Residential customers with debt	3.5%
Average residential customer debt	$424.21

The percentage of residential customers with electricity bill debt, at 3.5 per cent, is higher than that reported by NECF jurisdictions at 2 per cent[1]. The Territory percentage may

1 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

be slightly inflated due to a small number of hardship customers being included (not considered material given the limited number of people on a hardship program in the Territory), which is reported separately by the AER. In contrast, the average debt reported in the Territory for a residential customer ($424.21) is less than half that reported in NECF jurisdictions, $1001.47.

The percentage of small business customers with electricity bill debt and the average debt is shown in Table 7.

Table 7. Level of small business customer debt (90 days or more)

	2017-18
Small business customers with debt	2.9%
Average small business debt	$2371.11

The percentage of small business customers with electricity bill debt, at 2.9 per cent, is consistent with levels reported by NECF jurisdictions[2]. However, the average debt of a small business customer reported in the Territory ($2371.11) is higher than that reported in NECF jurisdictions ($1781.53).

Jacana Energy has indicated the higher average debt for small business customers in the Territory may be attributable to significant economic challenges currently being experienced and the seasonality of electricity bills.

Payment plans

A payment plan is generally the first step in assisting a customer experiencing payment difficulties of a short-term nature, often stemming from a sudden or unexpected change in circumstances, such as a temporary job loss, unexpected repair bill or a minor illness. A payment plan is a standard approach that could be considered as a 'one size fits all' solution and does not necessarily consider a customer's circumstances on an individual basis.

The percentage of residential customers on a payment plan is shown in Table 8. Reporting of payment plan data has not previously been required under the Code. Accordingly, there are no comparisons with previous years.

Table 8. Percentage of residential customers on a payment plan

Retailer	2017-18
Jacana	2.8%
Other	0.0%
NT	2.8%

The percentage of residential customers in the Territory on a payment plan (2.8 per cent in 2017-18) is higher than that reported by NECF jurisdictions (2.3 per cent[3]), noting the NECF jurisdictions value does not include customers on a hardship program. This may slightly inflate the numbers reported in the Territory. However, the commission believes

2 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

3 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

this would not have a significant impact, considering the limited number of people on a hardship program. Given the Territory has a higher percentage of customers with electricity bill debt, the high number of customers on a payment plan is considered a positive.

Hardship programs

A hardship program is generally the next line of support for a customer overwhelmed by payment difficulties where a standard payment plan is not sufficient. It is generally appropriate for customers facing longer term and more entrenched financial difficulties, such as systemic budget management issues, or loss of income source due a family death or serious illness.

A hardship program is ideally tailored to the individual customer and actively managed by the retailer. A hardship program should keep a customer engaged with their retailer and, where possible, strive to reduce debt and move a customer back to a regular bill cycle.

The percentage of small customers on a hardship program by retailer, and for the Territory overall, for the past three years is shown in Table 9.

Table 9. Small customers on a hardship program

Retailer	2015-16	change	2016-17	Change[1]	2017-18	Change[1]
Jacana	0.2%	n.a.	0.2%	17.9%	0.1%	- 32.4%
Other	0.0%	n.a.	0.0%	0.0%	0.0%	0.0%
NT	0.2%	n.a.	0.2%	17.9%	0.1%	- 32.4%

n.a.: not applicable

1 Percentage change is calculated using full (unrounded) numbers.

The percentage of small customers on a hardship program at 0.1 per cent appears low when compared to that reported by NECF jurisdictions, 1.1 per cent[4], particularly given the larger number of customers with electricity bill debt in the Territory.

Jacana Energy has indicated the lower percentage of customers on its hardship program, relative to NECF jurisdictions, may relate to the greater availability of payment options available to customers outside the hardship program, such as payment extensions and payment plans. These options help avoid the need to place a customer experiencing financial difficulties on the hardship program. This interpretation is supported by data reported for the number of customers on a payment plan.

Additionally, Jacana Energy is currently reviewing its Hardship Policy and Credit Management Policy and has been working closely with customer support agencies and other relevant stakeholders to gain insight into how their hardship program can be amended to best assist customers experiencing financial difficulties. Following the review and policy refresh, there may be a number of customers currently on payment plans moved onto a hardship program.

The commission expects to receive a greater level of data in subsequent years regarding hardship due to the maturity of reporting against the Code and retailers further aligning their systems to the Code's reporting requirements. Therefore, a greater level of analysis

4 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

will be possible in this area in future reports. Indicators the commission would like to consider include the debt level of customers entering into a hardship program, the number of customers successfully completing the program and the reasons for customers exiting a hardship program.

Disconnections

Disconnections for non-payment should be considered a last resort and avoided where possible. Disconnection should only occur where a payment plan or hardship program has been unsuccessful.

The percentage of residential customers disconnected for non-payment in the last three years is shown in Table 10.

Table 10. Percentage of residential customers disconnected for non-payment

Retailer	2015-16	change	2016-17	Change[1]	2017-18	Change[1]
Jacana (residential)	8.2%	n.a.	3.5%	- 56.5%	3.1%	- 11.7%
Other (residential)	0.0%	n.a.	0.0%	0.0%	0.0%	0.0%
NT	8.1%	n.a.	3.5%	- 56.5%	3.1%	- 11.7%

n.a.: not applicable

1 Percentage change is calculated using full (unrounded) numbers.

The Territory has seen continued improvement over the last three years in the number of residential customers disconnected for non-payment. However, 3.1 per cent of residential customers disconnected for non-payment is still considered very high compared to NECF jurisdictions, which reported 1.14 per cent. The commission is particularly concerned by the high number of residential customer disconnections for non-payment given the low number of small customers reported to be on a hardship program and lack of customer protections in the Territory, such as dispute resolution and requirements to have an approved hardship policy.

The AER advises[5] disconnection rates in NECF jurisdictions do not mirror the proportion of customers on hardship programs, indicating that where more customers are accessing hardship assistance, fewer are disconnected. This is consistent with data reported in 2017-18 for the Territory.

5 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

The percentage of small business customers disconnected for non-payment in the last three years is shown in Table 11.

Table 11. Percentage of small business customers disconnected for non-payment

Retailer	2015-16	change	2016-17	Change[1]	2017-18	Change[1]
Jacana (small business)	5.6%	n.a.	0.9%	- 84.8%	2.4%	180.1%
Other (small business)	0.0%	n.a.	0.0%	0.0%	16.9%	N/A
NT	5.6%	n.a.	0.8%	- 84.8%	2.5%	189.4%

n.a.: not applicable

1 Percentage change is calculated using full (unrounded) numbers.

The percentage of small business customers disconnected for non-payment in 2017-18 at 2.5 per cent is significantly higher than reported in 2016-17, although still lower than 2015-16 levels. The percentage reported for 2017-18 is significantly higher than the 0.72 per cent reported in NECF jurisdictions[6]

Jacana Energy has indicated the higher disconnections for non-payment in the Territory compared to NECF jurisdictions may be influenced by challenging economic and climatic conditions in the Territory. High temperatures and humidity levels year round and the absence of mains gas at premises mean consumption levels in the Territory are higher compared to most other jurisdictions, which leads to higher electricity bills. The prevailing economic challenges may be impacting electricity affordability, resulting in higher levels of disconnections for non-payment.

As above, Jacana Energy is conducting a review of its Hardship Policy and Credit Management Policy, which aims to increase its ability to work with customers to manage their payments and avoid disconnection.

In early 2019 Jacana Energy rolled out a new product called Reliabill that allows customers to pay the same amount towards their electricity bill every month with the amount based on billing history. Jacana Energy states Reliabill will help customers avoid big seasonal bills that can lead to bill shock and potential disconnections due to non-payment. The commission will monitor the success of this initiative over the coming years, noting it is unlikely any significant impact will be made on disconnections in 2018-19 given it will have been in place less than six months.

Other retailers have reported small business customer disconnections for non-payment in 2017-18 of 16.9 per cent compared to zero in previous years. The commission notes all small business customer disconnections by other retailers are related to one retailer and one account with multiple premises.

6 AER 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market available at: https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

Hardship policy

Despite the Code requiring Territory retailers to report to the commission on indicators regarding debt, payment plans, hardship and disconnections for non-payment for small customers, there is no legislative requirement for electricity retailers to have a hardship policy in place. Accordingly, retailers in the Territory are left to determine what is appropriate regarding hardship provisions.

The commission has been advised by all retailers in the Territory with small customers that they have hardship policies in place. While this appears positive, it should be noted the commission has not considered the adequacy of these policies. Further, a recent South Australian Financial Counsellors Association (SAFCA) report into Jacana Energy's hardship policy suggests there may be some gaps between the policy and best practice in other jurisdictions.

SAFCA's report indicates Jacana Energy's hardship policy reads more like a debt collection policy rather than a hardship policy, where a customer must commit to paying the outstanding debt plus ongoing consumption over a 12-month period in order to stay on the hardship program. It is SAFCA's view the hardship program is lagging behind best practice in other jurisdictions in energy and similar services. Analysis of data by SAFCA shows the disconnection rate for non-payment per 100 Jacana Energy customers during 2016-17 and 2015-16 compares poorly to Victorian energy companies.

SAFCA indicates it has received reports Jacana Energy takes an inflexible blanket approach to hardship that does not take customers' individual circumstances into account. It is suggested Jacana Energy is not receptive to a financial counsellor's recommendations regarding a customer's circumstances and capacity to pay when, in fact, the counsellor may be better placed to make an assessment.

SAFCA says feedback received from Territory community groups is that Jacana Energy staff members are inconsistent with their approach towards hardship, with different employees offering a differing quality of advice and assistance.

Nationally

As stated, all national jurisdictions except the Territory have customer protection obligations in place.

For jurisdictions covered by NECF, the AER is obligated by the NERR to produce and publish a customer hardship policy guideline. A retailer must submit a customer hardship policy that complies with the customer hardship policy guideline to the AER for approval.

Further, the NERR deals with the disconnection of customers for non-payment and places a number of obligations on retailers that must be complied with.

Recommendation

Given the hardship policy gaps identified, which may be translating to higher disconnections due to non-payment than necessary, the commission recommends fit-for-purpose obligations on retailers to have in place an approved hardship policy for small customers appropriate for the Territory's circumstances, in line with electricity industry best practice.

The commission understands the Territory Government is considering a formal framework for electricity customer protections as part of its broader electricity market reform agenda, which may include hardship policy obligations. Accordingly, the commission will continue

working within its powers and with the Territory Government to understand and, where appropriate, assist in the implementation of this initiative.

Further, the commission will closely monitor Jacana Energy's review of its Hardship Policy and Credit Management Policy, and all Territory electricity retailers' future performance regarding customers experiencing financial hardship. The commission will keep government informed of its findings.

Glossary

AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CSO	Community Service Obligation is paid to retailers by the Government to account for the difference between the regulated tariff and the cost of supply
EPO	Electricity Pricing Order is a Territory Government instrument to regulate electricity prices
ER Act	*Electricity Reform Act 2000*
IES	Indigenous Essential Services
Jacana Energy	Jacana Energy is a government owned corporation established in accordance with the *Government Owned Corporations Act*.
KW	kilowatt, 1kW = 1 thousand watts
MW	megawatt, 1MW = 1 million watts
NECF	National Energy Customer Framework adopted by Queensland, New South Wales, Australian Capital Territory, South Australia and Tasmania
NERR	National Energy Retail Rules
NTERR	Northern Territory Electricity Retail Review, this report
NTPCCS	Northern Territory Pensioner and Carer Concession Scheme
Ombudsman	An official appointed to investigate complaints by citizens against the government or its agencies, an organisation, or a company
Residential customer	Customer with consumption of less than 160 MWh per annum and charged a domestic tariff in accordance with the Electricity Pricing Order
SAFCA	South Australian Financial Counsellors Association
Small business customer	Customer with consumption of less than 160 MWh per annum and charged a commercial tariff in accordance with the Electricity Pricing Order
Territory	Northern Territory
PWC	Power and Water Corporation is a government owned corporation in accordance with the *Government Owned Corporations Act*. PWC currently has both a licence to operate the network and perform system control operations. It also holds retail and generation licences in respect to supplying electricity to remote and indigenous communities
Regulated systems	Territory power systems subject to economic regulation, namely Darwin-Katherine, Tennant Creek and the Alice Springs power systems