UTILITIES COMMISSION
OF THE NORTHERN TERRITORY

Northern Territory Electricity Retail Review

2018-19

Disclaimer

The Northern Territory Electricity Retail Review (NTERR) is prepared using information sourced from participants of the electricity supply industry, Northern Territory Government agencies, consultant reports and publicly available information. The NTERR covers the financial year ending 30 June 2019. The Utilities Commission understands the information received to be current as at April 2020.

This 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.

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

About this review

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 PSR the commission undertook a survey with stakeholders to gauge the usability and usefulness of the review. Accordingly, to improve the commission's annual reporting, the PSR was split into three separate publications, namely:

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

This review 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 (EIP Code). However, the review does include some observations in relation to larger customers, such as those related to market share and competition.

The review's main purpose is to inform the Minister for Renewables, Energy and Essential Services (as regulatory minister), government, licence holders and stakeholders of the 2018-19 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 review focuses solely on Northern Territory retail performance, the commission expects any issues will be highlighted in a way not achieved previously with a single PSR.

This is the second electricity retail review in the Territory, therefore comparisons with past performance are limited. The commission intends to develop the NTERR over the coming years as more data is received.

The 2018-19 NTERR is prepared by the commission in accordance with section 45 of the *Electricity Reform Act 2000* (ER Act). The review is restricted to the Northern Territory's regulated power systems, namely Darwin-Katherine, Alice Springs and Tennant Creek.

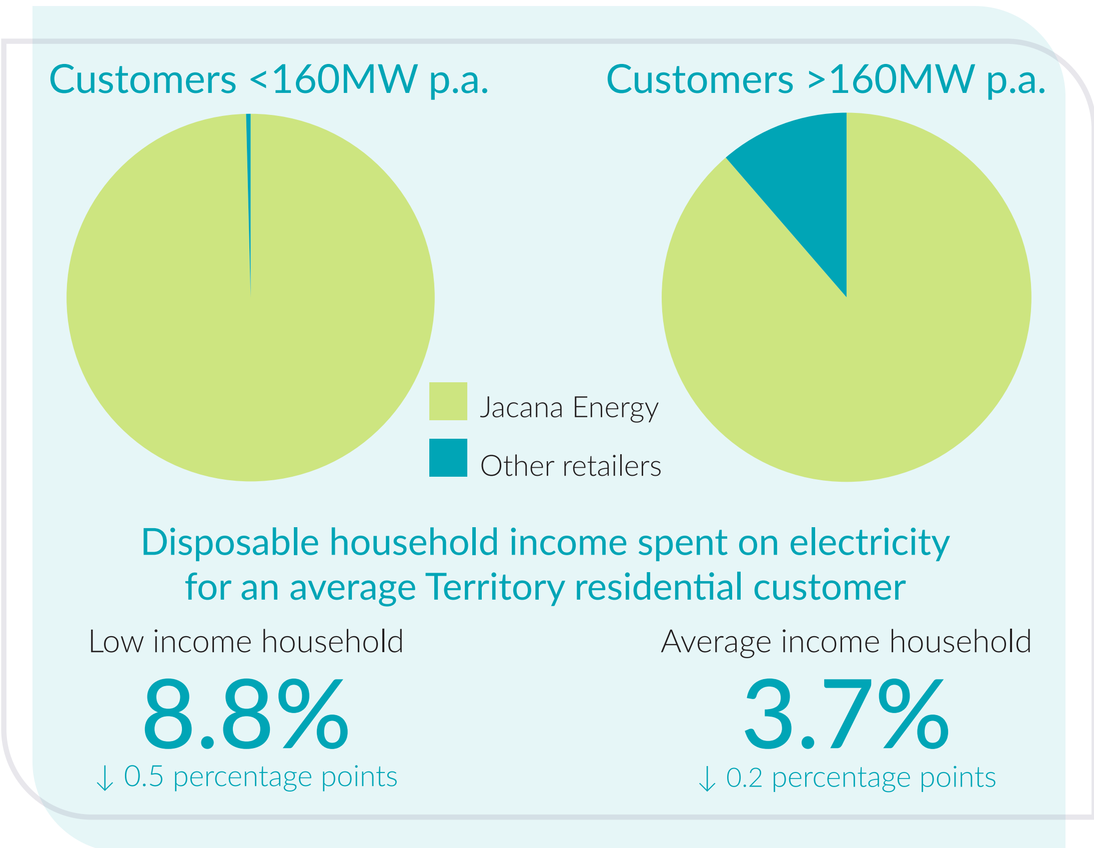
This review makes comparisons with jurisdictions or regions covered by the National Energy Customer Framework (NECF). NECF applies in the Australian Capital Territory, New South Wales, Queensland, South Australia and Tasmania, but not Victoria, Western Australia or the Northern Territory. When this review refers to NECF jurisdictions or regions it has the meaning of jurisdictions covered by NECF (except for the affordability section, which includes Victoria), unless explicitly stated otherwise.

This review does not take into account the impacts the COVID-19 pandemic may have on the electricity supply industry, including future government economic assistance and stimulus measures, and has not been considered in the assessments and commission's views of the industry.

Key findings and recommendations

Retail market overview

- Limited retail competition in the Territory continued in 2018-19, with Jacana Energy remaining the dominant retailer, particularly for small customers (residential and small business) with 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.
- Although marginally improving in 2018-19, the affordability of electricity in the Territory is poor compared to NECF jurisdictions' market offer contracts, with low income households the most impacted. However, the poor affordability of electricity in the Territory is largely driven by high consumption.
- The regulated electricity tariff in the Territory, which is the maximum price that may be charged for electricity supply to customers consuming less than 750 MWh per annum, is lower than the cost of supply.
- Regulating prices for customers up to 750 MWh per annum results in a significant number of very large commercial customers receiving taxpayer subsidised and below-cost reflective prices.
- The Territory Government's community service obligation (CSO) payment to retailers lacks transparency for customers and industry, and may be an associated barrier to competition.



Retail performance

- There was a large increase in call volume to Jacana Energy in 2018-19, however the commission considers this was managed well.
- Customer complaints to retailers increased in 2018-19, however the number of customers complaining was much lower than NECF jurisdictions.
- Approaches to the Ombudsman NT as a percentage of customer complaints to Jacana Energy slightly decreased in 2018-19, although around a third of Jacana Energy complaints result in an approach to the Ombudsman.
- A reduction in Ombudsman approaches may be achieved through putting in place obligations on all retailers to have appropriate internal dispute resolution procedures.
- There is a gap whereby there are no external dispute resolution services available to customers of privately owned electricity retailers. The commission notes that the Territory Government has indicated it is exploring options to strengthen the external dispute resolution framework.

Jacana Energy calls taken within 30 seconds

67%

↑ 2.8 percentage points

Jacana Energy calls abandoned before being answered

4.1%

↓ 0.6 percentage points

Customer complaints

0.7%

↑ 0.3 percentage points

Approaches to Ombudsman as a total of Jacana Energy complaints

33.5%

↓ 1.8 percentage points

Payment difficulties and hardship

- There was a decrease in the percentage of residential customers with energy bill debt in the Territory during 2018-19, however the average amount of this debt increased slightly. Both outcomes are much lower than NECF jurisdictions.
- There was a decrease in the percentage of small business customers with energy bill debt in the Territory during 2018-19, although the average associated bill debt increased. Both outcomes are lower than NECF jurisdictions.
- The percentage of residential customers in the Territory on a payment plan is higher than NECF jurisdictions. Based on the findings of the review, this may indicate that Territory retailers are identifying customers with less serious payment difficulties early.
- Although increasing in 2018-19, the percentage of residential customers on a hardship program in the Territory appears low when compared to NECF jurisdictions. Based on the findings of the review, this may suggest that Territory retailers did not quickly or effectively identify more serious payment difficulties.
- The percentage of residential customers disconnected for non-payment in 2018-19 increased from an already high level, with this level being much higher than NECF jurisdictions. The percentage of small business customers disconnected for non-payment significantly reduced during 2018-19, and is now only marginally higher than NECF jurisdictions.
- Jacana Energy reviewed its hardship and credit management policies in consultation with stakeholders near the end of 2018-19 and made a number of positive changes.
- The commission recommends that government introduce fit-for-purpose obligations on retailers to have in place an approved hardship policy for small customers that is appropriate for the Territory's circumstances, in line with industry best practice.

Residential customers with debt
0.9%
↓ 0.8 percentage points

Residential customers disconnected for non-payment
3.5%
↑ 0.4 percentage points

Average residential customer debt
$369
↑ $17 (4.8%)

Residential customers on a payment plan
2.1%
↓ 0.1 percentage points

Residential customers on a hardship program
0.3%
↑ 0.1 percentage points

Small business customers with debt
1.4%
↓ 1.5 percentage points

Small business customers disconnected for non-payment
1.1%
↓ 1.4 percentage points

Average small business customer debt
$1768
↑ $162 (10.1%)

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1 Retail market overview

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

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

This chapter also includes high level discussion on issues that impact electricity costs for electricity customers, 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 the electricity to households and businesses. Retailers are the first point of contact for the public to connect to the electricity network 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 lists the licensed retailers in the Territory as at 30 June 2019.

Table 1: Licensed retailers in the Territory[1] as at 30 June 2019

Retailer	Licence issued
EDL NGD (NT) Pty Ltd	30 June 2016
Jacana Energy	31 March 2005
Next Business Energy Pty Ltd	29 June 2018
Power and Water Corporation[2]	31 March 2005
QEnergy Limited	4 February 2011
Rimfire Energy	11 August 2014

At the close of the 2018-19 financial year, the number of licensed retailers in the Territory had decreased from seven to six, following the surrender of ERM Power's retail licence on 31 August 2018.

Retail competition

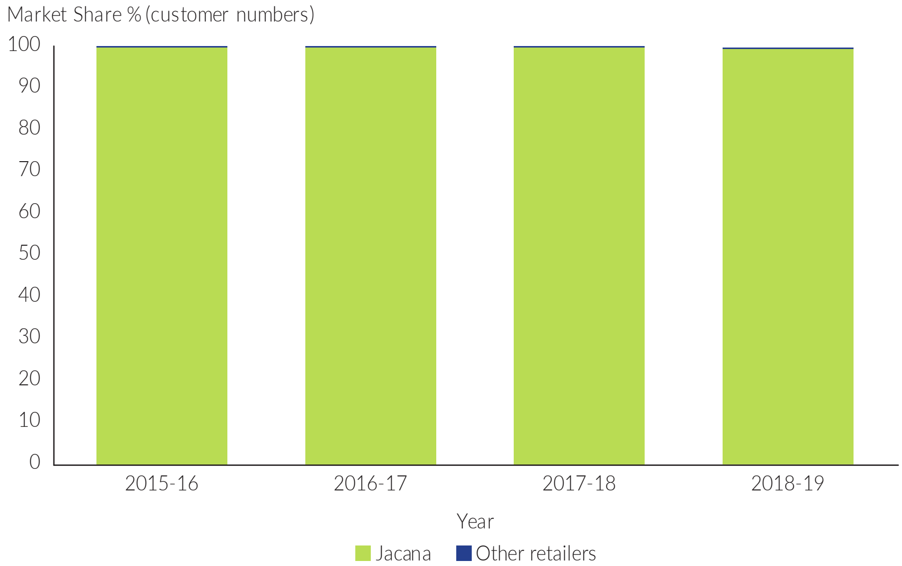
Although full retail contestability in the Territory was achieved in 2010 and there were up to six licensed electricity retailers able to operate in the three regulated systems in the Territory during the 2018-19 financial year, excluding the Power and Water Corporation (PWC), there was (and remains) limited retail competition in the Territory in 2018-19. This is particularly evident in the small customer segment where the market share is dominated by

1 For the most up to date list of licensees see https://utilicom.nt.gov.au/electricity/licences/register-of-electricity-licences-and-exemptions.

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

Jacana Energy, the government owned retailer (Figure 1). While there appears to be a slight increase in the market share of other retailers over the last four years, the increase is minimal.

Figure 1: Market share of retailers by customer numbers for customers consuming < 160 MWh per annum



In last year's review, the commission commented that there appeared to be a lack of interest from private retailers in competing for small customers. The commission observed that Rimfire Energy, the most active alternative electricity retailer to Jacana Energy, explicitly stated on its website that it was only selling to customers consuming more than 750 MWh per annum and a select group of small customers. There also appeared to be limited information available on its website regarding its electricity tariffs or associated products for small customers, which may have been a deterrent to potential new small customers.

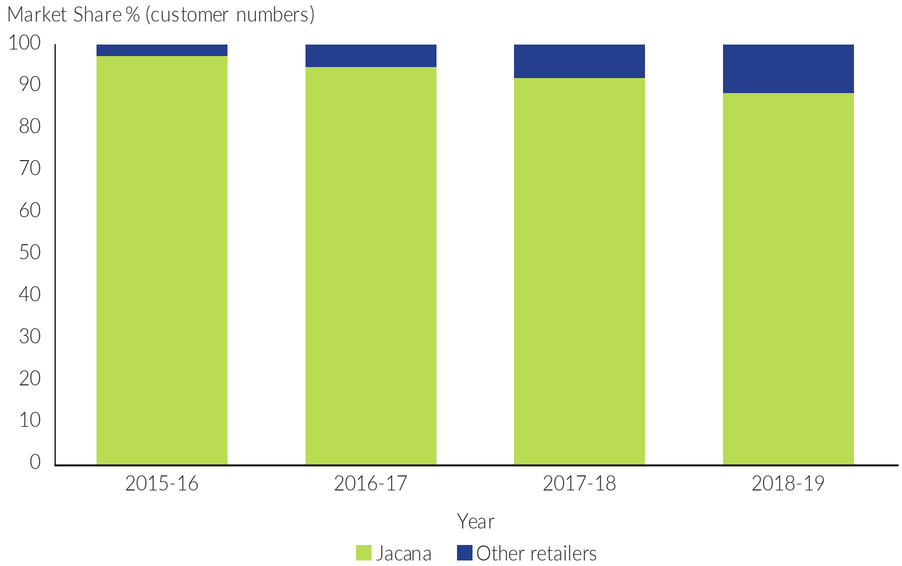
The commission notes there have been positive changes in this area with Rimfire Energy now advertising that it retails to residential customers (defined by Rimfire Energy as residential customers that consume less than 160 MWh) and small business customers (defined by Rimfire Energy as customers that consume less than 750 MWh per annum where their premises is used for operating a business), as well as large business customers. Further, Rimfire Energy updated its website during 2018-19 to include information on its products and pricing.

Despite this, and as visually demonstrated in Figure 1, the dominance of Jacana Energy for small customers continues, with no indication of any significant increased competition eventuating under current market conditions.

In contrast to the small customer market, the market share of retailers for customers consuming greater than 160 MWh per annum continues to increase to some degree, as shown in Figure 2. In the past year, there has been around a 2 percentage point increase in other retailers' market share. However, the overall level is still low, with other retailers maintaining just over 10 per cent of the market share for customers consuming more than 160 MWh.

Although not shown, the commission notes that competition is most pronounced amongst the largest customers, those consuming greater than 750 MWh per annum, particularly in the Darwin-Katherine region.

Figure 2: Market share of retailers by customer numbers for customers consuming > 160 MWh per annum



As discussed later in this review, and in previous reviews published by the commission, there are a number of potential barriers to retail competition in the small customer market that have historically contributed to private retailers' lack of interest in actively targeting small customers' business. These include the requirement for customers to have an interval meter to enable them to change retailers[3] and the Territory Government's uniform tariff policy that regulates the maximum tariff retailers can charge relevant customers.

In relation to interval meters, the commission understands the majority of residential customers that have switched to an interval (or smart) meter have done so in order to connect a rooftop solar photovoltaic (PV) system to the network, rather than to change retailer. While these customers could switch retailer at any time, it is likely they are receiving Jacana Energy's generous one-for-one feed-in-tariff, so would not be inclined to switch. Nonetheless, moving forward there will likely be a steady increase in the number of customers with interval (or smart) meters installed who are not committed to staying with Jacana Energy, and free to move to a new retailer without the upfront cost of a new meter through PWC's new and replacement smart meter program.

The commission acknowledges the Territory Government has addressed the barrier to retail competition presented by regulated tariffs to a degree by providing an associated CSO payment to all retailers, rather than just Jacana Energy, from 1 January 2016. However, based on 2018-19 data, it appears that further work may be needed to encourage the entry of retailers interested in competing in the small to medium electricity customer market to offer innovative products and services, and provide customers with choice.

The commission notes retail competition for small customers also remains low in NECF jurisdictions/regions with regulated prices (Australian Capital Territory, Tasmania and regional Queensland). This appears to be due to these markets still maturing and entry being difficult as a result of price regulation and small customer bases. These similarities are shared with the Territory's regulated power systems.

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

3 As required by clause 5 of the Northern Territory Electricity Retail Supply Code.

commission will work with electricity retailers in future reviews to identify additional indicators (such as what prices and additional services retailers are offering customers and service standards) that may be used to enhance the retail competition assessment.

Affordability

Electricity affordability is a measure of a customer's ability to pay their 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), electricity consumption (particularly if the customer is located where there are extreme temperatures requiring electricity to heat or cool), and retail electricity prices.

To assess electricity affordability and its impact on Territory households, the commission has compared the annual electricity bill for an average Territory residential customer against the disposable income of low and average income households.

The annual electricity bill for an average Territory residential customer used for this review is based on assumed annual consumption of 8611 kWh of electricity and electricity prices consistent with the regulated tariffs set by the Territory Government through the Electricity Pricing Order. For comparison purposes, the commission assumed the level of consumption does not change with the level of disposable household income. The commission has used Australian Bureau of Statistics (ABS) data to determine disposable household income.[4]

The average annual electricity consumption for a Territory residential customer was calculated using data supplied by PWC to the Australian Energy Regulator (AER) as part of its Regulatory Information Notice (RIN) process[5]. This is consistent with the methodology used by the AER in its 2019 Affordability in Retail Energy Markets report[6] (Affordability report), in which customer consumption lags by one year due to the timing of reporting periods, for example the AER's 2019 Affordability report uses consumption data from distribution network service providers' 2017-18 RINs. Accordingly, the average Territory residential customer consumption of 8611 kWh of electricity is from PWC's 2017-18 RIN.

The affordability methodology applied by the commission in this review differs from last year's review, with the results not directly comparable. Importantly, these changes better align the methodology in this review with the AER's Affordability report[7], and in the commission's opinion provides a more realistic assessment.

The commission notes that a key difference in the methodology used in this review compared to the AER in its 2019 Affordability report is the impact of concessions on low income household electricity bills has been removed from the AER's data to perform a more equitable comparison across jurisdictions. This is because energy concessions are not consistently applied across jurisdictions and do not necessarily apply to all low income households.

4 ABS Category No. 6523 https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6523.0Main+Features62017-18?OpenDocument. The commission has applied the Territory wage price index to obtain values for 2018-19 wages, https://nteconomy.nt.gov.au/. The commission has assessed low income as the adjusted lowest income quintile (made up of the lowest two deciles, excluding the first and second percentiles) and average income as the 'all person' value (average across all quintiles).

5 PWC's 2017-18 Economic benchmarking RIN responses, https://www.aer.gov.au/networks-pipelines/network-performance/power-and-water-corporation-rin-responses.

6 AER Affordability in Retail Energy Markets 2019, https://www.aer.gov.au/retail-markets/performance-reporting/affordability-in-retail-energy-markets-september-2019.

7 AER Affordability in Retail Energy Markets 2019, https://www.aer.gov.au/retail-markets/performance-reporting/affordability-in-retail-energy-markets-september-2019.

As the commission's assessment does not include energy concessions for low income households, it should be noted that any affordability results shown in this review for those households are considered to be a 'worst case'.

The commission notes the Territory Government provided approximately $15.6 million in electricity concessions through Territory Families in 2018-19 to Seniors and Concession Scheme customers.[8]

Figure 3 shows the annual electricity bill for an average Territory residential customer as a percentage of disposable household income for low and average income households.

Figure 3: Annual electricity bill for an average Territory residential customer as a percentage of disposable household income

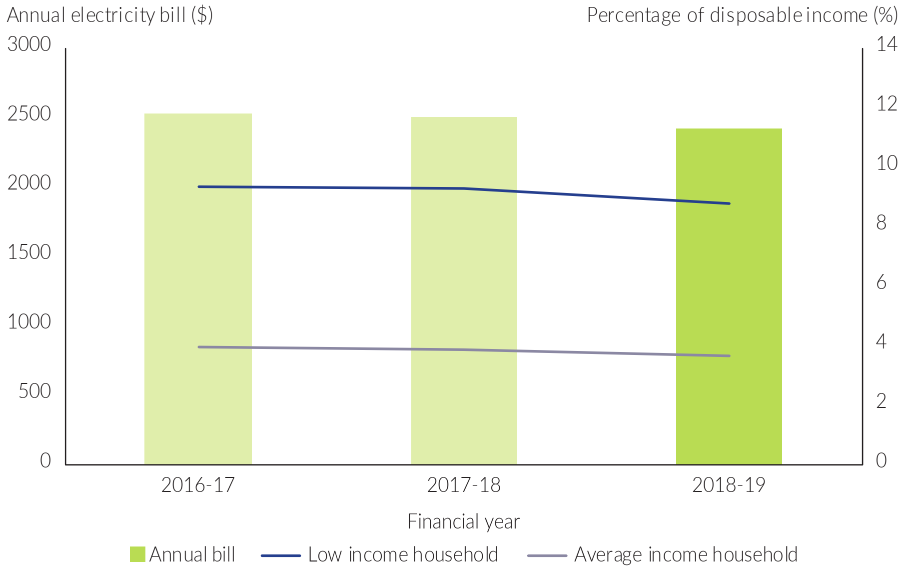


Figure 3 illustrates, based on the average Territory residential customer consumption level over the last three years, annual electricity bills as a percentage of disposable household income have slightly decreased, indicating an improvement in affordability.

In 2018-19, the annual electricity bill for low and average income households in the Territory accounted for 8.8 and 3.7 per cent of the disposable household income, respectively, with a larger improvement for low income households from the previous year. Nonetheless, at 8.8 per cent of disposable household income, the annual electricity bill constitutes a significantly higher percentage of disposable income for low income households compared to other income levels. Consequently, for low income households in particular, even small changes potentially have a large impact.

In comparing the average Territory residential customer's annual electricity bill as a percentage of disposable household income with those in the NECF jurisdictions, this review uses data from the AER's 2019 Affordability report. In its 2017-18 reporting, the AER used a static national average consumption level across all years of the assessment, however changed its methodology in its 2019 Affordability report, which now uses the actual annual consumption data for each year in each region to compare electricity affordability across years and various jurisdictions. The AER's updated methodology has also been adopted by the commission in this review.

8 Northern Territory Government, Northern Territory Budget Paper Number 3 2019-20, page 269, https://budget.nt.gov.au/__data/assets/pdf_file/0005/689945/2019-20-BP3-book.pdf and further information on the concession scheme at https://nt.gov.au/community/seniors/nt-seniors-and-concession-schemes.

In NECF jurisdictions, electricity offers are either a standing offer or market offer (except in Tasmania, which only has standing offers).[9] Standing offers are available to small customers for the sale and supply of electricity under a standard retail contract. Model terms and conditions for standing offer contracts are prescribed by the National Energy Retail Rules (NERR). In contrast, retailers' market offers have less prescriptive terms and conditions, and according to the AER, usually provide more competitive pricing options for customers, including discounts, incentives, and various billing and payment options.

The AER reported 75 per cent of residential electricity customers in NECF jurisdictions (excluding Tasmania) were on market offer contracts in 2018-19. The commission notes that market offers are likely to be more prevalent in jurisdictions with a lower cost of supply and effective competition, which increases a retailer's ability and incentive to offer additional products, respectively.

As the Territory has not adopted NECF, the defined terms of standing offer and market offer are not particularly relevant to the Territory. However, the commission considers a standing offer is most aligned with the regulated tariff in the Territory.

Figure 4 uses the same data for the Territory as shown in Figure 3 to compare electricity bills in the Territory against standing offers in NECF jurisdictions for low and average income households.

Figure 4: Annual electricity bill as a percentage of disposable household income comparison between the Territory and standing offers in NECF jurisdictions

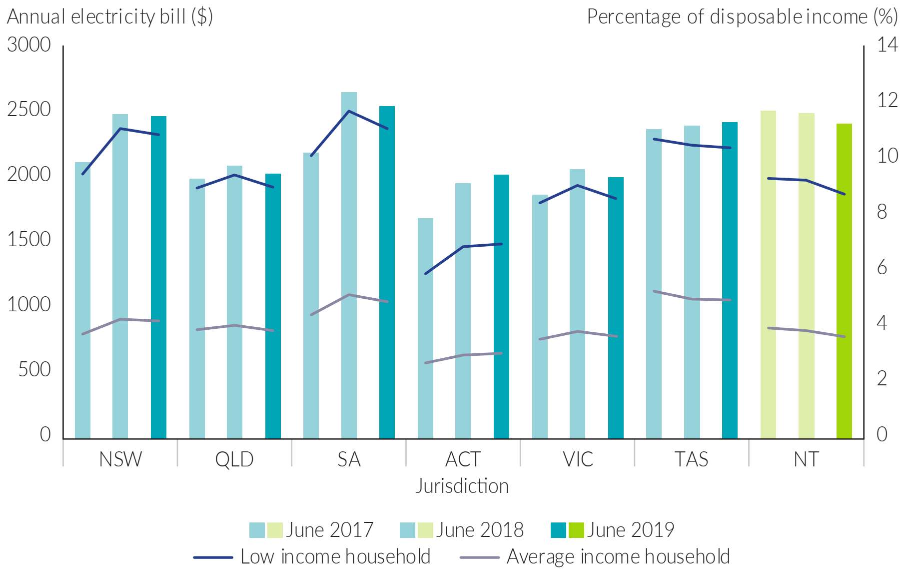


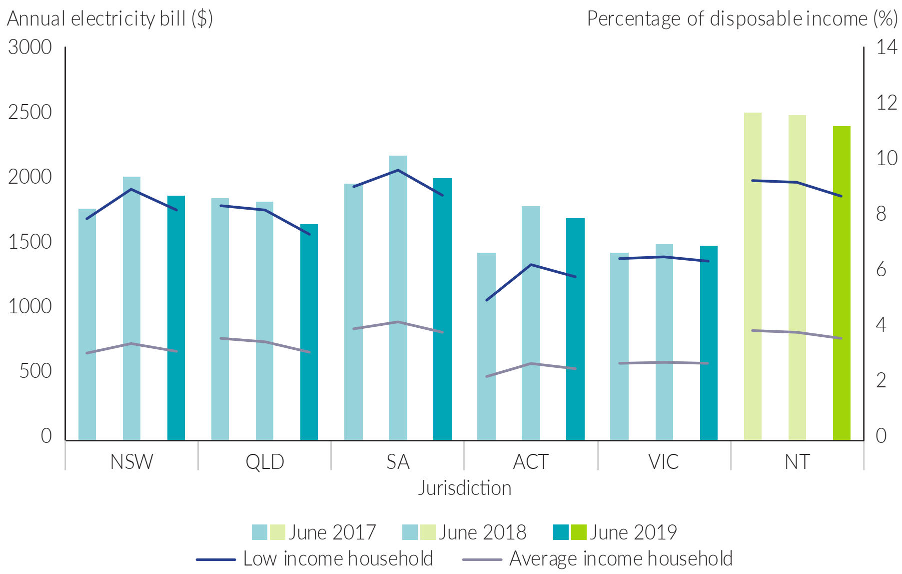
Figure 4 shows that the annual electricity bill for an average Territory residential customer is in the middle of that reported by NECF jurisdictions, with Tasmania being similar to the Territory, and New South Wales and South Australia the only NECF jurisdictions reporting higher annual electricity bills in 2018-19. The affordability of electricity in the Territory is considered to be good when compared to standing offers in NECF jurisdictions, with the Territory being the third and second most affordable jurisdiction for low and average income households, respectively, noting this comparison does not consider electricity concessions for low income households.

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

However, as discussed above, 75 per cent of residential customers in NECF jurisdictions (excluding Tasmania) were on a market offer contract in 2018-19. Therefore, a more representative and useful comparison is with customers' bills under market offer contracts in NECF jurisdictions.

Figure 5 uses the same data for the Territory as shown in figures 3 and 4 to compare electricity bills in the Territory against market offer contracts in NECF jurisdictions (excluding Tasmania) for low and average income households.

Figure 5: Annual electricity bill as a percentage of disposable household income comparison between the Territory and market offers in NECF jurisdictions



In contrast to Figure 4, which shows customers on standing offer contracts, Figure 5 shows annual electricity bills in the Territory are considerably higher when compared to electricity bills for customers on market offer contracts in NECF jurisdictions. The nearest NECF jurisdiction to the Territory in terms of the annual electricity bill is South Australia, where the annual electricity bill is 16.5 per cent or $399 lower.

This change of comparison, from standing offer to market offer, significantly impacts the assessment of electricity affordability in the Territory compared to NECF jurisdictions, with the Territory going from the third and second most affordable jurisdiction for low and average income households, respectively, to the second least affordable jurisdiction for both low and average income households, with only South Australia being marginally worse. However, as discussed above, this comparison does not consider electricity concessions for low income households

To assist in understanding why electricity affordability in the Territory is poor when compared to NECF jurisdictions, it is useful to consider the two components, household disposable income and annual electricity bill, that make up affordability. These two components are shown in figures 6 and 7 respectively, with the Territory results compared to NECF jurisdictions.

Figure 6: Disposable household income

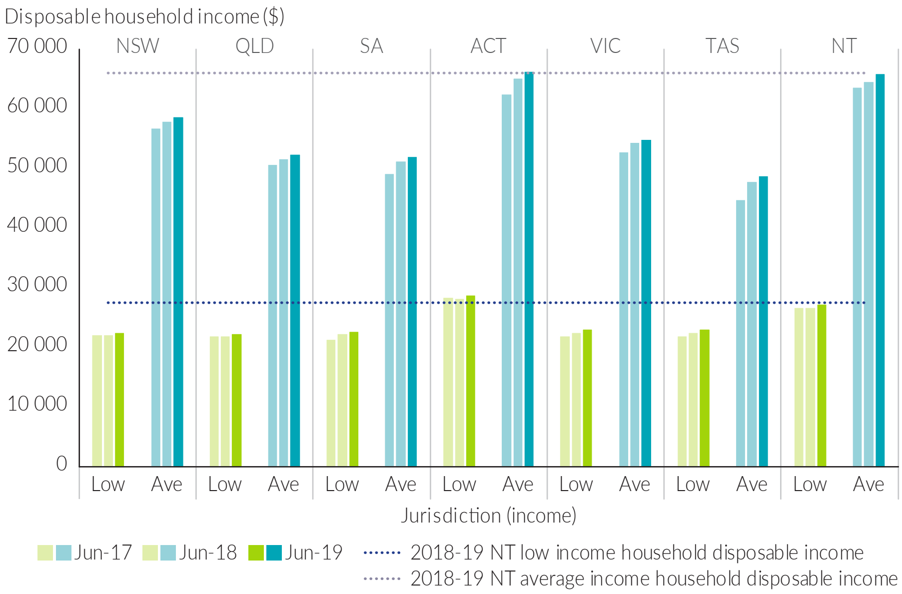
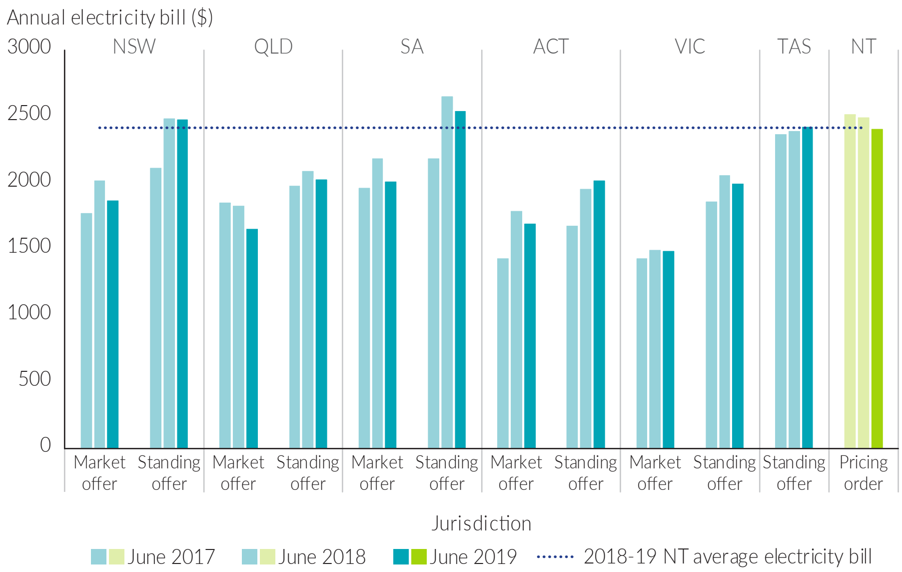


Figure 6 shows disposable household income for both low and average income households in the Territory compares favourably with NECF jurisdictions in 2018-19, with only the Australian Capital Territory having more disposable income. The Territory's relatively high disposable household income levels, compared to other jurisdictions, is positive and therefore not considered an issue in terms of the Territory's poor overall affordability result.

Figure 7: Annual electricity bill



Consistent with the discussion above, Figure 7 shows annual electricity bills in the Territory are among the highest when compared to NECF jurisdictions, with only customers on a standing offer contract in New South Wales, South Australia and Tasmania receiving marginally higher bills. However, considering the majority of customers in NECF jurisdictions are on market offer contracts (excluding Tasmania), annual electricity bills in the Territory are considerably higher.

As with affordability, to understand why annual electricity bills in the Territory are high compared to NECF jurisdictions, it is useful to break down annual electricity bills into two components, the unit price of electricity (c/kWh) and electricity consumption, to determine whether either or both are impacting the high annual electricity bill in the Territory. These two components are shown in figures 8 and 9, respectively, with Territory results compared to NECF jurisdictions.

Figure 8: Electricity unit price (c/kWh)

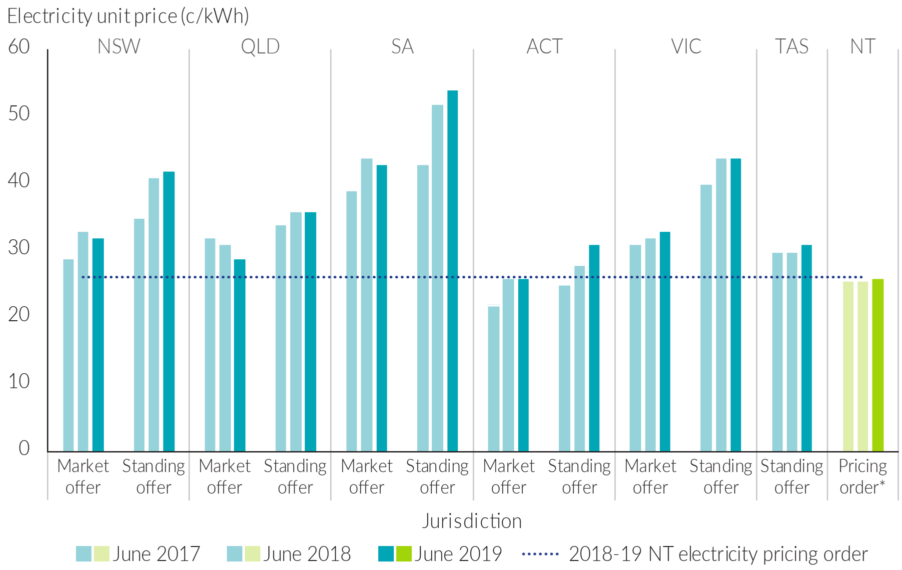


Figure 8 shows the unit price of electricity in the Territory is lower than all offers in NECF jurisdictions for June 2019, other than the Australian Capital Territory where the unit price of electricity for customers on market offer contracts is similar. This result is positive and therefore not considered an issue in terms of high annual electricity bills in the Territory.

While the low unit price of electricity in the Territory, compared to other jurisdictions, keeps annual electricity bills for Territorians lower than would be the case if cost-reflective prices were charged, it should be noted this is achieved through an Electricity Pricing Order and significant CSO subsidy provided to retailers by government to offset the high cost of supply.

As the CSO is funded by Territory taxpayers, electricity customers in the Territory are indirectly paying more for electricity than shown in this assessment, noting this is not transparent and therefore hard to quantify. The Electricity Pricing Order and associated CSO is discussed in more detail further in this review.

Figure 9: Electricity consumption

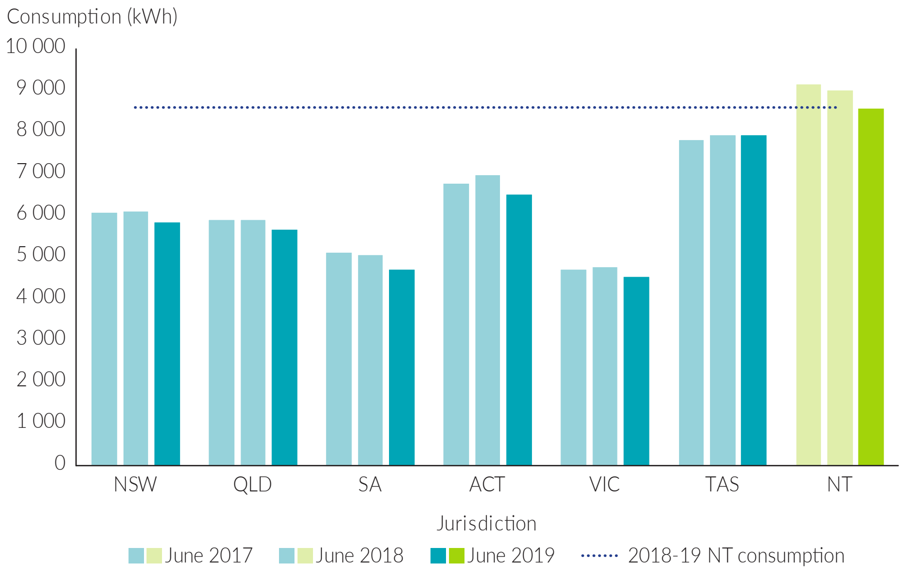


Figure 9 shows Territory residential customers have high annual consumption compared to NECF jurisdictions, with Tasmania being the closest to the Territory, although Tasmanian residential customers still consume 7.4 per cent or 635 kWh less per year. When compared with NECF jurisdictions that have market offer contracts, the closest jurisdiction in annual electricity consumption to the Territory is the Australian Capital Territory, with its residential customers consuming 24 per cent or 2066 kWh less per year.

Anecdotally, the commission understands that many Territorians believe electricity prices are higher than NECF jurisdictions. However, as discussed above, the regulated electricity price in the Territory is actually lower than most NECF jurisdictions. The higher electricity bills reported by Territorians are primarily driven by higher consumption, likely due to the extreme climate in the Territory, the low unit cost of electricity, or both.

Electricity costs for customers and Territory taxpayers

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

Cost of supply

In the 2017-18 NTERR, the commission discussed and considered the Australian Energy Market Commission's (AEMC) 2018 Residential Electricity Price Trends Report, which details changes in the electricity supply chain cost components and price trends based on current (at the time) expectations and assumptions driving residential electricity prices and bills for each Australian state and territory, and the national average.[10]

The 2018 AEMC report found, compared to costs nationally, the cost of regulated networks in Darwin-Katherine was comparable, the cost of environmental policies was slightly lower and wholesale electricity costs were significantly higher. The commission noted in the 2017-18 NTERR that the gap between the cost of supply in the Territory and nationally was expected to widen further moving forward, as wholesale costs were

10 AEMC 2018 Residential Electricity Price Trends Review available at: https://www.aemc.gov.au/market-reviews-advice/residential-electricity-price-trends-2018.

expected to fall nationally. Given the AEMC report only considered Darwin-Katherine, the commission's view was the gap would be even larger if wholesale costs for Alice Springs and Tennant Creek were included.

While the AEMC did not include the Territory in its 2019 report, likely due to the lack of a transparent wholesale electricity cost in the Territory and regulated retail pricing making it inappropriate to publish a retail cost (or margin), the commission considers it highly likely the wholesale electricity costs, and hence the overall cost of supply in the Territory, is still higher than nationally.

The commission will continue 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 customers.

Electricity Pricing Order

The current Territory government, consistent with previous governments, has a uniform tariff policy whereby all small and medium-sized residential and business electricity customers (customers consuming less than 750 MWh per annum) pay the same maximum electricity prices regardless of where they live in the Territory. The uniform tariff policy is implemented through an Electricity Pricing Order made 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 protected by the Electricity Pricing Order.

The current Territory government committed to no electricity price rises above the consumer price index for its first term of government (which is due to end in mid-2020). For 2018-19, the maximum price set by the Electricity Pricing Order for a domestic standard tariff customer (consuming less than 750 MWh per annum) was 25.95 cents per kWh, plus a fixed daily charge of 51.16 cents.

As discussed previously, the Territory's regulated electricity price is below the cost of supply in the Territory, and regulating electricity prices for customers up to 750 MWh per annum results in a significant number of very large commercial customers receiving below-cost reflective prices. Specifically, in 2018-19, there were around 700 customers that consumed between 160 and 750 MWh per annum that received a regulated taxpayer subsidised tariff.

While the commission acknowledges the government is seeking to protect customers 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, discouraging energy efficiency and contributing to higher overall costs.

Community service obligation

The Territory Government provided CSO funding of approximately $72 million to electricity retailers in 2018-19, which equates to 1.1 per cent of the Territory's estimated 2018-19 general government sector operating budget ($6696 million).[11] This CSO funding was provided to address the shortfall between the cost of supply and the uniform electricity tariff for residential and business customers across the Territory consuming below 750 MWh per annum, and customers in Alice Springs and Tennant Creek consuming between 750 MWh and 2 GWh per annum (primarily large businesses and other organisations) on a subsidised tariff.

The uniform tariff CSO applies to approximately 84 000 residential and business customers in the Territory's three regulated systems (Darwin-Katherine, Alice Springs and Tennant Creek), which in a simplistic assessment translates to an average subsidy from the Territory Government of about $860 per customer in 2018-19.

This CSO funding is in addition to the government subsidy available to pensioners and carers under the Northern Territory Concessions and Seniors Recognition Schemes, noting that customers in remote areas are subsidised by the Territory Government through the Indigenous Essential Services grant paid by the Department of Housing and Community Development.

While the high level details of the Territory Government's CSO allocation to electricity retailers are provided in the Territory's budget papers, the provision of the uniform tariff CSO lacks transparency for customers, who are unaware of the level of subsidy they are receiving for electricity supply, and industry, who are unaware of how government calculates and makes available the payment to retailers. Accordingly, the commission considers this may be a barrier to competition.

The commission notes that any reduction in the cost of supplying electricity could translate to a reduction in the level of CSO paid to 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.

11 Northern Territory Government, Agency Budget Statements, 2019-20 Budget Paper No. 3, page 269, https://budget.nt.gov.au/__data/assets/pdf_file/0005/689945/2019-20-BP3-book.pdf and Budget Strategy Outlook 2019-20, Budget Paper No. 2, page 111, https://budget.nt.gov.au/__data/assets/pdf_file/0005/689522/2019-20-BP2-book.pdf.

2 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.

Further, this chapter discusses the commission's views in relation to potential gaps in dispute resolution obligations for retailers.

It should be noted that retailers are only required by the EIP 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 review.

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 (shown in Table 2) is a retailer's telephone responsiveness, measured through total calls received, calls taken within 30 seconds and calls abandoned before being answered.

The commission acknowledges that it is not appropriate to rely on telephone responsiveness alone in assessing the level of a retailer's customer service, however is limited by the data it receives in accordance with the reporting requirements of the EIP Code.

The commission is aware Jacana Energy collects additional data for other purposes, such as customer feedback through its Customer Survey Program, which could possibly be made available to the commission in the future. However, to make meaningful comparisons this additional data would need to be provided by all retailers.

The commission will consider the benefits and costs of expanding the data retailers are required to report in relation to customer service performance indicators when it next reviews the EIP Code, noting this will be undertaken in consultation with retailers and other stakeholders.

Table 2: Retailers' telephone responsiveness

	2016-17	Change	2017-18	Change	2018-19	Change
Total calls						
Jacana Energy	151 000	+ 5 889 (+ 4.1%)	153 172	+ 2 172 (+ 1.4%)	182 014	+ 28 842 (+ 18.8%)
Other	0	n.a.	3	+ 3 (n.a.)	17	+ 14 (+ 466.7%)
Calls taken within 30 seconds						
Jacana Energy	69.3%	+ 10.3[12]	63.9%	- 5.4[12]	66.7%	+ 2.8[12]
Other	n.a.[13]					
Calls abandoned before being answered						
Jacana Energy	4.2%	- 1.2[12]	4.7%	+ 0.5[12]	4.1%	- 0.6[12]
Other	n.a.[13]					

n.a.: not available

Jacana Energy reported an 18.8 per cent increase in the number of calls received during 2018-19. Jacana Energy has advised that the increase in call volume is due to periods of delayed billing, the roll out of an additional 2550 prepayment meters and higher than normal bills due to a particularly hot 2018-19 wet season.

The commission considers the increase in calls to Jacana Energy to be reasonable and notes there was significant media attention during the 2018-19 wet season in relation to customer concerns regarding high bills, which encouraged customers to contact their retailer if they thought there may be an error.

There has been an improvement in the number of calls taken within 30 seconds in 2018-19 to 66.7 per cent, when compared to the 63.9 per cent reported in 2017-18. However, the result is still lower than the 69.3 per cent reported by Jacana Energy in 2016-17. Nonetheless, the commission considers the improvement to be positive given the large increase in call volume in 2018-19, as it indicates the increase in calls has been well managed by Jacana Energy.

The AER uses a traffic light system in its 2018-19 Annual Retail Markets report (Retail report) to allow an 'at a glance' overview of retailer performance, with 'green' assigned to a retailer with 80 per cent or more calls taken within 30 seconds. Only one of the six major NECF retailers achieved this, with AGL achieving 87 per cent. Jacana Energy's 2018-19 performance of 66.7 per cent is in the middle of the level of performance reported by the six major NECF retailers. When compared to the AER's traffic light system, Jacana Energy's level of performance for the last three years falls into the 'amber' category, which includes retailers that achieved 51 to 79 per cent of calls taken within 30 seconds.

Jacana Energy reported a drop in the number of calls abandoned before being answered in 2018-19 to 4.1 per cent from 4.7 per cent in 2017-18. Consistent with the discussion in relation to calls taken within 30 seconds, the commission considers the reduction to be positive in light of the increase in call volume by almost 29,000 calls in 2018-19. Further, this level of performance is the best reported by Jacana Energy in the last four years.

12 Percentage point change from the previous year.

13 Other retailers informed the commission that they do not have a call centre or Integrated Voice Response telephone system, and therefore are unable to track and report against the 'calls taken within 30 seconds' and 'calls abandoned before being answered' performance indicators, as required under the EIP Code.

When compared to the AER's traffic light system, Jacana Energy meets the 'green' category, which includes retailers that achieve 5 per cent or less of calls abandoned before being answered. Three of the six major NECF retailers also achieve the green category, with Jacana Energy's level of performance again in the middle of the performance level reported by major NECF retailers.

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

Complaints

In accordance with the EIP Code, complaints are recorded and categorised by retailers as billing, marketing, transfers, hardship and other. These categories, and associated definitions, are largely consistent with that adopted by the AER[14] for the following:

- billing – includes complaints about prices, billing errors, payment arrangements, debt recovery practices and disconnections
- marketing – includes complaints about sales practices, advertising, contract terms and misleading conduct
- transfers – includes complaints about timeliness of transfer, disruption of supply due to transfer and billing problems directly associated with a transfer
- other – includes 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 for the Territory that is included in the EIP Code and refers to complaints associated with customer hardship measures.

The AER introduced a new category in 2018-19 for complaints related specifically to smart meters, which includes complaints regarding installation, installation delay, cost, data, privacy and de-energisation. This category has not been adopted by the commission, although may be considered when the EIP Code is next reviewed.

Customer complaints as a percentage of total customers for all retailers supplying small customers, further segmented by category, are shown in Figure 6 for the four years to 2018-19.

14 AER 2018-19 Annual Retail Markets Report, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

Figure 10: Customer complaints as a percentage of total customers, further segmented by category

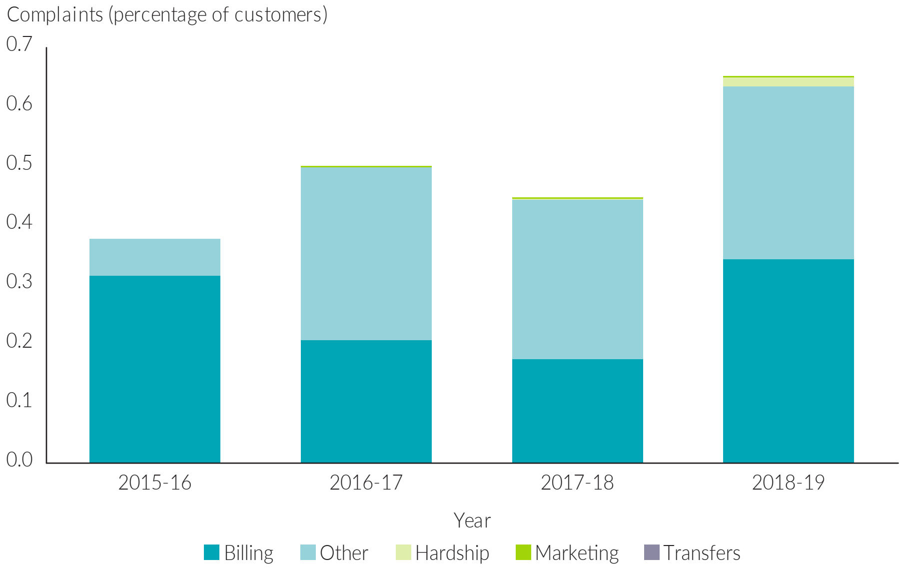


Figure 10 indicates that customer complaints as a percentage of total customers is relatively low in the Territory, at around 0.65 per cent for 2018-19. While this is higher than the previous three years, it is still much lower than the 2.9 per cent reported by NECF jurisdictions[15], noting this includes customer complaints related to gas as well as electricity. As a further comparison, Tasmania reported 7.3 per cent and the Australian Capital Territory reported 0.9 per cent, which are the highest and lowest of the NECF jurisdictions, respectively.

While considered a good result when compared to NECF jurisdictions, it is noted that customer complaints as a percentage of total customers increased in 2018-19 and is now higher than the previous three years, with a general upwards trend over the last four years. The commission will continue to monitor the trend.

Complaints are consistently dominated by the 'billing' and 'other' categories, with the percentage of complaints categorised as 'billing' increasing as a percentage of total complaints in 2018-19 compared to the previous year. The large percentage of complaints categorised as 'other' may suggest a need to broaden the definition of the existing categories or include additional categories to provide more granular detail on the types of complaints made to retailers. The commission intends on reviewing retail service performance indicators as part of its next review of the EIP Code.

The commission notes there has been a large increase in complaints related to hardship in 2018-19 compared to the previous year, however the total number and percentage of total complaints is still relatively low. While the commission is not immediately concerned, given Jacana Energy has been focussing on improvements to its hardship policy, it will monitor this in subsequent reporting periods.

No complaints have been recorded over the last four years for the 'transfers' category, noting this is not unexpected considering the low number of small customers transferring to a different retailer in the Territory.

15 AER 2018-19 Annual Retail Markets Report, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

The total number of small customer complaints by retailer and approaches to the Ombudsman are shown in Table 3. As the Ombudsman can only deal with complaints regarding government owned electricity retailers, data is only reported for Jacana Energy in relation to this indicator.

Table 3: Total small customer complaints to retailers and approaches to Ombudsman NT[16]

	2016-17	Change	2017-18	Change	2018-19	Change
Complaints to retailer as a percentage of customers						
Jacana Energy	0.5%	+ 0.1[17]	0.4%	- 0.1[17]	0.7%	+ 0.3[17]
Other	0%	0[17]	0%	0[17]	0%	0[17]
Approaches to the Ombudsman						
Jacana Energy	83	- 2 (- 2.4%)	134	+ 51 (+ 61.4%)	181	+ 47 (+ 35.1%)
Approaches to the Ombudsman as a percentage of retail complaints						
Jacana Energy	20.6%	- 7.2[17]	35.3%	+ 14.7[17]	33.5%	- 1.8[17]

When considering complaints by retailer, it is evident the results shown in Figure 10 for the Territory overall are largely influenced by Jacana Energy's performance due to its majority share of small customers, as discussed in the previous chapter, and other retailers reporting no complaints.

Following a slight reduction in 2017-18 to 0.4 per cent, Jacana Energy reported a significant increase in complaints as a percentage of customers to 0.7 per cent in 2018-19. However, this is still much lower than the 2.9 per cent average reported by NECF jurisdictions[18]. Similar to the increase in call volume discussed in the customer service section, Jacana Energy has explained this is likely due to a number of reasons, including the implementation of a new billing system in 2018 and associated billing-related challenges including system restrictions. Billing-related complaints were in relation to estimated, delayed and incorrect billing and data errors.

Approaches to the Ombudsman as a percentage of Jacana Energy complaints has decreased slightly in 2018-19 to 33.5 per cent compared to 35.3 per cent in 2017-18, however this is still considered high, especially when compared to NECF jurisdictions. The only NECF jurisdiction that reported a higher level was the Australian Capital Territory, with approaches to its Ombudsman as a percentage of retail complaints of 36.5 per cent. The lowest level reported was by Tasmania, which reported a level of 0.6 per cent.

The AER states that a high proportion of escalations to an ombudsman suggests a retailer may not be resolving complaints effectively, while conversely, a low proportion of complaints escalated to an ombudsman suggests a retailer may have a successful internal dispute resolution processes.

Over a third of the complaints received by Jacana Energy resulted in an approach to the Ombudsman, which may suggest Jacana Energy's internal dispute resolution processes may not be aligned with best practice.

16 NT Ombudsman 2018-19 Ombudsman Annual Report (parts 1 and 2), https://www.ombudsman.nt.gov.au/publications/2019.

17 Percentage point change from the previous year.

18 AER 2018-19 Annual Retail Markets Report, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

Nonetheless, the commission considers the high number of approaches to the Ombudsman may provide positive evidence that customers are aware of their ability to seek advice and escalate a complaint to an external dispute resolution provider.

Jacana Energy has previously indicated to the commission that it has found occasions where customers are presenting to the Ombudsman without providing Jacana Energy an opportunity to resolve their complaint in the first instance. In these cases, the complainant is referred back to Jacana Energy by the Ombudsman and evidence shows that Jacana Energy is usually able to resolve these complaints directly with the customer.

As noted by the commission in the 2017-18 NTERR, Jacana Energy publishes information on its website regarding the handling of complaints, which is mandated in NECF jurisdictions, but not in the Territory. However, as was the case last year, this information is difficult to locate.

Jacana Energy advises it has reviewed its Complaints Management Policy, procedures and practices including how complaints are handled at the first point of contact, and then escalated for internal review or investigation where frontline customer care agents are unable to resolve the issue to the satisfaction of the customer. Jacana Energy states that one of the intended outcomes of the review was to improve employee and customer awareness and understanding of Jacana Energy's complaints management practices. This is specifically aimed at reducing the level of complaints made to the Ombudsman without having first been through Jacana Energy's internal dispute resolution processes. Following the review, the relevant documents were updated in April 2019, two months prior to the end of the reporting period. This is not enough time for Jacana Energy or the commission to assess whether the updated Complaints Management Policy is achieving the desired outcomes in this review.

Consistent with the previous four years, other retailers reported zero complaints, which is likely due to having very few small customers.

Dispute resolution

Through existing retail licence conditions, retail licensees must fix standard terms and conditions for the sale of electricity to their 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 always be in the best interests of customers.

Under the *Utilities Commission Act 2000*, 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 that 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 receives and investigates 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 corporations. 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 previously 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 provides non-electricity industry-specific protections regarding safe goods, fair contracts and sound sales practices. This is administered by NT Consumer Affairs, an independent office within the Department of the Attorney-General and Justice.

Nationally

All state and territory jurisdictions except the Northern Territory place requirements on retailers to have internal and external dispute resolution processes. 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 of Conduct 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 that are 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, which ensures 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 of South Australia and the Energy and Water Ombudsman of Victoria, or as is the case in Western Australia and Tasmania, a broader ombudsman scheme (compared to Ombudsman NT) 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 (ERS Code) to include associated obligations appropriate for the Territory's circumstances, when it next conducts a full review of the ERS Code.[19]

The commission understands the Territory Government has not committed to adopting NECF but may be considering a formal framework for electricity customer protections, including options to strengthen the external dispute resolution framework, as part of 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, which would need to be funded by government (that is, taxpayers), the Territory electricity industry, or both, and is aware there is currently only a small number of customers supplied electricity by private retailers.

19 On 1 December 2019, the commission published a varied ERS Code following a request from the Treasurer (as regulatory minister) to review the code with the intention of introducing protections for electricity customers that require life support equipment in the Territory. The commission intends on conducting a full review of the ERS Code at a later date, yet to be determined.

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

3 | 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 EIP 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

Energy bill debt is an indicator of the affordability of electricity and how effectively retailers are dealing with customers experiencing payment difficulties. Increasing or prolonged energy 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 EIP Code, retailers are required to report on the number of residential and small business customers with energy bill debt and the average energy bill debt of those customers. For the purpose of reporting against these performance indicators, energy bill debt is defined as debt that has been outstanding for 90 days or longer from the date a bill is due, consistent with the AER's reporting requirements.

Jacana Energy has previously advised the commission that it is aware of some retailers in other jurisdictions calculating energy bill 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.

The AER has updated the methodology used in its 2018-19 Retail report in relation to the reporting of energy bill debt to now combine electricity and gas bill debt into a single energy bill debt figure. This is different to the Territory where energy debt is limited to electricity.

While the differences in approach to the reporting of energy bill debt by the AER discussed above have the potential to impact accurate comparisons between retailers and jurisdictions, the comparisons are still considered indicative.

The AER's 2018-19 Retail report uses fourth quarter results to show and compare performance, which may not allow meaningful or equitable comparisons to be made between jurisdictions due to seasonal variation. Therefore, the commission has used the average across all four quarters for both the Territory and combined NECF jurisdictions' data to improve any comparisons, including for 2017-18.

The percentage of residential customers with energy bill debt and the average of that debt, excluding hardship customers, is shown in Table 4, noting the need to report these under the EIP Code only commenced in 2017-18.

Table 4: Level of residential customer energy bill debt in the Northern Territory (90 days or greater)

	2017-18	2018-19	Change
Residential customers with debt	1.7%	0.9%	- 0.8[20]
Average residential customer debt	$351.87	$368.81	+ $16.94 (+ 4.8%)

There has been a decrease in the percentage of residential customers with energy bill debt in the Territory during 2018-19 to 0.9 per cent. While the reduction in the percentage of residential customers with energy bill debt is positive, it may in part be explained by the commission's clarification to Territory retailers of the definition of energy bill debt under the EIP Code to closer align with the AER's reporting requirements. Specifically, the clarification relates to energy bill debt being defined as debt that has been outstanding for greater than 90 days from the bill's due date, rather than all outstanding debt. Nonetheless, it is a positive result and the 0.9 per cent reported for the Territory is much lower than the 1.9 per cent reported by the AER[21] for NECF jurisdictions.

The considerable reduction of 0.8 percentage points in the Territory's percentage of residential customers with energy bill debt compared to the levels shown in the 2017-18 NTERR may also be explained by the change in the way this data is presented, which is discussed earlier in this review. Previously, it was based on the data for the fourth quarter of the financial year, however it is now an average of all four quarters to ensure seasonal variability is accounted for.

In terms of the average residential customer energy bill debt in the Territory, it has risen slightly to $368.81, but is still less than half that reported for the NECF jurisdictions ($837.54)[22], noting that for NECF jurisdictions this includes both electricity and gas.

In combination, the two residential customer energy bill debt performance indicators for 2018-19 are positive for Territory residential customers when compared to NECF jurisdictions.

The percentage of small business customers with energy bill debt and the average of that debt is shown in Table 5, noting the need to report these under the EIP Code only commenced in 2017-18.

Table 5: Level of small business customer energy bill debt (90 days or more)

	2017-18	2018-19	Change
Small business customers with debt	2.9%	1.4%	- 1.5[23]
Average small business customer debt	$1 606.49	$1 767.99	+ $161.50 (+ 10.1%)

20 Percentage point change from the previous year.

21 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

22 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

23 Percentage point change from the previous year.

In the Territory, the percentage of small business customers with energy bill debt decreased to 1.4 per cent during 2018-19, which as discussed above for residential customers is in part explained by the way energy bill debt has been defined in 2018-19. For NECF jurisdictions, the percentage of small business customers with energy bill debt during 2018-19 was higher than in the Territory, at 2.4 per cent, although this includes both electricity and gas.

The average small business customer energy bill debt has increased by around 10 per cent to $1767.99, which is likely due to a number of factors including the Territory's economy slowing in 2018-19 due to the conclusion of major infrastructure projects.

However, small business customer average energy bill debt during 2018-19 is still lower than the national average of $2164.91 for the same period.[24]

The AER notes in its 2018-19 Retail report that jurisdictions with a lower number of business customers are likely to see a large effect on reported numbers and trends due to small fluctuations in the underlying data, which is relevant to the Territory.

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 a 'one size fits all' solution, as it does not necessarily consider a customer's circumstances on an individual basis.

As with debt, the AER's 2018-19 Retail report uses the fourth quarter results to show and compare performance, which may not allow meaningful or equitable comparisons to be made between jurisdictions due to seasonal variation. Therefore, the commission has used the average across all four quarters for both the Territory and combined NECF jurisdictions' data to improve any comparisons, including for 2017-18.

The percentage of residential customers on a payment plan, excluding hardship customers, is shown in Table 6, noting the need to report this under the EIP Code only commenced in 2017-18.

Table 6: Percentage of residential customers on a payment plan

	2017-18	2018-19	Change
	%	%	% points
Jacana Energy	2.2	2.1	- 0.1
Other	0.0	0.0	0.0
Territory	**2.2**	**2.1**	**- 0.1**

The percentage of residential customers in the Territory on a payment plan (2.1 per cent in 2018-19) is slightly higher than reported by NECF jurisdictions (1.8 per cent).[25] However, given the Territory has a lower percentage of residential customers with energy bill debt and a lower average amount of energy bill debt for those customers compared to NECF jurisdictions, the number of customers on a payment plan is considered a positive result, and may indicate Territory retailers, and in particular Jacana Energy, are identifying

24 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

25 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

customers with less serious payment difficulties early and working with those customers in terms of offering assistance.

While not shown in the review, the commission notes that during 2018-19 there were a large number of payment plans successfully completed when compared to the average number of customers on a payment plan at any given time.

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 to 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 be a 'regular bill cycle customer'.

As with debt and payment plans, the AER's 2018-19 Retail report uses fourth quarter results to show and compare performance, which may not allow meaningful or equitable comparisons to be made between jurisdictions due to seasonal variation. Therefore, the commission has used the average across all four quarters for both the Territory and combined NECF jurisdictions' data to improve any comparisons, including for 2017-18.

The percentage of residential customers on a hardship program by retailer and the Territory overall for the past two years is shown in Table 7, noting the need to report this under the EIP Code only commenced in 2017-18.

Table 7: Residential customers on a hardship program

	2017-18	2018-19	Change
	%	%	% points
Jacana	0.2	0.3	+ 0.1
Other	0.0	0.0	0.0
Territory	**0.2**	**0.3**	**+ 0.1**

The percentage of small customers on a hardship program in the Territory (0.3 per cent) appears low when compared to that reported by the AER for NECF jurisdictions (1.1 per cent).[26] However, the Territory has a lower percentage of customers with energy bill debt and a higher percentage of customers on a payment plan than NECF jurisdictions, which may suggest Territory retailers, and in particular Jacana Energy, may be identifying and assisting customers experiencing payment difficulties earlier, before the need for a hardship program.

26 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf. The hardship number reported by the AER is only for electricity customers, gas customers are reported separately.

This is supported by previous Jacana Energy advice that the lower percentage of customers on its hardship program, relative to NECF jurisdictions may relate to the greater availability of payment options 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.

The average Jacana Energy residential customer energy bill debt on entry to a hardship program in 2018-19 was $1445.21. This compares to the average Territory residential customer energy bill debt (excluding hardship customers) of $368.81. Jacana Energy reports 49.4 per cent of its residential customers that entered a hardship program did so with an energy bill debt of greater than $500 but less than $1500, while 36.3 per cent of customers entered with more than $1500 of energy bill debt.

While it appears Jacana Energy may be identifying less serious payment difficulties early, and assisting these residential customers with a payment plan, the large gap between the average Territory residential customer energy bill debt and energy bill debt on entry to a hardship program may suggest Jacana Energy did not quickly or effectively identify more serious payment difficulties and provide assistance through its hardship program during 2018-19.

The commission notes Jacana Energy recently reviewed its hardship and credit management policies and, following the review and policy refresh, has indicated there may be a number of customers that were on payment plans that may be moved to a hardship program. Although not shown in this review, there was a significant increase in the last two quarters of 2018-19 in the number of Jacana Energy customers on a hardship program, which appears to support Jacana Energy's advice.

Jacana Energy reported 91.4 per cent of its customers exiting the hardship program during 2018-19 did so due to being excluded or removed for non-compliance with the program, compared to 3.9 per cent who exited due to successfully completing the program. This compares poorly to NECF jurisdictions where 61 per cent exited a hardship program due to being excluded or removed and 29 per cent exited due to successfully completing the program.

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

Disconnections

Disconnections for non-payment should be considered as 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 8.

Table 8: Percentage of residential customers disconnected for non-payment

	2016-17	Change	2017-18	Change	2018-19	Change
	%	% points	%	% points	%	% points
Jacana Energy	3.5	n.a.	3.1	- 0.4	3.5	+ 0.4
Other	0.0	n.a.	0.0	0.0	0.0	0.0
Territory	**3.5**	**n.a.**	**3.1**	**- 0.4**	**3.5**	**+ 0.4**

n.a.: not available

The percentage of residential customers disconnected for non-payment in the Territory has been relatively static over the last three years.

In 2018-19, 3.5 per cent of residential customers were disconnected for non-payment, which is considered to be very high, especially when compared to NECF jurisdictions, which reported 1.1 per cent for the same period. The commission is particularly concerned by the high number of residential customer disconnections for non-payment given the low number of residential customers reported to be on a hardship program and lack of customer protections in the Territory, such as formal obligations to have dispute resolution procedures in line with best practice and requirements to have an approved hardship policy.

During 2018-19, of the 3.5 per cent of customers disconnected for non-payment, 50.3 per cent had been disconnected on more than one occasion in the previous 12 months. During the same period, 23.6 per cent of customers disconnected for non-payment were reconnected within seven days.

The percentage of small business customers disconnected for non-payment in the last three years is shown in Table 9.

Table 9: Percentage of small business customers disconnected for non-payment

	2016-17	Change	2017-18	Change	2018-19	Change
	%	% points	%	% points	%	% points
Jacana Energy	0.9	n.a.	2.4	+ 1.5	1.2	- 1.2
Other	0.0	n.a.	16.9	+ 16.9	0.0	- 16.9
Territory	**0.8**	**n.a.**	**2.5**	**+ 1.7**	**1.1**	**- 1.4**

n.a.: not available

The total percentage of small business customers disconnected for non-payment in the Territory during 2018-19 (1.1 per cent) is a significant improvement from 2.5 per cent of the previous year. The reported percentage in 2018-19 has almost returned to the same level as 2016-17 (0.8 per cent). In comparison, NECF jurisdictions reported 0.9 per cent disconnections for non-payment,[27] with the percentage reported in the Territory for 2018-19 only slightly higher. This is considered positive given the Territory's challenging economic and climatic conditions.

During 2018-19, 9.3 per cent of small business customers that were disconnected for non-payment were reconnected within seven days.

27 AER Annual Retail Markets Report 2018-19, https://www.aer.gov.au/system/files/AER%20Annual%20Retail%20Markets%20Report%202018-19_0.pdf.

Consistent with the discussion in the debt section, due to the small number of business customers in the Territory there is likely to be a large effect on reported numbers and trends due to small fluctuations in the underlying data.

In 2017-18, other retailers reported 16.9 per cent of small business customers were disconnected for non-payment compared to zero in previous years, which is well above Jacana Energy and NECF jurisdictions. However, the commission notes all of the small business customer disconnections by other retailers were related to one retailer and one account with multiple premises. The percentage for other retailers has since returned to zero, which is consistent with 2016-17.

Hardship policy

Despite the EIP 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 the two retailers in the Territory with residential customers (Rimfire Energy and Jacana Energy) that they have hardship policies in place. However, a review of Rimfire Energy's website did not identify any information available to customers on its hardship policy, and while information on Jacana Energy's hardship policy could be found, a 2018 South Australian Financial Counsellors Association (SAFCA) report into Jacana Energy's hardship policy at the time suggested there may be some gaps between the policy and best practice in other jurisdictions.[28]

Following SAFCA's report, Jacana Energy reviewed its Hardship Policy and Credit Management Policy (its Stay Connected Program, which now includes a new Domestic and Family Violence Policy) in consultation with stakeholders and made a number of positive changes. The commission notes that Jacana Energy's revised policy includes many of the standardised statements required under the AER's Customer Hardship Policy Guideline (which does not apply in the Territory, however is a requirement in other jurisdictions under the NERR).

Further, Jacana Energy has advised the commission its dedicated Stay Connected Program staff as well as other relevant staff have undertaken significant training to be able to provide tailored, appropriate assistance to customers experiencing hardship, including domestic and family violence. These changes address some of the issues raised in SAFCA's report.

The commission commends the improvements Jacana Energy has made and is looking forward to future versions of Jacana Energy's Stay Connected Program to further align with the national standard and best practice.

28 See the Utilities Commission's 2017-18 Northern Territory Electricity Retail Review for further discussion, page 29, https://utilicom.nt.gov.au/publications/reports-and-reviews/northern-territory-electricity-retail-review-2017-to-2018.

Nationally

As previously mentioned, nationally all jurisdictions except the Territory have customer protection obligations in place in relation to customer hardship.

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

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 prior to progressing to disconnection.

Recommendation

While Jacana Energy, which has the majority of residential customers in the Territory, has made significant improvements to its hardship policy, the commission notes it is not fully aligned with the national obligations. Given hardship policy gaps may still exist, which could be translating to more disconnections due to non-payment than necessary, the commission recommends formal 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 may be considering a formal framework for electricity customer protections as part of its broader electricity market reform agenda, which could include hardship policy obligations. Accordingly, the commission will continue working within its powers and with the Territory Government to understand its position and, where appropriate, assist in the implementation of this initiative.

The commission will also continue to monitor all Territory electricity retailers' future performance regarding customers experiencing payment difficulties and hardship, and keep government informed of its findings.

Glossary

ABS	Australian Bureau of Statistics
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Affordability report	AER's Affordability in Retail Energy Markets 2019 report
c/kWh	cents per kilowatt hour
CSO	Community service obligation payment provided to retailers by the Government to account for the difference between the regulated electricity tariff and the cost of supply
EIP Code	Electricity Industry Performance Code
ER Act	*Electricity Reform Act 2000*
ERS Code	Electricity Retail Supply Code
Jacana Energy	Jacana Energy is a government owned corporation established in accordance with the *Government Owned Corporations Act 2001*. Jacana Energy has a licence to participant in the electricity industry.
kWh	kilowatt hour, 1 KWh = 1 thousand watt hours
MWh	Megawatt hour, 1 MWh = 1 million watt hours
NECF	National Energy Customer Framework adopted by the Australian Capital Territory, New South Wales, Queensland, South Australia and Tasmania
NERR	National Energy Retail Rules
NTERR	Northern Territory Electricity Retail Review, this review
Ombudsman	Ombudsman NT, established under the *Ombudsman Act 2009*
PSR	Power System Review
PWC	Power and Water Corporation, a government owned corporation established in accordance with the *Government Owned Corporations Act 2001*. PWC currently has a licence to operate the electricity network and to 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
Residential customer	Customer with consumption less than 160 MWh per annum and charged a domestic tariff in accordance with the Electricity Pricing Order
Retail report	AER's 2018-19 Annual Retail Markets report
RIN	Regulatory Information Notice
SAFCA	South Australian Financial Counsellors Association

Small business customer	A customer with consumption of less than 160 MWh per annum and charged a commercial tariff in accordance with the Electricity Pricing Order
Territory	The Northern Territory of Australia