



Retail energy state-of-play: satisfaction up, complaints down but customer hardship needs monitoring

Energy customer satisfaction has reached a four-year-high, a new Australian Energy Market Commission report shows. But when it comes to value-for-money, households and businesses still rate electricity and gas lower than other utilities such as water and telecommunications.

The AEMC's 2020 Retail Energy Competition Review shows that over the past year, more than half of residential customers were satisfied with the value their electricity service gave them. More than two thirds of gas customers rated their service as value-for-money.

Pre-COVID-19, consumers were the most satisfied they had ever been with their access to energy information – 55% said easily understood information was available to them and complaints are down by 4%, continuing a three-year downward trend. However, only one in three households were confident the market is working in the long-term interests of consumers.

“Higher satisfaction levels are welcome news for the retail sector, although customers clearly think there is still room to improve,” said AEMC Chief Executive Benn Barr.

“We know the landscape has shifted since the COVID-19 pandemic but these figures show that things were improving in the market, with innovation still happening and the number of competitors continuing to increase – although at lower rates than in previous years.”

The Commission's annual review looks at the state of competition in the energy market and whether this is benefiting consumers. It is an important tool to map retail market progress over time and identify opportunities for reform.

The review identified small increases in the proportion of customers on hardship programs over the past year in all jurisdictions except Queensland and Victoria. Before COVID-19, there were just over 150,000 hardship customers in the national electricity market.

“Overall, the proportion of hardship customers is small, but we need to keep an eye on any upward trend in these numbers,” Mr Barr said. “This will be an important reference point for us to understand the impact of COVID-19 on customers' ability to pay their energy bills.

“It is interesting to see level of debt customers had when entering hardship schemes decrease in most jurisdictions. This could be a sign that retail hardship programs are picking struggling customers up earlier, though early indications are that COVID-19 is causing the level of debt to jump again.

“We changed the rules 18 months ago to improve retailers' hardship policies so customers could better understand their rights and get the help they need to pay their power bills. We'll continue to analyse these developments closely. It will also be important to closely monitor the pandemic impacts on competition in the sector because less competition puts upward pressure on prices.”

Three new electricity companies entered the market in 2019, including globally significant companies Nectr and Ovo Energy. Market concentration has reduced, and by March 2020 there were 40 retail brands and 35 retail companies in the national electricity market. Net retailer margins have also fallen on average from \$93 per customer to \$66 per customer between 2017–18 and 2018–19.

The report shows that switching rates have also fallen by 5% to a three-year low of 19%. Lower rates of switching could mean customers are more satisfied, but they could also mean there are fewer incentives to shop around. The main reason people give for switching energy providers is being dissatisfied with their current plan's value-for-money.

The report's findings are based on data gathered from the Australian Energy Regulator, Essential Services Commission of Victoria, Energy Ombudsman schemes and the Energy Consumers Australia Consumer Sentiment Survey.

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STATE OF COMPETITION: RESULTS BY JURISDICTION

NSW

- The median offer below the Default Market Offer increased between March 2019 and March 2020 in all three network areas (Ausgrid network by 1%, Endeavour 1%, Essential Energy 4%)
- Customers on the Default Market Offer could save between \$301 and \$470 a year by switching to the minimum market offer available
- Competitors have increased with 31 retailers now in the market. Six new retailers entered the NSW market: Discover Energy, Elysian Energy, GloBird Energy, Future X Power, Locality Planning Energy and Nectr
- Market share of the 'big three' retailers – Origin, AGL and Energy Australia – has fallen from 83% to 81% in the past year
- Customer service satisfaction up 9% to 68% and value-for-money up 18% to 63%
- Rate of switching is 18%, down 3%.
- Number of hardship customers was 39,508 and level of debt they had when they entered the scheme is 7% higher to \$1,102.

VICTORIA

- Median offer below the Victorian Default Offer increased from March 2019 and March 2020 in all five network areas (United Energy by 10%, CitiPower 7%, Powercor 7%, Ausnet 7%, Jemena 6%)
- Customers on the Victorian Default Offer could save between \$236 and \$330 by switching to the minimum market offer available
- Victoria has the lowest levels of market concentration in the NEM and the highest percentage of customers switching for both electricity (21%) and gas (19%)
- Two new retailers entered the Victorian market in the past 12 months: Energy Locals and Powerclub, bringing the total number of retailers to 24
- Market share of the three big retailers fell from 58% in 2017–18 to 54% in 2018–19
- Customer service satisfaction up 13% to 71% and value-for-money up 12% to 58%
- Number of hardship customers was 48,530 and level of debt on entering the scheme down 1% to \$1378.

SOUTH EAST QUEENSLAND

- Median offer below the Default Market Offer fell by 3% from March 2019 to March 2020
- Customers on the Default Market Offer could save \$289 by switching to the minimum market offer available
- Competitors have increased with 22 retailers now in the market. Three new or expanding retailers have entered the market. These are Commander Power & Gas, Discover Energy, and Future X Power. Alinta Energy has gained more customers than any other retailer with 46,000 new customers over the past year
- Market share of big three retailers has fallen from 76% to 72% in the past year
- Rate of switching 20%, down 9%
- Customer service satisfaction up 2% to 74% and value-for-money up 2% to 60%
- Number of hardship customers was 20,212 and level of debt decreased by 3% to \$867.

SOUTH AUSTRALIA

- Median offer below the Default Market Offer increased by 1% between March 2019 and March 2020
- Customers on the Default Market Offer could save \$442 by switching to the minimum market offer
- Two new retailers entered the market – Commander Power & Gas and Mojo – bringing the total number of retailers in SA to 18
- Market share of the big three has decreased from 73% to 72% in electricity and reduced by 2% in gas to 81%
- Customer service satisfaction up 7% to 68% and value-for-money up 13% to 59%
- Number of hardship customers was 35,183 and level of debt when they entered the scheme decreased by 8% to \$1425.

TASMANIA

The Tasmanian Economic Regulator regulates standing offer electricity prices in Tasmania. There is no price regulation for gas. Continuation of retail electricity price regulation and the size of the market (second smallest) were cited by retailers as barriers to entry.

- The median offer increased by 18% between March 2019 and March 2020
- Market concentration slightly decreased. Aurora now holds 99% of the customer base while 1st Energy have gained 1%
- The only jurisdiction to have an increase in customers on standing offers – up 6% to 98% (compared to just 5% of Victorians on standing offers)
- Satisfaction up 4% to 69% and value for money up 6% to 46%
- Number of hardship customers was 4090 and level of debt on entering remained steady at \$1605.

ACT

The Independent Competition and Regulatory Tribunal regulates standing offer electricity prices for ActewAGL Retail in the ACT. The continuation of retail price regulation in ACT, and the size of the market, was cited by retailers as a barrier to entry, and this is expected to continue.

- Median offer increased by 7% in the ACT from March 2019 to March 2020
- Number of small electricity customers on the standing offer down by 8% in the year to December 2019. Median standing offer price increased by 1%
- Customers on the median standing offer could save \$522 by switching to the minimum market offer
- Competitors have increased, with total of retail brands increasing to nine. Two new retailers entering the ACT market: Powerdirect and Simply Energy
- Market share of ActewAGL Retail has fallen from 85% to 81%
- ACT was the only jurisdiction to see an increase in the switching rate – up 2% though it has the lowest switching rate in the national electricity market at 11%
- Customer satisfaction up 1% to 63% and value-for-money up 13% to 53%
- Number of hardship customers was 2087 and level of debt on entering the scheme is down 15% to \$1,376.

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