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Ms Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
Sydney NSW 1240

Online submission

5 November 2021

Dear Ms Donnelly,

Monitoring the retail energy markets in NSW 2020-21

AGL welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s draft reports on the performance and competitiveness of the NSW retail electricity and gas markets in 2020-21, published on 12 October 2021.

AGL is a leading energy retailer in Australia, providing energy services to about 4 million customers nationally as at 30 June 2021. In September 2020, AGL acquired Click Energy which included about 200,000 customers. In NSW, AGL had 916,000 electricity customers and 634,000 gas customers as at 30 June 2021.

In the draft report, IPART has found that retailer competition is increasing, customers are continuing to engage in the market and customer satisfaction is improving. AGL agrees with these findings.

We also support IPART's views that:

- competition is important to incentivise retailers to become more efficient to drive down bills for customers in the longer term, or to offer a better product or service,
- there are some costs to competition such as marketing to attract customers and systems to transfer customers, but these costs are outweighed by the continual pressure on retailers to reduce their costs, and
- pricing differences reflects variation in service and products, and different retailer strategies, and provides an incentive for customers to shop around to make savings.

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

Impact of COVID-19

As anticipated, bad debt expense increased due to heightened repayment risk relating to COVID-19. In 2020-21, AGL recognised COVID-related net bad debt expense of \$29 million nationally. In addition, there are additional costs relating to AGL's COVID-19 payment support program.



Over 2020-21, AGL's churn nationally remained flat at 14.3%, largely due to stronger retention focus. However, prior to the lockdown restrictions from late June 2021, our observation was that overall market churn has increased towards pre-COVID-19 levels at the end of 2020-21.

Supporting customers experiencing vulnerability

At the commencement of 2020-21, about 40,000 residential and small business customers were being supported through AGL's COVID-19 Customer Support Program and the restrictions on collections activities under the AER's Statement of Expectations. The recommencement of collections activity in August 2020 drove an increase in customers seeking support but with higher average arrears.

During 2020-21, AGL continued to provide debt relief and payment matching to customers participating in Staying Connected, AGL's hardship program. The number of customers on this program fell by 6.4% as some customers accessed other assistance, while the average level of debt of customers on this program increased by 20.7%.

Customer satisfaction

IPART has noted that customer satisfaction with electricity retailers has continued to improve in 2021-21. This is consistent with AGL's increase in Net Promoter Score and reduction in Ombudsman complaints.

AGL's Net Promoter Score was positive for the first time in 2019-20, rising from -11.1 in FY19 to +2.3 in FY20. FY21 saw further growth in NPS of +2.6 points to +4.9, a positive result given the challenges throughout the year.

AGL has also implemented a three-year program to reduce Ombudsman complaints nationally by 50% against 2017-18 volumes by the end of 2021-22. Ombudsman complaints reduced by 23% in 2020-21, following a 31% reduction in 2019-20. This is a 48% reduction against 2017-18 volumes, near the target one year ahead of schedule.

Product offerings

Following the acquisition of Southern Phone Company in December 2019, AGL is able to diversify its product offerings to include broadband, mobile and phone services. Over the year, AGL's telecommunication services, branded as AGL Energy and Southern Phone, have increased by 16.7% to 196,000.

On 1 July 2020, AGL launched a carbon neutral electricity product which is certified by Climate Active. In 2020-21, 47,000 customers nationally chose to offset the greenhouse gas emissions associated with their electricity use. In November 2020, we expanded the carbon neutral options to gas. In 2020-21, 18,000 gas customers nationally chose to take up this option.

By the end of June 2021, carbon neutral options were available on all AGL products including telecommunications, solar, batteries and business energy solutions. There were over 195,000 mobile, internet and home phone services where greenhouse gas emissions associated with these services are offset at no extra cost.



During 2020-21, we also introduced a new solar battery bundle with financing, a demand response program (Peak Energy Rewards) and an innovative electric vehicle subscription service. We have also secured ARENA funding to trial EV orchestration services.

AGL continues to roll out digital meters across the NEM, including NSW, and has now replaced over a third of our customers' meters. As digital meter penetration increases, this allows our customers to access digital based products and services. For example, customers with digital meters can use the AGL My Portal or App to get daily energy usage and cost.

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

Yours sincerely,

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

Elizabeth Molyneux
General Manager Policy and Markets Regulation