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Dear Madam / Sir,

The Tasmanian Council of Social Service (TasCOSS) welcomes this opportunity to comment on the Ministerial Council on Energy's Standing Committee of Official's (SCO) Policy Response Paper, *A National Framework for Regulating Electricity and Gas (Energy) Distribution and Retail Services to Customers* (hereafter referred to as the Policy Paper).

The Tasmanian Council of Social Service (TasCOSS) is the peak body for the community services sector in Tasmania. Our membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the public, the private sector and to the media.

We have long been involved in electricity issues as advocates for low income and disadvantaged electricity consumers in Tasmania and are aware that managing home energy bills is an increasing challenge for many. We made submissions on the first Working Paper of the Retail Policy Working Group in 2006 and on the Allens Arthur Robinson (AAR) *Proposed Framework* paper in 2007. Since the eventual outcome of this process will have a significant impact on consumers, we have been closely following developments and hope that the process will result in the introduction of a national regulatory framework that incorporates a consumer protection regime that represents best practice.

Application of the Framework

We understand that the issues detailed in the Position Paper relate to energy supply under conditions of retail competition. As you are aware, full retail competition is not yet in place for residential and small business customers in Tasmania, and the Tasmanian Energy Regulator's recent *Draft Report on the Public Benefit Assessment for Electricity Retail Competition in Tasmania* has recommended that full retail competition not be introduced in Tasmania according to the proposed timetable in 2010. It is therefore likely that Tasmanian consumers will continue to receive electricity supply from a monopoly retailer beyond the introduction of the National Energy Customer Framework, and will require at least the continuation of the protections and regulation they currently enjoy.

Tasmanian domestic gas customers, however, are now subject to full retail competition in a very small, developing and largely unregulated market.

It is our understanding that there will be transitional arrangements developed to address the particular circumstances of the jurisdictions which are at different stages of retail market development. We look forward to more detail on these arrangements. However, it is likely that the new Framework will eventually apply in Tasmania and it may be that issues relating to 'standing offer terms' may cover residential electricity consumers in Tasmania who remain non-contestable and therefore on a regulated tariff. Prepayment meter customers in Tasmania will presumably eventually be subject to the minimum terms and conditions proposed for prepayment meters in the new Framework.

We are interested to have further information on the regulatory status of small consumers of electricity in Tasmania who continue, after the introduction of the new Framework, to be non-contestable. We are also interested in the application of this Framework to Tasmanian gas consumers.

Prepayment meter systems

Given the widespread use of prepayment meters in residential properties in Tasmania, we are concerned to ensure that the national regulation of prepayment meters is rigorous and adequately protects the interests of consumers.

Currently, most of the prepayment meter technology in use in more than 40,000 Tasmanian households does not have the capacity to identify and monitor instances of disconnection from supply. This has serious implications for ensuring that those households experiencing hardship are provided with information on, and access to, services that can assist them. With the current technology, 'self-disconnection' remains a hidden problem and therefore one which we do not know the full extent of.

A 'prepayment meter code' was introduced in Tasmania in May 2007 as Chapter 9A of the *Tasmanian Electricity Code* and requires that all new prepayment meters (defined in the

TEC Glossary as, ‘A prepayment meter installed or to be installed, or existing prepayment meter equipment reconditioned, on or after 1 January 2008’):

...must be capable of identifying to the Electricity Retailer every instance on which the Customer supplied under a prepayment meter agreement has self-disconnected and the duration of that self-disconnection. (TEC 9A.5.1)

We note that the Policy Paper recommends that among the terms unable to be varied in a prepayment meter market contract is the condition that ‘a retailer must report and retain records in relation to instances of self disconnection’ (3.3.2, p 44). The Policy Paper also quotes the previous AAR recommendation that ‘the prepayment meter must identify to the retailer instances of self disconnection’ (p 46). However, the recommendation in the *MCE SCO Table of Recommendations – National Energy Customer Framework* adds the proviso ‘where the meter is technically capable’. The recommendation reads in full:

*- hardship and payment difficulties – the prepayment meter system must identify to the retailer instances of self disconnection, **where the meter is technically capable**, and the retailer must take action to revert a customer to standard metering in certain circumstances . . . (p 13, our emphasis)*

We believe that this proviso is unacceptable. It is imperative that the Rules require that all new and replacement prepayment meters have the capacity to identify each instance of disconnection from supply and to record the frequency and duration of each disconnection. This should appear under the sub-heading: ‘Pre-payment meter systems requirements’, rather than where it now appears under ‘Other matters’ (Table p 13).

Another aspect of prepayment meter regulation that appears in both the Tasmanian and South Australian Codes and that is not mentioned in these recommendations is the limitation on disconnection times. In the case of Tasmania, meters must be programmed not to disconnect between 2pm and 8am on weekdays. The SA Code prohibits meter disconnection between 3pm and 10am on weekdays. We would like to see a similar limitation in the National Energy Customer Framework.

Hardship policies

TasCOSS welcomes the recommendation in the Policy Paper requiring retailers to ‘develop, publish and implement a hardship policy’ under *3.5 Obligations in relation to hardship customers*. Hardship policies play an important role in the provision of essential services. Not only do they acknowledge the essential nature of the service provided, but they also commit retailers to engaging in activities designed to mitigate hardship and its effects. We congratulate the SCO for including this recommendation.

We are disappointed, however, that the SCO has chosen not to require that retailers’ hardship policies be approved by the AER. We understand that the reasoning behind this

is that some (or as the Policy Paper states, ‘a large percentage of . . .’) retailers have already received approval from jurisdictional regulators for their hardship policies. Given the variance among jurisdictions, and our understanding that it is only Victoria that requires approval of hardship policies, we do not believe that this reasoning is valid. Certainly Aurora Energy in Tasmania has not been required to have its hardship policy approved by the local Regulator. TasCOSS believes retailer hardship policies will be more appropriate, effective and robust if they are required to be approved by the national regulator.

We are also disappointed that the range of features required in retailer hardship policies is not as comprehensive as we would like to have seen. Absent from the SCO’s recommended features are:

- a requirement for specific training of staff (and especially call centre staff) to understand and engage with consumers experiencing hardship; and
- a requirement for informing and/or assisting consumers to implement energy efficiency strategies in order to keep electricity costs down in the long term.

These are common – and we believe necessary – features in hardship policies for essential service providers.

Another hardship related issue that requires clarification in the proposed Framework is the definition and identification of a ‘hardship customer’ or of a customer ‘in a hardship program’. Given that the Policy Paper recommends the application of certain special conditions for such customers (such as exemption from late payment fees and eligibility for payment by Centrepay), it is important that a clear definition is provided to ensure that customers in need have access to the assistance available. A solution may be the formalisation of entry and exit of customers into and out of a hardship program, as mentioned in the Paper (p 54) as a feature of one or more jurisdictional arrangements. This would create certainty for customers and retailers alike.

Disconnections

We note that the SCO recommends that disconnections from supply under a standard contract be prohibited after 3pm on a weekday and on weekends and public holidays (Table p 30 and p 73). This is not as comprehensive a prohibition as currently exists in the *Tasmanian Electricity Supply Industry (Tariff Customers) Regulations 1998* which prohibits disconnection from supply:

- *any time after 2pm on a business day;*
- *any time on a Friday, Saturday, Sunday or Public Holiday; and*
- *any time on a day immediately preceding a Public Holiday. [s24(2)]*

Although this may appear a minor matter, such a change could make a significant difference to a household without access to ready cash, credit or transport if their supply is disconnected, say at 2.30pm on a Friday before a long weekend. This is a case where Tasmanian consumers will be less well protected under this proposed National Energy Customer Framework.

Payment methods and difficulties

TasCOSS welcomes the recommendation regarding access to Centrepay as a permissible payment method (Table 2.23, p 58) since the use of Centrepay provides those receiving Centrelink pensions, allowances and payments with a convenient and effective method of managing energy payments. The system is widely used in Tasmania where around 31% of the population rely on Centrelink payments as their main source of income.

However, we feel that the wording relating to the inclusion of Centrepay as a payment option should be strengthened. Currently the recommendation reads:

A retailer must offer hardship customers the option to pay by Centrepay. Other customers experiencing financial difficulties, may request Centrepay as a payment option. (Table 2.23 p 58)

According to this wording, retailers ‘must offer’ the Centrepay option to hardship customers but are not required to also offer the option to other customers experiencing financial problems.

Due to the very low level of Centrelink income support payments, most payment recipients find themselves in a straitened financial situation, if not in ‘financial difficulties’. We therefore urge the SCO to recommend that Centrepay be included as a required payment option among the others - ‘in person; by telephone; by mail; or by direct debit’ – as listed in 2.23 (Table p 57).

Late payment fees

The SCO recommends that fees for late payment be expressly permitted under standard retail contracts (Table 2.39 p 65). Currently in Tasmania, those customers receiving concessions on their electricity accounts, that is, Pensioner Concession and Health Care Card holders, are exempt from late payment fees. Under the proposed Framework these customers will be liable for such fees.

We urge the SCO to re-consider this recommendation and to include a requirement that recognises the financial hardship associated with living on a pension, allowance, payment or low income by exempting those with Pensioner Concession and Health Care Cards from late payment fees. Exemptions for low income consumers protect many who experience financial hardship from the additional hardship brought about by the imposition of a late payment fee.

While we support that part of the recommendation that requires retailers to waive late payment fees for 'hardship customers', we note again the difficulty, discussed above, of identifying hardship customers.

We hope that our comments are useful in your further deliberations on these important issues. We look forward to continuing to participate in the process of establishing a best practice national regulatory framework that protects the interests of consumers, and in particular, the most vulnerable consumers.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Muller', written in a cursive style.

Tom Muller
Chief Executive Officer