

19 December 2012

Review of regulated retail prices and charges for electricity 2013 to 2016
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Thank you for the opportunity to comment on *Review of regulated retail prices and charges for electricity 2013 to 2016, Issues Paper, November 2012*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON considers that the Terms of Reference and the general approach proposed by IPART provide a proven regulatory approach with no major changes of methodology being suggested. EWON has therefore provided only limited comments on the Issues Paper.

The form of regulation

IPART has asked if an opt-in model for all or part of the determination is preferable to regulating all existing regulated prices. AS EWON understands this proposal this would lead to three groups of small retail customers:

- those who actively choose to remain on a regulated offer
- those who choose a market offer
- those who by default end up on a non regulated standing offer.

IPART argues that such a proposal could raise awareness of the competitive market and also that it could help reduce the number of Country Energy's regulated tariffs. IPART also points out that such a proposal would need a comprehensive community information and awareness campaign.

EWON is concerned that the needed information and awareness campaign would have difficulty gaining traction with customers over the next year or two, particularly as they will already be targeted by two other critical information and awareness campaigns.

During 2013 the final transition is planned for the customers of the previously government owned retailers to the retail systems of the new owners. For Integral Energy and Country Energy customers this will involve transferring to new Origin Energy accounts requiring new account numbers, new direct debit, Centrepay and energy rebate arrangements. It is also expected that EnergyAustralia customers will be moving to a new billing system which may also involve moving to a new account number.

Such large scale changes will require significant customer engagement via well coordinated information and awareness campaigns. On top of this the proposed introduction of the National Energy Customer Framework (NECF) on 1 July 2013 will also bring about a state wide information and awareness campaign. In the lead up to the earlier implementation date of the NECF, EWON contributed information to both state and federal authorities who were proposing awareness initiatives. Not least of these would be ensuring that customers were aware of the transfer of the price comparison advice website from IPART to the Australian Energy Regulator (AER).

Non-tariff fees and charges

The prescription of the circumstances under which retail charges should be applied is part of the protection provided to NSW customers by the price regulation process. In choosing to issue Terms of Reference to IPART for price regulation through to 2016 the Government has indicated its view on the need for protections for NSW customers to be maintained.

The NECF, proposed to be adopted in NSW in July 2013, covers some aspects of miscellaneous charges, but with some significant variations from the current IPART Determination.

(i) Security deposits

EWON considers the NECF provisions on security deposits provides appropriate protection for consumers. As the amount is not expressed in dollar terms, there is no need to comment on the quantum.

(ii) Late payment fees

EWON believes the consumer protections in the current IPART Determination which specify when a fee cannot be levied and when it must be waived should be maintained. These are important provisions which can protect customers already experiencing financial difficulties from having to pay an additional fee on top of a bill they are already struggling to pay.

EWON believes that the current level of \$7.50 is the appropriate level. Even if it is not totally cost reflective, we understand that the fee is only partly to be recovered by this fee, the rest being recovered via the retail cost allowance included in the regulated retail price.

(iii) Dishonoured cheque fee

As cheques are falling into disuse, EWON does not recommend any change in this fee. This fee is not set in dollar terms, but with reference to the relevant bank fee, which we understand has in many cases significantly reduced.

Customer impacts

The release this month of the disconnection figures for 2011-2012¹ show a concerning 25% increase in disconnections. These figures do not reflect the impact of the 2012 pricing determination which saw a further 20% increase in prices. At the same time the number of customers using payment plans remained stable and the number of customers using Centrepay reduced.

In NSW IPART does not collect the numbers of customers actively involved in hardship programs. This statistic is however collected in Victoria, and it is notable that despite a 33% increase in electricity disconnections there was a decline in the number of customers participating in hardship programs in Victoria.²

In IPART's review of hardship programs it was identified that there were three key components. These were the promotion of payment options, payment incentives and energy efficiency programs.³ When examining the impact of the previous and proposed price rises, monitoring of retailers' accountability for customer assistance by IPART is essential.

EWON would point to our submission to the 2012 determination which identified three priorities in the context of minimising the adverse customer impacts of price rises.

1. More effectively target current measures at the customers most in need of assistance

EWON still believes that this could be effectively achieved through the NSW Government commissioning IPART to review the total package of customer assistance measures. Such a review should also identify and review the structure of existing measures in other jurisdictions as well as attempting to identify new and needed measures. For example EWON has called for the implementation of a range of new measures including extension of the energy rebate to retirement village residents, the introduction of a service to property charge rebate and the introduction of prepayment meters as an option for consumers⁴. Given IPART's identification of the fact that customers in rural areas spend a significantly greater proportion of their income on energy supply, their needs could be also considered by such a review.

2. Reform of Energy Accounts Payment Assistance (EAPA) scheme

This proposal is long overdue. Proposals for improvements to the delivery of the EAPA vouchers and ways the scheme could be enhanced have been canvassed by the EAPA

¹Customer service performance of electricity retail suppliers IPART December 2012

²Energy Retailers Comparative Performance Report 2012 Essential Services Commission Victoria

³Customer service performance of electricity retail suppliers IPART December 2012, Page 2

⁴EWON submission to- *Changes in regulated electricity retail prices from 1 July 2011 Electricity — Draft Report*, Page 3

Advisory Group and, as far as we are aware, are yet to be implemented. We understand that EAPA has not been able to keep up with the growing demand from customers struggling to manage their energy accounts.

Equally important is the quantum of assistance provided through EAPA. This has not increased despite the fact that the total cost of electricity will have risen by over 40% in the last three years.

3. National roundtable on energy affordability

EWON has written to the Standing Council on Energy and Resources (SCER) to propose a national roundtable on energy affordability. There are a number of reforms occurring in energy including better regulation of network prices, a review of reliability standards and a raft of new initiatives proposed through the Power of Choice Review. All of these will provide benefits for customers as a whole, however there also needs to be policy development to address the issue of energy affordability for customers on low incomes who are using more energy than they can afford. IPART's support for such a national roundtable could play a critical role in ensuring that the impact of price rises on financially vulnerable customers is given thorough consideration.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy, on 8218 5250.

Yours sincerely



Clare Petre

Energy & Water Ombudsman NSW