

8 March 2012

AER's minimum disconnection amount
General Manager
Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email AERinquiry@aer.gov.au

Thank you for the opportunity to comment on the *AER approval of minimum amount owing for disconnection, r.116 of the National Energy Retail Rules*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. The dominant complaint issues are disputed high bills and other billing problems, payment difficulties, disconnection and poor customer service.

Recent energy price increases in NSW are impacting on the capacity of many customers to pay on time for their energy consumption, and there has been a significant increase in the number of customers contacting EWON raising affordability concerns.

In this context EWON believes it is important to have a national approach to affordability issues such as the setting of a minimum disconnection amount.

EWON endorses the AER's advice that the \$300 minimum amount owing for disconnection is part of the "suite of consumer protections" provided by the NECF Retail Law and Rules to assist customers experiencing financial hardship, and will "operate in conjunction with these other protections"¹.

Question 1: Should the AER publish the approved minimum disconnection amount? Why / why not?

EWON supports the publication of the amount. We agree that the publication of the amount will encourage greater transparency and is consistent with good regulatory practice.

¹ AER Letter to Stakeholders: *AER approval of minimum amount owing for disconnection, r.116 of the National Energy Retail Rules*, Page 2

When customers contact EWON unable to repay their arrears or negotiate an affordable payment arrangement with their retailer, we regularly refer them to community services for assessment for emergency financial assistance and for general financial counseling. In assessing a customer's circumstances and capacity to pay, it seems reasonable for consumers and advocates to be aware of this type of information.

Question 2: Should the minimum disconnection amount be the same for both gas and electricity? Why / why not?

EWON supports the proposal to have the same amount (\$300) for both electricity and gas for consistency and ease of implementation.

In NSW average electricity bills are typically higher than gas bills, and there are seasonal and usage differences across the state. However on balance, we support the proposal to have one simple and consistent amount for gas and electricity.

Question 3: Should the AER apply the same minimum disconnection amounts to all states and territories applying the Retail Rules? Why / why not?

EWON supports the AER's proposal to approve one single national amount, as this is consistent with the principle of harmonization driving the National Energy Customer Framework (NECF). As well, EWON supports the guiding principle that a single, nationally consistent figure would be easier to implement and could minimize confusion for customers and retailers².

Question 4: What other factors (if any) should the AER consider when approving a minimum amount owing for disconnection?

We believe the AER has considered the appropriate range of factors and potential impact on customers and retailers.

EWON sees merit in considering the average quarterly bill of a typical low consumption customer, on the premise that it is preferable customers are not disconnected for being only one bill behind³. However it appears difficult to calculate such an amount as a national average due to so many variables.

² ibid. page 4

³ ibid. page 5

The *State of the Energy Market Report 2011* contains retail pricing information across the different jurisdictions, which allows for some extrapolations⁴. Using the estimated annual electricity costs for customers in the three NSW Distribution Network Areas we have calculated a quarterly cost for each area. The quarterly costs range from \$484.75 - \$639.25 (see below table). The corresponding quarterly amount for gas is \$329.50. These estimated costs are well above \$300.

New South Wales - electricity	Distribution Network Area	Estimated Annual Cost (\$)*	Estimated quarterly cost (\$)
	Ausgrid	1939	484.75
	Endeavour Energy	2056	514.00
	Essential Energy	2557	639.25
New South Wales – Gas	Jemena	1318	329.50

**these figures are copied from Table 4.4 Movements in regulated and standing offer prices, State of the Energy Market 2011, AER, Page 114*

There is a concern that setting the threshold amount too high could exacerbate customer hardship issues by allowing a higher debt to accumulate, which could be very difficult for customers to repay.

Question 5: Do stakeholders consider a minimum disconnection of \$300 (GST inclusive) to be appropriate? Why / why not?

Weighing up the factors presented by the AER, \$300 appears to be a reasonable minimum disconnection amount. At this stage we believe the amount provides an appropriate balance between the various factors.

\$300 is the current minimum disconnection amount in Queensland. The Victorian amount of \$150 has not been increased for some time. In the context of increasing energy price increases and customer affordability issues, it appears reasonable that the AER proposes to match the current Queensland amount, rather than the lesser, and probably outdated, Victorian amount.

⁴ State of the Energy Market 2011, AER, page 114

Question 7: How often should the AER review the minimum amount owing for disconnection?

EWON considers the AER proposal to undertake “periodic reviews to ensure that the amount remains appropriate over time”⁵ to be insufficient. EWON strongly recommends that the timeframe for any review is made more specific – that the AER conduct an initial review after the first year, and then every two years, to ensure it is an effective national provision in the context of rising energy costs and affordability issues.

We believe a regular review process complements the other reporting, monitoring and review processes built into the NECF and AER’s new national retail functions.

Other issue for AER consideration

Rule.116 states:

*(h) for non-payment of a bill where the amount outstanding is less than an amount approved by the AER and the customer **has agreed** with the retailer to repay that amount;*

EWON monitors and reports on disconnections that have failed to comply with the current NSW regulations. Under Rule 116 (h), if customers complain to EWON about being disconnected for sums under \$300, we anticipate asking the customer for details of discussions they may have had with their retailer regarding repayment. We would review the retailer’s records of any such arrangement recorded on that customer’s account, including records of customer contacts with the call centre.

We would benefit from some clarity about the intended meaning of “*has agreed*” in determining if a disconnection under the threshold is compliant. In particular, does compliance with this Rule require a formal payment arrangement to have been set up, or is a verbal promise to pay sufficient?

Some customers in financial difficulty agree to repayment arrangements that they cannot afford, simply to keep their energy supply connected. We would also appreciate clarity as to the situation where a payment arrangement for a sum under \$300 has been agreed with the retailer, but the payments are not maintained.

⁵ AER Letter to Stakeholders: *AER approval of minimum amount owing for disconnection, r.116 of the National Energy Retail Rules*, Page 7

Can disconnection then proceed without further notice, or is there an obligation on the retailer to attempt further contact with the customer? (Note that such customers may already have been offered two payment arrangements in the past 12 months as required by Rule 111 (2).)

EWON recommends the AER include an explanatory note to assist both retailers, and customers in the implementation of this Rule.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy on 02 8218 5250.

Yours sincerely



Clare Petre
Energy & Water Ombudsman NSW