

4 August 2009

Review of regulated retail tariffs and charges for electricity 2010-2013
Independent Pricing and Regulatory Tribunal
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Thank you for the opportunity to comment on IPART's *Review of regulated retail tariffs and charges for electricity 2010 – 2013 Issues Paper July 2009*.

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

EWON believes that consumer protection must remain a key criterion when the Tribunal considers the future of the NSW pricing and regulatory framework. To that end, we have limited our comments to those matters that our experience suggests will impact most significantly on customers, particularly those who are already in vulnerable circumstances.

The terms of reference

The terms of reference suggest that the majority of NSW residential and some small business customers have chosen to remain on standard form customer supply contracts which include regulated retail tariffs and charges determined by the Tribunal. The implication is that this is due to the standard tariff being artificially low – and thus more attractive to customers – through non cost-reflectivity. The terms of reference suggest that for the benefit of competition to flow through all sectors, which will lead ideally to *lower* prices, prices will have to *rise* for those supplied under a regulated tariff. Though there may well be sound structural reasons for this, it is hard to avoid the conclusion that those who are already vulnerable – including people who for various reasons choose not to, or are unable to, participate in a market contract – will be further exposed.

EWON welcomes in the terms of reference the request to provide the Government with advice regarding the impact of the determination on small customers.

The effectiveness of retail market competition in NSW

While there has been a decline in marketing activity over the last three years there remain some unacceptable marketing practices which give rise to continuing customer complaints to EWON, in particular about misleading marketing conduct. This includes comments by marketers that create confusion about the different roles of distributors and retailers and confusion over the proposed sale of the standard retailers, to encourage customers to sign a market contract.

In some cases customers have switched retailers knowing the market choice they are making, but in fact they are worse off because they have not fully understood the terms of their new contract, eg payment arrangements that do not suit their financial situation.

Customer complaints to EWON suggest that the impact of time of use meters and the increase in customers seeking access to feed-in tariffs have had some effect on energy competition. Customers report that they have had to stay with or return to their standard retailer as 2nd tier retailers have either cancelled contracts, withdrawn offers or encountered significant difficulties in providing accurate and timely accounts as the result of incompatibility with their billing systems .

The form of regulation

EWON is concerned about the effect of price shock on consumers, in particular low income and vulnerable customers who are already struggling to meet their financial commitments. We suggest that consideration could be given to varying the timing of the determination to reduce price shock. For example, a December introduction would separate the retail price rise from the Network price increase and, importantly, avoid the new price levels impacting immediately on winter heating bills.

Non-tariff fees and charges

Like IPART, EWON is unaware of any developments which would provide for a basis for changes to the miscellaneous charges; however we look forward to the proposed IPART working party.

Customer impacts

Following the 2009 price rises and taking into account likely carbon cost implications there will be a significant price impact on customers in NSW. EWON's experience through customer complaints indicates that there are low income and disadvantaged customers already struggling to manage their energy accounts who will be adversely impacted by the prices increases. These include customers on low incomes, the unemployed and customers reliant on government benefits. As well, the recent report *Cut off II: the experience of utility disconnections, January 2009*, published by the Public Interest Advocacy Centre, identified that approximately 63% of the households surveyed that had been disconnected drew their main income from employment rather than pensions or benefits.

EWON is concerned that the impact of price rises on these customers could include increased difficulty paying utility and other bills and increased debts, credit listing and possibly disconnection of essential services. Another consequence is the increased pressure on welfare services as there is a greater need for Government emergency assistance such as EAPA and food vouchers. Simultaneously there will be greater pressure on retailer hardship programs, as more customers seek access to these programs to manage their bills and their consumption.

In the IPART *Market-based electricity purchase cost allowance – 2009 review Final Report May 2009* there was acknowledgment that the government was planning a raft of improved customer assistance measures. IPART called for these to be brought forward and the government responded in a positive way.

While it is pleasing that the energy rebate has been extended to some Health Care Card holders, EWON supports the extension of the energy rebate to all holders of the Health Care Card, and would identify this as a key additional customer assistance measure for low income and disadvantaged consumers.

EWON remains concerned by the high level of electricity and gas disconnections in NSW. We are regularly contacted by customers with large arrears they cannot afford and who have been disconnected or are facing disconnection for non payment. As part of this determination EWON suggests that in 2011 IPART could undertake a review of the effectiveness of the Government's Customer Assistance Policy and associated measures, especially in regard to reducing the number of disconnections of energy supply.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy & Projects on 8218 5225.

Yours sincerely



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