



25 July 2007

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Dear Secretariat

### **SACOSS submission to the Retail Policy Working Group Composite Paper**

Thank you for the opportunity to comment on the Retail Policy Working Group Composite Paper.

#### About SACOSS

SACOSS is the peak organisation for community service organisations in South Australia. Our membership numbers in excess of three hundred and consists of committed organisations and individuals who provide services for and are interested in the protection of the interests of low income and disadvantaged consumers in South Australia. We hold consumer representative positions on a number of electricity related committees including the National Consumers Roundtable on Energy and the South Australian Minister for Transport, Energy and Infrastructure's Ministerial Energy Consumer Council.

#### Our views on the electricity market

SACOSS is committed to sustainable energy that is available at affordable prices to meet basic household energy needs, especially households that experience disadvantage including low income households, carers, people with disability or mental illness or chronic health needs, large households, indigenous people, and new arrivals from culturally and linguistically diverse backgrounds. 'Basic household energy needs' (which are common to most consumers but are affected by their housing and the region in which they live) can be defined as sufficient energy to sustain a reasonable standard of living; with flexible and controllable payment methods; and also appropriate supporting information and advice.

Electricity is an essential service that is necessary to all individuals and household groups to maintain health and wellbeing. As such, all households are entitled to affordable access to sufficient energy to sustain a reasonable standard of living. This includes meeting the energy demands of the health needs of the household. In particular, the expenditure on essential utility bills from low-income households should not place an undue stress on their overall finances.

The South Australian electricity market has operated under full retail contestability for a few years now and SACOSS and other community sector organisations have

collected a number of case studies about experiences in the electricity market. One of these case studies is as follows:

**CASE STUDY: An advocate who attended the consultation mentioned that she was working with three families who had been without an energy supply for over 12 months due to poor credit ratings being applied by the company. One family was a single parent with three school age children who she had raised without electricity for over 12 months. She told the advocate that the money was “better spent on things for the kids”.**

Although SACOSS is aware that this case study truly reflects a more extreme case under full retail contestability in the electricity market, this situation is unfortunately not atypical of the South Australian experience. Without some robust discussion and review of consumer protections within the National Electricity Market, we feel that these reforms will do nothing to advance and protect the interests of low income and disadvantaged consumers in South Australia.

#### Approach to this submission

SACOSS notes that the consultation time for this paper, set at approximately four weeks, has the potential to be exclusionary for smaller and under resourced consumer organisations. We wish to inform the Retail Policy Working Group that in order to garner a more substantial and meaningful response from consumers, a more extended consultation time would be necessary to allow their views to be analysed and fully encompassed into a submission.

In order to provide as full response as possible to the Paper, SACOSS received some funding from the Essential Services Commission of South Australia (ESCOSA) Community Grants Program to undertake a consultation that is broadly representative of the concerns and views of the wider community sector in South Australia. The method used to undertake this response is as follows:

1. The consultation was advertised using the networks of COTA SA (Council on the Ageing SA) and the SACOSS membership network.
2. Three consultations were held, two in regional areas and one in metropolitan Adelaide. Over all three consultations, SACOSS presented to 50 stakeholders about the reforms.
3. SACOSS gave an overview of the market and presented on a selection of key reforms from the Retail Policy Working Group Composite Paper.
4. The case studies and other information collected within the consultations, along with the work done in consultation with the National Consumers Roundtable on Energy, form the basis of the SACOSS submission.

#### Issues and recommendations

In undertaking our consultations, we selected some of the main issues from the recommendations that we feel are extremely important for consumers to be aware of and undertake discussions on to raise awareness of the content of the reform. These issues are:

- Tariffs and charges
- Meter reading
- Bill smoothing
- Payment arrangements

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- Credit history and security payments
- Undercharging and overcharging
- Disconnections

Our response is structured to give the Retail Policy Working Group a strong understanding of the concerns that energy consumers in South Australia have about the reforms and the issues that are uniquely South Australian within the National Electricity Market.

I would be pleased to discuss this submission further with you and should you require any further information, don't hesitate to contact me.

Yours faithfully

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

Karen Grogan  
**EXECUTIVE DIRECTOR**



**SACOSS**

*South Australian Council  
of Social Service*

**Submission to the Ministerial  
Council on Energy's Secretariat**

**Retail Policy Working Group  
Consolidated Paper**

**July 2007**

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## Tariffs

### Recommendation discussed

Tariffs and charges	<p>Charges are to be made on the basis of tariffs and charges specified in the contract or published in accordance with prescribed <u>uniform</u> publication requirements (such as in the Gazette and/or a general circulation newspaper and/or on the retailer's internet site). [Note: the level of tariffs and charges remains subject to jurisdictional regulation.]</p> <p>Any variation to standing offer tariffs and charges must be <u>published</u> in advance of the variation taking effect.</p> <p>Upon request, a retailer must provide a customer with information <u>reasonably available to the retailer</u> on network charges, retail charges and any other charges relating to the sale or supply of energy.</p> <p><b><u>Market Contract Annotation</u></b></p> <p><u>Publication requirements do not apply to market contracts. Market contract tariffs must be included in the contract and variations must be notified to the customer in accordance with requirements set out in the contract.</u></p>
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### Summary of discussion

#### **CASE STUDY**

**A pensioner from Mount Gambier received a call from an energy company who knew her name and her current provider. They informed her that they knew what price she was paying and that their product was an infinitely cheaper and better deal. They explained the difference in electricity tariffs and told her that she needed a much better product and they could provide it to her.**

This shows a complete lack of privacy for the customer's details and disrespect for the integrity of their data. Electricity contracts are an inherently private matter and it is the right of the customer to have their privacy respected and maintained without interference from other retailers.

During the consultations, we spoke to a number of people who were concerned that the publication requirements for the tariffs would exclude members of their constituency who would not have access to the Gazette or a general circulation

newspaper. Internet access was raised as a pressing concern for low income and disadvantaged consumers and some suggestions were made as to other methods of how tariffs could be publicised so that consumers are aware of the changes.

A summary of these suggestions appear as follows:

- Tariff changes should be publicised with accounts, well in advance of when they will occur and in a legible format that consumers can read and understand. This should include requirements for adaptable typefaces and fonts that respect people who may have sight issues. It should also include the contract breaking fees as relevant.
- Information about different payment options is critical – including hardship programs and a justification of the difference between tariffs and why it exists.
- Tariff documents be in plain English and allow customers enough time to discuss the table with the retailer and interpret it as they need to.
- Clarity in the description of options and information delivered to CALD people in an appropriate manner. Accessible information and support for other groups with extra communication requirements such as people with visual or hearing impairments.
- Ensuring that hardship information is published with tariff tables to enable consumers to be able to interpret their tariff in partnership with their bill.
- Marketers who promote based on tariffs should not be able to target vulnerable and disadvantaged people who may not have the capacity to make a detailed assessment of the tariff. There should be a Code of Conduct for marketing officials to follow which recognizes the issues prevalent in low income and disadvantaged areas.
- Publication options are very exclusive and will see a large percentage of clients disadvantaged. It is essential to ensure that tariffs are published in a variety of places and ensure that different forms of access are considered when setting publication requirements.
- Tariff changes must not be promoted to customers over the phone as many people are confused by telephone marketing and agree to anything to simply get the marketer off the phone.

**SACOSS recommends: A review of the recommendation to ensure that tariff information is more widely published in a form that low income and disadvantaged consumers can easily comprehend and engage with.**

## **Meter reading**

### Recommendation discussed:

Unless otherwise permitted, a retailer must base the calculation of charges for a small customer's bill on metering data provided by the distributor or other responsible person [in accordance with the Rules](#).

A retailer may base the calculation of charges under a bill on an estimation of a small customer's consumption of energy in the following circumstances:

- where the customer consents to the use of estimates by the retailer;
- where the retailer is not able to reasonably or reliably base the bill on a meter reading; or
- where metering data is not provided to the retailer by the distributor or other responsible person.

### **Market Contract Annotation**

May be varied by agreement in market contracts.

A retailer must use its best endeavours to ensure that a meter reading takes place at least once in each 12 month period.

### Summary of discussion:

#### **CASE STUDY**

**One customer did not have a meter read due to the meter reader being scared of the dog that the customer owned. Nobody from the electricity retailer had informed them that their account was being estimated and it was not until six months later that the customer became aware of the situation.**

#### **CASE STUDY**

**A ninety seven year old male customer did not have the capacity to answer the door when the meter reader came. His meter was visible through a glass window of the front room of his home so the meter reader chose to read the meter through the window without informing the customer of this. Once the customer's family figured out what was occurring they organised for another meter reading to occur. The energy company charged the customer for his meter to be read again.**

During the consultations, participants expressed concern that the recommendations implied that a meter reading could occur as far apart as once every 12 months. They felt this could present a significant problem for low income and disadvantaged people who may have issues with financial management.

Alternative strategies could include:

- Presenting the community with an alternative strategy in the form of empowering people to read their own meter. They stressed that community education coupled with some information and knowledge would assist people to understand usage, how to reduce their usage and to control their bills.
- There was concern expressed that 'nasty' cards left by electricity retailers that threatened disconnection if the meter wasn't read were too intimidating for consumers and could potentially coerce them into leaving their house less secure than they would normally.
- The consultation expressed a desire to see that meter reading was carefully regulated by the appropriate parties and was keen to see the recommendation protecting the three monthly billing cycle that currently operates.
- The participants also expressed a concern that the companies entering premises to undertake meter reads needed to ensure that they had explicit informed consent from customers to do this as it presents a myriad of security and other issues.
- Some of the strategies being used by SA Water in terms of visibility and marketing appear to be particularly effective. It is possible that retailers might need to consider using these strategies
- The potential for meter readings to occur only once every 12 months could mean that low income and disadvantaged consumers are further disadvantaged by larger bills received at the end of a metered year, which could add further challenges to their financial management.
- The consultation participants remain concerned about alternative arrangements for rental properties and whether twelve monthly meter reads would cover the high rate of moving around that occurs within rental properties.
- The process by which meters are read brought up some significant issues for participants in the consultation. There are some issues with consent that need to be specified in the recommendation to ensure that access to a consumer's premises by meter readers is properly regulated.

#### **CASE STUDY**

**A customer in Whyalla was given an estimated account in the amount of \$1553 for three months. For two of these months there was nobody living in the house. The customer felt that this was too high and collaborated with the electricity retailer to self read the meter and provide an alternative reading. The self read showed the charge at only \$400 and the customer was re-billed.**

**SACOSS recommends: A thorough revision of the meter read recommendation to ensure that meter reading processes are undertaken in a secure and appropriate manner that protects the security and integrity of the**

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**premises and that the customer is given a range of options to ensure that they are comfortable with the way that the meter read is taking place.**

## **Credit history and security payments**

### Recommendations discussed:

	Information about credit history	If a retailer requires a security deposit on the basis that a small customer has an unsatisfactory credit history, the retailer must inform the customer: <ul style="list-style-type: none"><li>• that the retailer has decided the customer has an unsatisfactory credit history;</li><li>• the reasons for the retailer's decision;</li><li>• of the customer's rights to raise a complaint; and</li><li>• that the customer has the right to obtain details in relation to the information on which the retailer's decision was based.</li></ul>
	Amount of security	The amount of security may not exceed 1.5 times the average quarterly bill (for customers on a quarterly billing cycle) or 2.5 times the average monthly bill (for customers on a monthly billing cycle). <a href="#">Average quarterly and monthly bills should be determined by the AER.</a> <a href="#">Market Contract Annotation</a> <a href="#">May be varied by agreement in market contracts.</a>

### Summary of discussion

Participants in the consultation were concerned about the level of access to credit information that retail companies have. They felt that the recommendation needed to be altered to reflect the need for credit reports to be carefully regulated to cover people who might have no credit history or a poor credit history in relation to utility debt only. There was a specific concern that when applying credit assessments, there needed to be a staged process to ensure that share house and joint name accounts are provided for. Other concerns included:

- Clients can have multiple debts to different energy retailers. There is a need to ensure a transparency within the system to balance business interest with a consumer's right to select their energy supply.
- There is a need to contextualise the costs of moving into new premises when assessing how much security to impose on a customer.

- There was concern expressed that a 'no credit' rating might be equated to a bad credit rating and participants strongly expressed that if a poor credit rating could be attributed to a customer based on the fact that they had not held an account in the past, then this should be prevented from occurring in the recommendation.
- This is particularly important for new arrival families who attend an energy retailer.

**CASE STUDY**

**A client advocate who attended the consultation described one of her clients who had debts to three energy companies and could not pay any of them. Her debts totalled over \$2000 and she was searching for a fourth energy company.**

This demonstrates a need to ensure that retailers, through these recommendations, play an active part in ensuring that clients manage their bills. This can be partly achieved by a compulsory security deposit that is affordable coupled with clear and accessible information about hardship policies.

When discussing a security deposit, the participants felt that the recommendation of 1.5 times the average quarterly bill was too high to expect new energy account holders, such as young people moving out of home for the first time or new arrivals to the country to pay. The participants also questioned the formula for working out such a payment and were concerned that the recommendation did not specify how the payment would be managed.

**SACOSS recommends: A thorough revision of the credit history recommendation is necessary to ensure access to this essential service does not become prohibitive for groups that are low income and disadvantaged. The recommendation needs to encompass some flexibility to ensure that new energy consumers are not disadvantaged by these arrangements. Shorter billing cycles for high risk customers could be considered instead of security deposits.**

**Billing and payments**

Recommendations discussed:

<p>Frequency of bills</p>	<p>Energy bills must be issued by the retailer at least every three months.</p> <p><a href="#"><u>Market Contract Annotation</u></a></p> <p><a href="#"><u>May be varied by agreement in market contracts.</u></a></p>
<p>Content of bills</p>	<p>A bill should include the following content:</p> <ul style="list-style-type: none"> <li>• customer's name, account number and address;</li> <li>• meter identifier;</li> <li>• bill period;</li> <li>• due date;</li> <li>• amount of arrears or credits;</li> <li>• relevant tariff;</li> <li>• whether the bill was issued as a result of a meter read or an estimation and, if issued as a result of a meter read, the date of the meter reading;</li> <li>• values of meter readings (or, if applicable, estimations) at the start and end of the billing period;</li> <li>• details of consumption or estimated consumption;</li> <li>• pro rata billing information (if applicable);</li> </ul>
	<ul style="list-style-type: none"> <li>• any amount deducted, credited or received under a Government rebate or concession scheme or under an instalment plan;</li> <li>• the amount of any security deposit;</li> <li>• the network charge and <a href="#"><u>details of</u></a> any other miscellaneous charges;</li> <li>• details of the available payment methods;</li> <li>• <a href="#"><u>details of any available government funded concessions or rebates;</u></a></li> <li>• telephone number for account and fault enquiries;</li> <li>• contact details for complaints; <a href="#"><u>and</u></a></li> <li>• <a href="#"><u>availability of interpreter services in community languages.</u></a></li> </ul> <p>Amounts billed for goods and services (other than the</p>

	supply of energy) must be included in a separate bill or as a separate line item on an energy bill.
Payment terms	<p>The due date for payment of a bill may not be less than a prescribed period after the date on which the bill is sent out.</p> <p><a href="#">Market Contract Annotation</a></p> <p><a href="#">May be varied by agreement in market contracts.</a></p>
Apportionment	<p>If a bill includes amounts payable for other goods and services provided by the retailer (apart from the supply of energy), any payment made in relation to such a bill must be applied firstly to the payment of the energy charge, unless otherwise directed by the customer or agreed by the customer.</p> <p><a href="#">Market Contract Annotation</a></p> <p><a href="#">May be varied by agreement in market contracts.</a></p>
Historical billing information	<p>A retailer must provide historical billing data for the previous 12 months <a href="#">on request and</a> without charge to a small customer. Any information provided prior to that period <a href="#">or more than once in any 12 month period</a> may be subject to a <a href="#">reasonable</a> charge.</p>
Billing disputes	<p>A retailer must review a bill upon the request of a small customer in accordance with the retailer's standard complaints and dispute resolution procedures <a href="#">and in accordance with any time limits applicable under those procedures.</a></p> <p><a href="#">The customer may require the retailer to undertake a meter test, with the cost of the test to be borne according to the outcome of the test.</a></p> <p>Retailers may require a customer to pay the greater of:</p> <ul style="list-style-type: none"><li>• the portion of the bill under review which is not in dispute; or</li><li>• an amount equal to the average amount of the customer's bills over the previous year (excluding the bill in dispute),</li></ul> <p>and any future bills that are properly due.</p> <p>Where, after conducting a review of the bill, a retailer is</p>

	<p>satisfied that the bill is:</p> <ul style="list-style-type: none"><li>• correct, the customer must pay the amount outstanding; or</li><li>• incorrect, the retailer must adjust the bill accordingly and refund any fee paid in carrying out any metering test.</li></ul>
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All participants were concerned that the recommendations did not specify a requirement to include a comparative consumption graph. They specified that there needed to be details of rights and options in hardship cases to enable people to understand the process to be followed to access hardship policies. They were interested to learn about how greenhouse gas emissions were to be included in the bill and whether this would make the climate change problem more relevant to consumers.

There was concern that bills were often too detailed and there needed to be an additional requirement within the recommendation that bills must be clear, readable and provide consumers with a number to call if they needed support to understand their bills.

Ensuring that bills allowed the customer enough time to pay was an important concern for the participants. They recommended overwhelmingly that a clause stating a time to pay was included, rather than the terminology within the recommendation of a 'prescribed period'.

**SACOSS recommends: That comparative consumption graphs are a mandatory inclusion in billing arrangements as a part of these recommendations.**

## **Undercharging and overcharging**

### Recommendations discussed:

Undercharging	A retailer may recover from a customer any amount undercharged during the previous 12 months ( <a href="#"><u>unless the undercharging arises as a result of the fault or unlawful action of the customer, in which case the 12 month limitation does not apply</u></a> ). Interest is not payable on the amount undercharged and the customer must be given a period of time to pay any undercharged amount <a href="#"><u>commensurate with the period of the undercharging</u></a> . Any amount undercharged must be listed and explained as a separate item on the customer's next bill or on a separate bill.
Overcharging	A retailer <a href="#"><u>must promptly inform the customer upon becoming aware of an overcharge and</u></a> must repay any amount overcharged. If the amount overcharged is less than a threshold amount, the retailer must credit that amount to the next bill. If the amount overcharged exceeds the relevant threshold, the retailer must repay the amount as directed by the customer or, where there is no such direction, credit the customer's next bill.

Participants felt that 12 months was too long to enable energy companies to recover debts. They were particularly concerned about the recommendation in respect of undercharging, and argued that the way in which undercharge occurred would be highly dependent on how payment should be sought for it.

They felt that the obligation should be on the retailer in both undercharging and overcharging situations to inform the customer and that it is critical to ensure that clients were able to properly plan their finances and structure their consumption accordingly. They felt that the arrangement for a threshold was critical, and agreed that a \$25 concession was a fair arrangement.

When discussing payment methods, the participants felt that as many options as possible should be offered. Many people wanted partial payment and B-Pay / Centrelink / Centrepay arrangements should be included in the recommendations as formal legal requirements.

**SACOSS recommends: B-Pay and Centrepay be included in the formal recommendations as legally binding payment arrangements.**

## **Disconnection**

### Recommendations discussed:

<a href="#">Grounds for disconnection</a>	<p>A retailer may disconnect or discontinue supply where:</p> <ul style="list-style-type: none"><li>• a small customer has not paid a bill;</li><li>• access to a meter has been denied by a small customer for three consecutive <a href="#">scheduled readings without reasonable excuse</a>;</li><li>• the customer has refused to provide acceptable identification or security;</li><li>• a customer has acquired energy illegally;</li><li>• a customer has obstructed an authorised person in relation to acts to be done under the contract; or</li><li>• a market contract has been terminated in accordance with the terms of the contract.</li></ul>
<a href="#">Limitations on disconnection</a>	<p>Other limitations will apply to the right to discontinue supply in circumstances where a small customer has not paid a bill on account of having insufficient income. In these circumstances, the retailer is required to comply with its obligations in respect of customer payment difficulties (e.g. to offer instalment plans or special payment arrangements and to make referrals to counselling services, etc) before proceeding to disconnect a customer. Retailers are not entitled to disconnect while an application for Government assistance or a payment plan is pending. In addition, premises registered as containing life support or other medical equipment may not be disconnected and retailers may only carry out disconnections before <a href="#">specified</a> times of the day and on <a href="#">specified</a> days.</p>
Notice	<p>Disconnection may not be effected until the retailer has provided the customer with:</p> <ul style="list-style-type: none"><li>• a reminder notice; and</li><li>• a disconnection notice, <a href="#">containing prescribed information and at prescribed minimum intervals</a>.</li></ul> <p>In addition, where the customer is experiencing payment difficulties the retailer must make a reasonable</p>

	attempt to contact the customer by telephone or other specified means.
Reconnection	<p>A retailer must notify a small customer of the arrangements which the customer will need to make in respect of reconnection, including any costs payable by the customer. Any payment arrangements for reconnection must allow for fair and reasonable payments at fair and reasonable intervals.</p> <p>A retailer must reconnect premises if the breaches described above are remedied within 10 business days. Retailers must make appropriate arrangements with the relevant distributor to ensure that reconnection occurs as soon as possible for the customer.</p>

**CASE STUDY**

**A client has not informed Centrelink that her energy provider had changed and her fortnightly payments were therefore going in to her old provider who she had a debt with. Her new provider then refused hardship based on her previous debt and her energy supply was disconnected.**

Requirements for disconnection stimulated a lot of discussion amongst participants. There was considerable concern that cards left when meter readers were not able to gain access were too harshly worded and scared people. They felt that there should be very specific requirements as to when disconnection could occur – such as specifying dates and times when consumers could ensure that their energy was not going to be switched off such as during public holiday periods, weekends or over Christmas / New Year.

**SACOSS recommends: That the recommendation regarding disconnection is revised ensuring that specific dates and times are mentioned that retailers are forbidden to disconnect a consumer.**

We further note that the paper does not encompass an explicit requirement for compulsory hardship policies in the legislation that will cover the national framework. We believe that retailers in South Australia have made a genuine effort to develop robust and meaningful hardship policies, and note that the Victorian requirement has seen mandatory training of staff and liaison with other organisations to effectively mitigate the effects of hardship.

**SACOSS recommends: That a recommendation is added to the set to ensure that hardship policies are taken into account as a compulsory element of the recommendations.**