



**SACOSS' Submission to the
Essential Services Commission of South Australia on
the Prepayment Meter System Code Review**

May 2021

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequalities of our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like water and electricity impacts greatly and disproportionately on vulnerable and disadvantaged people.

SACOSS would like to thank the Essential Services Commission of South Australia (ESCOSA) for the opportunity to comment on the *Prepayment Meter System Code Review – Issues Paper*, dated March 2021 (the Issues Paper). This submission will aim to address each of the consultation questions in the Issues Paper, and will also highlight our broader significant concerns around the use of prepayment meters for vulnerable customers and the overall inadequacy of the consumer protection framework for off-grid energy customers in regional and remote South Australia.

Background

As noted in the Issues Paper, the *Prepayment Meter System Code* (the Code) was initially made in 2005 and last amended in 2013 to reflect the introduction of the *National Energy Customer Framework* (NECF)¹ in South Australia. SACOSS understands the prepayment meter provisions of the *National Energy Retail Law* (Part 10 of the NERL) and *National Energy Retail Rules* (Part 8 of the NERR) were modelled on ESCOSA's Code.

This current review of the Code has been prompted by the State Government roll-out of prepayment meters in remote and regional South Australia as part of its 'Future Sustainability Project'.² The 2019-20 State Government Budget provided for expenditure of \$5.6 million over five years to 'implement a package of measures aimed at improving service delivery and realising operational efficiencies across the entire Remote Area Energy Supply (RAES) scheme', which involves (SACOSS' emphasis):³

- *'The installation of Smart Meters to improve energy efficiency and service delivery.*
- *The introduction of **more flexible payment options, including the development of a customer pre-payment framework, to reduce the level of customer indebtedness.***
- *The staged **introduction of electricity charging** for residents in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands, Oak Valley and Yalata.'*

The entire RAES Scheme includes communities supplied under the RAES State / Independent Operator⁴ and RAES Aboriginal Communities⁵ schemes. Under the RAES State / Independent Communities Scheme, around 2,400 customers in the following 13 remote towns are provided with power subsidised by the State Government:

¹ The National Energy Customer Framework (NECF) is a suite of legal instruments that regulate the sale and supply of electricity and gas to retail customers. The main NECF documents are the:

- the [National Energy Retail Law \(Retail Law\)](#)
- the [National Energy Retail Rules \(Retail Rules\)](#) and
- the [National Energy Retail Regulations](#) (Regulations)

² See webpage:

https://www.energymining.sa.gov.au/energy_and_technical_regulation/energy_resources_and_supply/remote_area_energy_supply/future_sustainability

³ See webpage:

https://www.energymining.sa.gov.au/energy_and_technical_regulation/energy_resources_and_supply/remote_area_energy_supply/future_sustainability

⁴ See webpage:

https://www.energymining.sa.gov.au/energy_and_technical_regulation/energy_resources_and_supply/remote_area_energy_supply/raes_communities

⁵ See webpage:

https://www.energymining.sa.gov.au/energy_and_technical_regulation/energy_resources_and_supply/remote_area_energy_supply/raes_aboriginal_communities

- South Australian government owned infrastructure:
 - Blinman
 - Cockburn
 - Glendambo
 - Kingoonya
 - Manna Hill
 - Marla
 - Marree
 - Nundroo
 - Oodnadatta
 - Parachilna
- Independent owner-operators:
 - Andamooka
 - Coober Pedy
 - Yunta.

The installation of smart meters with prepayment capability for customers in these townships commenced in July 2020.

Under the RAES Aboriginal Communities Scheme, the State Government says around 1,000 customers and consumers are provided with subsidised power (ESCOSA's *Off-Grid Energy Networks Performance Report 2019-20*⁶ identifies Cowell Electric supplies 1,499 connections at the APY lands, MT lands, Yalata on ALT, Oodnadatta, Parachilna, Marla, Marree, Nundroo, Glendambo, Kingoonya, Mannahill, Blinman, and Cockburn). According to the State Government website, the RAES Aboriginal Communities Scheme applies in the following communities:

- Amata
- Iwantja (Indulkana)
- Kaltjiti (Fregon)
- Mimili
- Pukatja (Ernabella)
- Umuwa
- homelands connected to the Central Power House grid, including Yunyarinyi and Watinuma.

⁶ ESCOSA, [Off-Grid Energy Networks Performance Report 2019-20](#), p.2

Power stations are also located within the following communities:

- Pipalyatjara, also servicing Kalka (APY Lands)
- Murpatja, also servicing Kanpi and Nyapari (APY Lands)
- Yalata (ALT)
- Oak Valley (MT).

The installation of smart meters with prepayment capability was due to commence in the first half of this year for remote Aboriginal Communities.

The state government has pointed to smart metering enabling ‘a range of flexible payment options to be considered, including pre-payment, which will assist customers to manage their electricity bills and consumption’, and has indicated it is working with ESCOSA on regulatory and licensing requirements.

Given these developments will impact energy customers who are already disadvantaged by location, absence of choice, inadequate housing, limited access to supports and fixed low-incomes, SACOSS welcomes ESCOSA’s consultation on the Code and would like to take this opportunity to highlight some of our broader concerns with using prepayment meters as a method of assisting customers to ‘manage their energy bills and consumption’. We would also like to repeat our previous submission made in response to ESCOSA’s Small Scale Networks Inquiry⁷ that ESCOSA consider developing an Industry Code containing additional consumer protections and service standards to apply to small-scale and off-grid energy licensees.⁸

Broader concerns with the use of Prepayment Meters

The Issues Paper identifies the following potential benefits arising from the use of prepayment meters:⁹

- *greater payment flexibility*
- *the inability to accrue significant debt (and the associated distress this causes)*
- *the sharing of energy costs amongst household members, visitors and community members*
- *avoided costs associated with the issuing of bills, reminder notices and general account queries – benefiting both retailers and consumers.*

The Issues Paper also outlines the potential risks of using prepayment meters, including:

- *disconnections occur more frequently for prepayment customers*

⁷ SACOSS, [Submission to ESCOSA’s Draft Inquiry Report into the regulatory arrangements for small-scale water, sewerage and energy services](#), September 2020

⁸ SACOSS, [Submission to ESCOSA’s Draft Inquiry Report into the regulatory arrangements for small-scale water, sewerage and energy services](#), September 2020, p.22

⁹ ESCOSA, [Prepayment Meter System Code Review – Issues Paper](#), March 2021, p.8

- *energy costs are higher for customers using prepayment systems, than for post-pay customers*
- *customers are required to be more actively involved in ensuring their energy supply is ongoing, and these additional responsibilities may prove too onerous for many consumers*
- *customers are not issued with a bill from their retailer, which makes it harder to track energy use and costs.*

SACOSS agrees there are well-documented risks associated with using prepayment meters (particularly for customers in vulnerable circumstances). Apart from the avoided costs of issuing bills (which largely benefits the retailer), SACOSS considers all of the listed benefits can be achieved using the post-pay system coupled with appropriate payment supports and hardship measures, thereby avoiding all the potential risks of prepayment systems.

In 2014, SACOSS was a signatory to a Joint Submission made to the Energy and Water Ombudsman of New South Wales (EWON) on its prepayment meter discussion paper (the Joint Submission).¹⁰ We have **attached** a copy of the Joint Submission in support of this submission. Importantly, the Joint Submission addresses the ‘problem’ prepayment meters are purported to fix - namely, budgeting, bill shock, debt and energy consumption, stating:

*‘Yes, unaffordable payments and energy bill related debt are problems. But these are just factors or symptoms of the fundamental problem of low-income households not having reliable access to sufficient energy – the social problem advocates for vulnerable consumers are ultimately concerned with. **Prepayment metering solves the debt problem but not the energy problem.** Thus it ultimately solves problems for energy retailers, not their customers. We therefore disagree with any notion that prepayment meters are one of the options available to address energy affordability.’*

Rather than solving the debt problem, the submission stated that prepayment meters actually harm customers in vulnerable circumstances, as they:¹¹

- *do not solve the problem they are supposed to*
- *offer nothing to vulnerable consumers that cannot be delivered by other means*
- *cannot provide all the elements of the customer protection framework*

In fact, prepayment meters operate to *‘give people a poorer service, and often encourage them to restrict energy use at the expense of their health and well-being... (prepayment meters also) **undermine the fundamental principle that no one should be disconnected from supply because of an inability to pay.** Indeed, the euphemistic term ‘self-*

¹⁰ In addition to SACOSS, the other signatories were the Victorian Council of Social Service, Alternative Technology Association, Community Information and Support Victoria, Consumer Utilities Advocacy Centre, Financial and Consumer Rights Council, Consumer Action Law Centre, St Vincent de Paul Society and COTA see [Joint consumer submission to EWON prepayment meter discussion paper](#), August 2014

¹¹ [Joint Submission to EWON prepayment meter discussion Paper](#), August 2014, p.1

disconnection, 'implies that a free choice to go off supply has been exercised by the householder'.¹²

Relevantly, Social Policy Manager Michael Klerck from Tangentyere Council Aboriginal Corporation (TCAC) in the Northern Territory has advised SACOSS that households with pre-payment meters experience a high number of involuntary self-disconnections due to poverty. *TCAC's Supplementary Submission to the Inquiry into Homelessness*¹³ analysed consolidated prepayment meter self-disconnection data provided by Jacana Energy for Darwin, Katherine, Alice Springs, and Tennant Creek which found, on average:

- 72% of prepayment meters (or 5,988 PPMs) in Darwin, Katherine, Alice Springs and Tennant Creek self-disconnected during 2019-20
- these prepayment meters self-disconnected on 11.7 occasions during a three-month period, or averaged 46.8 occasions of self-disconnections during the 2019/20 year
- each incident of self-disconnection of prepayment meters in Darwin, Katherine, Alice Springs and Tennant Creek was for a duration of between 313 and 402 minutes during a three-month period in 2019-20 – amounting to an average duration for each self-disconnection event of between 5.2 and 6.7 hours
- in 2019-20, 72% of PPMs in Darwin, Katherine, Alice Springs and Tennant Creek self-disconnected on 46.8 occasions for an average duration of between 5.2 hours and 6.7 hours each occasion
- in Alice Springs alone, 91% of prepayment meters self-disconnected on around 55 occasions for a combined duration of around 15 days per annum.¹⁴

SACOSS suggests a similar outcome in regional and remote South Australia would be devastating for communities, and would be incompatible with both ESCOSA's primary objective of protecting the long-term interests of South Australian energy consumers, as well as the core principle that disconnection for inability to pay should be a measure of last resort.

SACOSS agrees with the Joint Submission that there are other ways for retailers to support customers to better manage their energy costs, rather than resorting to prepayment and risking its harmful impacts. To manage energy costs and consumption, SACOSS supports

¹² [Joint Submission to EWON prepayment meter discussion Paper](#), August 2014, p.1

¹³ TCAC, Supplementary Submission 2 to the House of Representatives Inquiry into Homelessness in Australia, No.165.2 see: https://www.aph.gov.au/Parliamentary_Business/Committees/House/Social_Policy_and_Legal_Affairs/HomelessnessinAustralia/Submissions

¹⁴ See TCAC's submission and supplementary submission to the Homelessness Inquiry (#165) that addresses the issue of energy insecurity on the Town Camps and other parts of the NT https://www.aph.gov.au/Parliamentary_Business/Committees/House/Social_Policy_and_Legal_Affairs/HomelessnessinAustralia/Submissions

retailers offering payment options and hardship measures outlined in further detail below, which could be included in an Industry Code to apply to off-grid retailers in South Australia.

Inadequate consumer protections for off-grid energy customers

SACOSS would like to see the consumer protections for off-grid energy customers bolstered and contained in an Industry Code to apply to all off-grid energy licensees.

ESCOSA's *Off-Grid Energy Networks Regulatory Performance Report 2018-19*¹⁵ states that 'customers of off-grid electricity licensees are afforded similar consumer protections to customers of on-grid energy licensees'. However, as previously submitted to ESCOSA as part of its small-scale networks inquiry,¹⁶ SACOSS suggests that customers of off-grid licensees are afforded much more limited consumer protections than those afforded to on-grid customers under the NECF.¹⁷ Customers of on-grid energy retailers who experience payment difficulty are able to access the benefits of competition, must be made aware of and offered a suite of hardship supports (if identified as a hardship customer), and are protected from disconnection if in a hardship program or on a payment plan. Whereas customers of off-grid licensees cannot choose their retailer, and do not have access to basic hardship supports.¹⁸

Currently, the consumer protections afforded to customers of off-grid electricity networks are contained in the individual licence of the retailer / network (there are no hardship provisions in off-grid energy licences). Given these protections and service standards are contained in individual licences, it follows that these important (although limited) obligations to assist customers experiencing payment difficulties and prohibit disconnection in certain circumstances may vary depending on the licensee. This may result in inconsistency in not only the protections customers are afforded under law, but also in the application of those protections. Codifying the protections would provide consistency and certainty for both customers and retailers.

¹⁵ Energy Fact Sheet –Off-grid Energy Networks Regulatory Performance Report 2018-19
<https://www.escosa.sa.gov.au/ArticleDocuments/539/20200313-Energy-OffgridNetworksPerformanceReport2018-19-FactSheet.pdf.aspx?Embed=Y>

¹⁶ See: ESCOSA, [Inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services](#)

¹⁷ The NECF is comprised of the National Energy Retail Law, the National Energy Retail Regulations and the National Energy Retail Rules. The NECF provides energy-specific consumer protections and operates alongside the Australian Consumer Law.

¹⁸ SACOSS notes the District Council of Coober Pedy's Hardship Policy (May 2019) has been adapted to include electricity, water and sewerage customers. DCCP sought approval from ESCOSA (under section 37(3) (b) if the WI Act) to adopt this policy, and approval was given on 24 September 2019. See: ESCOSA, [Compliance Review District Council of Coober Pedy– Report water and electricity](#), January 2021, p.12

As set out in ESCOSA's *Fact Sheet on Off-Grid Energy Networks Regulatory Performance*,¹⁹ the consumer protections and service standards contained in the various licences of off-grid energy suppliers generally extend to:

- *Customer supply contracts*
- *Customer dispute resolution procedures*
- *Supply obligations*
- *Customer service obligations – requirements to provide regular bills, specific information in bills and conduct regular meter readings.*
- *Dealing with billing disputes (including requirements relating to undercharging and overcharging), minimum payment methods, offering flexible payment arrangements and rules relating to security deposits.*
- *Disconnections and restoration of supply – obligations around disconnecting customer supply for non-payment, prohibitions on disconnection and timeliness for restoration of supply.*

For example, the *Retail / Distribution Licence for the District Council of Coober Pedy*²⁰ (which will have prepayment systems installed for all its residents under the Future Sustainability Project) contains the following clauses relating to payment difficulties, paying by instalments and protection from disconnection (SACOSS' emphasis):

'33 Payment difficulties

33. 1 Where a residential customer informs the licensee in writing or by telephone that the residential customer is experiencing payment difficulties, the licensee must advise the residential customer, as soon as is reasonably practicable, of instalment plan options offered by the licensee at that time and, where appropriate: (a) the right to have a bill redirected to a third person, as long as that third person consents in writing to that redirection; (b) information on independent financial and other relevant counselling services.

33.2 Where a residential customer requests information or a redirection of its bills, under this clause, the licensee must provide that information or redirection free of charge.'

'35 Paying by instalments

35. 1 The licensee must offer residential customers at least the following payment options: (a) a system or arrangement under which a residential customer may make payments in advance towards future bills; and (b) an interest and fee free instalment plan or other arrangement under which the residential customer is given

¹⁹ ESCOSA, [Energy Fact Sheet – Off Grid Energy Networks Regulatory Performance Report 2019-20](#), p.4

²⁰ District Council of Coober Pedy - [Electricity Retail / Distribution Licence](#) p.12

more time to pay a bill or to pay arrears (including any disconnection or reconnection charges).

35.2 The licensee may require a residential customer to pay by instalments in advance if the residential customer is in arrears or as an alternative to the residential customer paying a security deposit.

35.3 The licensee does not have to offer a residential customer an instalment plan if the residential customer has, in the previous 12 months, had 2 instalment plans cancelled due to non-payment. In such a case, the licensee must offer another instalment plan only if the licensee is reasonably satisfied that the residential customer will comply with that instalment plan.

35.4 The licensee offering an **instalment plan must**, in determining the period of the plan and calculating the amount of the instalments, **take into account information from the residential customer about the residential customer's usage needs and capacity to pay.**

35.5 Nothing in this licence limits the payment options that a licensee may offer to a customer.'

'40 Obligations prior to disconnection

40.1 Prior to effecting a disconnection under clause 39.2, the licensee must have:

(a) **used its best endeavours to contact the residential customer personally** either:
(i) by telephone; (ii) by mail; (iii) by email; (iv) by any other method approved by the Commission from time to time;

(b) **given the customer a reminder notice;**

(c) after the expiry of the period referred to in the reminder notice, **give the customer a written disconnection warning** with 5 business days' notice of its intention to arrange for the disconnection (the 5 business days shall be counted from the date of receipt of the disconnection warning);

(d) **in the case of a disconnection arising under clause 39.2(a), offered the customer alternative payment options of the kind referred to in clause 36²¹** (provided that licensee is not obliged to offer an instalment plan as where the customer has in the previous twelve months had two instalment plans cancelled due to non-payment);

(e) in the case of a disconnection arising under clause 39.2(d): (i) given the customer an opportunity to offer reasonable alternative access arrangements; and (ii) on each of the occasions access was denied, given the customer written notice requesting access to the meter or meters at the supply address and advising of the licensee's ability to arrange for disconnection.'

²¹ SACOSS is assuming this is meant to refer to clause 35, as clause 36 relates to the review of the bill.

It is worth noting that even though the consumer protections for off-grid energy customers are more limited than those of on-grid customers, they do still offer a level of support and protection from disconnection that prepayment meter customers will not have access to. For example, under the District Council of Coober Pedy's licence, it is not permitted to disconnect a customer *once* without having first used its best endeavours to contact the customer, send notices and offer payment options. Whereas the Prepayment Code envisages a customer self-disconnecting three or more times in any three-month period for longer than 240 minutes on each occasion, before being contacted by their retailer.

SACOSS agrees with the Joint Submission that 'more regular billing, early identification of people experiencing payment difficulties, and a proactive hardship response by energy retailers could also prevent the build-up of high arrears, especially with remotely-read meters'.²² To avoid the harmful impacts of prepayment systems and to address the problems of debt accumulation and energy consumption that the introduction of prepayment is intended to solve, SACOSS would welcome ESCOSA developing an Industry Code to apply across small-scale and off-grid electricity networks and retailers in regional South Australia, that requires licensees to:

- give effect to the central principle that customers are only ever disconnected from their energy supply as a measure of last resort²³
- proactively identify (through changes in payment patterns, energy bill debt) customers who may be having trouble paying their energy bill, early in the debt cycle
- offer appropriate payment plans that consider any arrears owing by the customer (in addition to the customer's capacity to pay and usage needs)
- offer and apply bill smoothing with more regular payments (including **Centrepay** deductions)
- offer and apply monthly or fortnightly billing
- allow customers to prepay at will, for credit against their account
- offer prepayment discounts to encourage customers to keep their accounts in credit
- advise the customer about concessions or rebates, linking to financial counsellors and state government agencies
- provide advice on energy efficiency / refer to an advisory service
- be prohibited from taking debt recovery action if the customer is complying with a payment plan, or the retailer has not offered support to pay the bill
- be prohibited from disconnecting for non-payment if the customer informs the retailer they are having trouble paying their bill, is complying with a payment plan, is part of the hardship program, or has applied for concessions.

²² [Joint Submission to EWON prepayment meter discussion Paper](#), August 2014, p.4

²³ See discussion in the Essential Services Commission Victoria, [Payment difficulty framework](#), Final Decision, 10 October 2017, p. viii

As previously submitted to ESCOSA, the introduction of ‘user pays’ under the Future Sustainability Program, lends greater urgency to the need to ensure customers in remote South Australia are adequately protected from the accumulation of energy debt, and disconnection from an essential service. SACOSS strongly urges ESCOSA to consider introducing increased consumer protections and additional reporting requirements²⁴ for off-grid energy licensees supplying customers in remote communities. Additional performance indicators could cover the number of customers in debt, the number of customers on payment plans, on hardship programs, and the number of customers receiving concessions and using Centrepay.

The Issues Paper points to ESCOSA’s decision that all small-scale network licensees must become members of the Energy and Water Ombudsman of SA (EWOSA).²⁵ SACOSS considers that whilst these schemes are important, contacting the Ombudsman is a later step in resolving an ongoing dispute, not an initial step in receiving support. As noted by the ACCC, contacting the retailer is the first step in getting support:

‘We consider that internal dispute resolution is an important first step, especially given that energy ombudsman schemes will not consider complaints where the consumer has not first sought to resolve these with the retailer.’²⁶

There is also the question of how customers will know of their right to contact EWOSA. If the contact information is provided on a bill, then prepayment customers will not be aware of this dispute resolution option and are unlikely to benefit.

SACOSS acknowledges a balance must be struck between the burden of regulation for businesses on the one hand, and the benefits of regulation for customers on the other – ensuring regulation is ‘proportionate and responsive’. We do, however, strongly believe the impacts of being without an energy supply (which is essential to life) and burgeoning energy debt hold significant weight, and suggest that perhaps there is a broader role for government in ensuring the balance is found and an equitable outcome is achieved. We strongly believe that using prepayment to manage debt and consumption is not in the long-term interests of consumers, and refer ESCOSA to a 2004 research report into access to energy and water in Victoria, which found:²⁷

²⁴ To ensure accountability and demonstrate compliance, SACOSS considers ESCOSA must also require the licensee to ‘monitor and report on levels of compliance with those minimum standards’ in accordance with the sections 24(2)(i) and 23(1)(n)(v) of the [Electricity Act 1996](#)

²⁵ ESCOSA, [Prepayment Meter System Code Review – Issues Paper](#), March 2021, p.11

²⁶ ACCC, [Retail Electricity Pricing Inquiry Final Report](#), June 2018, p. 290
https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf

²⁷ N Rich and M Mauseth, [Access to Energy and Water in Victoria – A research report](#), Consumer Law Centre Victoria and Consumer Utilities Advocacy Centre, 2004, p 118

'...prepayment meters discourage suppliers from improving their processes for dealing with customers in hardship as they are able to disengage from these issues.[...] If suppliers are of the opinion that the provision of alternative or flexible payment arrangements is a worthy objective in itself, they should ensure that the flexibility and range of alternative payment plans, billing cycles and payment methods offered by them are optimal and meet the demands of customers before embarking on such risky changes as the introduction of prepayment meters.'

Having said that, we understand that some retailers have highlighted the potential usefulness of prepayment systems for seasonal workers in regional South Australia. We accept the choice to use prepayment meters and avoid disconnection and reconnection fees may hold some attraction for both customers and retailers, in circumstances where workers may be away for months at a time. However, we are also mindful that prepayment meters have been rolled out, or will be rolled out, throughout the entire RAES Scheme, and the option to use this system will potentially be open to all those remotely located customers (many of whom may be in vulnerable circumstances). It is therefore extremely important that customers are well-informed of the risks, provided with adequate protections, and the impacts of prepayment are thoroughly monitored and evaluated.

Consultation questions

As a broad principle, SACOSS considers the option to use prepayment should only be voluntarily taken up by customers with full knowledge of the potential risks, and with explicit informed consent. We do not support prepayment being implemented (or imposed) on customers to 'reduce the level of customer indebtedness', as was identified by the state government (for reasons outlined above). Where prepayment is used, SACOSS strongly supports the implementation of robust consumer protections for prepayment meter customers, with corresponding prescriptive reporting obligations for retailers.

Given our earlier submission that the potential benefits of prepayment can be achieved using post-pay arrangements together with appropriate measure of support, we would always encourage using post-payment, in place of prepayment systems for customers in vulnerable circumstances.

That said, we will aim to provide feedback on the issues identified by ESCOSA in the issues paper.

Consultation questions:

- ▶ Is there a need for retailers to provide an emergency credit facility for customers? If so, how should the required amount of emergency credit for electricity and gas be set? And why?

In 2016 the Citizens Advice Organisation in the United Kingdom published its first good practice guide for energy suppliers on how to respond to prepayment customers who self-disconnect.²⁸ Citizen's Advice identified the following four areas as core good practice:

- Get the consumer back on supply.
- Reassess debt repayment arrangements.
- Provide further financial assistance.
- Offer energy efficiency measures.
- Check if a PPM is still safe and reasonably practicable

SACOSS agrees with Citizens Advice that 'self-disconnection presents an immediate risk to the health and wellbeing of the consumer and other members of their household. Suppliers should help consumers get back on supply by offering a discretionary top up or, where necessary, clearing any outstanding charges from the meter'.²⁹

While the UK's best practice guide is not completely transferrable to the prepayment systems proposed in South Australia, it does have some useful commentary and suggested practices. In terms of the question of emergency credit, Citizens Advice proposes an additional support of 'discretionary credit' for customers who are self-disconnecting and struggling to pay for energy costs. This involves suppliers providing a loan to the customer which they can pay back in instalments, with the loan based on the customer's consumption and expectations of available income. It is envisaged 'discretionary credit' would be offered together with the following supports:³⁰

- *Arranging a suitable repayment plan – if the customer is receiving social security payments, the repayment should be capped at a low amount and Centrepay arrangements offered and established*
- *Accommodating repeat requests and provide additional support – there shouldn't be an arbitrary cap on the number of times discretionary credit should be provided*
- *Clearly explaining how to claim the credit*
- *Checking that the customer has collected the credit*
- *Offer free 'wind-ons' – for smart prepayment customers in South Australia, this would involve a free remote top up of credit*
- *Clearing any outstanding charges.*

SACOSS supports ESCOSA examining the applicability of 'discretionary credit', and the associated supports outlined above, in the South Australian context.

²⁸ Citizens Advice, [Supplier good practice guide: Responding to prepayment customers who self-disconnect](#), April 2016

²⁹ Citizens Advice, [Supplier good practice guide: Responding to prepayment customers who self-disconnect](#), April 2016, p.1

³⁰ Citizens Advice, [Supplier good practice guide: Responding to prepayment customers who self-disconnect](#), April 2016, p.2

SACOSS also acknowledges ESCOSA’s observation on finding the balance between the amount of emergency credit made available to customers, and the amount of debt which then accrues to the customer. It is worth noting that just because the customer is pre-paying for energy doesn’t mean the customer is not accruing energy-related debt. There is no visibility of how customers are paying for their energy when they top up the meter - debt may be accruing elsewhere to cover energy costs. For example, customers may be going without other essential items (food, medicines) or using credit cards with high interest rates to top up the meter. Emergency credit may be the only *visible* marker of debt, but there will be other broader impacts if the customer can’t afford to pay for their energy. Implementing practices and measures which allow a customer with limited fixed income and inefficient housing to maintain their energy supply and avoid the impacts of disconnection should be the primary concern. The issue of energy debt and energy affordability is not a simple one, and the existence of emergency credit – although important – will not work to solve the bigger problems.

It follows that, in addition to emergency credit, there needs to be holistic supports in place for prepayment customers to be able to maintain an energy supply. The Citizens Advice Organisation has published a Good Practice Guide covering Holistic Support for energy consumers who self-disconnect from their pre-payment meter.³¹ The Guide acknowledges the many interrelated issues which need to be understood and addressed to help people avoid self-disconnection, and identifies a number of key areas with which prepayment users who self-disconnect may need support:³²

Figure 1. Overview of good practice areas

Support area	Good practice
Benefits and income	<ul style="list-style-type: none"> ● Resolving benefits problems ● Income maximisation
Debt	<ul style="list-style-type: none"> ● Help with PPM debt ● Help with wider debts
Energy efficiency	<ul style="list-style-type: none"> ● Behavioural advice ● Home improvements
Managing a PPM	<ul style="list-style-type: none"> ● Budgeting on a PPM ● Understanding the PPM
Alternative payment methods	<ul style="list-style-type: none"> ● Safe and reasonably practicable ● Debt repayment options ● Making it easier to manage money ● Accessing cheaper tariffs

³¹ Citizens Advice, [Good Practice Guide: holistic support for energy consumers who self-disconnect from their prepayment meter](#), December 2017

³² Citizens Advice, [Good Practice Guide: holistic support for energy consumers who self-disconnect from their prepayment meter](#), December 2017, p.6

SACOSS supports ESCOSA in considering these broader supports in its review of the Code. We consider there is a need for an emergency credit facility for prepayment customers, but also encourage consideration of additional measures, including alternative payment methods (Centrepay). The equation of ‘the amount of emergency credit will equal the amount of debt accrued’ is too simplistic, and doesn’t take into consideration what sacrifices customers will make in other areas of their lives, or how they will source money to pay for their energy. A customer repeatedly going into emergency credit should work as a red flag to the retailer to provide advice, offer payment options (Centrepay / direct debit), link the customer with government and financial counselling supports, and prompt the customer to consider reverting to post-pay.

On balance, SACOSS supports a time-frame for emergency credit as opposed to an amount, within which it would be optimal for the retailer to send a message to the customer informing them of the supports available if they can’t pay the cost of their energy. The first ‘top up’ to cover emergency credit should be made in concert with the supplier offering more flexible payment arrangements, or reverting to post-pay.

Consultation questions:

- ▶ Is there a need for retailers to actively monitor disconnection data as a way of identifying customers who may be experiencing payment difficulties? If so, what measures and metrics should be monitored?
- ▶ Is there a need to require retailers to revert customers experiencing payment hardship back to post-pay arrangements without charge? Should any other assistance be provided?
- ▶ What information, if any, should retailers be required to report publicly on self-disconnections?

Monitoring disconnection data

SACOSS strongly supports ESCOSA requiring retailers to actively monitor disconnection data to identify customers who may be experiencing payment difficulties, we also consider retailers should monitor the number of times a customer uses emergency credit as an indicator of payment difficulty, to ensure the retailer can offer more holistic supports and avoid self-disconnection.

Currently, the Code requires the retailer’s prepayment management system to identify a customer as potentially experiencing payment difficulties when a customer ‘has self-disconnected three or more times in any three-month period for longer than 240 minutes on each occasion’.³³ As outlined above, in recognition that energy is an essential service, the fundamental goal of the consumer protection frameworks in the NEM (the NECF and Victorian Payment Difficulty Framework) is to avoid disconnection and its associated health, wellbeing and safety impacts. The prepayment system flips that fundamental goal on its head - disconnection is the first response to payment difficulty, rather than a measure of last resort. This has the potential for devastating impacts in remote South Australia.

³³ ESCOSA, [Prepayment Meter System Code 2013](#), cl. 3.4.2.

Given the remote location of the roll-out of smart prepayment meters in South Australia, it is worth noting the Essential Services Commission of Victoria's recently released Draft strategy to regulate essential services with vulnerable consumers in mind, called '*Getting to Fair – breaking down barriers to essential services*'.³⁴ The Draft Strategy identifies the gap between the needs of First Nations consumers and the supports and engagement available. This gap has been identified in the broader consumer protection framework in Victoria (as prepayment is currently not permitted).³⁵ The Draft Strategy states:

*Rates of disconnections do not affect all Victorians equally. First Nations consumers experience far higher rates of energy disconnection or other credit-related complaints than those who do not identify as Aboriginal and Torres Strait Islander.*³⁶

*Increased rates of disconnection are not the only barrier facing First Nations consumers. It was found that for Aboriginal and Torres Strait Islander communities accessing support and information remains a significant barrier to interacting with the market.*³⁷

The Joint Submission also highlighted the impacts on Aboriginal households due to under-consumption of energy, including:

- *people with diabetes and asthma are more sensitive to extreme temperatures and are thus more reliant on effective cooling and heating*
- *some mental illnesses are exacerbated by hot temperatures*
- *some chronic health conditions require treatment with energy-intensive machinery or refrigerated medications (e.g. insulin)*
- *lack of sufficient energy for cooking and washing leads to poor nutrition and hygiene*
- *use of fire, propane, kerosene, or candles as alternative sources of heating, cooking and lighting leads to safety risks from fire or carbon monoxide poisoning*
- *stress, anxiety and depression can also result from having no energy.*³⁸

Monitoring and reporting on self-disconnections

Given these documented impacts of disconnection, and the data from TCAC around the rates of self-disconnection in the NT referred to above, SACOSS strongly supports measures

³⁴ ESC Vic, Getting to Fair – breaking down barriers to essential services - Draft, 6 May 2021, p.45 p.<https://engage.vic.gov.au/building-strategy-regulate-consumer-vulnerability-mind>

³⁵ The ban on prepayment meters was introduced by amending *the Electricity Industry Act* and the *Gas Industry Act* to give the Victorian Government the powers to prohibit or regulate the introduction of prepayment meters in Victoria

³⁶ Energy and Water Ombudsman, 'Missing the Mark: EWOV insights on the impact of the payment difficulty framework', December 2020, p13

³⁷ See ESC Vic, Getting to Fair – breaking down barriers to essential services - Draft, 6 May 2021, p.45 p.<https://engage.vic.gov.au/building-strategy-regulate-consumer-vulnerability-mind>

³⁸ Consumer Utilities Advocacy Centre, Wein, Paen, Ya Ang Gim: Victorian Aboriginal Experiences of Energy and Water, 2011, pp. 4–5.

under the Code which will lead to early identification of customers who may be struggling to pay for their energy. This could include monitoring both the number of times a customer goes into emergency credit, as well as the number of times a customer self-disconnects. SACOSS considers further discussion with relevant stakeholders may be useful to identify the particular measures and metrics involved, but early identification, holistic supports and avoiding disconnection should be key goals.

ESCOSA's 2005 Final Draft Decision on a Pre-payment Meter System Code³⁹ highlighted two 'overarching consumer issues', including:

- the potential for actual rates of disconnection to be hidden from support services and regulatory scrutiny, and
- the potential lack of safety net for prepayment meter customers – hardship policies, time-to-pay and other matters dealt with by the Energy Retail Code for quarterly billed customers

These concerns are still highly relevant, and SACOSS considers public reporting of actual rates of self-disconnection will be crucial in monitoring the impacts of prepayment on customers. At a minimum, retailers should be required to report quarterly on the following metrics:

- consumption kWh
- expenditure (\$)
- number of self-disconnections, and
- duration of self-disconnections.

Reverting customer back to post-pay arrangements

As outlined earlier in this submission, SACOSS is of the view that prepayment should not be an option for customers struggling to pay their energy bills. We therefore strongly support reverting all customers who are having difficulty paying their energy costs back to post payment without charge, and offering and applying all the supports outlined earlier (including tailored payment arrangements, Centrepay, relevant concessions, energy efficiency advice), with a view to Codifying those supports in the future.

Consultation questions:

- ▶ The Code requires retailers to establish a Prepayment System Customer Consultation Group: what should be the purpose and membership of the group and how should it best engage with and provide feedback to retailers and the Commission?
- ▶ Should there be a single group or should each retailer form its own group?

SACOSS supports the establishment of a single 'umbrella' Prepayment System Customer Consultation Group comprised of relevant stakeholder representatives, including: members of remote communities / townships, ESCOSA, Government, licensees, representatives from

³⁹ ESCOSA, [Final Draft Decision on a Prepayment Meter System Code](#), 2005, p. 5

community organisations (familiar with providing and linking to energy-debt support in remote areas), and a consumer advocacy organisation that has standing and experience with prepayment issues. SACOSS also considers there should be the option for input into the Group from communities or organisations outside of South Australia who have experience of prepayment systems (for example, Jemena and /or TCAC in the NT).

The purpose of the Group could be to monitor the ‘on the ground’ impacts of prepayment systems (hidden debts / health impacts), and provide feedback to retailers and ESCOSA on what is working, and what needs addressing.

It would be useful for a website to be established containing information on prepayment systems, which could be managed and updated by the State Government as part of a broader information campaign on prepayment and the RAES Scheme.

Consultation questions:

- ▶ Are the current information requirements on retailers appropriate and sufficient to enable customers to make an informed decision to enter a prepayment arrangement, appropriate and sufficient? If not, what other information should be provided by a retailer?

SACOSS strongly supports the information and explicit informed consent (EIC) requirements under the Code. These are central to ensuring customers are aware of, and consent to, the risks of prepayment prior to entering into a prepayment arrangement. There are numerous requirements relating to EIC under the NECF, and it has been observed that three essential components must be met to ensure EIC is meaningfully obtained:⁴⁰

1. **‘Consent must be informed:** to be informed there must be a two-way discussion between a business and a customer in a way that is balanced and transparent. Information provided to customers must be current, complete, and presented without jargon and in plain simple English;
2. **Consent must be voluntary:** the customer must be given a genuine opportunity to provide or withhold their consent. The customer must be free from pressure, undue influence or duress.
3. **The customer must have the capacity to provide consent.** To have the required level of capacity, the customer must be able to understand and use the information presented to make an informed decision. This means that any disability that may impact on a person’s capacity to provide consent must be considered and communication must be tailored accordingly.’

Currently the Code requires the retailer to provide the customer with the following information:⁴¹

⁴⁰ See: <https://www.compliancequarter.com.au/explicit-informed-consent-what-does-it-actually-mean/>

⁴¹ ESCOSA, [Prepayment Meter System Code Review – Issues Paper](#), March 2021, p.18

- *Costs (including tariffs and all fees associated with prepayment)*
- *A written disclosure statement, including:*
 - *all applicable costs, fees and charges, including tariffs, connection and installation costs and how consumers will be informed of any changes to these costs*
 - *how overcharging and undercharging will be identified and resolved*
 - *how the retailers will ensure any relevant State Government energy concessions will be applied*
 - *how customers can top up their balance, and the amount of emergency credit that will be provided*
 - *dispute resolution options, and contact details for emergencies, customer enquiries and complaints and*
 - *the process the retailer will use to terminate a prepayment system and revert a customer back to a standard post-pay arrangement, including applicable costs to the customer and how any credit balance will be refunded to the customer.*
- *Operating instructions.*

SACOSS supports the inclusion of all this information, and also seeks ESCOSA consider requiring the retailer to provide information on different payment options available for prepayment meter customers, including Centrepay and direct debit arrangements.

Consultation questions:

- ▶ What minimum information should retailers be required to provide to customers about their historical energy usage?

SACOSS supports retaining the current requirement in the Code around the provision of energy consumption information to customers on request. Customers should always have the option to seek information about their energy use from their retailer, particularly in circumstances where those customers are not issued with a quarterly bill containing usage details. Historical energy usage can provide the customer with useful comparisons and benchmarks for energy efficiency and housing improvements.