



Small-scale energy networks security deposits factsheet



Information on security deposits for small-scale energy network customers

A retailer may ask either a business or residential customer to provide a security deposit at the time the customer makes an application for connection, or an application for reconnection after being disconnected, or before selling energy to the customer.

When can a retailer ask for a security deposit?

A retailer can only ask a customer to pay a security deposit in the following limited circumstances:

- ▶ where the customer has left a previous address without settling an outstanding debt with the retailer
- ▶ if the customer has used energy illegally or fraudulently in the past two years
- ▶ a new customer has refused or failed to produce acceptable identification
- ▶ a new customer has not provided a satisfactory history of paying energy bills, or
- ▶ a new customer has an unsatisfactory credit rating.

Before a retailer can ask for a security deposit from a residential customer they must offer a reasonable instalment plan or other reasonable payment option to the residential customer.

If a residential customer refuses or fails to agree to an instalment plan or payment option, and the customer meets one or more of the situations listed above, the retailer can then ask for a security deposit before providing energy to the customer.

A retailer must accept a bank guarantee from a business customer as an alternative to a cash security deposit.

Maximum security deposit limits

A retailer is limited in the maximum amount they can ask for as a security deposit.

- ▶ For customers who are on a quarterly billing cycle, a retailer cannot ask for more than 1.5 times the average quarterly bill of customers of the same class.
- ▶ For customers who are on a monthly billing cycle, a retailer cannot ask for more than 2.5 times the average monthly bill of customers of the same class.

The average quarterly and monthly bill amounts are subject to approval and annual review by the Commission.

A retailer must pay interest, if any, to the customer, on the deposit at a rate and on terms and conditions as approved by the Commission from time to time.

A retailer may increase the required security deposit for a business customer. A retailer may do this only after calculating the average of the business customer's latest bills and increase the amount to the business customer's average bill amount.

Return of security deposit or bank guarantee

If a customer completes 24 months of paying its bills by the due date (or such a lesser date as agreed with the retailer), the retailer must return the security deposit, or bank guarantee, to the customer, with any interest, within 10 business days.

If a customer ceases to purchase energy from a retailer where a security deposit has been provided, a final reading of the meter is completed and the customer has not commenced purchasing energy from the retailer at a different supply address, the retailer must return the security deposit and any interest.

The retailer may apply the security deposit and any interest to the customer's next bill. Where a customer will not have another bill, the retailer must repay the security deposit, and interest, within 10 business days of being made aware of this fact.

Using a security deposit

A retailer must keep security deposits in a separate account and separately identify in its accounting records the value of security deposits, and interest accrued, it holds and must not use these funds other than for specific purposes.

A retailer can use a security deposit and interest it has accrued to offset any amount owed to the retailer and or distributor if:

- ▶ the customer fails to pay a bill resulting in disconnection
- ▶ if a customer vacates a supply address, or
- ▶ if a customer asks for the supply address to be disconnected.

A retailer must obtain written permission from a customer to use a security deposit to pay toward any goods, services or debts other than the energy provided by the retailer.

A retailer must account to the customer for any use of the security deposit (and pay the balance if any, within 10 business days).

Disclaimer

This factsheet is intended as a summary of the rights available to customers of small-scale energy networks in relation to security deposits and bank guarantees. To determine the specific obligations of small-scale energy retailers and distributors, customers should refer to the relevant Small-scale Gas Networks Code or Small-scale Electricity Networks Code available on the [Commission's website](#).

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Essential Services Commission
GPO Box 2605 ADELAIDE SA 5001

Telephone: (08) 8463 4444

E-mail: escosa@escosa.sa.gov.au

Web: www.escosa.sa.gov.au