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# Prepayment Meter System Code Review – Issues Paper

March 2021

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## Request for submissions

The Essential Services Commission (**Commission**) invites written submissions from members of the community on this paper. Written comments should be provided by **Friday, 30 April 2021**.

It is the Commission's policy to make all submissions publicly available via its website ([www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to: **Prepayment Meter System Code Review**

It is preferred that submissions are sent electronically to: **[escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)**

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## Glossary of terms

| Term            | Meaning   |
|-----------------|---|
| AER             | Australian Energy Regulator   |
| Commission      | The Essential Services Commission of South Australia  |
| Electricity Act | <i>Electricity Act 1996</i>   |
| ESC Act         | <i>Essential Services Commission Act 2002</i>   |
| EWOSA           | Energy and Water Ombudsman SA   |
| Gas Act         | <i>Gas Act 1997</i>   |
| NEM             | National Electricity Market   |
| NECF            | National Energy Consumer Framework  |
| NERL Retailer   | National Energy Retail Law authorised retailer  |
| NERR            | National Energy Retail Rules  |
| Code            | Prepayment Meter System Code (PMSC/02)  |
| Code Review     | This review of the Prepayment Meter System Code (PMSC/02)   |
| SSNI            | Inquiry into regulatory arrangements for small-scale and off-grid water, gas and electricity services (Small Scale Network Inquiry) |

# Executive summary

The Essential Services Commission (**Commission**) made the Prepayment Meter System Code (**Code**) in 2005 to regulate the operation of prepayment systems in the electricity and gas markets and provide minimum consumer protections for customers. The Code applies as a condition of each retail licence granted by the Commission under the *Electricity Act 1996* (**Electricity Act**) or the *Gas Act 1997* (**Gas Act**).

This Issues Paper outlines the Commission's preliminary proposals for consideration in its review of the Code, and seek stakeholder comment and feedback on those proposals and any other issues relevant to the Code's operation.

The Code was last amended in 2013 to reflect that the introduction of the National Energy Retail Law (**NERL**) meant the Code would no longer apply to retailers authorised to operate under the National Energy Customer Framework (**NECF**). Since that time, the Code has regulated the operation of prepayment systems by retailers in small scale and off-grid networks not captured by the NECF.

Energy retailers have not used prepayment systems in South Australia in almost 10 years, meaning there is a lack of evidence and data that can be drawn upon to assess the effectiveness of the Code in its current form. This Issues Paper has drawn on relevant reviews undertaken in other jurisdictions to inform the preliminary areas of consultation for this Code review.

## 1.1 Prepayment systems

Ordinarily, South Australian energy customers pay for their electricity or gas after they have consumed it and on receipt of a bill from their energy provider: this is referred to as a 'post-pay' arrangement. Prepayment systems have two main attributes that distinguish them from post-pay arrangements:

- ▶ they require customers to 'pre-pay' for their energy before consumption takes place, and
- ▶ customers must be more actively involved in their energy supply.<sup>1</sup>

The technology underlying prepayment systems may vary but the fundamental principles are common to all. Customers who choose this payment method will have a device fitted at their premises (often associated with the electricity meter) that displays their current account balance, and the customer must 'top-up' this balance through a specified payment method and maintain a credit balance to continue receiving energy.

If they do not 'top-up' their credit before it is exhausted then a small amount of emergency credit is provided. If the consumer does not then 'top-up' prior to the emergency credit being exhausted then their energy supply will be disconnected.<sup>2</sup> This is termed 'self-disconnection'. To be reconnected, the consumer must make a payment that brings their balance back into credit.

Due to the nature of prepayment systems, customers do not receive bills from their energy retailer. This means that, unlike with post-paid arrangements, customers may not have a consolidated record of their historical energy use and charges.

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<sup>1</sup> The Allen Consulting Group, pre-payment meter systems in Western Australia, 2009, p. 8. Available at <https://www.erawa.com.au/cproot/7557/2/20090512%20The%20Allen%20Consulting%20Group%20-%20Prepayment%20meter%20systems%20in%20Western%20Australia%20-%20Cost%20benefit%20analysis%20and%20regulatory%20impact%20assessment.PDF>

<sup>2</sup> If a customer's emergency credit runs out outside the allowable times for disconnection (ie, under the Code allowable disconnection times are between 10am and 3pm on weekdays) the customer will have access to 'friendly credit', which will maintain their energy supply until either the customer tops up their balance or their energy is disconnected at an allowable time. Friendly credit, and emergency credit, must be repaid at the following top up.

## 1.2 Key issues

Prepayment systems present a range of potential benefits for consumers, including:

- ▶ greater payment flexibility
- ▶ the ability to manage energy costs on a day to day basis to prevent the accrual of significant debt
- ▶ greater facilitation of energy costs sharing through household members 'chipping-in', and
- ▶ fewer administrative fees and charges, such as meter reading fees, late payment fees and reconnection charges.

However, there are a number of potential consumer protection risks associated with prepayment systems, including:

- ▶ more frequent energy disconnections, higher costs due to an inability to keep track of balance 'top-ups' and the lack of regular billing
- ▶ the requirement for customers to be more involved in monitoring and maintaining their energy supply, and
- ▶ a lack of information from retailers on energy consumption, meter operation and the actual costs of prepayment systems.

In addition to the issues identified through this research, an initial review of the Code has identified some current requirements that may need to be updated. These include:

- ▶ the minimum amount of emergency credit that must be provided
- ▶ the monitoring of self-disconnections as an indicator of when a retailer must contact a customer who may be experiencing payment difficulties, and
- ▶ the establishment of customer consultation groups.

Although there are requirements in the Code that will require updating, the Commission believes the bulk of consumer protections currently in the Code remain relevant.

## 1.3 Consultation

The Commission welcomes feedback on this Issues Paper by **Friday, 30 April 2021**. The Commission also invites discussions and meetings with stakeholders on any topic relevant to the Code.

**Consultation questions:**

1. 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?
2. 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?
3. 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?
4. What information, if any, should retailers be required to report publicly on self-disconnections?
5. 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?
6. Are the current information requirements on retailers appropriate and sufficient to enable customers to make an informed decision to enter a prepayment systems appropriate and sufficient? If not, what other information should be provided by a retailer?
7. What minimum information should retailers be required to provide to customers about their historical energy usage?

## 2 Introduction

### 2.1 Purpose and scope of the review

The Essential Services Commission (**Commission**), established under the *Essential Services Commission Act 2002* (**ESC Act**), is the independent economic regulator of essential services in South Australia.

Under section 5 of the ESC Act, the Commission has the following functions:

- ▶ to monitor and enforce compliance with and promote improvement in standards and conditions of service and supply under relevant industry regulation Acts
- ▶ to make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operations of a regulated industry or regulated entities
- ▶ to provide and require customer consultation processes in regulated industries and to assist consumers and others with information and other services, and
- ▶ to advise the Minister on matters relating to the economic regulation of regulated industries, including reliability issues and service standards.

In undertaking its regulatory functions, the Commission's primary objective is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

The Commission made the Prepayment Meter System Code (**Code**) in 2005 to regulate the operation of prepayment systems in the electricity and gas markets and provide minimum consumer protections for customers. The Code applies as a condition of each retail licence granted by the Commission under the *Electricity Act 1996* (**Electricity Act**) or the *Gas Act 1997* (**Gas Act**).

The Code was last amended in 2013 to reflect that the introduction of the National Energy Retail Law (**NERL**) meant the Code would no longer apply to retailers authorised to operate under the National Energy Customer Framework (**NECF**).<sup>3</sup> Since this time, the Code has regulated the operation of prepayment systems by retailers in small scale and off-grid networks not captured by the NECF.

Prepayment systems have not been offered in South Australia for almost 10 years. However, technological improvements are making prepayment more viable, and cost effective, in regional and remote communities, making it increasingly likely they will be offered in these communities. Due to the lack of evidence and data from South Australia on the effectiveness of the Code, the Commission has drawn on relevant reviews undertaken in other jurisdictions to inform the preliminary areas of consultation for this Review.

Additionally, the Commission has drawn on proposals outlined in, and stakeholder feedback from, its recent Small Scale Networks Inquiry (**SSNI**)<sup>4</sup> in developing this Issues Paper. The SSNI reviewed the way the Commission regulates small-scale networks, to determine if the Commission's approach is necessary and desirable, proportionate and responsive to recent and emerging issues, and consistent with the Commission's primary statutory objective.

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<sup>3</sup> The regulation of prepayment meter systems offered by retailers operating networks connected to the NEM (NERL retailers) is captured by Part 8 of the National Energy Retail Rules. Available here: <https://www.aemc.gov.au/sites/default/files/2020-08/NERL%20-%20v24%20-%20Part%208.pdf>

<sup>4</sup> More information on the SSNI is available on the Commission's website: <https://www.escosa.sa.gov.au/projects-and-publications/projects/inquiries/inquiry-into-regulatory-arrangements-for-small-scale-water-sewerage-and-energy-services/inquiry-into-regulatory-arrangements-for-small-scale-and-off-grid-water-gas-and-electricity-services>.



An initial review of the Code has identified some current requirements that may need to be updated. These include: the minimum amount of emergency credit that must be provided, the threshold at which a retailer must contact a customer it identifies as experiencing payment difficulties, and the establishment of customer consultation groups. Although there are requirements in the Code that will require updating, the Commission believes the bulk of consumer protections currently in the Code remain relevant.

Section 28(8) of the ESC Act requires the Commission keep the contents and operation of codes under review with a view to ensuring their continued relevance and effectiveness. Due to the changes in the operating environment since the previous review in 2013, the Commission considers it is now appropriate to undertake a further Code review.

This Issues Paper outlines the Commission's preliminary proposals for consideration in its review of the Code, and seek stakeholder comment and feedback on those proposals and any other issues relevant to the Code's operation.

The Commission welcomes submissions on this Issues Paper by **Friday, 30 April 2021**. It also welcomes discussions with stakeholders on the matters raised in the paper, or on any related matters that will assist the Commission with this Code Review.

## 2.2 Consultation process

The key focus of this stage of consultation on the Code is issue identification. The purpose of this Issues Paper is to initiate discussion with, and gain feedback from, stakeholders to identify possible consumer protection issues and opportunities to improve the current requirements.

Since the Code was last reviewed in 2013, there have been significant developments in technology and changes in regulatory practice. The Commission is aware that this Issues Paper may not broach all relevant topics for consultation and invites discussions with stakeholders on matters raised in this Issues Paper, as well as any other related matters.

There are three main stages to the Code Review process, and two primary stages (Stage 1 and Stage 2) where stakeholders can contribute:

- ▶ Stage 1: March 2021 – Public consultation on an Issues Paper.
- ▶ Stage 2: June 2021 – Public consultation on a Draft Decision (including a draft amended Code).
- ▶ Stage 3: September 2021 – Informing the public about the Commission's Final Decision on the Review and the making of an amended (as necessary) Code.

Additionally, the Commission will undertake an ongoing consultation process with key stakeholders throughout the review period. The Commission will seek meetings with stakeholders who have already expressed an interest in being involved in this review. Other stakeholders who are keen to be more involved in the consultation process are invited to contact the Commission for further discussions.

## 2.3 Review evaluation

The Commission is committed to a process of continual improvement in the way it conducts its regulatory reviews. This includes seeking feedback from stakeholders on both the processes used, and their experience participating, in this Code Review. Ultimately, the Commission will evaluate and learn from review outcomes in order to improve regulatory performance and effectiveness over time.

Stakeholders will be invited to provide feedback on their experience and satisfaction with this review process once the Commission has published the Final Decision (anticipated in August 2021). The Commission remains committed to publicly reporting on its regulatory evaluation outcomes.

## 3 Background

### 3.1 What is a prepayment meter system?

South Australian energy customers pay for their electricity or gas after they have consumed it and on receipt of a bill from their energy provider. This is commonly referred to as a 'post-pay' arrangement.

Prepayment systems have two main attributes that distinguish them from a post-pay arrangement:

- ▶ they require customers to 'pre-pay' for their energy before consumption takes place, and
- ▶ customers must be more actively involved in their energy supply.<sup>5</sup>

The technology underlying prepayment systems may vary but the fundamental principles are common to all. Customers who choose this payment method will have a device fitted at their premises (often associated with the electricity meter) that displays their current account balance, and the customer must 'top-up' this balance through a specified payment method and maintain a credit balance to continue receiving energy.

If they do not 'top-up' their credit before it is exhausted then a small amount of emergency credit is provided. If the consumer does not then 'top-up' prior to the emergency credit being exhausted then their energy supply will be disconnected. This is termed 'self-disconnection'. To be reconnected, the consumer must make a payment that brings their balance back into credit.

Due to the nature of prepayment meter systems, customers who use a prepayment meter arrangement do not receive bills from their energy retailer. This means that, unlike with post-paid arrangements, customers may not have a consolidated record of their historical energy use and charges.

### 3.2 The use of prepayment systems in Australia has been limited

Evidence on the consumer protection implications of these key differences between pre-paid and post-paid arrangements for large urban populations in Australia is limited. Further, there have not been any energy retailers offering prepayment systems in South Australia for almost 10 years.

Tasmania's State-owned energy retailer, Aurora Energy, offered a prepayment product to consumers in South Australia from 2006 to 2011, with approximately 4500 prepayment systems installed.<sup>6</sup> Aurora Energy also offered a prepayment product to consumers in Tasmania from 1997 until 2020, when the product was decommissioned. At the program's peak, Aurora Energy serviced around 20 percent, or 40,000, residential consumers in Tasmania through a prepayment arrangement.<sup>7</sup>

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<sup>5</sup> The Allen Consulting Group, pre-payment meter systems in Western Australia, 2009, p. 8. Available at <https://www.erawa.com.au/cproot/7557/2/20090512%20The%20Allen%20Consulting%20Group%20-%20Prepayment%20meter%20systems%20in%20Western%20Australia%20-%20Cost%20benefit%20analysis%20and%20regulatory%20impact%20assessment.PDF>

<sup>6</sup> The Allen Consulting Group, pre-payment meter systems in Western Australia, 2009, p. 116.

<sup>7</sup> See TasCOSS, Prepayment meter use in Tasmania Consumer views and issues. 2006, p. 4. Available at: <https://energyconsumersaustralia.worldsecuresystems.com/grants/146/AP-146-TASCOSS--Prepay-Meters-in-Tas-Report.pdf>

In other states and territories, the operation of prepayment systems is largely limited to Aboriginal communities; they are almost universally used in large Aboriginal communities and town camps in the Northern Territory, Queensland and Western Australia.<sup>8</sup> There have been several studies undertaken on the effect of prepayment meters on these communities.

Both the United Kingdom and New Zealand have seen statistically significant use of prepayment systems in urban households and there is substantial research on the topic.

### 3.3 Potential benefits and risks from using prepayment systems

Like any other energy metering arrangement, prepayment systems present a range of potential benefits and risks for consumers. These potential risks are likely to be similar to those that existed when the Code was first introduced. However, changes to the operating environment have influenced the way these risks can be managed and may provide new opportunities to achieve desired consumer protections. The following section summarises several key potential benefits and risks, but it is not an exhaustive list.

#### 3.3.1 Potential benefits

- ▶ Customers may benefit from greater payment flexibility. Prepayment systems allow consumers to budget for energy costs in advance and make payments of a size and frequency chosen by them.<sup>9</sup> Customers are able to estimate how long their current balance will last, which enables them to respond and adjust their energy usage according to their budget.<sup>10</sup> Additionally, payment flexibility and balance visibility can help consumers avoid large energy bills and late payment fees.<sup>11</sup>
- ▶ Customers benefit from the inability to accrue significant debt, and the associated distress this causes.<sup>12</sup> Additionally, late payment and reconnection fees are also avoided.<sup>13</sup> Retailers also benefit from a reduced quantum of bad debts as accounts cannot fall into arrears (beyond the emergency credit amount), as well as a reduction in working capital requirements.<sup>14</sup>
- ▶ Prepayment systems can facilitate sharing of energy costs by more easily allowing other household members, visitors and community members to make contributions and top-up an account balance.<sup>15</sup>

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<sup>8</sup> Bushlight, Pre-Payment Meters and Energy Efficiency in Indigenous Households. 2013, p. 6. Available at: <https://static1.squarespace.com/static/5450868fe4b09b217330bb42/t/547530c1e4b08b6cd903ce46/1416966337194/Bushlight-Report-PPM-Energy-Efficiency-Feb131.pdf>

<sup>9</sup> QCOSS, Empowering Remote Communities. 2014, p. 16. Available at: [https://www.qcoss.org.au/wp-content/uploads/2017/11/20140819\\_QCOSS-Report-on-Remote-PPM-Consumers-Final.pdf](https://www.qcoss.org.au/wp-content/uploads/2017/11/20140819_QCOSS-Report-on-Remote-PPM-Consumers-Final.pdf)

<sup>10</sup> QCOSS, Empowering Remote Communities. 2014, p. 16.

<sup>11</sup> An evaluation of a three month pilot of prepayment meters in South Australia by AGL in 2002 found that 97% of 70 consumers interviewed had a positive experience, with 69% extremely satisfied with the prepayment meter. 'The main reasons provided by consumers for their high satisfaction were that the meters were easy to use, gave greater control over usage and spend on electricity, and there no more unexpected large bills.' Energy and Water Ombudsman NSW, Prepayment Meters: Discussion Paper, 25 July 2014, p. 3. Available at:

<https://www.ewon.com.au/content/Document/PrePayment%20Meter%20Discussion%20Paper%20July%202014.pdf>

Similarly, a report undertaken by Tasmanian Council of Social Services in 2006 stated that the most common reason reported for having a prepayment meter installed was to 'avoid receiving large quarterly bills (79%)'.

TasCOSS, Prepayment meter use in Tasmania Consumer views and issues. 2006, p. 4. Available at:

<https://energyconsumersaustralia.worldsecuringsystems.com/grants/146/AP-146-TASCOSS---Prepay-Meters-in-Tas-Report.pdf>

<sup>12</sup> QCOSS, Empowering Remote Communities. 2014, p. 16.

<sup>13</sup> KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p.1. Available at:

<https://www.escosa.sa.gov.au/ArticleDocuments/802/040510-PrepaymentMeterReport.pdf.aspx?Embed=Y>

<sup>14</sup> The Allen Consulting Group, Pre-payment meter systems in Western Australia, 2009, p. 9.

<sup>15</sup> See, QCOSS, Empowering Remote Communities. 2014, p. 18; and, Bushlight, Pre-Payment Meters and Energy Efficiency in Indigenous Households. 2013, p. 12.

- ▶ Retailers and consumers benefit from avoided costs associated with the issuing of bills, reminder and final notices, and general account queries.<sup>16</sup>

### 3.3.2 Potential risks

- ▶ Evidence suggests disconnections occur more frequently under prepayment system arrangements;<sup>17</sup> to the extent that there *'is an inevitability of disconnection for very vulnerable households'*.<sup>18</sup> Self-disconnection can result in health and safety issues until a customer is able to afford reconnection, for instance: food spoilage, and no access to hot water, heating, cooking or lighting.<sup>19</sup> Under post-pay arrangements, customers are less likely to experience these types of disconnections, due to the ability to continue to consume energy in advance of payment being required.
- ▶ Price comparison reports from both Tasmania<sup>20</sup> and New Zealand<sup>21</sup> have found that energy costs are higher for customers using prepayment systems than they are for post-pay arrangements. This may be due to a customer's inability to take advantage of time-of-use tariffs or track their energy use and costs. These higher costs can be exacerbated where eligible energy concessions are not applied, which may happen more frequently where a consumer is in a prepayment arrangement.<sup>22</sup>
- ▶ A key feature of prepayment systems is the requirement for customers to be actively involved in ensuring their energy supply is ongoing. This is a potential consumer protection risk for certain sectors of the community, where prepayment system usage has historically been higher.<sup>23</sup> For instance, older people and those with special health needs (especially vision or mobility issues) may find the additional responsibilities of monitoring their balance, purchasing credit and topping up their accounts particularly onerous.<sup>24</sup>

<sup>16</sup> The Allen Consulting Group, Pre-payment meter systems in Western Australia, 2009, p. 8.

<sup>17</sup> In TasCOSS', 'Prepayment meter use in Tasmania: consumer views and issues' paper, 23 percent of respondents stated they had run out of electricity in the last 12 months (2006, p. 3). In K. C., O'Sullivan, P. L., Howden-Chapman, G. M., Fougere, S. Hales, & James Stanley., 'Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand' 53 percent of respondents reported experiencing self-disconnection in the previous year (2013, p.277). In more vulnerable communities, evidence (QCOSS, 2014; Bushlight, 2009) suggests self-disconnection rates are even higher.

<sup>18</sup> KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p.4.

<sup>19</sup> Joint consumer submission to EWON on prepayment meter discussion paper, August 2014, p. 6. Available at: <https://consumeraction.org.au/wp-content/uploads/2014/08/Joint-consumer-submission-on-EWON-prepayment-discussion-paper.pdf>

<sup>20</sup> See the Office of the Tasmanian Economic Regulator website for prepayment meter price comparison reports: <https://www.economicregulator.tas.gov.au/electricity/reports/price-comparisons/aurora-pay-as-you-go-price-comparison-reports>

<sup>21</sup> O'Sullivan, K.C., Howden-Chapman, P., Fougere, G. Making the connection: the relationship between fuel poverty, electricity disconnection and prepayment metering. Energy Policy 39 (2013) p. 733.

<sup>22</sup> Energy and Water Ombudsman NSW, Prepayment Meters: Discussion Paper, 25 July 2014, p. 4. Available at: <https://www.ewon.com.au/content/Document/PrePayment%20Meter%20Discussion%20Paper%20July%202014.pdf>. TasCOSS, Prepayment meter use in Tasmania: consumer views and issues. 2006, p. 6; KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p 51-52.

<sup>23</sup> See TasCOSS, Prepayment meter use in Tasmania: consumer views and issues. 2006, p. 6; O'Sullivan et al, Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand. Energy Policy 52 (2013) 277-287; KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p 30.

<sup>24</sup> KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p 73-74.

- ▶ The adequacy of prepayment system information provided by a retailer is critical to a customer's ability to make informed decisions. Information needs include: methods for buying credit and adding credit to a meter, reconnecting energy after a soft reconnection, tariff information, fees and charges, and emergency credit amounts.<sup>25</sup> This is particularly important for prepayment system customers, as they do not receive an energy bill. The lack of an energy bill can also lead to an inability to track their energy consumption over the medium and long term.<sup>26</sup>

### 3.4 The evolving operating environment

Since the Code was first made in 2005, there have been significant technological and regulatory changes that make prepayment systems more viable and cost effective in regional and remote communities covered by the Code. The following provides a brief summary of these changes.

#### 3.4.1 Technological changes

The development of smart meter technology has led to improvements in energy metering for retailers and consumers.<sup>27</sup> Where the infrastructure allows, smart meters provide two-way communication between the customer and the energy retailer, providing the retailers with timely data on the quality of power at the meter and providing the consumer with more data on their energy consumption.

The two-way communication capability of smart meters enables specific smart meters to be remotely switched from a post-pay mode to pre-payment mode, and reverted as required. These also offer enhanced payment capabilities, enabling retailers to set up online account top-up for prepayment customers via a website or smart phone application—the 'system' element of pre-payment arrangements.<sup>28</sup>

Often smart meters can be connected to in-home displays that can provide customers with a visual indication of real time, daily and weekly energy usage and costs, and in the case of prepayment systems, the account balance.

Additionally, the extension of 4G and 5G communications capability into more remote areas of South Australia means smart meter technologies, potentially offering a prepayment system function, can now be rolled out by energy retailers operating off-grid.<sup>29</sup>

#### 3.4.2 Regulatory considerations

The Commission will shortly release the Final Report on its 'Inquiry into regulatory arrangements for small scale and off-grid water, gas and electricity services' (the Small Scale networks inquiry (**SSNI**)).<sup>30</sup> The purpose of the SSNI is to ensure that the regulatory frameworks the Commission applies under industry regulation Acts is consistent with the Commission's primary statutory objective,<sup>31</sup> and is proportionate and responsive.

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<sup>25</sup> KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p.40.

<sup>26</sup> See Bushlight, Pre-Payment Meters and Energy Efficiency in Indigenous Households. 2013, p. 32.

<sup>27</sup> For more information, see <https://www.sa.gov.au/topics/energy-and-environment/meters/smart-meters>

<sup>28</sup> QCOSS, Empowering Remote Communities. 2014, p. 53.

<sup>29</sup> See for instance, South Australian Government, Department of Energy and Mining's roll out of smart meters within the Remote Area Energy Supply scheme, as part of the Future Sustainability project: [https://www.energymining.sa.gov.au/energy\\_and\\_technical\\_regulation/energy\\_resources\\_and\\_supply/remote\\_area\\_energy\\_supply/future\\_sustainability](https://www.energymining.sa.gov.au/energy_and_technical_regulation/energy_resources_and_supply/remote_area_energy_supply/future_sustainability)

<sup>30</sup> See ESCOSA project page for more details: <https://www.escosa.sa.gov.au/projects-and-publications/projects/inquiries/inquiry-into-regulatory-arrangements-for-small-scale-water-sewerage-and-energy-services/inquiry-into-regulatory-arrangements-for-small-scale-and-off-grid-water-gas-and-electricity-services>

<sup>31</sup> The Commission's primary statutory objective is the protection of the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

The primary outcome of the SSNI is a change to the manner in which the Commission regulates small-scale networks, such as off-grid energy retailers. The change in approach seeks to incentivise small-scale service providers to pursue long-term asset and service sustainability, and to maintain genuine engagement with their customers. As part of this, the Commission has decided that all small-scale network licensees must become members of the Energy and Water Ombudsman SA (**EWOSA**) scheme. Off-grid energy customers will therefore benefit from EWOSA's consistent, impartial dispute resolution process, which has the ability to impose remedies.

During consultation on the SSNI, the South Australian Council for Social Services (**SACOSS**) noted the importance of publicly available reporting in relation to prepayment systems.<sup>32</sup> The Commission agrees this is an important issue and is seeking feedback on the specific data retailers should be required to collect and publish.

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<sup>32</sup> SACOSS, Submission to ESCOSA's Draft Inquiry Report into the regulatory arrangements for small-scale water, sewerage and energy services, September 2020, p. 6. Available here: <https://www.escosa.sa.gov.au/projects-and-publications/projects/inquiries/inquiry-into-regulatory-arrangements-for-small-scale-water-sewerage-and-energy-services/inquiry-into-regulatory-arrangements-for-small-scale-and-off-grid-water-gas-and-electricity-services>

## 4 The current Prepayment Meter System Code

In South Australia, electricity retailers not operating in the NEM and gas retailers not regulated by the AER are licensed by the Commission and must, pursuant to their licence, obtain the Commission's approval to offer prepayment metering to their customers.<sup>33</sup> To consider an application for approval to offer prepayment meter systems from an energy retailer, the Commission requires evidence of the retailer's ability to meet the Code's requirements. The purpose of the Code is to regulate prepayment systems to meet the Commission's objective to protect the long-term interest of South Australian consumers.

Those energy retailers operating in the NEM, and regulated by the AER, are subject to the National Energy Retail Rules (NERR).<sup>34</sup> Requirements contained in Part 8 of the NERR, 'Prepayment meter systems', closely reflect the conditions of the Commission's Code.

Certain protections are important for customers in prepayment system arrangements to manage risk. The Code was designed to offer protections in relation to these identified consumer risks. However, due to changes to the operating environment it is likely that these consumer protection provisions can be improved. Accordingly, the Commission seeks feedback on consumer protections in the Code to identify potential issues and solutions.

This chapter provides a summary of the key consumer protections currently contained in the Code. A more comprehensive list of key consumer protection clauses contained in the Code, and the purpose of each, is provided at Appendix 1.

### 4.1 Self-disconnection

An important feature of the Code is the requirement that a retailer's prepayment management system be able to identify every instance, and the duration, of a customer's self-disconnection. Additionally a retailer must be able to identify where a customer may be experiencing payment difficulties and contact them to, among other requirements, offer to revert the customer to a standard meter at no charge, provide information about financial counselling services and provide referral to State Government assistance programs.

Currently, the Code identifies self-disconnection of longer than 240 minutes three or more times in a three-month period as the threshold at which a customer may be experiencing payment difficulties.<sup>35</sup> These consumer protection provisions are designed to help ameliorate the concern around hidden financial hardship with prepayment meter use.<sup>36</sup>

The times that self-disconnection can occur are also limited under the Code. Customers can only self-disconnect between 10:00am and 3:00pm weekdays. If emergency credit runs out outside of these times, the customer will have access to 'friendly credit' that allows the meter to go into a negative balance. The purpose of this restriction is to ensure self-disconnection cannot occur outside business hours when customers cannot access in person top-up facilities.

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<sup>33</sup> There are currently eight off-grid energy retailers licensed by the Commission. See the Commission's licence register at: <https://www.escosa.sa.gov.au/industry/electricity/licensing/licence-register>

<sup>34</sup> Refer to the Australian Energy Market Commission website for the latest version of the NERR. Available at: <https://www.aemc.gov.au/regulation/energy-rules/national-energy-retail-rules/current>

<sup>35</sup> This threshold was set during the Commission's development of the Code in 2005, and is based on feedback and advice from stakeholders. For more information on the initial Code development and feedback provided to the Commission during that process, see the Commission's website here: <https://www.escosa.sa.gov.au/projects-and-publications/projects/electricity/prepayment-meter-system-code>

<sup>36</sup> TasCOSS, Prepayment meter use in Tasmania: consumer views and issues. 2006, p. 1.



## 4.2 Information provision

The Code includes a range of requirements for the minimum information that must be provided by a retailer to a customer prior to entering into a prepayment system arrangement. The purpose of these information requirements is to promote informed decision making by the customer about entering into, and terminating, prepayment arrangements.

For instance, a written disclosure statement is required to be produced by the retailer and approved by the Commission. As a minimum this written disclosure statement must include:

- ▶ all applicable costs, fees and charges, including tariffs, connection and installation costs and how customers 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 arrangement and revert a customer back to a standard post-pay arrangement, including applicable costs to the consumer and how any credit balance will be refunded to the customer.

The Code also requires retailers to provide information about how to operate the prepayment system in clear and simple terms, and use its best endeavours to provide this in another language if requested by a customer. The purpose of this requirement is to promote the interests of culturally and linguistically diverse customers, along with those who do not have a high degree of technological understanding and competence.

Additionally, the Code requires retailers to provide energy consumption data to customers on request. This clause is designed to assist customers to understand their energy usage over time, which can be more challenging for prepayment consumers, who do not receive energy bills.

## 4.3 Costs

It is important for customers to understand the costs associated with a prepayment system and make an informed decision prior to entering into such an arrangement.

The Code sets out a range of allowable fees and charges and requires information on these costs to be provided to the customer prior to entering into a prepayment arrangement. This information includes:

- ▶ tariffs
- ▶ connection and installation fees
- ▶ fees for the provision or replacement of a card to operate the prepayment system
- ▶ termination and meter removal or reversion charges, and
- ▶ any distribution, retail and other charges relating to the sale and supply of energy at the customers premises.<sup>37</sup>

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<sup>37</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 2.5.1(d). Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

Other costs not explicitly listed in the Code as an allowable fee or charge must be billed to customers separately.<sup>38</sup>

Retailers are required to give customer's 20 business days' notice of any changes to allowable fees and charges, including tariffs.<sup>39</sup>

In other jurisdictions, prepayment systems can be used by retailers to recover existing energy debt from customers. In the UK for instance,<sup>40</sup> prepayment systems can be installed by warrant and tariffs and charges can be adjusted by energy companies to recover a customer energy debt.

However, the Code prohibits the use of prepayment systems to recover outstanding debts. The tariffs and charges for pre-payment customers cannot be adjusted to account for the recovery of outstanding debts the customer has accrued. This prohibition is designed to ensure that prepayment systems are not used by retailers to recover debt and they are instead used by customers, in an informed and willing manner, to better budget their energy use and gain greater payment flexibility.

#### 4.4 Customer consent

The Code requires that a retailer obtain explicit informed consent from a customer prior to entering into a prepayment arrangement with that customer. To meet the 'explicit informed consent' requirement, the retailer has to provide the customer with a range of information, including a written disclosure statement and system operating instructions (broadly outlined above in 'information provision') as well as the terms and conditions of the arrangement, including all allowable fees and charges. Retailers must retain evidence in the form of records of each customer's explicit informed consent for at least two years. The purpose of these consent requirements is to make clear the retailers obligation to inform potential prepayment system consumers of their rights and responsibilities prior to entering into an arrangement.

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<sup>38</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 2.5.1(e). Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>39</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 3.6.1. Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>40</sup> See for instance, <https://www.ofgem.gov.uk/data-portal/electricity-prepayment-meter-consumers-average-weekly-debt-repayment-rates-gb>

## 5 Key areas for consultation

The Commission has identified a range of key areas in the Code for consultation as outlined below. However, the Commission invites submissions from, and discussions with, stakeholders on any topic relevant to the Code review.

### 5.1 Emergency credit amounts

Reviews in other jurisdictions have noted the need to increase the amount required for emergency credit.<sup>41</sup> However, there is tension in deciding an appropriate value of emergency credit, as the amount needs to be sufficient to give customers time to 'top-up' their account but 'low enough that the customer does not incur too much debt on emergency credit.'<sup>42</sup> The first 'top-up' after emergency credit is exhausted must cover and exceed the emergency credit amount for the customer's balance to return to credit.<sup>43</sup>

The Code currently requires a minimum of \$10 emergency credit for electricity and \$5 for gas.<sup>44</sup> In 2019-20 the Australian Energy Regulator reported that the median annual electricity bill for low income households in South Australia was \$1775 for electricity and \$782 for gas.<sup>45</sup> On this basis, \$10 of emergency credit for electricity and \$5 for gas would provide electricity and gas for approximately two days. These timeframes are similar for the vast majority of customers supplied by off-grid retailers.<sup>46</sup>

The Commission notes that the National Energy Retail Rules use a different approach to setting minimum emergency credit amounts by requiring '*a level equivalent to the average cost of 3 days of electricity or gas supply to within \$1.00*'.<sup>47</sup>

#### 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?

<sup>41</sup> Energy and Water Ombudsman NSW, Prepayment Meters: An analysis of the prepayment option for consumers, November 2014, pp. 2, 5. Available at: <https://www.ewon.com.au/content/Document/PPM%20Report%20PDF.pdf>

<sup>42</sup> KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p.4.

<sup>43</sup> See QCOSS, Empowering Remote Communities. 2014, for consumer experiences on this topic.

<sup>44</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 3.3.1(e). Available here:

[https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>45</sup> Australian Energy Regulator, Annual retail Market Report 2019-20: Jurisdictional snapshot, 30 November 2020, P. 8. Available at: <https://www.aer.gov.au/retail-markets/performance-reporting/annual-retail-markets-report-2019-20>

<sup>46</sup> Cowell Electric, which provides electricity to around 3,400 customers in remote South Australian communities, is subsidised by the South Australian Government to enable tariffs for residential and business customers to be kept at parity with average on-grid prices. For more details, see <https://www.cowellelectric.com.au/wp-content/uploads/2020/12/202010-Cowell-Customer-Tariff-Advice.pdf>.

<sup>47</sup> National Energy Retail Rules, r 129(6). Available here: <https://www.aemc.gov.au/regulation/energy-rules/national-energy-retail-rules/current>

## 5.2 Self-disconnection

Research has established that disconnection occurs more frequently for customers on prepayment arrangements.<sup>48</sup> Nevertheless, there is also evidence that the majority of prepayment customers still consider the benefits of prepayment to outweigh this inconvenience.<sup>49</sup>

However, prepayment arrangements may also appeal to low-income households who value the ability to budget for their energy consumption,<sup>50</sup> which means a disconnection can have proportionally significant health or financial cost. Accordingly, the ability to identify those customers who may be experiencing payment hardship is very important.

In acknowledging this, the Code requires a retailer who identifies a customer experiencing payment hardship to:

- ▶ offer to revert to a standard post-pay arrangement at no cost to the customer
- ▶ provide information about standard terms and conditions options available to the customer
- ▶ provide information about, and referral to, State Government assistance programs, and
- ▶ provide information on independent financial and other relevant counselling services.<sup>51</sup>

Under the Code, '*... a retailer's prepayment meter system must be capable of identifying to the retailer every instance on which a small customer has self-disconnected and the duration of that disconnection.*'<sup>52</sup>

The threshold at which a retailer's prepayment management system is required to identify a customer as potentially experiencing payment hardship is when a customer 'has self-disconnected three or more times in any three-month period for longer than 240 minutes on each occasion'.<sup>53</sup> Considering the adverse impact energy disconnection can have on consumers, such as '*cutting back on food and groceries with associated flow on effects for health and well-being*',<sup>54</sup> the question arises as to whether or not the current threshold for identifying payment hardship is sufficient.

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<sup>48</sup> In TasCOSS, 'Prepayment meter use in Tasmania Consumer views and issues' 2006, 23 percent of respondents stated they had run out of electricity in the last 12 months (p. 3). In O'Sullivan et al, 'Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand' 53 percent of respondents reported experiencing self-disconnection in the previous year (2013, p.277). In more vulnerable communities, evidence (QCOSS, 2014; Bushlight, 2009) suggests self-disconnection rates are even higher.

<sup>49</sup> See QCOSS, Empowering Remote Communities. 2014; TasCOSS, Prepayment meter use in Tasmania Consumer views and issues. 2006; Bushlight, Pre-Payment Meters and Energy Efficiency in Indigenous Households. 2013; O'Sullivan et al, Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand. Energy Policy 52 (2013) 278-287.

<sup>50</sup> O'Sullivan et al, Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand. Energy Policy 52 (2013) 278-287; KPMG, Consumer Issues with Prepayment Meters. Report for ESCOSA, 2004, p.30.

<sup>51</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 3.4.2. Available here:

[https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>52</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 3.4.1. Available here:

[https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>53</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 3.4.2. Available here:

[https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>54</sup> Kids in the cold: outcomes for New Zealand households with children using prepayment meters for electricity. O'Sullivan, Howden-Chapman, Stanley and Hales, New Zealand Medical Journal, 125 (2013) p.71.

The Commission considers the provision of publicly available reports on instances of self-disconnection and duration of disconnection to be an important element of transparency around the effectiveness of consumer protections offered by the Code. Since research indicates a frequent cause of self-disconnection is customers forgetting to recharge their prepayment system account balance,<sup>55</sup> the reason for self-disconnection is an important consideration. The option to self-disconnect when energy is not required is beneficial for some customers. For instance, in regional and remote communities, the option to self-disconnect can be a useful way to avoid ongoing energy charges when seasonal work takes customers away from a particular residence.

Feedback from stakeholders is sought on what additional information should be published publicly by retailers in relation to self-disconnections.

**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?

### 5.3 Prepayment Meter Consumer Consultation Group

Clause 3.1.1 of the Code requires retailers who offer prepayment systems to establish a Prepayment Customer Consultation Group, with membership drawn from South Australian consumers with its prepayment systems and South Australian consumer groups.<sup>56</sup>

Additionally, the retailer is required to place information regarding the Prepayment Customer Consultation Group's meetings and activities on its website, and the Prepayment Customer Consultation Group must continue for a minimum of three years from the date the Commission approved the retailer's application to offer prepayment metering.<sup>57</sup>

The purpose of these clauses is to require the retailer to engage with its customers on prepayment arrangements in an open and transparent manner.

There are several potential issues with the current Code requirements, including:

- ▶ The Code requires retailers to establish a Prepayment Customer Consultation Group that includes their consumers using prepayment systems, notwithstanding that the retailer may not have any customers take up the prepayment arrangement (or who wish to join the Prepayment Customer Consultation Group).

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<sup>55</sup> See TasCOSS, Prepayment meter use in Tasmania Consumer views and issues. 2006, p. 48; And, O'Sullivan et al, Empowered? Examining self-disconnection in a postal survey of electricity prepayment meter consumers in New Zealand. Energy Policy 52 (2013) p. 283.

<sup>56</sup> ESCOSA, Prepayment Meter System Code 2013, Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

<sup>57</sup> ESCOSA, Prepayment Meter System Code 2013, c. 3.1.2, 3.1.3. Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

- ▶ Some off-grid energy retailers do not have websites and therefore cannot meet the requirement under the Code to place the Prepayment Customer Consultation Group's meetings and activities on their website.

The primary concern with these requirements under the Code is whether they are fit for purpose and proportionate. In several instances, off-grid energy retailers in South Australia are very small, and can service as few as 25 customers. Requiring an off-grid retailer to establish a Prepayment Customer Consultation Group, and in many cases a website, and involve South Australian consumer groups, may be inefficient where they have very few customers in a prepayment arrangement.

Possible solutions to these concerns include the creation of an umbrella Prepayment Customer Consultation Group that each retailer offering prepayment must join and contribute to. This would potentially offer greater efficiencies as well as provide a larger range of expertise and customer feedback.

#### 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?

## 5.4 Information provision

### Information provided prior to gaining explicit informed consent

A primary requirement of the Code is the provision of information to the customer to enable them to make an informed decision prior to entering a prepayment arrangement. Currently, the Code requires the retailer to provide the customer, prior to gaining their explicit informed consent to enter into the prepayment arrangement, the following information:

- ▶ Costs, including: tariffs, connection and installation fees, fees for the provision or replacement of a card to operate the prepayment system, termination and meter removal or reversion charges, along with any distribution, retail and other charges relating to the sale and supply of energy at the customer's home.<sup>58</sup> A prepayment customer is only liable for fees and charges specified in the prepayment system standards terms and conditions.
- ▶ A written disclosure statement that must include the following:
  - 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

<sup>58</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 2.5.1(d). Available here: [https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

- 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 for the prepayment system in clear and simple terms. The retailer must use its best endeavours to provide these in another language if requested by a customer.

The adequacy of this information, in both content and clarity, will affect the capability of a customer to make an informed decision about the appropriateness of entering into a prepayment metering arrangement for their situation.

#### 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?

### Provision of energy consumption information

Due to the nature of prepayment systems, where the account balance is topped up frequently with small increments of money and no quarterly bill is received, the ability for customers to track their medium- and long-term energy consumption rates can be more difficult. Considering that a key reason for customers use of prepayment systems is *'to help keep control of household spending on electricity'* and *'to avoid large energy bills'*,<sup>59</sup> the ability to track energy consumption over time, and thus better manage energy use if possible, can be important.

The Code currently deals with this issue through the follow requirement on retailers:

*'On request, a retailer must, at no charge, give a small customer the following information relating to the small customer's supply address:*

*(a) total energy consumption;*

*(b) average daily consumption; and*

*(c) average daily cost of consumption*

*(d) for the previous two years or since the commencement of the prepayment meter standard terms and conditions (whichever is the shorter) divided into quarterly segments.<sup>60</sup>*

This clause requires the customer to be aware of their right to request energy consumption information and to proactively request this data from their retailer. In some instances, advancements in metering technology mean much of this data can be provided, numerically and graphically, by in-home displays. However, where this is not an option, consideration should be given to whether the requirement for a retailer to provide its prepayment system customers with energy consumption information should be opt-out rather than opt-in for the customer.

#### Consultation questions:

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

<sup>59</sup> TasCOSS, Prepayment meter use in Tasmania Consumer views and issues. 2006, Appendix A, Q3.

<sup>60</sup> ESCOSA, Prepayment Meter System Code 2013, cl. 2.4.5. Available here:

[https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode\\_PMSC02.pdf.aspx?Embed=Y](https://www.escosa.sa.gov.au/ArticleDocuments/575/130905-PrepaymentMeterSystemCode_PMSC02.pdf.aspx?Embed=Y)

## 6 Next steps

Table 1: Code Review stages

| Stage  | Begin        | Conclude      |
|--|--------------|---------------|
| Stage 1: Public consultation on Issues Paper.  | March 2021   | 30 April 2021 |
| Stage 2: Public consultation on a Draft Decision (including any amendments to the Code).                                     | July 2021    | August 2021   |
| Stage 3: Informing the public about the Final Decision on the Review including the making of an amended (as necessary) Code. | October 2021 |               |

Stakeholders are invited to discuss or provide submission/s on this Issues Paper, by **Friday, 30 April 2021**. All submissions will be placed on the Commission's website, subject to any confidential material being excluded.

The Commission also welcomes discussions with stakeholders on any of the matters raised in this Issues Paper or on any related matters.

Following consideration of the issues raised in submissions received during consultation on this paper, the Commission will release its Draft Decision in July. The Code will be amended to reflect the Final Decision and will be published in October 2021.



## Appendix 1: Key consumer protection in the Code

| Clause                                    | Clause requirements  | Purpose  |
|---|--|--|
| Clause 2.2 – Consent                      | <p>This clause requires the licensee to obtain a customer’s explicit informed consent before they enter into a prepayment system arrangement. The clause states that a customer’s explicit informed consent can only be obtained after timely, accurate, verifiable and truthful information about the prepayment standard terms and conditions has been provided to the customer. Records evidencing this explicit informed consent must be retained by the licensee for at least two years.</p>  | <p>This clause establishes that a customer can only provide explicit informed consent if the retailer discloses all relevant matters to the customer in a full, truthful and plain language manner. The purpose of this clause is to place a check on retailers’ compliance with information provision and customer consent.</p> |
| Clause 2.3 – Written disclosure statement | <p>This clause requires minimum information to be provided to prepayment customers prior to entering into an arrangement. As a minimum, the licensee must detail how it is proposing to deal with the following matters:</p> <ul style="list-style-type: none"> <li>○ All of the costs, fees and charges that will be applicable to consumers with prepayment systems, including any specific connection or installation costs, meter reading costs, and the tariffs that will apply for usage (e.g., if they will be charged at the same rates as consumers without pre-payment meters or at different rates).</li> <li>○ How customers will be informed of any changes to these fees, charges and in particular, the tariffs (as required under clause 3.6).</li> <li>○ How the licensee would account for and make adjustments to the credit/balance on the meter for any ‘overcharging’ or ‘undercharging’).</li> <li>○ How the licensee will ensure that any relevant State Government energy concessions will be applied for prepayment meter consumers.</li> <li>○ How customers will be able to ‘recharge’ or add credit to their balances.</li> </ul> | <p>The purpose of this clause is to require retailers to provide a minimum amount of relevant information to enable customers to make an informed decision prior to entering into a prepayment arrangement.</p>  |

| Clause                                | Clause requirements  | Purpose  |
|---------------------------------------|--|--|
|                                       | <ul style="list-style-type: none"> <li>○ The amount of emergency credit that the licensee thinks is appropriate, given the usage needs of its customers (the Code currently requires a minimum of \$10 emergency credit for electricity and \$5 for gas)<sup>61</sup>.</li> <li>○ The process that the licensee will use to terminate a prepayment arrangement and revert the customer back to a 'standard' payment arrangement, including any costs that may be applicable to the customer for changing over the meter/reconfiguration of the meter to operate in the 'standard mode' (as relevant to the technology chosen) and how the licensee will refund the customer for any remaining credit (e.g., whether they will reimburse the customer, apply the credit to the customer's account towards future bills, or if they will provide an option for the customer to choose).</li> <li>○ Dispute resolution options available to small customers, and contact details for the retailers' small customer enquiries, complaints and emergency services.</li> </ul> |  |
| Clause 2.4 – Provision of information | This clause requires retailers to provide information to customers who have entered a prepayment arrangement on how to operate the prepayment system, in clear and simple terms. If requested by a small customer, a retailer must use its best endeavours to provide those instructions in another language. Additionally, retailers are also required, at no charge, to provide consumption data to customers on request.  | <p>The requirement to provide operating instructions, and the further best endeavours obligation, should enable those unfamiliar with prepayment systems the ability to operate the system without assistance.</p> <p>The purpose of requiring retailers to provide energy consumption data to a customer on request is to enable customers to be informed about their medium- and long-term energy use. This is important for prepayment customers who do not receive regular energy bills from their retailer.</p> |

<sup>61</sup> Prepayment Meter System Code, clause 3.3(e).

| Clause   | Clause requirements   | Purpose  |
|--|---|--|
| <p>Clause 2.5 – Minimum terms and conditions</p> | <p>A retailer must ensure that the terms and conditions of each prepayment standard terms and conditions it enters into with a small customer are not inconsistent with the following provisions:</p> <ul style="list-style-type: none"> <li>○ A mandatory three-month trial period must be provided by retailers, where no penalty, exit or termination fees apply.</li> <li>○ The Code sets out allowable fees and charges, including: connection and installation fees, reversion fees, retailer and distributor charges, and charges related to the sale and supply of energy at the customers premises.</li> <li>○ The Code requires retailers to bill customers separately for other goods and services than those outlined as allowable fees and charges under this clause, 2.5.</li> <li>○ Limitation on the recovery of debt. The Code has a prohibition on using prepayment meters as a way to recover outstanding debts. The tariffs and charges for pre-payment consumers cannot be adjusted to account for the recovery of outstanding debts the customer has accrued.</li> <li>○ Details must be provided on how a customer can obtain a refund on credit remaining in the prepayment system account when the standard terms and conditions are terminated.</li> <li>○ A licensee must not enter into an agreement to provide prepayment to a customer who requires a life support system.</li> </ul> | <p>The required minimum terms and conditions provide several consumer protections to prepayment arrangement customers. The purpose of these consumer protections is broad, and includes:</p> <ul style="list-style-type: none"> <li>▶ enabling consumers to change their mind and revert to a standard payment arrangement without charge</li> <li>▶ restricting the fees and charges a consumer is liable for</li> <li>▶ restricting the prepayment system from becoming a debt recovery device</li> <li>▶ protecting consumers’ right to a refund, and</li> <li>▶ protecting consumers with significant health needs.</li> </ul> |
| <p>Clause 3.1 – Consumer Consultation Group</p>  | <p>This clause requires the licensee to establish a Prepayment Customer Consultation Group with membership drawn from South Australian customers with its prepayment meter systems and South Australian consumer groups.</p>  | <p>The purpose of requiring retailers to establish a Prepayment Consumer Consultation Group is to promote transparency and integrity in retailer operation of prepayment meter systems. These groups will also provide a method for consumers to provide feedback in relation to their prepayment arrangement directly to representatives from consumer advocate groups.</p>   |

| Clause  | Clause requirements  | Purpose   |
|---|--|---|
| Clause 3.3 – System requirements                      | <p>A retailer offering a prepayment system must ensure that it meets several technical requirements, these include:</p> <ul style="list-style-type: none"> <li>○ A system display that shows the customer’s financial balance to within \$1 of the actual balance, whether the system is operating in normal or emergency credit mode, and current consumption information.</li> <li>○ That the system does not disconnect supply to the small customer other than between the hours of 10:00am and 3:00pm on a week day.</li> <li>○ That where supply is disconnected through the prepayment system, energy supply can recommence as soon as the system is aware a payment has been made to the relevant account that exceeds the amount of emergency credit.</li> <li>○ Customers eligible for energy concessions from the State Government receive the benefit of that entitlement.</li> <li>○ The prepayment system provides the required amount of energy credit stipulated - \$10 for electricity and \$5 for gas.</li> </ul> <p>Access to metering data is provided in accordance with all applicable regulatory instruments.</p> | Prepayment system technology can vary widely. The purpose of this requirement is to set minimum technological requirements on retailers who offer prepayment systems.   |
| Clause 3.4 – Payment difficulties and hardship        | The licensee must be able to identify prepayment customers who may be experiencing financial hardship and thus may require additional assistance from the licensee. This is likely to include the need to be able to understand when, and for how long, a prepayment customer has ‘self-disconnected’. The Code currently refers to a customer having self-disconnected three or more times in any three-month period for longer than 240 minutes in each occasion as a possible indicator of financial hardship.  | The purpose of this clause is to prevent payment difficulties and hardship from going unnoticed by the retailer. It requires a proactive response from the retailer to provide assistance to the consumer to reconnect their energy supply and provide the consumer with information regarding financial support. |
| Clause 3.5 – Recharge facilities, times and locations | This clause requires that a retailer which offers prepayment to ensure that it has in place facilities for customers to make payments in relation to the prepayment system by at least one of the following methods: by cash at a minimum of two locations that are readily accessible to the consumer, by a 24 hour, seven day a week telephone service, and/or by a 24 hour, seven days a week electronic or other   | The purpose of this clause is to protect consumers’ access to recharge facilities, and to set the range for a reasonable minimum payment.   |

| Clause                            | Clause requirements  | Purpose   |
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|                                   | payment method. Additionally, the minimum payment must be set between \$1 and \$10.00.   |   |
| Clause 3.6 – Variation of charges | A licensee wanting to vary a tariff rate or charge applying to a prepayment system customer must provide at least 20 business days' notice to the customer prior to the variation taking effect.   | This requirement provides customers with information in relation to changes to tariffs, and suitable time to require further information and/or request reversion to a standard payment arrangements. |
| Clause 3.7 – System testing       | This clause requires the licensee to detail how it will test the accuracy of its meters, where the customer thinks that the meter may be recording their consumption inaccurately and requests that the meter be tested. The clause requires any upfront costs for the customer for undertaking such a test to be refunded to the customer if the meter is shown to be inaccurate. | The purpose of this clause is to provide a fair method for consumers to have the accuracy of their meter checked.   |



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