Prepayment Meter System Code Review Update Paper

Issues Paper

The Commission began a review of the Prepayment Meter System Code (**PMSC**) in March 2021, with the publication of an Issues Paper. The Issues Paper identified that there are a range of consumer protections that are important for customers in energy prepayment arrangements to manage risk. It also identified that changes to the operating environment since the PMSC was first made mean that some of the current consumer protections need updating.

The Issues Paper identified some particular areas that may need to be reviewed:

- emergency credit facilities
- support for customers experiencing payment difficulties
- retailer public reporting requirements
- Prepayment System Customer Consultation Groups
- information provided prior to gaining explicit informed consent, and
- historical energy usage data.

Submissions on the Issues Paper

Submissions on the Issues Paper were provided by the South Australian Council of Social Service (**SACOSS**), the Department of Energy and Mining (**DEM**), The Australian National University's Centre for Aboriginal Economic Policy Research (**ANU**), and the Tangentyere Council Aboriginal Corporation (**TCAC**). The submissions can be found on the ESCOSA website at the Prepayment Meter System Code Review project page.

In addition to the areas for review identified in the Issues Paper, stakeholders also raised two additional topics for further consideration:

- limitation on the recovery of debt, and
- the definition of life support system.

The submissions suggested a range of amendments to the PMSC to improve consumer protections, including: additional payment methods, improvements in information provision, increased monitoring and reporting by retailers, and additional types of emergency credit. The submissions also proposed amendments to make the PMSC more fit for purpose, for example, by establishing an umbrella prepayment customer consultation group rather than requiring individual retailers to establish their own consultation group.

Commission response to stakeholder submissions

The tables below summarise stakeholder feedback on each issue and the Commission's response. The tables also set out the Commission's proposals and topics that we invite further feedback on.

Consultation and next steps

The Commission seeks comments on the proposals and topics raised in this update paper by Friday, 25 March 2022. Written submissions can be provided by email to escosa@escosa.sa.gov.au. For further information or to register your interest in consultation opportunities email us at escosa@escosa.sa.gov.au or contact us by phone on 1800 633 592.

The Commission would be pleased to meet with stakeholders, either individually or with representative organisations, to discuss the proposals outlined in this update paper. A draft decision on the PMSC review will be published with the next phase of the off-grid energy consumer protection framework review in mid-2022.

1. Consultation question topic: Emergency credit facilities

Current requirement: The PMSC requires an emergency credit amount of $10 for electricity and $5 for gas. Emergency credit must be repaid by the customer at the next credit top-up.

Consultation question: 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?

Stakeholder responses	Commission response
ANU noted the use of smart meters is associated with the removal of prepaid power card options, which can be 'stockpiled' and used to spread costs over a household. Smart payment options are usually linked to a single account and do not easily enable stockpiling or cost spreading. Additionally, the capability to top-up via smart payment options can be hampered by Wi-Fi loss once disconnected. TCAC, ANU and SACOSS suggested that the Code should require additional upfront payment methods including: Centrepay, direct debits and pre-paid power cards. SACOSS supported the potential to include a requirement for retailers to provide 'discretionary credit', in addition to the current requirement under the Code for emergency credit and friendly credit. Discretionary credit was explained to be a loan from the retailer to the customer, which is paid back in instalments. In tandem with discretionary credit, SACOSS suggested a range of additional supports, including: suitable repayment plans that consider a customer's ability to pay, accommodating repeat requests to provide discretionary credit, free remote credit top ups, and clearing any outstanding charges. DEM supported the PMSC's current emergency credit requirements and noted that any increase in the emergency credit amount would carry through to the amount a customer has to repay to reconnect, which could increase reconnection delays.	Where a retailer identifies a customer experiencing payment difficulties, they must offer to put the customer on a post-pay arrangement (free of charge). Once on the post-paid arrangement, the retailer must also offer the customer an instalment plan that takes into account their energy usage and capacity to pay. The customer will be provided with extra time to repay debts (including any pre-pay and post-pay debts), which takes into account their capacity to pay and their usage needs, while enabling them to remain connected. In response to the suggestion around requiring retailers to provide a form of 'friendly credit', any discretionary loans that an off-grid energy retailer is required to provide to its customers would need to be funded by the remaining customers of that retailer. This would likely lead to increased energy costs for off-grid energy customers, and, consequently, would need to be carefully considered and discussed with all off-grid customers.

Proposals and topics for further consultation

Emergency credit facilities

- PROPOSAL: We propose to keep the existing emergency credit requirements, taking into consideration that these amounts must be paid back upon account top-up.
- FEEDBACK: We invite feedback on SACOSS's suggestion to require energy retailers to offer customers discretionary loans. We are interested in understanding how these loans could be funded and how they would differ from a credit arrangement between the retailer and the customer that would still require repayment.

2. Consultation question topic: Support for customers experiencing payment difficulties

Current requirement: The PMSC requires retailers to identify customers potentially experiencing payment hardship via a threshold identified at clause 3.4.2 of the PMSC (three or more times in a three-month period for more than 240 minutes). Once identified, retailers must provide these customers with a range of information and offer to revert the customer to a post-paid contract free of charge. The PMSC also requires retailers to provide customers with a three month trial period during which they may elect to revert to a post-paid arrangement/contract without charge, but after which the retailer may recover reasonable exit charges and meter removal charges.

Consultation question: 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?

Stakeholder responses	Commission response
DEM proposed removal of the trial period and any reversion fees from the PMSC as smart meters now enable the switching of payment method remotely. Additionally, DEM noted the ease of moving customers between payment methods is hampered by the requirement to have separate contracts for each method. DEM suggested that this requirement is unnecessary, as the customer will be staying with the same retailer and returning to the same contract they were previously on. DEM also provided feedback on the prepayment contract itself, suggesting that it is that it is long and complex, and essentially a duplication of the default contract. DEM stated that it considers the requirement for a separate contract to be unnecessarily confusing for both retailers and customers. It proposed that for stand-alone, single retailer systems like those in the Remote Area Energy Supply (RAES) scheme, prepayment system conditions could either be incorporated into the default terms and conditions or be a simplified contract that picks up the important variations to the retail sections of the standard terms and conditions rather than restate these sections. SACOSS was of the view that prepayment should not be an option available to people struggling to pay their energy bills, and strongly supported reverting customers experiencing payment difficulties back to post-pay arrangement without charge. SACOSS noted the '*impacts of being without an energy supply (which is essential to life) and burgeoning energy debt hold' in making its suggestion that using prepayment to manage debt and consumption is not in the long-term interests of consumers*.'	We propose to accept DEM's suggestion to remove the trial period, and the retailer's subsequent right to charge exit fees and reversion costs, from the PMSC. Prepayment systems no longer require a separate meter to be installed and can be remotely reverted to post-pay upon request. Removing the trial period enables a customer in a prepayment arrangement to request reversion to a post-payment arrangement at any time and at no cost to the customer. Accordingly, this proposal will improve customer flexibility and control over their chosen energy payment method. DEM's submission has identified an issue with the current framework, which would technically require two separate contracts for a customer if they wish to move from post-payment to pre-payment. Accordingly, a new standard contract that covers both pre-paid and post-paid arrangements, including the existing (and improved) consumer protections, would enable switching between payment methods easier and less confusing for customers. Having a single contract would remove confusing duplication and enable the material differences between the payment methods to be clearer for potential PMSC customers. The single contract would not remove or reduce the requirement for explicit informed consent to be recorded prior to a customer switching from a post-payment to a prepayment arrangement. There are clear administrative benefits for retailers arising from this proposal too, as contractual arrangements for each customer would be contained in only one document. In response to SACOSS's submission that prepayment metering should not be used as a way to manage energy debt and consumption, we note that under the PMSC, customers must provide explicit informed consent to access prepayment metering. In this context, we consider prepayment arrangements as an additional payment method open to customers to select after weighing up the pros and cons.

Proposals and topics for further consultation

Support for customers experiencing payment difficulties.

- PROPOSAL: We propose to accept DEM's suggestion to remove the trial period, and the retailer's subsequent right to charge exit fees and reversion costs, from the PMSC. Removing the trial period enables a customer in a prepayment arrangement to go back to a post-payment arrangement at any time and at no cost to them.
- PROPOSAL: DEM's submission identified that the current Code technically requires a new contract each time a customer moves from post-payment to pre-payment or vice versa. We propose to develop a new standard contract that covers both pre-paid and post-paid arrangements. This will be simpler for both the customer and the retailer.

3. Consultation question topic: Retailer public reporting requirements

Current requirement: The PMSC does not require retailers to publicly report on any prepayment metering metrics. However, retailers must identify where a customer has self-disconnected three or more times in a three-month period for more than 240 minutes. On each occasion this occurs, clause 3.4.2 of the PMSC requires the retailer to contact the customer as soon as reasonably practicable to discuss payment difficulty support.

Consultation question: What information, if any, should retailers be required to report publicly on self-disconnections?

Stakeholder responses	Commission response
SACOSS, ANU and TCAC proposed retailers should be required to report quarterly and publicly on consumption (kWh), expenditure ($), number of self-disconnections, and duration of self-disconnections. These submissions noted the important role data from these metrics has in identifying and understanding energy poverty issues and informing policy development. ANU considers that these key metrics should be reported on in the most granular level possible. DEM recommended an annual reporting requirement '*on number and duration of self-disconnections and the number of times the minimum requirement for follow up under clause 3.4.2 were met and the reason for disconnection in those instances*'. DEM proposed the Commission then publish this data at an aggregate level, to protect customer privacy, given the low numbers of customers in each supply area.	Requiring retailers to report prepayment system disconnection metrics, which, under the PMSC, installed prepayment systems must already be capable of capturing, could improve transparency around customer use of prepayment meters. The data provided through these reporting requirements would enable more informed decision making for a wide group of stakeholders. This information may have the following benefits (not exhaustive): – Customers would benefit from the data in making a decision about entering into a prepayment arrangement, particularly in relation to self-disconnection risks. – Retailers would be more aware of the effect of prepayment arrangements on their customers and may be able to better design information and assistance to support customers more effectively. – Consumer advocates would have access to transparent metrics that provide insight into the operation of prepayment arrangements and the related consumer protections. – We would use this data to monitor retailer compliance with consumer protections and the adequacy of those consumer protections. These de-identified metrics would be required to be provided to the Commission at an aggregate level quarterly. Quarterly reporting will enable material issues to be identified and addressed earlier. Aggregate reporting is proposed to protect the identity of customers.

Proposals and topics for further consultation

Retailer public reporting requirements.

▶ PROPOSAL. We propose including a requirement for energy retailers to report on the following metrics, quarterly and in aggregate:

- Number of times emergency credit was accessed. This data will support analysis of the relationship between emergency credit access and disconnections. Emergency credit access may be an early indicator of hardship.
- Number and duration of self-disconnections. This is a key indicator of customers experiencing hardship and will provide valuable insight into customer behaviour and the effectiveness of consumer protections.
- Number of times the minimum requirement for follow up under clause 3.4.2 were met and the reason for disconnection in those instances. This data will support better understanding of the reasons for self-disconnection, and provide data on the number of times the payment difficulty threshold is reached.

4. Consultation question topic: Prepayment System Customer Consultation Groups

Current requirement: Retailers must establish a Prepayment System Customer Consultation Group

Consultation question: 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?

Stakeholder responses	Commission response
SACOSS and DEM supported the establishment of a single umbrella prepayment system customer consultation group. The umbrella group is proposed to be run from a central State Government website containing information, and a web portal for online meetings. SACOSS proposes it include: relevant stakeholder representatives, including: members of remote communities/townships, ESCOSA, Government, licensees, representatives from 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.	Requiring each off-grid RAES retailer to operate a consultation group seems inefficient. An umbrella consultation group operated via a website could be more efficient and could enable access to a broader range of concerns, opportunities and expertise. The primary purpose of the consultation group is to be a general forum for knowledge sharing, discussion of issues and concerns, and an opportunity for interested parties from a range of perspectives to discuss prepayment metering. However, the consultation group is not the primary method of communication between a RAES retailer and its prepayment customers. A benefit of this proposal is that an umbrella consultation group for RAES retailers would enable the identification of issues that are likely to arise across all retailers operating prepayment systems and enable solutions to be found faster. The PMSC would still require future retailers who are approved by the Commission to operate prepayment systems to establish a consultation group, unless otherwise approved.

Proposals and topics for further consultation

Prepayment System Customer Consultation Groups.

- PROPOSAL: Currently, the PMSC requires all retailers approved to offer prepayment arrangements to establish a customer consultation group. We invite feedback on allowing certain retailers who offer prepayment arrangements to specific categories of customers (for instance, retailers operating within the Remote Area Energy Supply scheme) to establish an umbrella consultation group.

5. Consultation question topic: Information provision - information provided prior to gaining explicit informed consent

Current requirement: The PMSC requires the provision of information to customers prior to obtaining explicit informed consent, including: all costs such as 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, a written disclosure statement, and clear and simple operating instructions..

Consultation question: 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?

Stakeholder responses	Commission response
SACOSS strongly supported maintaining the explicit informed consent requirements, and the information provision requirements currently contained in the PMSC. DEM proposed an explicit informed consent document, which it developed for the RAES Scheme applications, as a requirement under the PMSC. DEM proposed templates based on its model could be provided for retailers. ANU submitted that some customers may find spoken material more accessible than written material. ANU also suggested that information about increased risk of disconnection, when disconnection is more likely (such as, day of the week, season) should be provided to customers at the point they are deciding whether to enter into a prepayment arrangement.	The development of a standard explicit informed consent document could be beneficial to ensure consistency with PMSC requirements, and help customers to understand the risks and benefits associated with prepayment arrangements.

Proposals and topics for further consultation

Information provision: information provided prior to gaining explicit informed consent.

- PROPOSAL: We propose to develop a standard explicit informed consent document. The document will include information on the self-disconnection risks associated with prepayment metering.

6. Consultation question topic: Historical energy usage data

Current requirement: The PMSC requires retailers to: '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.'

Consultation question: What minimum information should retailers be required to provide to customers about their historical energy usage?

Stakeholder responses	Commission response
DEM and SACOSS supported retaining the current requirements in the PMSC around provision of energy data to customers on request. ANU also submitted that customers should have free and easy access to their own historical energy usage data.	We consider that feedback received from stakeholders supports the current historical energy usage data provision requirements afforded under the PMSC.

Proposals and topics for further consultation

Historical energy usage data.

- PROPOSAL: No change proposed.

7. Additional issues raised by stakeholders: Limitation on the recovery of debt

Current requirement: The PMSC states: 'subject to this industry code, where a small customer owes a debt to a retailer, other than of a kind referred to in clause 3.9 or clause 3.10, the retailer must not recover any repayments of the debt under the prepayment meter standard terms and conditions or under any other contract or agreement which adjusts the charges in the prepayment meter system to recover the amount of the debt.'

Stakeholder proposal	Commission response
DEM submitted that the smart meters used by RAES retailers allow an amount of debt to be coded separately in the meter and paid off via an agreed payment split each time credit is added to a meter. For example, for each $10 added to the meter, $9 is added to the credit balance and $1 is deducted from the debt. DEM requested that the Commission consider allowing an agreed recharge payment splitting process to be used with a prepayment system for pre-existing customer debt, where explicit informed consent is obtained from the customer for such an arrangement. DEM suggested that using this facility within the smart meter would provide greater payment flexibility for the customer repaying their debts and reduce the administrative complexity of managing two separate accounts.	In many cases, off-grid electricity and gas retailers emerged over time to meet a community need for the provision of an essential service and generally have a low number of customers from which they can recover their costs. To manage the costs of providing this service (and the service price for customers), and ensure the long term viability of these retailers, the recovery of energy debts is necessary. However, it is important to ensure energy debt management takes into account an energy customer's usage needs, capacity to pay, and payment preferences. Providing customers who are experiencing energy debt with additional options for how they can repay that debt may enable these customers to find an option that better reflects their needs. The PMSC provides a limitation on the recovery of debt through a prepaid arrangement; a retailer is only allowed to use a prepayment meter to recover debts related to undercharging or illegal use. This means any debt that has accrued under a customer's post-paid arrangement must be dealt with separately. Given the changes in metering technology do not require pre-payment meters to be removed to revert back to a post-paid arrangement, this requirement may no longer be relevant. As DEM has identified, this may result in two separate customer accounts that a retailer must manage for each prepayment customer, and twice the account keeping costs. Accordingly, a possible benefit of DEM's proposal to enable debt recovery through the prepayment system is that it would provide another option for customers to manage their debt more easily. That is, via one single prepayment account. In practice, this could mean a customer may not have to pay a regular debt repayment to a retailer under a post-payment account debt but, rather, agree to pay a percentage of their prepayment top-up amount off their post-payment debt. It would be the customer's choice as to whether they would want to handle their debt repayment in this manner. However, the proposal raises a broader conversation around energy debt management. A risk associated with this proposal is setting the debt recovery ratio at the right level. For instance, a customer with post-payment debt who chooses to enter a prepayment arrangement to manage their energy use could end up topping up their prepayment account with $20, but only a small proportion of this amount goes to prepaying for energy and the majority is used to pay off an existing debt. This would result in energy rationing to manage energy use and debt reduction. In order for this proposal to be considered, we need to assess and consult on possible of limits on the debt recovery ratio, or the amount of each top-up that would go to paying down a debt and the amount that would go to topping up their prepayment account. For instance, the debt recovery ratio could be capped at a certain percentage of a top-up amount, or be capped at a certain percentage of the debt per top-up or per month.

Proposals and topics for further consultation

Additional issues raised by stakeholders: Limitation on the recovery of debt.

- FEEDBACK: We invite feedback on DEM's proposal to introduce a prepayment splitting process where part of the prepaid funds can be used to repay existing customer debt. This arrangement would require explicit informed consent to be provided by the customer. We are seeking feedback on this proposal, including how proposed limits on the amount to be allocated to existing debts could be set.

8. Additional issues raised by stakeholders: Life support system definition	
Stakeholder proposal	**Commission response**
The Commission has received an informal submission from SACOSS that the definition of 'life support system' in the PMSC should be updated to bring obligations under clause 2.5.1 'Life support equipment' into line with retailer obligations in the NERR. For off-grid electricity customers, the definition of 'life support system' could affect whether they can choose to enter into a prepayment arrangement. The definition of 'life support equipment' in the NERR differs from the definition of 'life support equipment' in the Commission's off-grid electricity licencing framework and the PMSC. In summary, these differences are: ▶ the specified equipment is different PMSC: - An oxygen concentrator - An intermittent peritoneal dialysis machine - A haemodialysis machine - A ventilator for life support (polio only). NERR: - external heart pumps - respirators (iron lung) - suction pumps (respiratory or gastric) - feeding pumps (kangaroo pump, or total parenteral nutrition) - insulin pumps - airbed vibrator - hot water - nebulizer, humidifiers or vaporizers - apnoea monitors - medically required heating and air conditioning - medically required refrigeration - powered wheelchair. ▶ the inclusion of 'other equipment' in the NERR definition allows for 'any other equipment that a registered medical practitioner certifies is required'. In comparison, the Commission provides for 'other equipment as notified by the Commission from time to time.'	Currently, the PMSC states that 'a retailer must not enter into prepayment meter standard terms and conditions with a customer who requires a life support system', while the licensing regime requires off-grid electricity retailers to maintain a register of supply addresses of customers with life support equipment. The PMSC requires that where a customer in a prepayment arrangement 'notifies the retailer that he or she now requires a life support system, the retailer must make immediate arrangements for that customers prepayment arrangement to be reverted to a post-payment arrangement.' Off-grid electricity customers requiring life support are prohibited from using prepayment arrangements due to the fact self-disconnection is a feature of the system, which could endanger their health. The key difference between the NECF and the PMSC definitions of 'life support equipment' is the method for inclusion of 'other equipment'. The Commission has not notified any 'other equipment' for the purposes of this clause; and has received no requests or inquiries in relation to including any 'other equipment' for the purposes of the PMSC or off-grid electricity licences. However, if the PMSC was updated to reflect the requirements under the NERR, customers may find it easier to have life support equipment certified by their medical practitioner rather than via notification by the Commission.
Proposals and topics for further consultation	
Additional issues raised by stakeholders: Life support system definition. ▶ FEEDBACK: We invite feedback from stakeholders on SACOSS's submission to update the definition of life support equipment in the PMSC to reflect the definition contained in the NERR.	