



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

May 2021

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Introduction

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

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

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

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

Background

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

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

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

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

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

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

² See webpage:

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

³ See webpage:

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

⁴ See webpage:

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

⁵ See webpage:

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

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

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

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

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

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

Power stations are also located within the following communities:

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

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

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

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

Broader concerns with the use of Prepayment Meters

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

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

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

- *disconnections occur more frequently for prepayment customers*

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

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

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

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

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

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

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

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

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

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

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

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

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

Relevantly, Social Policy Manager Michael Klerck from Tangentyere Council Aboriginal Corporation (TCAC) in the Northern Territory has advised SACOSS that households with pre-payment meters experience a high number of involuntary self-disconnections due to poverty. *TCAC's Supplementary Submission to the Inquiry into Homelessness¹³* analysed consolidated prepayment meter self-disconnection data provided by Jacana Energy for Darwin, Katherine, Alice Springs, and Tennant Creek which found, on average:

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

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

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

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

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

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

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

Inadequate consumer protections for off-grid energy customers

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

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

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

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

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

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

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

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

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

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

'33 Payment difficulties

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

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

'35 Paying by instalments

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

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

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

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

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

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

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

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

'40 Obligations prior to disconnection

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consultation questions

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

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

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

Consultation questions:

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

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

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

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

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

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

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

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

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

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

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

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

Figure 1. Overview of good practice areas

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

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

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

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

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

Consultation questions:

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

Monitoring disconnection data

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

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

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

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

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

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

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

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

Monitoring and reporting on self-disconnections

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

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

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

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

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

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

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

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

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

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

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

Reverting customer back to post-pay arrangements

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

Consultation questions:

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

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

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

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

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

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

Consultation questions:

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

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

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

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

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

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

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

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

Consultation questions:

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

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



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Joint consumer submission to EWON prepayment meter discussion paper

August 2014

We support joint work by consumer groups, ombudsmen, government, the energy industry and others in the community to reduce disconnections, minimise customer debt, and improve affordability. This submission critiques the use of prepayment metering in pursuing these goals and proposes alternatives.

Prepayment meters (PPMs) are often proposed as a solution to energy affordability for low-income households. We oppose PPMs because they harm vulnerable customers. PPMs:

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

PPMs, by constraining consumers' choices, can limit their access to the full range of energy products and prices. In Victoria, all consumers, including low-income households, have paid for smart meters to give them these choices; and they should get the benefit of their investment. PPMs exclude people from the mainstream market, creating a second class of consumers. This runs counter to government objectives for energy market policy, which is predicated on all households being able to participate in the energy market equally, by choosing products, tariffs, and service levels appropriate to their needs.

PPMs give people a poorer service, and often encourage them to restrict energy use at the expense of their health and well-being.

PPMs undermine the fundamental principle that no one should be disconnected from supply because of an inability to pay. Indeed, the euphemistic term 'self-disconnection,' implies that a free choice to go off supply has been exercised by the householder.

This submission expands on these points by defining 'prepayment metering', identifying the problems purported to be solved and actually solved by prepayment metering, and analysing the ostensible advantages and disadvantages of prepayment metering as outlined in the discussion paper.

Some consumer advocates and community service workers support PPMs because of the way they prevent vulnerable households from accumulating energy debts – however there is little recognition of their impact on levels of other types of household debt. Some households with PPMs like them for a similar reason – however when asked about it, their answers (see below) reveal lowered expectations that point to a fundamental level of disadvantage that runs counter to community expectations for a basic standard of living¹.

Defining prepayment metering

Our concerns are not with prepayment *per se*, a useful tool in a suite of measures to help low-income consumers manage energy bill payment. Neither are we referring to a specific type of meter, as prepayment metering can be implemented using different types of metering and communications technology. Our specific concerns relate to:

- involuntary prepayment, whereby households are required at all time to pre-pay for energy in order to have it supplied
- automatic disconnection, in which the energy supply is disconnected when credit runs out
- lack of access to support services, such as payment plans and so on, for customers experiencing hardship or payment difficulty

The problem(s) solved by prepayment metering

Proponents of prepayment metering often say that it helps households manage their expenditure, avoid bill shock, and avoid running up debt. This is all true. What it *doesn't* solve is the problem of households not having a reliable, sufficient supply of energy to meet their needs.

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

Put another way: if a customer solves their energy affordability problem by under-consuming, they still have a problem.

Advantages and disadvantages

The EWON discussion paper lists advantages and disadvantages of prepayment metering. But all the advantages can be delivered without prepayment metering, thus avoiding all of the disadvantages – some of which cause considerable harm.

¹ Note also that some research (Bushlight Centre for Appropriate Technology, *Prepayment Meters and Energy Efficiency in Indigenous Households*, 2013) shows that support for prepayment metering by households in remote Aboriginal communities (and documented harm from a switch to post-payment billing) is almost exclusively among those who have had no prior experience of post-payment.

Advantages

A 1. Facilitating effective budgeting

1.1. It can be a useful way for customers to budget, including those customers on a low income. Customers can pay smaller amounts as they go, rather than having to pay a much larger amount for the previous 3 months usage within 10 days of receiving the bill.

1.2. Many customers on low incomes are already familiar with budgeting in advance of receiving their quarterly bill, by the use of regular Centrepay deductions.

There are already sufficient ways for customers to better budget for energy bills without resorting to PPMs and self-disconnection:

- Bill smoothing with more regular payments (including Centrepay deductions)
- Monthly or fortnightly billing (possible with remotely-read smart meters – no less feasible to install than remote-switchable prepayment-capable meters)
- Allowing customers to prepay at will, for credit against their account
- Offering prepayment discounts to encourage customers to keep their accounts in credit

Requiring retailers to offer these payment options yields the same benefit without the potential harm of prepayment metering.

Recent UK research found that PPMs are not actually an effective budgeting tool:

The constant necessity to top up their card or key can have a profound effect on the ability of low income PPM users to cover other household expenditure and service outstanding loan and debt repayments.

Continually having to find the money to put in the meter, sometimes two or three times a week, clearly has a detrimental effect on the ability of PPM users to survive on a day-to-day basis let alone plan for the future. With increases in fuel costs in the pipeline, the stark reality facing the majority of our householders is whether they pay for food or fuel, live in a cold home and eat, or put the heating on and face eviction. 2

A 2. Delivering timely consumption feedback

2.1. Customers receive feedback as to their energy usage, in close to real time, and can try to adjust their consumption accordingly. Customers generally come to understand their household usage within a short time through using a PPM.

Both direct (e.g. 'real-time' data provided by in-home energy displays or periodic SMSes or emails showing daily or weekly expenditure) or indirect (e.g. informational billing) feedback give the same or better consumption feedback, and help consumers achieve household energy reductions, without the punitive disconnections of PPMs. In-home displays can be hooked up to most meter types, including non-remotely read and accumulation digital meters and even analogue accumulation meters. SMSes or emails require remotely-read meters, which are no less feasible to install than

² Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, pp. 13–14

remote-switchable prepayment-capable meters. Home energy usage can also be understood via an in-home energy audit.

The problem confronting households with high usage is that often there is much that cannot be done due to inefficient appliances or poor quality housing. This is especially the case with low income consumers in public or private rental. Solving this problem requires more than encouraging the occupants to 'self disconnect'.

A 3. Sharing the energy cost burden more fairly

3.1. For shared households it provides a fairer and easier way for all to contribute, rather than having a quarterly account in just one person's name.

3.2. For households where there are short term visitors, it can provide an easier way for all to contribute rather than the increased energy costs being borne by the account holder at the end of the billing period.

Prepayment metering does not make it any fairer or easier for shared households to all contribute than traditional metering. It does remove the problem of one person being legally liable for debt incurred by others, but this could equally be addressed by returning to the practice of being able to have utility bills in multiple names with shared liability.

The problem of visitors not contributing is a cultural or psychological issue in certain vulnerable communities that needs to be recognised, but can also be addressed in a number of ways (for example, through community development programs, education, and direct case management). It is not a significant enough statewide or nationwide issue to justify a mass rollout of prepayment metering to vulnerable households.

A 4. Preventing arrears, credit action and high reconnection costs

4.1. Customers cannot build up high arrears, which then prove difficult to pay, and can result in debt collection action and a credit default listing.

More regular billing, early identification of people experiencing payment difficulties, and a proactive hardship response by energy retailers could also prevent the build-up of high arrears, especially with remotely-read meters. A better approach to working with hardship customers with debts – especially one in conjunction with other community services and, ideally, government-funded assistance programs designed to help low-income households with utility debts – can limit or eliminate debt collection action and associated problems. Increasing arrears for customers in hardship points to the failures in identifying and engaging with customers early on in the process, and a lack of financial support and energy efficiency assistance for households who need it.

Significantly, while PPM customers may not face the same financial hardship that large unpaid bills and arrears cause, they generally face higher energy prices and more frequent disconnections than conventional account customers.³

³ Bushlight Centre for Appropriate Technology, Prepayment Meters and Energy Efficiency in Indigenous Households, 2013, p 14.

4.2. In the case of disconnection, customers can be back on supply for a small amount of money. This contrasts to the much higher requirements for customers who have accumulated high arrears on a post-pay account.

Better hardship programs aimed at keeping customers on supply and working to address debt and payment issues would not put impossible barriers in front of low-income people struggling with energy affordability. This can be done through retailer policies or, if required, government regulation.

4.3. Customers can repay debt, by agreeing to a certain percentage of each top up being applied to a debt

This appears to contradict Rule 133 of the NERR which prohibits a retailer from recovering 'any repayments of the debt under a prepayment market retail contract or under any other contract or agreement that adjusts the charges in the prepayment meter system to recover the amount of the debt' unless the debt arises from rule 137s (undercharging) or 138 (illegal use). This is presumably because debt repayments would reduce the amount of money available for current usage, meaning that more money must be found for the PPM to avoid 'self-disconnection'.

But even if this rule was changed to further reduce prepayment customers' energy affordability by allowing debt recovery through PPMs, there is no advantage over conventional billing: customers can already repay debt via payment arrangements.

4.4. Customers avoid additional fees associated with late payment, disconnection and reconnection. However, some jurisdictions have a range of other fees associated with PPMs e.g. billing enquiry fee, card recharge fee, card replacement fee.

Retailers could refrain from subjecting customers experiencing hardship to punitive fees; or governments could regulate to prohibit them (as in Victoria).

However the cost of reconnection may in fact not be negligible for PPM customers. Research in the UK found that:

The constant drain on limited financial resources incurred by moving on to Emergency Credit, combined with the repayment of missed deductions and current Standing charges, results in a high price being paid for reconnection. For low income and vulnerable households the reduced amount available for fuel costs is likely to result in a move back on to Emergency Credit within days and the repetition of meter debt accruing.⁴

While an Australian implementation will differ in some ways from the UK system, the cost of reconnection for PPM users may still be high if they have used emergency credit that must be repaid, if standing charges have accumulated while the customer was off supply, or if part of the top-up is applied to existing arrears (we have questioned whether this is allowed in our response to paragraph 4.3).

⁴ Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, p. 9

4.5. No credit check is required for PPMs, so customers with a poor credit history are not prevented from opening an energy account.

Customers with a poor credit history could be placed on a shorter billing cycle, as is currently the case in Victoria, or bill-smoothing with frequent payments.

Disadvantages

D 1. Causing disadvantage from disconnection

1.1. Customers who lose supply when they cannot afford to buy credit may experience personal/household disadvantage from not having their electricity supply (e.g., food spoilage; no heating/cooling, lights, hot water etc.) until they are able to afford reconnection.

Households losing supply is the fundamental problem we are trying to solve with the customer framework. Any change that increases the risk or incidence of loss of supply is untenable if it does not offer significant offsetting advantages. We have already established that prepayment metering offers no advantages unattainable by other means.

Additionally, the threat of having their credit run out may encourage people to under-consume at the expense of their health and welfare.⁵ In the UK, the close relationship between fuel poor households, cold housing and cardiovascular and respiratory diseases is widely acknowledged and has also been attributed to the exacerbation of existing conditions such as arthritis and rheumatism.⁶ In Victoria, research by the Consumer Utilities Advocacy Centre (CUAC) highlighted many health, wellbeing, and safety impacts in Aboriginal households due to under-consumption of energy. For example:

- people with diabetes and asthma are more sensitive to extreme temperatures and are thus more reliant on effective cooling and heating
- some mental illnesses are exacerbated by hot temperatures
- some chronic health conditions require treatment with energy-intensive machinery or refrigerated medications (e.g. insulin)
- lack of sufficient energy for cooking and washing leads to poor nutrition and hygiene
- use of fire, propane, kerosene, or candles as alternative sources of heating, cooking and lighting leads to safety risks from fire or carbon monoxide poisoning
- stress, anxiety and depression can also result from having no energy.⁷

D 2. Reducing disconnection visibility

2.1. Customers who lose supply when they cannot afford to buy credit may not be visible to agencies, such as community welfare services, that may otherwise provide assistance.

⁵ See numerous examples in Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, and Bushlight Centre for Appropriate Technology, *Prepayment Meters and Energy Efficiency in Indigenous Households*, 2013

⁶ Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, p. 13

⁷ Consumer Utilities Advocacy Centre, Wein, Paen, Ya Ang Gim: Victorian Aboriginal Experiences of Energy and Water, 2011, pp. 4–5.

2.2. Customers must keep checking the balance left on the meter, or risk running out of energy.

'Self-disconnecting' customers will often still be visible to agencies they seek support from. They are also likely to be visible to retailers if (as anticipated) prepayment meters remotely communicated with them. However by normalising 'self-disconnection', the value of disconnection visibility to retailers is severely diminished (notwithstanding the relevant provisions in Part 8 of the NERR, discussed below). It is also unclear whether 'self-disconnections' will be included along with conventional disconnection statistics reported by regulators such as the AER and ESCV.

The onus on customers to continually check the balance of the meter is also a significant disadvantage, likely to contribute to household stress.

D 3. Payment challenges

3.1. For some customers on low incomes, there may be some resistance to paying in advance for electricity, seeing this as a benefit for the retailer rather than for themselves.

Absolutely, and they would be right: especially if prepayment tariffs are more expensive than postpayment tariffs (as has been the case in the UK and Tasmania).

This paragraph also contains the worrying implication that customers may be forced unwillingly onto prepayment metering. This runs counter to the principle of customer choice that is fundamental to national energy market reform.

3.2. Customers without access to the internet or a mobile phone may only have limited options for making top up payments.

3.3. Where payment is by way of a charge card, access to a recharge point may not be convenient – they may not be open at all hours, and for remote and rural customers there may be costs involved in getting there.

These disadvantages are well documented in research on prepayment metering, such as the *Bushlight* and UK reports cited throughout this document. The low penetration of home Internet access, unstable or erratic credit status of mobile phones, and less access to credit cards in low-income households underscore this particular disadvantage. Emergency relief and homelessness workers report that many of their clients only have prepaid mobile phones that rarely have credit on them and can only be used for incoming calls. Remote Indigenous households are 76 per cent less likely to have internet access than non-Indigenous metropolitan households.⁸ In 2012–13, 43 per cent of households earning less than \$40,000 p.a. – the expected target group for PPMs – still had no internet access at home, compared to just 2 per cent of households earning over \$120,000 p.a.⁹ New research by CUAC also found that older persons are less likely to use the internet than typical consumers.¹⁰

⁸ Anglicare & Australian Communications and Consumer Action Network, *Trying to Connect: Telecommunications Access and Affordability Among People experiencing Financial Hardship*, 2013.

⁹ Australian Bureau of Statistics, 8146.0 - Household Use of Information Technology, Australia, 2012-13

¹⁰ Consumer Utilities Advocacy Centre, *Tariff Switching Among Older Energy Consumers*, 2014, pp. 13-14.

Where payment is by way of a charge card, the problem is compounded for older persons, people with disabilities or for rural and remote consumers, who may not be able to get to the recharge points easily and some of these recharge points may be located at a distance away.¹¹

D 4. Compromising benefits of competition

4.1. Competitive tariffs may not be available, so customers on pre-payment meters may end up paying more for their energy.

This is clear when looking at current examples of prepayment systems, characterised by higher fixed and volumetric charges as well as, in many cases, additional fees; and compounded by the concomitant lack of access to competitive market offices, which in Victoria can be over \$900 per year cheaper than default tariffs for households with average consumption.¹²

As prepayment metering in Australia is likely to use smart meters that can also be used for conventional metering, the risk of lock-in to the extent seen in the UK and Tasmania is probably low. However since the NERR allows a number of charges to be levied for shifting from a prepayment contract to a more conventional billing arrangement (termination cost, removal/conversion cost, etc.), *de facto* lock-in to more expensive PPM contracts is still a prospect for many vulnerable households for whom these charges represent a financial barrier.

4.2. Customers cannot access discounts for paying on time, or by direct debit, which are available to other customers, even though the retailer has the benefit of their paying in advance for the energy.

This exacerbates the disadvantages discussed immediately above. The fact that in addition to higher tariffs the retailer gains cashflow benefits and increased interest revenue from a prepayment system that ostensibly benefits low-income customers is a perverse outcome at odds with both policies promoting support for vulnerable energy consumers, and the growing emphasis on cost-reflectivity in energy markets.

D 5. Ensuring access to rebates, relief schemes and hardship programs

5.1. Government and retailers would need to adapt systems and information to ensure eligible customers have access to government assistance such as rebates, concessions or relief schemes (NERR Part 8, Rule 129 (8)).

Systems providing for the integration of concessions into prepayment tariffs and giving appropriate access to rebates and other assistance programs are conceivable. However this would require

¹¹ See numerous examples in Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, and Bushlight Centre for Appropriate Technology, *Prepayment Meters and Energy Efficiency in Indigenous Households*, 2013

¹² May Mauseth Johnston, *Victorian Energy Prices July 2014: An Update Report on the Victorian Tariff-Tracking Project*, St Vincent de Paul Society.

governments' commitment to ensuring concessions flow to all who need them – and the poor performance of many governments in this area¹³ does not inspire confidence.

5.2. Retailers would need to adapt their hardship policies and programs to be able to offer assistance to customers with PPMs experiencing financial hardship (NERR Part 8, Rule 141).

While in theory there is nothing stopping retailers from providing hardship assistance to prepayment customers, the push for prepayment appears to position it as an alternative to hardship programs and assistance. This is particularly evident in the way that many of the so-called advantages of prepayment largely mirror features of hardship programs. If PPMs *replace* hardship programs for households, a serious diminution of the consumer protection framework will have occurred.

Significantly, however, the Bushlight report found that while there is an array of electricity hardship programs and rebates available in the Northern Territory, there is limited awareness and uptake of these programs among PPM customers. The onus is usually on the household to seek out and apply for the concession. Some of the support agencies administering the 'Stay Connected' program do not offer relief payments to PPM customers at all, and others do so at their own discretion but offer only minimal support when compared with what is offered to conventional customers with unpaid bills. Standard application processes and forms can also pose a barrier for PPM customers as they do not receive paper bills or have official account numbers.¹⁴

The provision in NERR Part 8 that, *'if a customer has self-disconnected for longer than 6 hours more than 3 times in a 3-month period, the retailer must contact the customer to offer replacement of the meter with a standard meter, and a referral to their hardship program'*¹⁵ is several orders of magnitude weaker than the disconnection provisions for customers with post-payment arrangements. For post-payment customers, disconnection cannot even take place *once* without considerable efforts by the retailer to engage with the customer (including serving reminder notices and disconnection warnings according to prescribed timeframes), offer payment arrangements and hardship assistance, and so on.

Analysing consumer support for prepayment metering

Looking closely at responses¹⁶ to *'Does a PPM have a good or bad effect on your finances?'* by UK consumers who said it had a *good* effect paints a stark picture of a world of lowered expectations and a quality of life far below the generally accepted community standard – sacrifices made by vulnerable households in the name of affordability. The NERR and the Victorian Energy Retail Code aim to keep households with affordability problems on supply wherever possible. This ideal has clearly been abandoned for these UK customers.

¹³ See, for example, May Mauseth Johnston, *The Relative Value of Energy Concessions: Part 1 of the Vinnies' Concessions Project*, St Vincent de Paul Society, 2013; and May Mauseth Johnston, *The Relative Value of Energy Concessions 2009–2012: Part 2 of the Vinnies' Concessions Project*, St Vincent de Paul Society, 2013.

¹⁴ Bushlight Centre for Appropriate Technology, *Prepayment Meters and Energy Efficiency in Indigenous Households*, 2013, pp. 14, 32.

¹⁵ EWON, *Prepayment Meters Discussion Paper*, 2014

¹⁶ Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, p. 20

'Don't end up with big bill to pay. Does seem very expensive, always topping up in the winter. Never really get warm.'

'We can't wind up with a big bill but we are afraid to use the heating too often because of the cost. Prefer to use a duvet to keep warm'

Being unable to warm the home seems a high price to pay for avoiding debt. (Of course, in the UK heating is the main driver of energy usage; in Australia, it's heating in some regions, cooling in others, and both in still others.) Note that these respondents have not actually solved their affordability problem at all.

'I don't get a bill, I can put a little amount or more if I have the cash and I can spread it across the gas and electric which one is needed the most'

'I can't get into trouble. If I haven't got enough electric to do washing or tumble drying I don't as I can see the amount I have'

These households are forced to make a choice whether to use gas or electricity, and whether or not to wash their clothes and manchester. This is not an outcome sought by the NERR and is considerably below community expectations of a basic standard of living.

'It prevents me having a big bill I would be unable to pay'

'I can work out where my money is going every week. Better than having it taken from my bank account'

'Do not get a bill to pay after 3 months'

'No big bill'

These respondents have not disclosed the cost of their avoidance of debt and bill shock. However we know that their tariff is higher than post-pay tariffs¹⁷, so the least we can say is that their debt problem has been solved at the expense of their affordability problem. We don't know how much their more expensive energy has led to decreased standard of living, and how much has led to increased debt for other household necessities.

Conclusion

We support joint work by governments, energy businesses, regulators, ombudsmen, and consumer organisations to address the difficult problem of maintaining access to a sufficient supply of energy to sustain vulnerable households at an appropriate standard of living. Understanding the complexity of affordability problems, and rethinking approaches to billing, payment, and debt are absolutely critical. However disconnection of supply is an extreme sanction that should be avoided wherever possible; so instituting special arrangements for vulnerable customers whereby disconnection is the first rather than last response to payment difficulty is unacceptable.

¹⁷ Stratford-upon-Avon and District Citizens Advice Bureau, *Left Out in the Cold: Why Prepayment Meter Users Need a Better Deal*, Legal Advice Warwickshire Social Policy Group and Consumer Empowerment Partnership, 2013, p. 3

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