

30 June 2004

Lew Owens
Chairperson
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Dear Mr Owens,

Consumer Issues with Electricity Prepayment Meters

I refer to the Essential Services Commission's ('ESCOSA') invitation for submissions on the KPMG report, 'Consumer Issues with Electricity Prepayment Meters'. Aurora Energy welcomes the opportunity to comment.

The scope of the KPMG report suggests that KPMG had a very wide brief, which ensured that all of the potential issues that may occur with pre-payment solutions were investigated. This includes pre-payment metering assets, in addition to adaptive technologies, 'one way' solutions and 'two way' solutions.

Against this background it is important to note that Aurora Energy has already installed approximately 30,000 pre-payment meters in Tasmania, which continue to receive a high level of acceptance and customer satisfaction.

The KPMG report included a number of negative issues identified overseas

It is not Aurora's intent to critique every aspect of the KPMG report, as we believe a number of the issues they raise do not form valid concerns in the minds of consumers. However Aurora will comment on one form of pre-payment metering being the Aurora Pay As You Go product which we have successfully installed in Tasmania, and from which we believe ESCOSA can learn about how pre-payment metering can be rolled out in a fashion that maintains consumer safeguards, as well as providing an innovative product which benefits both retailers and customers alike.

Tasmanian Experience

Aurora Energy as the sole electricity retailer in Tasmania, normally provides electricity to residential customers on standard terms and conditions approved by the Energy Regulator. These terms and conditions are found within Aurora's Tariff Agreement, Customer Charter, and Standard Rates and Charges.

While the majority of residential customers are satisfied with the standard offering, Aurora like many electricity retailers is constantly looking for methods to introduce product innovation and design to meet the diverse needs of its customers.

Aurora Pay as You Go (APAYG) is a direct response to specific customer needs for choice and flexible alternatives whilst still retaining customer's option to return to the safety net of the standard tariffs when they choose.

Electricity customers in Tasmania are provided with few alternative choices to the standard offering, and only take up APAYG as their product of choice through an opt-in process. Customers elect to do this for a variety of reasons.

APAYG is a metering system that allows customers to purchase 'electricity credits' which are placed onto a special Smart Card.

Customers can charge their card with any amount over \$5.00 at various participating agents. After charging the card, customers place the card in their meter, which then displays on the meter how much energy they have purchased. Customers do not receive bills in the post, and they control when they pay for their electricity and the dollar value of each payment they make.

APAYG meters are operated using Smart Card technology that is extremely simple for customers to use. The APAYG card is 'charged' with electricity credits at any one of Aurora's agents around the State. When the customer places their card in the meter, the credits are transferred and the customers have effectively prepaid for their energy use. Customers can recharge their card by purchasing more credit when it suits them best.

The APAYG meter has a display screen that can show customers how much credit they have at any given time. It also helps customers take advantage of cheaper electricity rates at different times of the day and displays when it is time to purchase more credit.

The meter also features a protection mechanism called Emergency Credit Facility to ensure that customers are not inadvertently left without power, and provides information on consumption history. This is generally referred to as a 'two way' system.

Regulatory Regime

Retailers need to be provided with a framework that allows them to provide flexibility in pricing, and the nature level and quality of service to be provided. This allows customers to signal their preferences through retailer selection, and is a key fundamental on which the National Electricity Market operates.

In addition retailers also promote long term efficiency, innovation, productivity improvement and customer choice. To achieve this retailers are continually looking for new ways for consumers to pay for their energy.

Pre-payment solutions are a very real and potentially popular payment option for a number of consumers. Pre-payment solutions change the current concept of purchasing energy. Instead of consumers using three months worth of energy in advance and then receiving an account, consumers pay for energy as they use it, which provides a greater level of control, as they can see at any time how much energy they are using and what it is costing.

For many customers it is easier for them to budget for smaller more regular amounts than find the funds to cover the amount of a quarterly bill.

Customer focussed retailers take on the important role of providing access to products of choice, expert customer services, end use product advice and purchase assistance. To do this, retailers are required to develop methods to present products to the market and provide various methods of settlement. Customers expect retailers to add value by providing differentiated offerings, product bundling and service innovation, which are the basic tools of retailer differentiation.

Aurora Energy asserts that we can clearly demonstrate that if pre-payment solutions are rolled out as a product of choice with sufficient safeguards, it has the potential to deliver very real innovation into the energy market.

ESCOSA should therefore support the introduction of pre-payment metering in South Australia, in line with the following principles.

- Pre-payment solutions must not be forced onto any customer, and must be a product of choice,
- Pre-payment solutions should not be limited to a particular type or class of customer, or demographic groups,
- Customers should be able to easily revert to standard metering & billing arrangements,
- Implementation should involve the key community groups and stakeholders,
- There must be safeguards provided for the customers in relation to - emergency credit facilities, non-disconnection periods, and Point of Sale Agent availability,
- ESCOSA should form a view as to what information should be made available to customers through the metering technology ie historical consumption information, and
- Prepayment solutions should be limited to two way metering solutions, which will ensure that retailers (and subsequently regulators) can receive data from the meters for reporting and statistical purposes, as

well as providing the facility to identify consumers who may potentially be in financial difficulty.

Aurora notes that the NSW jurisdiction has proposed a draft Market Operation Rule which aims to establish a guide to the basis of pre-payment meter rollout in NSW, and we encourage ESCOSA to consider drafting a similar guideline, which deals with those key issues that are important from a consumer protection standing.

This will serve to signal to retailers the preferred basis under which the ESCOSA will permit rollout of pre-payment solutions, and will provide some certainty to interested stakeholders that the important consumer safeguards are maintained.

Aurora Energy would like to make itself available to assist with the development of any guidelines.

If you require any additional information please feel free to contact me on (03) 62373508.

Yours sincerely,

Darren Hill
Retail Regulatory Manager