

30 JUNE 2004



Mr Lew Owens
Chairman
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'.

The Energy Retailers Association of Australia Incorporated ('ERAA') supports the review of the issues that consumers may face if they were to be provided with a choice to move to prepayment meters, and we welcome the opportunity to comment.

The ERAA is the focal point for matters of shared interest to Australia's energy retail organisations (both Government and privately owned), and it is also the peak body representing energy retailers in Australia.

The ERAA notes that the KPMG report was based on a wide brief to review all of the potential issues that may occur with prepayment solutions. These solutions include stand alone meters, and adaptive devices for existing meters with a pulse output.

It is the ERAA's observation that the majority of the issues that were identified draw on examples from overseas markets and many of these have a particularly negative aspect due to their predominant use for debt management purposes. It is the ERAA's view that prepayment meters have a legitimate place in the wider community. It is also the ERAA view that prepayment solutions can easily be made available to South Australian customers in an orderly fashion that protects the interests of consumers, as well as delivering innovation. This experience is already reflected in the prepaid metering offerings that are available in Tasmania and South Australia where the technology has been enthusiastically accepted by a full cross section of consumers and Government bodies.

When considering the issues surrounding prepayment solutions it is important to note the role of an energy retailer.

Retailers need to be provided with a framework that allows them to provide flexibility in pricing, which permits customers to signal their preferences as to the nature, level and quality of service to be provided. 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. It is important that innovation provided by new technology is not stifled by regulation, particularly regulation that may be prescriptive enough to impact on product specification. It is the ERAA view that any regulation should encourage new and innovative products that provide the customer with a greater range of choice.

Prepayment solutions are a very real and potentially popular payment option for a number of consumers. Prepayment solutions change the current concept of purchasing energy. 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.

As ESCOSA will be aware, one form of prepayment metering has been successfully implemented in the Tasmanian market, where the meters are a product of choice.

In Tasmania the product continues to receive high levels of satisfaction from the local retailer, customers, and local consumer groups, and this clearly demonstrates that if prepayment meters are implemented in an orderly fashion with sufficient safeguards it has the potential to deliver very real innovation into the energy market.

Much of the concern expressed to date has surrounded the issue of the impact of prepaid metering on vulnerable customers. The ERAA is of the view that vulnerable customers should be identified and protected through targeted programs such as retailer hardship management programs, and government and charitable relief programs rather than broad market (and in this case product) regulation.

The ERAA has developed a set of key principles which we believe support the introduction of prepayment metering in South Australia, these are;

- Prepayment solutions must not be imposed onto any customer, and must be a product of choice - it is simply another payment option,
- Prepayment solutions should not be limited to any particular type or class of customer, or demographic groups, and
- Customers should be able to easily revert to standard metering & billing arrangements (allowing for reasonable recovery of costs).

We expect that retailers will consult with customers and other relevant stakeholders in developing prepayment products. As a result of such consultations negotiable features of the prepayment products such as emergency credit, non-disconnection periods, and Point of Sale Agent availability can be tailored to technical capabilities and to meet specific customer needs.

The ERAA would like to make itself available to assist with the development of any guidelines.

Yours sincerely,

Transmission by e-mail

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