



30 June 2004

Essential Services Commission of South Australia  
GPO Box 2605  
Adelaide SA 5001

### **Consumer Issues for Prepayment**

Thank you for the opportunity to provide comment on matters relevant to the consideration of prepayment meters in South Australia.

Full retail contestability is justified on the grounds of maximising economic efficiency, including the potential benefits which flow to consumers from energy market reform. To the extent that customers identify a net benefit from a new energy product (from either their current retailer or a new entrant) they will enter the competitive market. Regulation which inhibits the ability of retailers to provide customers with products which maximises individual utility, by definition, inhibits the potential benefits available to consumers from competition.

Experience in Tasmania has demonstrated that a significant proportion of the energy market identifies a net benefit from the use of prepayment metering technology. It is disappointing that much of the KPMG study focussed on the experience of international jurisdictions where prepayment meters have been compulsorily imposed upon "vulnerable consumers." In contrast, the Tasmanian market has demonstrated, without dispute, that a suitable consumer protection arrangement can be established with minimal regulation, providing the adoption of prepayment metering is voluntary. The local retailer has effectively dealt with all of the consumer issues identified in the paper.

To the extent that ESCOSA identifies a need to formally regulate for the introduction of prepayment metering, it is strongly recommended that the existing New South Wales regulations, the outcome of an exhaustive consultation process, provide the starting point for consideration. New South Wales consumers are no different to those in South Australia, and to undertake another lengthy and costly consultation process would be an unnecessary and wasteful use of resources for all industry participants. Furthermore, with only 18 months until the national regulator takes carriage of the retail sector, all regulators should avoid adding further to current weight of jurisdictional inconsistency in regulatory arrangements.

Please contact me on (03) 9652 5701 should you require any additional information.

Yours sincerely

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