



# Western Region Energy Action Group

Western Region Energy Action Group (WREAG) submission to ESCoSA on  
**'Consumer Issues with Pre-Payment Meters (PPMs)'**

May 2004

## **Background**

The Essential Services Commission of SA (ESCoSA) has released the results of a study by consultants KPMG into 'Consumer Issues with Pre-Payment meters'. The study was produced in consultation with a reference group of members from ESCoSA's Consumer Advisory Committee (CAC). WREAG was represented in this process by Julie Parr.

WREAG met on May 20<sup>th</sup>, 2004 at a special meeting to discuss its position on PPMs. WREAG wishes to acknowledge that ESCoSA has put significant resources into the KPMG report as a way of drawing out the consumer issues relating to PPMs and has welcomed the involvement via the CAC into the reference group for that piece of work.

## **Summary of WREAG Position on PPMs**

**WREAG recommend that prepayment meters are NOT allowed in the South Australian electricity market and the issue be reconsidered in 2 years time. Under the right conditions and with the right level of protections there may be a role for PPMs in a more mature market.**

**WREAG's position is that it is not yet the right time to introduce PPMs in South Australia. Our reasoning is that the South Australian community is still coming to grips with the impact of the price rises and other issues around Full Retail Contestability (FRC) in electricity and will soon be dealing with the impact of FRC in gas. While offering obvious benefits to some customers, PPMs also increase the risk of adverse outcomes for the most vulnerable customers.**

## **Comments and Discussion**

WREAG acknowledges that PPMs are a valid form of metering that is widely used in a number of countries and has offers some advantages for many electricity users.

However, WREAG's concern is for low-income and vulnerable households and particularly the relatively small but significant number of households most likely to experience the type of difficulties referred to in the KPMG report.

It was felt that there was an analogy with pokie machines. The majority of pokie users gamble responsibly yet there are a significant number of people, while numerically quite small, that experience real difficulties, exacerbated by pokies and requiring regulation and intervention. Identifying and supporting this group is proving difficult and complex – a similar experience could be expected from PPMs.

WREAG also concurs with the views expressed in the report that many of the benefits of PPMs (such as payment control and instant consumption feedback for example) can be achieved using other methods.

#### PPMs and Hardship Policies

One aspect of our thinking is in relation to retailers' developing hardship policies and implementing hardship programs. In our view, although there has been a good beginning there is an unmet need to bed down the policies and refine service delivery. Key to this will be monitoring and evaluating success and ensuring ongoing dialogue and partnerships with key stakeholders.

WREAG is concerned that the introduction of PPMs could be considered by retailers to be a preferred way of dealing with debt thereby taking attention and resources away from the necessary consolidation of hardship policies into good practice.

In our view, retailers have a lot more work to do in relation to providing customers and advocates with information about their hardship policies and existing payment options. There is plenty of scope to increase general community awareness that there is help available to them before it is too late.

WREAG recognises that there may be an increasing role for community welfare agencies to provide a financial assessment and advocacy for retailers with mutual clients. However, this will require significant development and resourcing before it could become a reality. WREAG is conscious of the potential for the devolving of responsibility and shifting of cost to the non-government sector.

#### PPMs, Regulatory issues and future considerations

WREAG has the following bottom line for PPMs:

- No self disconnections – a minimum supply to be available at all times. This could be achieved through the use of daily credit from concessions (accumulating daily credit of kWh rather than quarterly lump sum). Technology would also need to ensure PPM customers come to the attention of the retailer when they are experiencing difficulties maintaining credit/supply. Should the ability for customers to self-disconnect be allowed, retailers will have the responsibility to identify households where this occurs frequently. Mechanisms to direct support to those households affected would require resourcing and support.
- No debt collection via PPMs.
- The cost of electricity supply via a PPM must be no more than the same consumption under the standing contract tariff.
- Training in the use of PPMs must occur when they are installed or at the commencement of supply to a new customer at an existing installation.
- PPMs to be located inside dwellings to maximise the benefits from consumption feedback and time of use metering.
- Choice of metering should be available to all regardless of tenancy type – particularly for renters. Therefore it should not be assumed that tenants will seek

to use PPMs simply because one has previously been installed in the property. Meter ownership and cost amortisation must reflect this.

- Clear information about PPMs must be available to households interested in the PPM option – coercion is more difficult if the process used for market contracts is utilised (as per the DRAFT NSW Guidelines – December 2003).