



**PREPAYMENT METERING
CONSULTATION DRAFT
ESCOSA
November 2004**

**PREPAYMENT METERING
RESPONSE BY EZIKEY GROUP PTY. LTD.**

**Prepared by EziKey Group
December 2004**



PREPAYMENT METERING CODE: CONSULTATION DRAFT

INTRODUCTION

EziKey Group

EziKey Group is a wholly owned subsidiary of Aurora Energy set up to provide a complete electricity and gas prepayment solution to energy retailers in the national market.

Aurora's PAY AS YOU GO product has been extremely successful in Tasmania and utilities around the country have approached Aurora seeking advice on how to go about implementing a prepayment solution. Aurora sees prepayment as an exciting new product offering, however they know how difficult it is to establish from scratch due to the presence of technology-only companies.

EziKey was established as an expert prepayment metering service provider to support utilities in their prepayment initiatives by providing a 'turn-key' solution including implementation and marketing assistance, the provision of a Point of Sale recharging network and a full back office bureau and data management service.

EziKey staff have over nine years of experience in prepayment metering in the Australian environment. EziKey has conducted extensive research into prepayment systems from around the world and constantly monitors new developments. Responses in this paper are based on this experience and knowledge.

The Prepayment Offering

Energy retailers should continue to look at new ways for customers to pay for their energy. Customers should have choice, with more flexible payment plans and options. Prepayment metering is a very real and potentially popular payment option for a number of customers in SA. Prepayment meters change the current concept of purchasing energy. Instead of customers using a quarter of power in advance and then receiving an account, customers pay for energy as they use it, having more control, as they can see at any time how much energy they are using and what it is costing.

In Tasmania and internationally prepayment has proven very popular with many consumers. In Tasmania there are 15% of residential customers who have opted for Aurora Energy's 'Aurora PAY AS YOU GO' product with numbers still growing rapidly.

Based on Aurora's experience, EziKey believes prepayment should be an unregulated product offering from the energy retailer. Prepayment should always be a customer choice and never be forced on a customer. It must also be easy for customers to revert to the safety net tariffs.

Prepayment, coupled with Time of Use (TOU) pricing where customers pay different energy rates at different timeslots in the day, gives customers real opportunity to save money and/or shift usage to take advantage of the more economical timeslots. Customers are given the choice as to when they use their energy and TOU gives them more control over their energy costs. 90% of Aurora PAY AS YOU GO customers like the Time of Use pricing.

COMMENTS ON THE DRAFT PREPAYMENT METERING CODE

2.1 Prepayment Meter Market Contracts

Agreed.

EziKey agrees that prepayment metering (PPM) should be an unregulated product from the energy retailer offered under a market contract.

2.2 Consent

Agree.

PPMs should never be forced on a customer and should always be offered as a product of choice. There should also be reasonable reversion provisions which allow for the recovery of the costs borne by the retailer.

2.3 Written Disclosure Statement

Agree.

Customers should be able to make an informed choice with all reasonable information about the product being made available.

2.4 Provision of Information

Agree.

Customers should be provided with easy to understand information as to how to operate the PPM and should have access to usage and cost information either at the meter or through the retailer.

2.5 Minimum Terms and Conditions

Comment:

2.5.1(a) Mandatory Trial Period

EziKey believes that a trial period should not be mandatory and it should be up to the retailer as to whether or not a trial period is offered and the duration. This should be a part of the overall product offering and would be a competitive advantage for retailers who wish to offer one. A mandatory trial period also has the potential to make prepayment unviable in terms of the additional costs it may impose on the retailer.

As long as customers receive all necessary information then an informed choice is being made.

Comment:

2.5.1(a)(ii)

The retailer should not be expected to cover the cost of any connection fee or any other fee associated with switching to another retailer on removal of the PPM – only the removal of the PPM or prepayment metering device.

Comment:

2.5.1(d) Separate Charging for Other Goods & Services

This paragraph should have at the end "...unless otherwise agreed with the customer."
Customers who opt for a PPM may have a preference to pay for other goods and services over time at their meter and should be given the choice to do so.

Comment:

2.5.1(e) Limitation on the Recovery of debt

Similar to the comment above for 2.5.1(d) the Tasmanian experience shows there are customers who have a preference to pay back an outstanding debt to a retailer at their meter. This enables the customer to pay back the debt over time whilst keeping the power on. Debt repayment amounts can be negotiated with the individual customer. Given this, ESCOSA may wish to set a maximum amount that can be recovered at the PPM.

Comment:

2.5.1(f) Credit Retrieval

EziKey questions the wording "at the time". This denotes an immediate, on the spot retrieval of remaining credit. In reality, depending on the PPM system, customers would have to visit a POS Agent, or there would be a process they would need to follow which may not be immediate. The focus for this clause should perhaps be more on the fact that the customer has a way to retrieve remaining credit.

Comment:

2.5.1(g) Life Support Equipment

EziKey agrees that life support customers should not be able to have a PPM but questions "...at no cost" in (ii). This is more of a change in circumstances rather than an indication of financial difficulty or inability to pay.

2.6 Application of the Energy Retail Code

No comments.

2.7 Requirements for Prepayment Meters

Comment:

2.7.1(a)(iv) Consumption since the last recharge of the PPM

EziKey suggests that ESCOSA does not prescribe this and it is doubtful that there are PPMs that can provide this information directly. However customers generally have access to cumulative kWh and \$ amounts at the PPM and are able to calculate this manually.

Because customers with a PPM know exactly how much they are using on a daily basis and what it is costing, **this clause should be deleted.**

However, it should be noted that this information can be derived from reports produced on the basis of back office data from Two-way prepayment metering systems and this data would still be available to the customer upon request.

Disconnect Times

Agree.

The definition of 'Disconnection' as referred to in the realm of standard metering is quite different to the 'self-disconnection' a prepayment customer might potentially experience.

With PPM, any disconnection of power would be a result of a customer failing, for whatever reason, to put credit into the meter, with no intervention from the energy supplier. From an energy supplier's viewpoint the need to 'Disconnect' in the more traditional sense for non-payment is eliminated. With prepayment, customers are unable to accumulate debt of any significance and customers can easily self-reconnect (without the energy supplier's intervention) by purchasing any amount of electricity credit, even if the amount purchased does not exceed the amount of debt to be repaid on the meter.

PPM customers have the following safeguards:

- access to emergency credit – as a general guide, the amount should be set to last an average customer 2-3 days. This will get customers over weekends and public holidays.
- non disconnect periods where the meter will not disconnect even if the customer has run out of credit and emergency credit.
- access to POS recharging Agents who are open extended hours including weekends, public holidays and some 24 x 7.
- some systems have load limiting where customers can avoid self-disconnection altogether.

The regulations currently cater for standard metering customers who are physically disconnected from the distribution system where, if they are disconnected after 3pm, on a day before a public holiday or on a Friday, Saturday or Sunday there is little chance they could get the power reconnected quickly. ***These restrictions need not apply for prepayment metering due to the dot points above.*** Emergency credit alone would get the customer through a weekend or a public holiday.

2.8 Payment Difficulties and Hardship

Agree.

It is important that retailers are able to identify individuals who may have self-disconnected which will enable them to contact those customers in order to:

- determine whether or not a PPM is the right option for that customer and if not, walk the customer through the process for PPM removal,
- offer energy efficiency advice,
- advise how to make the most of Time of Use pricing,
- provide the option of financial counselling.

Comment:

2.8.2 Dealing with Payment Difficulties

EziKey suggests that reporting from the PPM Back Office System is conducted on a quarterly basis and customers who are identified as having **two or more self-disconnects in that quarter, each having a duration longer than six hours** the retailer must make contact with these customers and provide 2.8.2 (a), (b), (c) and (d).

2.9 Payment Towards Prepayment Meter Account

Agree.

2.10 Variation of Charges

Agree.

2.11 – 2.14

No comments.

2.15 Reversion and Transfer

Agree.

3.1 Definitions

EziKey suggests the definition for 'Self-disconnected' is amended. Self-disconnection can occur when 'normal credit' has been exhausted and there is still emergency credit available – with most systems customers need to manually invoke emergency credit. It is suggested the definition is amended to:

“Self-disconnected means the interruption to supply as a result of the lack of available electricity credit. Customers may or may not still have access to emergency credit.”

For any queries on this paper, please contact:

EziKey Group

Phone: (03) 6237 3517