

16 December 2004

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

Dear Mr. Owens,

Draft Prepayment Metering Code

Thank you for your invitation to comment on the Essential Services Commission's draft 'Prepayment Metering Code'.

TXU supports the Commission in its proposal for a robust framework that would govern the introduction of pre-payment metering in South Australia.

One of the most difficult paradigms to mend in prepayment metering is the perceived legacy of the UK experience. It is worth reflecting that regulated prices for prepayment meters in the UK were historically set to reflect the costs of serving particular customer groups, and that many vulnerable customers were already on prepayment meters as a result of State approaches to debt recovery and energy policy. In spite of this, prepayment meters and their legacy in the UK has not been an impediment to customers accessing the benefits of choice from competition. Ofgem was able to report in 2000 that 37% of gas and 38% of electricity customers respectively said they had switched retailer at least once since competition was introduced, and that switching rates had evened out between most customer groups, including between prepayment and credit payment customers.¹

This initial trend has continued, with the average best discount (the difference between the incumbents prices and the lowest competitor prices) for electricity prepayment customers increasing over time. Between October 2000 and October 2002 the average discount increased from 5% to 11%² reflecting strong participation by customers with prepayment metering installed. There is no evidence in the Ofgem findings that prepayment meters have created a residual market of vulnerable customers even where they were institutionalised prior to electricity retail competition.

TXU supports the Energy Retailers Association of Australia's key principles for the rollout of pre-payment metering:

¹ Ofgem, 'Domestic gas and electricity supply: Market survey 2000', August 2000.

² Ofgem, 'Electricity supply competition: An Ofgem occasional paper.' 16 December 2002.

- Pre-payment solutions must not be imposed onto any customer, and must be a product of choice - it is simply another payment option;
- Pre-payment 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).

The features of the prepayment products currently available includes:

- Emergency credit;
- Non-disconnection periods;
- Time of use cost and consumption information, and;
- Point of Sale Agent availability.

Further technical capabilities can be tailored to meet specific customer needs.

TXU supports the approach taken by the Commission to establish the parameters for an informed community debate and would be pleased to contribute to the development of any guideline. I can be contacted on 03 8628 1156 for further comment.

Yours sincerely,

David McAloon
Regulatory Manager – Retail Markets
TXU