



# Western Region Energy Action Group

Western Region Energy Action Group (WREAG) submission to ESCoSA on  
**'Consultation Draft of a Prepayment Metering Code'**

December 2004

## **Background**

In May 2004 the Essential Services Commission of SA (ESCoSA) invited stakeholder comment on the *'Consumer Issues with Prepayment Meters (PPMs) Report'* prepared by KPMG for the Consumer Advisory Committee (CAC).

WREAG's submission on this report stated:

**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.**

**Under the right conditions and with the right level of protections there may be a role for PPMs in a more mature market and WREAG would recommend that the issue be reconsidered in 2 years time.**

As a further step in its consideration of a regulatory framework for prepayment meters, ESCoSA has released a *'Consultation Draft of a Prepayment Metering Code'* for stakeholder comment.

WREAG wishes to acknowledge that ESCoSA has put significant resources into the development of the Prepayment Metering Code and has welcomed the involvement via the CAC in drafting the Code.

## **Comments and Discussion**

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

While many of WREAG's original concerns around the introduction of PPMs and the implications for low-income and vulnerable customers raised in the submission to ESCoSA in May 2004 have been addressed in the Draft Code, WREAG maintains that many of the benefits of PPMs (such as payment control and instant consumption feedback for example) can be achieved using other methods.

- Information to householders

Clear information about PPMs must be available to households interested in the PPM option – **clause 2.3** of the Draft Code seems to cover this, although in order to ensure that the information provided is clear and easily understood by the customer, WREAG recommends that **clause 2.3.2** include a requirement that the disclosure statement be written in clear, simple and concise language and, if requested by the customer, in languages other than English.

In addition to the operating instructions described in **clause 2.4**, WREAG feels that 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 to ensure that the customer is fully aware of how the PPM works.

WREAG also believes that PPMs should be located inside dwellings to maximise the benefits from consumption feedback and time of use metering.

- Mandatory trial periods

To ensure that customers are not coerced into using PPMs without being fully aware of potential advantages and/or disadvantages to their individual situation, a mandatory trial period as described in **clause 2.5.1(a)** is supported by WREAG.

- Tariffs and Debt recovery

**Clause 2.1.2** states that *‘A retailer must not sell energy to a small customer using a prepayment meter under a standing contract.’* In order to protect low-income and vulnerable customers from increased tariffs, WREAG recommends that the cost of electricity supply via a PPM must be no more than the same consumption under the standing contract tariff.

WREAG supports **clause 2.5.1(d)&(e)** regarding proposed limitations on the recovery of debt and charging of other goods and services under a PPM contract.

- Emergency credit

In addition to a prescribed emergency credit amount as described in **clause 2.7.1(f)**, WREAG recommends that for PPM customers with life support equipment, the emergency credit amount be reviewed to ensure that sufficient credit is available to operate the equipment and other essential household appliances for at least four days.

- PPMs and Hardship Policies

One aspect of WREAG’s 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.

**Clause 2.8** goes some way to ensuring customers experiencing payment difficulties and/or hardship are protected, however WREAG remains 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 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.

- Self-disconnections

WREAG strongly recommends that policies and codes are developed to ensure no self-disconnections, and maintains that a minimum supply of energy must be available at all times. Should the ability for customers to self-disconnect be allowed, retailers must have the responsibility to identify households where this occurs frequently. Mechanisms to direct support to those households affected would require resourcing and support.

As such, WREAG supports **clause 2.8.1** which requires retailers using PPMs implement a management system to ensure PPM customers come to the attention of the retailer when they are experiencing difficulties maintaining credit/supply.

- Recharge/Payment facilities

WREAG believes that accessible and convenient cash payment locations described in **clause 2.9.1(a)** should be expanded to ensure they are situated close to public transport routes as many low-income and/or elderly customers may not have access to a private car, or may not have a driver's license.

- Final Comments

In addition to the above, WREAG believes that more comprehensive information should be made available to all householders on the various metering and payment options so that they can make informed decisions about what is best for them and their situation. As such, WREAG advocates the establishment of an appropriately funded Consumer Advocacy body that is independent of Government and industry (energy retailers, distributors, generators, etc) to distribute relevant information and represent the interests of vulnerable consumers.