

The Chairman
Essential Services Commission of South Australia
GPO Box 2605
ADELAIDE SA 5001

8 March 2005

Dear Mr Owens,

ENERGY PREPAYMENT METER CODE

Thank you for the opportunity to comment on the proposed Energy Prepayment Metering Code ("draft Code").

We note that the Essential Services Commission of South Australia ("Commission") is particularly interested in the following issues:

- operating information to be provided to consumers;
- proposed mandatory trial period;
- proposed limits on recovery of debt and charging for other goods and services;
- proposed amount of emergency credit; and
- payment difficulties and hardship.

We have addressed these matters below.

Preliminary Comments

As a preliminary comment, we note that the experience of prepayment meters in other jurisdictions indicates that they are of value to consumers who have difficulty budgeting low incomes to meet infrequent and large energy accounts. Prepayment meters offer the ability to make smaller and more frequent payments for energy, as well as for debt incurred in energy payment. While EnergyAustralia endorses the principle of prepayment meter for these reasons, we have some concerns about implementation of the proposal through the draft Code. These concerns relate to:

- the potential imposition of prepayment meters on retailers; and
- appropriate procedure for acknowledging payment and crediting the meter.

Imposition of prepayment meters on retailers

We note that the draft Code does not specifically mandate that a retailer must offer prepayment meters to consumers, and this of course is consistent with the licence provision that a retailer may not offer a prepayment meter scheme unless the Commission has approved the terms of that scheme. However, in certain situations, a retailer will need to offer prepayment meters, or face costs for not offering them, notwithstanding that they may have made a decision not to offer them. We refer in particular to situations where:

- > a customer who has a prepayment meter moves out of those premises and the new occupant selects a retailer who does not offer prepayment meters - who would cover the cost of removal of the meter in this instance?
- > a retailer wins a customer who, unknown to the retailer, has a prepayment meter - must the retailer then offer a prepayment meter contract, or will the retailer be permitted to terminate the contract with the customer even though termination of a customer sale contract on this basis is not provided for in the Energy Retail Code?

We ask that the Commission clarify these issues before the draft Code is finalised.

Procedures for acknowledging payment and crediting the meter

We note that the draft Code does not detail procedures that a retailer must follow for acknowledging payment and crediting the meter. What is the process and what is the expected time scale? How is the distributor informed? What manual or emergency procedures are to be provided?

This comment applies to all meters, but is particularly an issue for life support consumers. Life support consumers requiring a prepayment meter would require additional or amended contractual provisions to ensure energy suppliers do not attract liability in the event that supply is disconnected.

It would be useful if the Commission could provide more information in this area.

Issues for Consultation

Operating information to be provided to consumers

In principle, EnergyAustralia has no problem with the concept of providing a disclosure statement describing the terms of the prepayment meter contract. The Code must however support a retailer that decides not to offer such contracts, and not impose obligations upon the retailer in terms of cost or processes to support these meters.

Proposed mandatory trial period

EnergyAustralia does not agree that a trial period should provide the only option for the commencement of a prepayment meter market contract. We do not agree with any circumstances that will require a retailer to support prepayment meters when that retailer has made a commercial decision not to offer them. Connection and disconnection costs may be significant, and we strongly submit that no retailer not wishing to offer prepayment meter contracts should risk carrying any part of those costs. In the context of the consumer moving out and leaving behind a prepayment meter, it is our opinion that the previous retailer should have the obligation to remove the meter and not visit any obligation on an incoming retailer.

Proposed limits on recovery of debt and charging for other goods and services

As above, we are of the view that the limits of debt recovery and charging must not be set too low because to do so will compromise the options of the retailer. The draft Code proposes that only undercharging, or losses through fraud, may be recovered through a prepayment meter. We believe that installation costs should also be recoverable. Otherwise, the consumers who would be most likely

to make use of prepayment meters will find the up front cost of installation of a meter a barrier to their use.

Proposed amount of emergency credit

We are of the view that emergency credit should be set as low as reasonably possible in order to discourage the consumer from relying on it. We believe that an amount equivalent to typical consumption for 2 to 3 days is sufficient. Any larger amount permits a consumer to get into more debt and correspondingly greater difficulty in repaying the debt.

Payment difficulties and hardship

We do not agree that it is appropriate to prescribe the frequency and time of disconnection events that will entitle a consumer to replacement of a prepayment meter. Such prescription is simply an opportunity to avail of a service that would otherwise be an expense of the consumer. We of course agree that a consumer in genuine hardship over energy bills must be offered opportunities to alleviate the hardship, but we do not agree that shifting the burden of a cost that is rightly the consumer's, onto the retailer, is fair or reasonable.

Additional Comments

Turning to the drafting of the draft Code itself, we have the following comments:

1. Clause 2.2.2 – the list of “timely, accurate, verifiable and truthful” information is excessive. The information should be sufficient if it is timely and accurate.
2. Neither 2.2.2 nor 2.2.1 independently or together require information “be made” available to the consumer by the retailer who might offer the prepayment meter market contract. As drafted, it might be sufficient if an earlier retailer provided this information to a customer, such that a later retailer, even if it consciously chooses not to provide information, might arguably be in breach of the draft Code if a customer insists such a contract must be offered.
3. Clause 2.2.3 – using “undue harassment” suggests “due harassment” is acceptable.
4. Clause 2.4.1(a) – delete “installation” in the third line. It should not be relevant that a customer is or is not familiar with installation of such a meter.
5. Clause 2.4.1(c) – as we comment below, we do not agree that it is practical that a customer may recover credit directly from a prepayment meter.
6. Clause 2.4.2 – how frequently may a customer request this information, without expense?
7. Clause 2.5 - the overall effect of the various subparagraphs would be to greatly discourage the use of prepayment meters in all circumstances. We assume that the subparagraphs have been drafted in this way to prevent prepayment meters being imposed by retailers on unwilling consumers. While we appreciate that this may be a concern, we note again the experience in other jurisdictions that consumers may themselves be willing to take up use of the meters, when they genuinely assist consumer cash flow and budgeting. To provide incentive for retailers to offer prepayment meters to consumers, we suggest therefore that the interests of retailers be better reflected in this clause. This would be achieved if this part of the draft Code is amended to provide that it will apply differently depending on whether the consumer, or the retailer, has requested the installation of the meter. Similar comments apply to clause 2.15.
8. Clause 2.5.1(f) – unless by re-crediting a smart card, it is not practical to retrieve credit at the time of vacating an address.
9. Clause 2.5.1(g) – this would permit a customer, when faced with the cost of removal of a prepayment meter, to “require” a life support system, and avoid that cost.
10. Clause 2.8.3 – we are unclear about the effect of the expression “access that information”. We do not agree that any regulatory authority has powers to access without permission the information held in the commercial records of an energy entity.
11. Clause 2.9.1 – as drafted, the clause places an onus on a retailer to take steps in relation to the consumer him/herself, that is to “ensure the small customer can make payment ...”. The obligation

would be better expressed along the lines of “to ensure that there are facilities to enable the small customer to make payment ... “.

If you require any further information, please do not hesitate to contact me on (03) 8807 1132.

Yours sincerely,

Liesel Koelmeyer
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EnergyAustralia