

30 September 2016

Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



by email: AERInquiry@aer.gov.au

Dear Ms Proudfoot,

AER approval of minimum amount owing for disconnection r.116 of the National Energy Retail Rules

NCOSS welcomes the opportunity to provide further comment on the review of the minimum amount owing for disconnection.

NCOSS is concerned that the current minimum amount allowed to trigger disconnection is too low, and results in significant financial distress and disadvantage to low income and vulnerable consumers. NCOSS believes the minimum disconnection amount should be increased to at least \$500, given increases energy prices since 2012, and the sustained high level of disconnections in NSW.

Factors to consider in reviewing the minimum disconnection amount

Disconnections have significant and ongoing impacts on customers and should be regarded as a last resort option. NCOSS believes that in reviewing and approving the minimum amount owing for disconnection, the AER should consider the significant impact that disconnection of essential energy services has on vulnerable and disadvantaged customers.

Disconnections can significantly impact on consumers' wellbeing and can result in depression, anxiety, ill-health and ongoing distress, particularly for the most vulnerable¹. It also has significant ongoing financial consequences that disproportionately affect low income and disadvantaged customers.² Disconnection and reconnection incurs fees that are often required to be paid on top of part or all of the initial amount of energy debt, increasing the financial burden on those in a vulnerable position. During periods of extended disconnection it is likely that costs incurred to maintain the basics of life (such as washing, transport, eating, and personal health and hygiene) are increased through lack of access to power at home.

NCOSS supports the principle consideration that no customer should be disconnected from an essential service as a result of a single quarter's bill, a relatively small amount, or an inability to pay; and reiterates that these should remain the primary guiding principles in determining the minimum disconnection amount. Accordingly, in conjunction with an increased minimum disconnection amount, NCOSS would like to see changes that ensure that any outstanding amounts should represent at least 2 billing periods, before disconnection can be pursued.

¹ Consumer Action, Heat or Eat: Households should not be forced to decide whether they heat or eat, August 2015.

² ibid

With minimum disconnection levels being set with consideration of the balance between consumer protection and ensuring that debt levels do not accumulate excessively, NCOSS would like to see continued measures to better integrate the operation of disconnection procedures with payment plans, debt reduction plans, hardship measures and other consumer supports. While it is the case that there are many customers who may experience financial difficulty and accumulate a level of energy debt without seeking assistance from their retailer, this should not be justification for the retention of a relatively low minimum disconnection amount. This may lead to an over-reliance upon disconnection when a persistent approach to engage the customer would be more appropriate. As we have outlined, not only does disconnection have significant and ongoing impacts on customers who are already vulnerable, but it imposes costs upon both customer and retailer, that could be better avoided through a more integrated and proactive approach to identifying and working with customers in financial difficulty to address their energy debt.

Accordingly, NCOSS would like to see the AER utilise the Sustainable Payment Plans Framework, in conjunction with a high minimum disconnection amount, to ensure that customers with payment difficulties are better identified and supported by retailers, and that debt accumulation and the need to resort to disconnection is minimised.

Disconnections

The AER initially suggest that disconnection rates had declined between 2014 and 2015, citing this as evidence in support of retaining the current minimum disconnection amount. However, while the number of NSW residential disconnections in 2014/15 was 31,979, representing a slight decline on the previous years' 32,940, this narrow comparison does not take into account the fact that NSW residential disconnections have doubled since 2009/10³. These figures more clearly illustrate the sustained high level of residential disconnections in NSW, and taken in conjunction with the rise in average quarterly energy bills, suggest a minimum disconnection amount of \$300 is inadequate.

Recommendations

NCOSS recommends that the minimum disconnection amount ought to be fixed at a minimum of \$500—rather than the \$300 that has been initially recommended by the AER.

NCOSS recommends that the minimum disconnection amount is indexed annually against increases in average energy bills. This indexation will ensure the minimum amount retains a relationship with average bills—therefore maintaining adequate levels of protection.

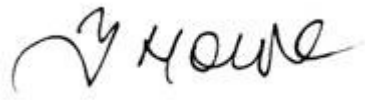
NCOSS recommends indexation is applied only to increases in average bills, with the minimum disconnection amount remaining unchanged in the event of average bills falling. This will protect consumers from the lag between the effect of price reductions and periods of sustained energy debt.

NCOSS recommends that the minimum disconnection amount be reviewed at least every 3 years, in conjunction with the review of the AER Sustainable Payment Plans Framework. A coordinated review would allow the AER to better evaluate how effectively these measures operate together to protect and support consumers.

³ AER. *NSW Residential Customer Disconnections* (website). <https://www.aer.gov.au/retail-markets/retail-statistics/nsw-residential-customer-disconnections>

NCOSS would like to thank the AER for extending its review of the minimum disconnection amount, and for the opportunity to provide comment on behalf of disadvantaged and vulnerable consumers in NSW. If you would like to discuss anything further in relation to the NCOSS submission, or require any further input, please do not hesitate to contact me on please contact me on 8960 7907 or ceo@ncoss.org.au.

Yours sincerely



Tracy Howe
Chief Executive Officer

