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05 October 2016

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

Dear Sarah,

Powershop Submission – AER Review of Minimum Disconnection Amount

Powershop thanks the AER for the opportunity to contribute to the review of minimum amount owing for disconnection. Unfortunately Powershop did not make a submission to the AER in the first round of submissions in May 2016, and as such Powershop will comment on the questions raised in this submission.

1. What other factors (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection?

Powershop support the AER in the factors considered in reviewing the minimum disconnection amount, in particular the fourth dot point regarding not exacerbating hardship issues for customers. It is to this point that Powershop believe that raising the minimum disconnection amount will exacerbate hardship issues for customers experiencing financial difficulties. Raising the minimum disconnection amount will lead to customers carrying greater debt, of which they may not be able to pay or catch-up on. This leads to the scenario where customers experiencing short-term payment difficulties may be pushed into a hardship situation due to the greater debt.

Powershop's key mandate in managing customers experiencing financial difficulties is assisting customers in reducing their debt and managing their electricity consumption. Powershop customers who communicate their situation and show best endeavors to meet their payment arrangement are, generally speaking, not disconnected for non-payment. Therefore altering a minimum disconnection amount for these customers is somewhat irrelevant.

It is customers who do not engage with Powershop for our assistance where disconnections take place. If the AER were to raise the minimum disconnection amount, it would result in a retailer carrying more debt, which would be unfair on those customers who work with Powershop. The debt that retailers carry is recouped through pricing, which leads to engaged customers paying extra – therefore making it unfair on these customers.

Another consideration Powershop believe the AER should take into account is the National Energy Retail Rules (NERR). Retailers are closely governed (and rightfully so) on when and how retailers can



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disconnect a customer for; non-payment, denying access to a meter, illegal usage and non-notification by move-in or carry-over customers. Powershop are therefore of the position that if a retailer has done all they can to contact a customer to provide assistance, in line with the NERR (plus above and beyond measures), and the customer does not engage - retailers should be able to disconnect supply to stop the customer's debt from increasing. Increasing the minimum amount for disconnection will lead to greater debt and the same outcome of disconnection.

2. What other data (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection?

Powershop agree with the AER's points of consideration when reviewing and approving minimum disconnection amounts. Powershop are of the opinion that the factors set out by the AER do not support increasing the minimum disconnection amount. In particular:

- Average energy bills;
 - *"For most jurisdictions, this data shows that electricity bills are lower now than when the minimum disconnection amount was introduced and that quarterly gas bills, although increasing, are still less than the minimum disconnection amount".*
 - *"This highlights that if the current minimum disconnection amount is retained, the level of protection it provides to electricity customers has not eroded over time and can still be considered appropriate".*
- Disconnection rates;
 - *"Electricity disconnection rates for non-payment decreased across all participating jurisdictions, except the ACT".*
 - *"...it is difficult to draw any firm conclusion about the effectiveness of the operation of the minimum disconnection amount".*
 - *"The ongoing focus by retailers on providing assistance to customers with payment difficulties through hardship programs and sustainable payment plans, along with the minimum disconnection amount and suite of other Retail Law and Rules obligations, provides an appropriate framework of consumer protection".*

Powershop believe that the AER should consider data that shows the amount of times a retailer attempts to contact a customer before carrying out a disconnection.

During the 2016 calendar year Powershop has carried out 18 disconnections in NSW. To provide the AER some context as to how Powershop attempt to engage with a customer prior to disconnection we have prepared the following table which sets out how many times Powershop tried to contact the 18 disconnected customers.



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Customer	Phone	Email	Letter	Text message
Customer 1	5	4	4	5
Customer 2	11	8	3	10
Customer 3	11	8	4	11
Customer 4	14	12	4	13
Customer 5	9	5	4	8
Customer 6	8	6	4	8
Customer 7	7	6	4	7
Customer 8	8	6	4	8
Customer 9	10	8	4	11
Customer 10	15	7	4	7
Customer 11	10	6	4	11
Customer 12	6	3	4	4
Customer 13	13	13	3	14
Customer 14	13	11	3	14
Customer 15	6	3	4	7
Customer 16	9	6	4	9
Customer 17	8	6	4	9
Customer 18	12	6	4	9

In summary to carry-out 18 disconnections in NSW Powershop has:

- Made 175 phone calls;
- Sent 124 emails;
- Sent 69 letters; and
- Sent 165 text messages.

The number of customers disconnected for an amount between \$300 and \$520 is 3.

This data reinforces Powershop's position that raising the disconnection amount will not address the disconnection issue. One of the main drivers of Powershop carrying out a disconnection for non-payment is non-engagement by the customer. Raising the minimum disconnection amount would be detrimental to retailers ability to manage a customer's debt.

3. What are stakeholders' experiences of the operation of the minimum disconnection amount to date?

As previously mentioned, Powershop would much prefer a national approach to the minimum disconnection amount to ensure consistency.

Notwithstanding the aforementioned paragraph, Powershop are comfortable with the current



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minimum disconnection amount and would prefer it remains as is.

Although the minimum disconnection amount is \$300, across the 18 disconnections for 2016 the average account debt for disconnected customers is \$797.03. The average age of the debt is 149 days. This further reinforces Powershop's position that altering the minimum disconnection amount is irrelevant, Powershop only disconnect when customers do not engage.

4. Do stakeholders consider retaining a minimum disconnection of \$300 (GST inclusive) to be appropriate? Why/ why not?

Powershop consider retaining the current disconnection amount of \$300 prudent in the management of debt at both industry and customer level, for the reasons previously discussed in this submission.

5. If no, what alternative amount (GST inclusive) do you consider would be more appropriate and why?

Powershop believe that the amount should remain at \$300.

6. When should the AER next review the minimum disconnection amount?

Powershop believe that the AER should review the minimum disconnection amount every five years.

Powershop's views on stakeholders submissions supporting an increase to the minimum disconnection amount

Powershop's summary view on those organisations preferring an increase to the minimum disconnection amount is as follows:

- Powershop strongly support the views held by these organisations with regards to the AER assessing the social impact disconnections have on the community, particularly those regarding the mental health impact.
- Powershop would strongly encourage these organisations to take into account the increased debt customers will be carrying if the minimum disconnection amount is increased. An increased disconnection amount will not help decrease disconnections, instead customers' debts will be greater and the social implications outlined by these organisations will be compounded due to an increased debt.
- Powershop would also encourage these organisations (especially those customer facing)



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to encourage their members/ clients to approach their retailers if they need assistance in paying their bill. As per the data set out previously, Powershop goes above and beyond the minimum requirements before disconnecting a customer and only disconnects if we do not hear from them.

In closing, disconnecting a customer is always the very last option. Carrying out a disconnection does not benefit either party - retailers are carrying debt as a result of the disconnection, of which most of the time they will not recoup, and more importantly the customer is left without power. Raising the minimum disconnection amount will not drive better outcome's for customer's or industry – industry will carry more debt, and customers who do not engage will still be disconnected (eventually) for a greater amount .

Powershop thanks the AER for the opportunity to participate in this process and look forward to seeing the outcome.

If you have any further question please do not hesitate to contact Haiden Jones, Retail Compliance Co-ordinator, via phone on: 0478 326 289, or email: haiden.jones@powershop.com.au.

Yours sincerely

Scott Begg
Powershop, Head of Retail Operations.