



# Minimum disconnection amount

24 January 2012

STAKEHOLDER MEETING

## Disconnection provisions

Part 6 of the Retail Rules sets out the circumstances under which a retailer can arrange for de-energisation of a residential customer's premises

# Minimum amount owing for disconnection

Rule 116 (1) of the Retail Rules states that:

*A retailer must not arrange for the de-energisation of a customer's premises to occur for **non-payment of a bill where the amount outstanding is less than an amount approved by the AER** and the customer has agreed with the retailer to repay that amount.*

# Issues for discussion

- Current jurisdictional arrangements
- Whether there should be separate amounts across jurisdictions, and/or separate amounts for gas and electricity
- Whether the amount should be public or confidential
- Factors to consider in setting the appropriate amount

# Jurisdictional arrangements

<b>Jurisdiction</b>	<b>Electricity</b>	<b>Gas</b>	<b>Public?</b>
<b><u>Victoria</u></b>	\$120	\$120	Yes
<b><u>Queensland</u></b>	\$300	n/a	No
<b><u>New South Wales</u></b>	n/a	n/a	n/a
<b><u>South Australia</u></b>	\$100	\$100	No
<b><u>Tasmania</u></b>	n/a	n/a	n/a
<b><u>ACT</u></b>	\$200	\$200	No

## Same amounts for electricity and gas

- The AER must approve a minimum amount for disconnection
- r. 117 already provides de-energisation guidance for dual fuel contracts – electricity to be disconnected only 15 days after gas disconnection
- Most jurisdictions have the same disconnection amount for gas and electricity

# Same amounts for electricity and gas (cont)

- Minded to apply same amounts for electricity and gas

<b>Advantages</b>	<b>Disadvantages</b>
Consistent with current practice in most jurisdictions (underpinning legislation/codes apply equally to gas and electricity)	Does not take account of differing circumstances across jurisdictions, for example, relatively low penetration of gas in Queensland and Tasmania
Potentially simpler to implement and monitor	
Provides consistency across both fuel types for small residential customers, and avoids potential confusion	

# Consistent national amount

- Significant differences between the minimum amounts across jurisdictions currently
- Some jurisdictions do not have a specified amount
- For those who do have a minimum amount owing for disconnection, the amounts range between \$100 and \$300
- Reasons for different amount being approved by the AER could include:
  - differences in climate,
  - the prevalence of gas as a form of energy,
  - whether or not a minimum amount has been historically imposed.



# Consistent national amount

- Minded to apply same amounts across jurisdictions

<b>Advantages</b>	<b>Disadvantages</b>
Simpler for customers to understand their protections in this area	Different amounts across states/territories can take into account different arrangements currently in place in jurisdictions
Potentially easier to implement and monitor	
Consistent with national approach to regulation	

# Publication of amount

- Several jurisdictional regulators approve amounts but do not publish them (South Australia, Queensland, ACT)
- In Victoria, the amount is public (\$120), set out in the *Retail Code*
- AER currently considering whether to publish the approved amount(s) or keep them confidential

# Publication of amount (cont)

<b>Advantages</b>	<b>Disadvantages</b>
Greater transparency for consumers, advocates and the market	Potential increased risk of bad debt if customers maintain level of debt just below minimum amount to avoid disconnection
Consistent with good regulatory practice	
May assist compliance monitoring as potential breaches more likely to be reported	
Retailers only prohibited from disconnecting where the customer in question also agrees to pay the outstanding amount	

# Amount approved by the AER

- Various factors to be considered including:
  - Current jurisdictional arrangements, and experiences with those amounts (too high? too low?)
  - How to take account of jurisdictions with no previous amount?
  - How the amount should be calculated (for example, by reference to quarterly bill, cost of disconnecting and reconnecting customers)?
  - Risk of increasing retailers' levels of bad debt?
  - How to strike a balance between ensuring customers are appropriately protected without accruing unmanageable debt levels?

# Next steps

- Publication of consultation letter for stakeholder comment – to be published mid Feb 2012
- Consultation letter will be informed by views from today's meeting
- Discussion of minimum disconnection amounts at CCG: 23 Feb 2012
- Final amount approved: April 2012 (ahead of Retail Law and Rules commencement on 1 July)
- **Questions?**