

A few
words.

9 March 2012

Ms Sarah Proudfoot
Acting General Manager
Retail Markets Branch, AER
GPO Box 520
MELBOURNE VIC 3001

Submitted via email to AERInquiry@er.gov.au.

Dear Ms Proudfoot,

AGL Energy Limited (**AGL**) welcomes the opportunity to respond to the consultation letter to stakeholders, seeking views on the proposed minimum disconnection amounts, published by the Australian Energy Regulator (AER) on 10 February 2012.

One of the main objectives of the National Energy Customer Framework is to streamline the regulation of energy retail functions into a national framework. AGL is in full support of this objective and considers that applying a national minimum disconnection amount is consistent with this aim. We do not however, agree with the contention that electricity and gas should be treated equally and believe that applying a different amount for each fuel, would still produce a clear and simple national regime.

AGL acknowledges that the underpinning legislation and codes of some states currently apply a prescribed minimum disconnection amount equally to gas and electricity. We recognise that this approach may be easier to implement and will assist with monitoring requirements. We are careful to note, however, that any known benefits have been derived from separate jurisdictional models. There are already significant differences between the minimum amounts in place across the states, as each amount was set by taking state-specific factors into consideration. Given the large variance between gas and electricity usage within each state, and then between all states, it seems irrational to treat both fuels as if they were consumed equally.

The AER's aim of ensuring that customers receive appropriate protections without accruing unmanageable debt levels becomes harder to manage, where more variables are considered. When setting a minimum disconnection amount, we must be conscious to strike the perfect balance between debt management and customer protection. At the proposed amount of \$300, customers within Queensland and Tasmania (for example, where gas penetration is particularly low), could consume without payment for numerous billing cycles, without retailers being able to take any action. By the time that retailers are permitted to disconnect these customers, the debt may have become unmanageable. Setting the national gas amount at a level lower than the electricity amount, would be one way of mitigating this risk.

It is contended that a national minimum amount for both fuels will avoid potential confusion for small customers. To date, the existence of the minimum amount owing prior to disconnection has not been published in any state, other than in Victoria. Customers in South Australia and the ACT have never been made publicly aware of the amount, and in Queensland, New South Wales and Tasmania, the minimum disconnection amount for gas has never been regulated. Making information about this scheme publicly available may allow for initial confusion but this will be about the scheme, generally. We do not consider that any of the confusion will stem from the fact that the amounts for gas and electricity differ. We believe that the general population understands that gas and electricity are

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consumed differently. As such, they will logically accept and understand the need for different thresholds for the disconnection of gas and electricity supply.

Should you have any questions in relation to this submission, please contact Monique Smith, Regulatory Advisor on (03) 8633 7935 or myself on (03) 8633 7440 or at NWallis@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink that reads 'NWallis'.

Nicole Wallis

Manager Retail Markets Regulations

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