

**Ergon Energy Corporation Limited
and
Ergon Energy Queensland Pty Ltd**

**AER's Minimum
Disconnection Amount**

**Australian Energy
Regulator**

9 March 2012





AER's Minimum Disconnection Amount Australian Energy Regulator 9 March 2012

This submission, which is available for publication, is made by:

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd
PO Box 15107
City East
BRISBANE QLD 4002

Enquiries or further communications should be directed to:

Jenny Doyle
A/Group Manager Regulatory Affairs
Ergon Energy Corporation Limited
Email: jenny.doyle@ergon.com.au
Ph: (07) 4092 9813
Mobile: 0427 156 897



1. INTRODUCTION

Ergon Energy Corporation Limited (EECL) and Ergon Energy Queensland Pty Ltd (EEQ) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) on its *Approval of a Minimum Disconnection Amount*.

This submission is provided by:

- EECL, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland; and
- EEQ, in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'.

Ergon Energy is generally supportive of the AER's overall approach to determining a Minimum Disconnection Amount. Further, Ergon Energy reiterates its commitment to establishing policies, systems and procedures to ensure the suite of consumer protections provided in the National Energy Retail Law (the Law) and National Energy Retail Rules (the Rules) assist its customers who may be experiencing difficulty paying energy bills.

Ergon Energy acknowledges the thorough consultation the AER has conducted in the development of the proposed disconnection amount.

In response to the AER's invitation to provide comments on the *Approval of a Minimum Disconnection Amount*, Ergon Energy has focused on the key factors identified by the AER in its consultation letter dated 10 February 2012. Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AER require.

2. SPECIFIC COMMENTS

As a matter of general principle, Ergon Energy supports the AER's suggested approach of developing a relatively simple methodology for setting the minimum amount owing for disconnection. An amount that is easy to understand, calculated in a straightforward manner and remains simple to administer will benefit both retailers and industry, as well as assisting stakeholders such as consumers and organisations who advocate on behalf of consumers to understand the current and future application of this amount.

Publication of minimum disconnection amount

It is current practice in Queensland not to publish the minimum disconnection amount. The amount, determined by the Queensland Competition Authority (QCA), is provided by letter to retailers, but is not published on the QCA website.

One issue of concern for retailers is the increasing cost of servicing debt held on behalf of customers who are experiencing payment difficulties or hardship. Whilst at the moment this is not an insurmountable number of customers, this number is likely to increase as cost of living pressures continue to negatively affect households. Therefore, the increasing costs of servicing debts for retailers cannot be underestimated. As a responsible retail organisation, Ergon Energy must also keep in mind and monitor trends in attempts to 'game' disconnection thresholds by some customers and develop policies and measures for minimising the impact of what represents a small percentage of our customer base.

Ergon Energy would also like to confirm that, should the AER decide to publish the amount, this will remain an AER function with the amount displayed on the AER website. That is, it should not represent an additional obligation for retailers to publish on their respective websites, or an obligation to advise individual customers of the amount.



Separate amounts for gas and electricity

Currently, all jurisdictions that apply a minimum disconnection amount except Queensland have the same amount for both gas and electricity (noting that Queensland does not currently set an amount for gas). This absence of an amount for gas in Queensland reflects the current situation of a reasonably low number of customers with access to or interest in gas services, as compared to electricity. Ergon Energy acknowledges that this may change in the future.

In recognition of a national approach to National Electricity and Gas Market regulation, it is in the interests of consistency and clarity to implement a uniform amount across jurisdictions, applying to both fuels. This will ensure that retailers and distributors, who operate across borders and provide services for both electricity and gas, will be able to receive the benefits of a consistent regulatory approach.

Nationally consistent amount

The AER has recognised that the application of a uniform national minimum disconnection amount may not take account of differing circumstances across jurisdictions. In doing so, the AER has highlighted an issue that Ergon Energy has previously identified from within its own distribution area, being that average bills and peaks in usage can differ significantly from one region to another. To differentiate on this basis would not only be administratively complex, but would also create confusion for customers and industry. To this end, Ergon Energy believes that provided the minimum disconnection amount is reviewed and analysed for its appropriateness at regular intervals, any perverse or unexpected consequences that may result from a nationally applied amount should become evident and can therefore be remedied. In conjunction with the information the AER will have at its disposal from Retail Performance Reports and other regulatory compliance reporting, trends that may develop can be dealt with appropriately as they arise.

A nationally consistent minimum disconnection amount represents significant change in some jurisdictions, where currently a lower or no amount applies. As such, Ergon Energy acknowledges that the application of different amounts for a prescribed and reasonable transitional period may be necessary to the extent the AER considers it appropriate. However, generally speaking, Ergon Energy supports the introduction of a nationally consistent minimum disconnection amount and believes it represents good regulatory practice and administrative simplicity.

Factors Relevant for AER Consideration

Ergon Energy generally supports the AER's proposed minimum disconnection amount of \$300 and agrees this amount should be GST inclusive. At this early stage of the introduction of significant change in the energy regulatory regime, an approach which minimises complexity or the need for reliance on the development of a precise methodology and formula where it is not strictly necessary is preferable.

The AER's proposed amount strikes an appropriate balance between the level of debt that most customers can afford to repay, the level of debt that retailers should be expected to manage and the overarching principle that being an essential service, disconnection (or the threat of disconnection) from energy services can have significant impacts on households. Ergon Energy agrees that annual review or indexing of the minimum disconnection amount is neither necessary nor in the interests of good regulatory practice, and suggests that a periodic review of not less than 3 years is appropriate at this stage.

