

9 March 2012



Sarah Proudfoot  
General Manager  
Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Via email: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

Your Ref: 47503

Dear Ms Proudfoot

### **AER approval of minimum amount owing for disconnection: r 116 of the National Energy Retail Rules**

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) to assist in its process for setting a minimum amount owing for disconnection as outlined in the National Energy Retail Rules.

PIAC acknowledges that it is a challenge to set the amount at a level that will protect consumers from disconnection for relatively low levels of debt, while also ensuring that debt does not accumulate to unmanageable levels. PIAC's comments are guided by its policy principle that no consumer should be disconnected from an essential service due to an inability to pay. Rather than putting this principle forward as a lofty aim, PIAC's objective is to promote policies that encourage alternatives to disconnection, which are more equitable and practical options.

PIAC does not support the minimum disconnection amount being set at \$300. Instead, as explained below, PIAC proposes a minimum disconnection rate of \$500.

The estimate of average annual electricity bills included in the AER's *State of the Market Report*, shows that average quarterly electricity bills in NSW range from \$484 in Ausgrid's distribution supply area to \$639 for households located in Essential Energy's supply area.<sup>1</sup> The NSW Government funds the Energy Accounts Payment Assistance (EAPA) scheme to assist those experiencing a crisis or emergency situation. The EAPA scheme provides vouchers that can be used to make payments against bills from electricity or natural gas retailers to a maximum value of \$240 biennially and \$480 annually.

If a minimum disconnection rate of \$300 were approved, PIAC is concerned that people facing crisis situations with quarterly bills above \$541 would be at risk of disconnection for failing to pay only one bill — even after receiving the maximum amount of assistance that is currently available to assist them avoid disconnection. Given that average quarterly bills for one distribution area sit above this figure now, and electricity price rises due to come into effect on 1 July 2012 are likely to see

Level 9, 299 Elizabeth St  
Sydney NSW 2000  
DX 643 Sydney  
Phone: 61 2 8898 6500  
Fax: 61 2 8898 6555  
[www.piac.asn.au](http://www.piac.asn.au)  
ABN: 77 002 773 524

<sup>1</sup> Australian Energy Regulator, *State of the Energy Market 2011*, (2011) 114.

average bills in at least one other distribution area above this amount, this is a real prospect. PIAC therefore believes a minimum disconnection rate of \$500 is more appropriate. To ensure the value of this figure is not eroded over time, PIAC also supports a process for the annual indexation of this rate, taking account of energy prices rises within the National Energy Market.

PIAC acknowledges that protections exist within the National Energy Customer Framework (NECF) to protect consumers from disconnection. In seeking comment from stakeholders the AER notes:

Other such protections include the requirements for retailers to offer payment plans and to offer hardship assistance to those who identify (or who are identified by the retailer or other third party) as experiencing payment difficulties or financial hardship.<sup>2</sup>

Under the NSW Electricity Supply (General) Regulation 2001 (the Regulation), electricity retailers must have hardship charters that offer customers (who are identified as being in hardship) flexible payment options, including access to payment plans.<sup>3</sup> Payment plans must take account of a consumer's capacity to pay, consumption and the amount in arrears.<sup>4</sup> The Regulation also stipulates processes that retailers must follow before disconnecting a residential customer, including an obligation to provide two written notices outlining an intention to disconnect<sup>5</sup> and offering those in financial hardship a payment plan.<sup>6</sup>

However, IPART recently reported that over 60% of residential customers who were disconnected were not on a payment plan prior to disconnection.<sup>7</sup> Additionally, the number of NSW residential customers being disconnected for non-payment of bills rose by 17% in 2010/2011.<sup>8</sup> In response to a range of data related to payment plans and disconnection trends, IPART has announced it will further review the effectiveness of retailers' hardship programs, particularly processes for assessing a consumer's capacity to pay when setting a payment plan.<sup>9</sup>

PIAC is concerned that statistics from the 2010/2011 financial year show that the NSW retailer with the lowest percentage of customers on payment plans had the highest rate of disconnection for non-payment.<sup>10</sup> PIAC hopes that setting a higher minimum disconnection amount will provide a healthy incentive for retailers to be proactive in striving to operate best practice hardship programs that work flexibly to assist consumers in hardship. PIAC would like to see retailers use disconnection trends to identify customers at risk and develop proactive ways to engage with these customers and their representatives. This will help to ensure that hardship programs, and methods for identifying customers in hardship, are working for these customers. PIAC notes that the findings of IPART's review of the effectiveness of hardship programs may be useful to both the AER and retailers in developing an understanding of what is working and what needs improvement.

PIAC's understands that \$500 is not an inconsequential amount and retailer debt levels may increase as a result. Similarly, PIAC does not wish to support a framework that enables

---

<sup>2</sup> Letter from Sarah Proudfoot, A/g General Manager, Retail Markets Branch, AER, to stakeholders re AER approval of minimum amount owing for disconnection, r 116 of the National Energy Retail Rules, 10 February 2012.

<sup>3</sup> Electricity Supply (General) Regulation 2001 (NSW) cl 13AA.

<sup>4</sup> Ibid, cl 13A, s 2 (c).

<sup>5</sup> Ibid, cl 13A, s 3 (a) i.

<sup>6</sup> Ibid, cl 13A, s 3 (a) ii.

<sup>7</sup> Independent Pricing and Regulatory Tribunal, *Electricity retail businesses' performance against customer service indicators in NSW* (2012) 11.

<sup>8</sup> Ibid 2.

<sup>9</sup> Ibid 7.

<sup>10</sup> Ibid 3.

consumers to accumulate unmanageable levels of debt. However, it is PIAC's firm belief that consumers in hardship need assistance — not action that further disadvantages them when they are vulnerable. Until there is solid evidence that all the policy settings are working to protect those in hardship, PIAC maintains that a minimum disconnection amount should be set at a higher rather than lower rate.

Should you require any further information please do not hesitate to contact Carolyn Hodge, Senior Policy Officer via email [chodge@piac.asn.au](mailto:chodge@piac.asn.au) or telephone, 02 8898 6520.

Yours sincerely

A handwritten signature in black ink that reads "Edward Santow". The signature is written in a cursive style with a large initial 'E'.

**Edward Santow**  
**Chief Executive Officer**  
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6508  
E-mail: [esantow@piac.asn.au](mailto:esantow@piac.asn.au)