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SYDNEY WATER'S PAYMENT ASSISTANCE SCHEME

Following discussions with PIAC last year, Sydney Water has amended its Payment Assistance Scheme (PAS) to include tenants for the first time.

PAS vouchers are distributed through community welfare agencies, to:

- ◆ deal with one-off hardship cases which may fall outside other relief provisions; and
- ◆ cover all residential charges (except septic pump out usage).

In addition, the provisions of the scheme have been generally updated and clarified to improve communication with welfare agencies and facilitate delivery.

Most significantly, the distribution of PAS vouchers is to be extended to cases where private tenants have lease agreements making them liable to pay water usage charges. In these circumstances, private tenants are only eligible for one PAS voucher equivalent in value to \$25. The assistance provided is limited to the Sydney Water usage charge. Sydney Water is progressively visiting the community welfare agencies that distribute PAS to inform them of the changes.

PIAC wants to congratulate Sydney Water on this timely and important change to their social policy. Low income households are disproportionately represented in the private rental market and while they only pay for their water usage, this could be a significant payment, especially for large households.

REVIEW OF REGULATED ELECTRICITY PRICES

The system for protecting vulnerable NSW households in the newly competitive electricity market is under challenge as the Independent Pricing and Regulatory Tribunal (the Tribunal) conducts a mid-term review of its current price capping determination. PIAC is disappointed, in particular, with the attempts by the incumbent Government owned retailers to undermine the standard retail tariff regime.

The current regulated tariff was designed to prevent small-volume consumers being exploited in situations where they could not secure a market supply contract. It was established despite the prospective private retailers arguing for significant

price hikes in order to push a greater number of households and small business customers away from the incumbent retailers in pursuit of negotiated contracts. Now the publicly owned businesses have raised the same argument with the Tribunal. The important difference is that the incumbents recognise that this will mean higher prices for people who are locked out of the market – exactly the kind of price exploitation the regulated tariff is supposed to prevent.

It has been argued that forcing people into a competitive market will in turn create a parallel system of consumer protection with people churning away from over-priced retailers. This argument simply neglects the fact that the great majority of NSW households simply are not profitable enough to be offered a retail contract by a private retailer – the reason why the public businesses are defined by law as 'standard' retailers.

Price rises for domestic electricity following the newly competitive arrangements carry important theoretical and political ramifications. PIAC will be arguing strongly to the Tribunal that the current system of standard tariffs must be retained.

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In particular, EnergyAustralia in their submission to the Tribunal has suggested that bad debt needs to be a factor in setting regulated retail tariffs. PIAC believes that the level of bad debt will be the same as it was before the introduction of retail competition.

Integral Energy wants the Tribunal to allow them to fully recover the costs of payment processing. Integral are asserting that the different ways that customers pay their bills attract different costs and these should be passed through to customers so that they can change the way they pay their bills to a least cost option. Integral has provided confidential information to the Tribunal as to what these costs are.

Again, PIAC is concerned that other ways of paying bills that are less costly may not be available to many households, for example, low-income households.

The Tribunal has also been charged with examining other costs on the incumbent retailers, including the costs of performing the function as the retailer-of-last-resort (ROLR). PIAC has been waiting with interest for the businesses to submit their proposed costs and expects to argue that these should be tightly restricted in order that small-volume consumers not be disadvantaged when a private retailer is no longer able to provide energy.

UTILITIES LICENCE AUDITING ADVISORY COMMITTEE (ULAAC)

In 2000, a legislative amendment transferred the monitoring and enforcement of utilities' licence conditions to the Tribunal. As well, the amendment allowed for continued community involvement in this process through a newly created Utilities Licence Auditing Advisory Committee. The amended legislation covers appointments to the ULAAC, its role and its procedures.

The legislation requires the Premier to

make appointments to the ULAAC following joint nominations from the Nature Conservation Council, PIAC, the Council of Social Service (NCOSS) and the Australian Consumer's Association (ACA) of:

- ◆ a panel of 3 people with expertise in, and extensive knowledge of, water conservation and associated environmental matters
- ◆ a panel of 3 people with expertise in, and extensive knowledge of, electricity distribution and retail supply and associated environmental matters
- ◆ a panel of 3 people with expertise in, and knowledge in consumer issues.

These organisations were requested in January 2001 to submit their nominations to the Premier's Department. PIAC held the view that it was not in a position to nominate people with the appropriate expertise to each of the three categories. One nomination was made for each of the second and third categories with endorsement given to the one nomination in the first category from the Nature Conservation Council and an NCOSS nomination for the third category. ACA did not put in nominations for any of the three categories.

The Premier's Department wrote again to all the organisations in June to clarify the legislative requirement and requesting the organisations to nominate collectively three people for each of the categories.

As this was becoming a very long process, PIAC elected to submit three nominations in the second category (Jim Wellmore, UCAP Policy Officer, Bob Harper Chair, NorthPower's Customer Council and Brenda Bailey, member of UCAP's Reference Group representing Council on the Ageing) and two nominations in the third category (Trish Benson, UCAP Senior Policy Officer and Patricia Le Lievre, Member of Advance Energy's Rural

Advisory Committee and member of UCAP's Reference Group). NCOSS submitted their nomination again.

PIAC has continued to take the view that it is not an appropriate organisation to make nominations in the water conservation category. However, the NCC argued that the legislation gives the Premier too great a say as to who will represent the community in the licence compliance process. As a result, the NCC has remained firm in submitting only one nomination in the category of water conservation expertise. PIAC has agreed to endorse the NCC nomination in an attempt to expedite the process.

In late September, the Premier's Department advised all of the organisations that this second round of nominations also failed to comply with the requirements of the legislation. PIAC believes that it has made appropriate attempts to submit nominations that comply with the legislation and further has made a series of attempts to achieve a consensus amongst the community groups and resolve the impasse. These attempts have not been unsuccessful. Independent oversight of the licensing regimes for the electricity, gas and water industries which achieves transparency is extremely important to PIAC. It is regrettable that the NCC is unable to submit nominations which would comply with the legislation and allow the ULAAC to be established.

GAS PRICING ORDERS

The Minister for Energy, the Hon Kim Yeadon announced in his second reading speech to the gas Supply Amendment (Retail Competition) Bill in April late year that the Government was going to review the process for making a gas pricing order. Previously the Tribunal has worked with all the incumbent gas suppliers, including AGL on the development of voluntary pricing principles. These permit appeals from an order made by the

Tribunal to a Review Panel, appointed by the Minister. The electricity industry can only ask for a review of a Tribunal Determination on the basis of legality in the NSW Supreme Court.

In January 2002, the Ministry of Energy and Utilities released a Consultation Paper, *Process for making gas pricing orders*. PIAC responded to the Consultation Paper and made the following points in our submission:

- ◆ gas pricing orders should only be subject to a judicial review rather than on merit, the same as for electricity;
- ◆ allowing a review of a gas pricing order on any grounds other than a judicial review calls into question the Tribunal's independence, integrity and expertise;
- ◆ recourse to an appeals process should only be allowed in exceptional circumstances;
- ◆ if the Government accepts that a review of a gas pricing order should only be undertaken by the NSW Supreme Court, there is no need for a separate review panel, appointed by the Minister;
- ◆ there is an issue as to whether the Minister should consult with interested parties on the appointment of members of the review panel. PIAC's view is that the panel needs to be independent and therefore the Minister should not consult on the panel's membership.

It was PIAC's understanding that the Government were proposing to impose gas pricing orders on the incumbent suppliers because they believe that the voluntary pricing principles did not provide an adequate safety net for NSW gas customers. This is a position that PIAC has supported.

There is now a proposal to retain the voluntary pricing principles which means that the Tribunal can still impose an interim gas pricing order if

there is evidence that the voluntary pricing principles are not working. While PIAC supported this position, the Ministry of Energy and Utilities has undertaken to inform the Minister of our views on this issue as well as consulting PIAC if there are any changes to the voluntary pricing principles, including miscellaneous charges.

AGL TO TRIAL PAY AS YOU GO METERS

AGL is trialling 'pay as you go' electricity meters in South Australia. These meters are being rolled out successfully in Tasmania by Aurora Energy and almost 10 percent of their residential customers have now opted for this payment option.

The meters are operated by a smart card using pre-paid credit of any amount between \$5 and \$100. The prepayment devices that accept the smart card are attached to an existing electricity meter. A display screen on the device shows how much credit is remaining and the cost of running household power. Pensioner and other concessions can easily be catered for.

The AGL trial is to be conducted over three months from mid March 2002 and it is expected that the trial will be completed by 30 June this year. The trial is open to residential consumers in Marion, a suburb of Adelaide. In this trial, customers can reload their smart card at a nearby AGL Energy Shop and a local 24 hour BP service station. The data from the smart card is downloaded from these agencies to the AGL office.

There appear to some benefits for customers using a pay as you go meter. The benefits as documented by Aurora Energy include:

- ◆ it is easier for customers to budget for energy
- ◆ on a daily or hourly basis, the customer can see how much energy is used

- ◆ the customer can also monitor the cost of energy
- ◆ the customer can determine the relative running costs for appliances
- ◆ there are no more paper bills for energy.

PIAC has developed a policy of conditional support for pay as you go meters because for some consumers they may provide another payment option. Against these conditions we would like to test the information we have about the AGL trial.

1. Customers with pre-paid meters should not pay higher tariffs than customers who do not have pre-paid meters.

The pricing information that is available from AGL's website for South Australia and information provided by AGL about the trial indicates that the tariffs for pre-paid meters are the same tariffs for customers without pre-paid meters and are the same for the peak and off-peak cents per kilowatt hour.

However, the tariffs for peak supply and the off peak supply cents per day are higher – arguably only \$2.75 per day as a combined charge. While this may not make much difference to individual households in the trial, if there is a wholesale roll-out of this technology, it could make quite a difference to AGL's revenue stream.

There is an argument that there are considerable benefits for electricity businesses in using this type of technology including up-front payment and the fact that they do not have to issue bills. Such benefits should be reflected in the tariffs charged.

While PIAC acknowledges that there are additional costs such as the cost of the meters and customer transaction charges, the question remains whether the benefits accrued are in excess of the costs – especially when these may not be additional costs but costs that replace existing costs and reflected in existing tariffs.

2. Customers that are in receipt of low and fixed incomes should not be targeted for their installation, for example, public housing estates.

We are please to see that AGL has not targeted low-income areas for the trial. It is our understanding that Marion is not predominantly a low-income area.

3. Customers should be able to go into deficit on the smart card without being disconnected.

Information from a story in the Adelaide Advertiser on 10 March, 2002 states that “about \$8 of emergency credit, enough to power the house for two days, is stored on the card to prevent the house running out of electricity”. AGL have informed PIAC that there is a low credit threshold of \$5 so households would have \$13 worth of credit. While this is a fall back for households, it may be not enough if the household requires electricity for additional days to take them up until their pension/benefit is paid.

4. There should be no coercion by the retailer to install a pre-paid meter.

This condition is hard to determine up front and will need to be monitored if there is a mass roll-out of the technology through complaints made to individual Ombudsman. For the trial, AGL sent letters of offer to 4,600 customers in Marion.

5. People who are in receipt of low and fixed incomes still have access to pensioner rebates and emergency assistance.

While pensioner rebates will be included in the smart card in both the trial in Tasmania and South Australia, if there is to be a similar trial in NSW there is an issue as how to include emergency assistance, the Energy Accounts Payments Assistance (EAPA) Scheme in the smart card. Further consideration needs to be given to this issue as undoubtedly, low-income households will need this type of financial back-up.

6. No disconnections at certain times of the day.

The prepayment device can be programmed to ensure that disconnection does not occur at certain times of the day. We understand that in the trial in South Australia the programmed times are between 8 pm and 8 am. In NSW, this issue is dealt with by regulation, and disconnections cannot occur after 3 pm on a week day, on a Friday, Saturday or Sunday and on a public holiday or a day immediately preceding a public holiday.

7. Need for accessible points for top-ups to smart cards.

AGL is to be congratulated in attempting to secure a 24 hour accessible top-up point. A further point that needs to be made about accessibility is that it is not necessarily an issue of providing 24 hour service outlets but also about providing points that are accessible to older people and people with a disability.

8. Need for research funding to see whether customers are self-disconnecting.

There has been no commitment from AGL to undertake research on this very important issue although they are going to monitor this through their back office systems. It would seem to PIAC that such research at the end of the trial period is a pre-requisite for an understanding of the positives and negatives from a consumer perspective of this type of payment method.

REFIT

REFIT, the pilot project that is providing energy efficiency devices to clients of welfare agencies and low income households living in the private rental market in the Lower Hunter is progressing reasonably well. EnergyAustralia provided the majority of the funding for REFIT, with Hunter Water and the Sustainable Energy

Development Authority also providing financial support. By mid-March there had been 420 households provided with the appliances which include a AAA rated showerhead, two compact fluorescent light bulbs, tap aerators and a cistern weight.

GREENHOUSE BENCHMARKS FOR ELECTRICITY

The NSW Government has proposed a major overhaul of the obligations on electricity retailers to limit the emissions of greenhouse gases associated with electricity production and consumption. At present NSW retail licences are required to produce annual plans for reducing emissions to a target level. The industry largely has failed to meet these targets. Emissions have risen over recent years.

The Ministry of Energy and Utilities has been conducting public consultations around an *Issues Paper*. This sets out a number of important proposed changes to the licence obligations of electricity retailers including the emissions target being made mandatory and backed by penalties for non-compliance.

PIAC has participated in the public consultations and supported the toughening of the requirements on NSW retailers. Our view is that this particular Government policy ought to be made effective. However, PIAC also has been concerned that the impact on prices of the new compliance measures will not impose intolerable price impacts on low-income consumers. In conjunction with the regulated tariff established by the Tribunal we believe the new mandatory target will have a minimal impact on NSW households.

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