



9 March 2012

Ms Sarah Proudfoot
A/g General Manager, Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via Email: AERInquiry@aer.gov.au

Dear Ms Proudfoot

AER approval of minimum amount owing for disconnection, r. 116 of the National energy Retail rules

Australian Power & Gas (APG) welcomes the opportunity to provide comments to the Australian Energy Regulator (AER) with respect to its views on setting the minimum disconnection amount at \$300 (GST inclusive) for both electricity and gas. With respect to the questions in which the AER is seeking stakeholder comments, APG makes the following submission.

Question 1: Should the AER publish the approved minimum disconnection amount? Why/why not?

APG is of the view that the approved minimum disconnection amount should not be widely published and should only be limited to notices to retailer authorisation holders. The general publication of the minimum disconnection amount may encourage customers to not pay their bill in full as there can be no threat of disconnection to their energy supply for non-payment, so long as they maintain their debt level below the minimum disconnection amount. This issue will become more problematic, whether intended or not, towards customers and retailers in terms of high debt levels if the disconnection amount has been set too high.

We agree with the AER in that transparency is considered to be consistent with good regulatory practice. However, we would argue that the publication of the threshold is only useful for energy retailers in developing and managing their disconnection processes and procedures, and would have little benefit towards customers.

Question 2: Should the minimum disconnection amount be the same for both gas and electricity? Why/why not?

The minimum disconnection amount should be the same for both gas and electricity and applied across all participating jurisdictions subject to any state or territory specific requirements to the contrary.

As discussed by the AER in its letter, by having a simple and consistent approach for both fuel types, it will be easier for customers to understand their rights as well as making it easier for retailers to implement and manage.

Question 3: Should the AER apply the same minimum disconnection amounts to all states and territories applying the Retail Rules? Why/why not?

The same minimum disconnection amount should be applied across all applicable States and Territories.

As discussed above in Question 2, there is benefit in adopting a simple and consistent approach whereby all customers should receive the same treatment regardless of the location in which they reside. Also, retailers will benefit of having reduced regulatory compliance costs as, in absence of any jurisdictional derogations, there would not be the need to develop and manage different disconnection processes between each State and Territory.

Question 4: What other factors (if any) should the AER should consider when approving a minimum amount owing for disconnection?

In considering the minimum disconnection amount, the AER should take into account the customer costs that the retailer incurs during the disconnection process. These costs may include but are not limited to the period from the issue of the customer's bill, reminder and disconnection warning notices, until the arrangement and execution of the disconnection request. This point was observed in the AER's letter whereby some retailers noted in their discussion about the minimum disconnection threshold of \$150; that once the customer has been disconnected and reconnected, they will likely owe the retailer significantly more than the minimum threshold amount as they will continue to consume energy up until they are disconnected.

The National Energy Retail Rules (Retail Rules) and current State and Territory Codes and regulations prescribes the requirements and processes that retailers will have to meet and implement before it is able to arrange to disconnect the customer.

Under the proposed Retail Rules, the timeframe to complete the customer disconnection process will be at least 25 business days. Customers will presumably continue to use energy for each day during the disconnection process and as such, the amount owed to the retailer for energy consumption will continue to increase. At the end of this cycle, the customer would potentially consume an additional 1 months' worth of energy, all of which is an accrued cost towards the retailer, before the retailer is able to arrange for a disconnection.

On this basis, we recommend that the AER should consider the customer costs accrued by the customer during the disconnection process when it is approving the disconnection amount.

Question 5: Do stakeholders consider a minimum disconnection of \$300 (GST inclusive) to be appropriate? Why / why not?

We consider the minimum disconnection amount of \$300 (GST inclusive) to be too high. As discussed in Question 4, the amount that the customers are liable for will be in excess of the \$300 threshold at the time the retailer exercises its rights to arrange for a disconnection.

Ideally, disconnection should only apply as a last resort for the retailer after all customer protection measures have been exhausted e.g. hardship program and/or payment plan arrangements.

We accept that the customer should not be overly penalised for not paying one quarterly bill, however, the threshold should also serve to discourage customers into accruing an energy debt that they cannot manage. Such threshold should also be fair and reasonable for retailers, especially smaller retailers such as APG, to manage as throughout the disconnection period, the retailer will have incurred wholesale, distribution and administration expenses.

For the reasons stated above and under Question 4, we are of the view the proposed threshold of \$300 doesn't reflect adequately the retailer's cost exposure with respect to a disconnection.

Question 6: If no, what alternative amount do you consider would be more appropriate and why? Please ensure all amounts are GST inclusive in your response.

We propose a disconnection amount of between \$150-\$200 (GST inclusive). This amount, in our view, represents a fair reflection of the retailer's cost exposure for a disconnection.

Also, a lower threshold will allow retailers to identify at an early stage those customers who may be experiencing or may fall into financial difficulties and consequently, enable retailers to offer customers with assistance to manage a lower debt level. If the threshold is set high then the associated debt level in which customers and retailers will be required to manage will also be higher.

Irrespective of the minimum disconnection amount in place, customers will still be afforded with other protective measures such as access to hardship program or payment plan arrangements to potentially prevent disconnection from taking place.

Question 7: How often should the AER review the minimum amount owing for disconnection?

We propose that the AER should conduct a review in consultation with relevant stakeholders after the first year of the implementation of the National Energy Customer Framework (NECF). The review should, based upon the data acquired from retailer performance reports

and public feedback, determine whether the minimum threshold is sufficient and whether future periodic assessment is warranted.

Thank you again for the opportunity to comment on this issue. Should you wish to discuss any aspect of this submission, I can be contacted on (02) 8908 2714 or via email at hpriest@auspg.com.au.

Yours sincerely,



Hilary Priest

Manager Government Regulatory Relations and Compliance