



Tasmanian Council of Social Service

TasCOSS submission on *National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016 Consultation Paper*

28 January 2016

About TasCOSS

TasCOSS is the peak body for the Tasmanian community services sector. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage and promote the adoption of effective solutions to address these issues.

phone 03 6231 0755

fax 03 6223 6136

postal PO Box 1126

Sandy Bay

Tas 7006

www.tascoss.org.au

Authorised by

Kym Goodes, Chief Executive

For inquiries

Kath McLean

Social Policy & Research

kath@tascoss.org.au

Introduction

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on the proposal from Ergon Energy Queensland to amend the National Energy Retail Rules (NERR) in relation to meter reading and billing frequency for small customers.

While this proposed amendment may appear relatively minor, it could have serious implications for the low-income and disadvantaged consumers whose interests TasCOSS represents. It also will affect the majority of Tasmanian residential electricity customers who, in the absence of retail competition, remain on standing offer / standard retail contracts. Furthermore, currently in Tasmania there are relatively few advanced meters and even fewer connected to a telecommunications network to enable remote access for meter reading. This proposed rule change would therefore affect the majority of Tasmanian small electricity customers.

Our submission will not address the questions that appear in the Consultation Paper but will focus on the issues through elements of the AEMC's 'proposed assessment framework', and with regard to the 'consumer protection test' and the long term interests of consumers. We will argue that the rule change is not compatible 'with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers' (Consultation Paper p11). We will also argue that this proposed rule change is not in the long term interests of consumers.

Does the rule change proposal 'facilitate the efficient use of energy services'?

The proposed extension of the current three monthly billing requirement to four monthly billing would, in our view, exacerbate the existing barrier to the efficient use of energy services. The current requirement to issue bills at least every three months in itself works against an efficient use of energy services, and many retailers and consumers are moving to more frequent, rather than less frequent billing cycles.

A three monthly billing cycle represents a significant delay between the period in which energy is used and payment for that usage. This factor can have an impact on the efficient use of energy services. In the absence of widespread access to in-home displays and related technology that demonstrates real-time usage, residential customers rely on periodic billing information to reveal their usage and the cost of that usage. The closer the billing period is to the time of usage, the better consumers will be able to link usage directly to cost and to thereby understand the cost implications of their usage. This could lead to more efficient use of energy.

In areas where enabling technology exists, such as in Victoria with its preponderance of smart meters, retailers are beginning to move to monthly billing cycles. This not only assists with affordability (an issue we will discuss later), but also better promotes the efficient use of energy and energy services. This proposal to extend the required billing period is clearly not in keeping with trends in other areas; trends that are largely supported by both retailers and consumers, where the technology allows.

In addition, the new *Expanding Competition in Metering and Related Services* rule requires that all new and replacement meters installed for small customers after 1 December 2017 must meet minimum specifications which include the capacity for remote meter reading, a capacity that supports more frequent billing.

It is no doubt correct to say that estimated bills provide less reliable information on which consumers can base efficient and informed decisions than do bills based on actual consumption. However, as estimated bills, when issued, are currently issued three monthly, the time lag between usage and billing remains a barrier to efficient use of energy.

This rule change proposal will not guarantee that meters will be read within an extended four month billing cycle and that bills based on actual meter reading will therefore be issued. It simply extends the period so that the Metering Data Provider has an additional month in which to make its 'best endeavours' to read the meter.

While we acknowledge that billing based on estimations is not ideal, and can lead to dissatisfaction and disputes, TasCOSS contends that the solution to this problem lies not in extending the billing period, but in the eventual deployment of technology that enables remote meter reading – as well as more frequent billing.

Does the rule change proposal 'enhance consumer experience'?

TasCOSS believes that were this rule change proposal to be accepted, the four monthly billing that could result would cause substantial detriment to many consumers – and to the 'consumer experience' – particularly to those consumers living on low incomes.

Quarterly electricity bills currently constitute a significant financial challenge for many low-income households. This is a particular problem in Tasmania where electricity usage is higher than in other jurisdictions due to a cool climate, limited access to gas and generally poor quality and thermally inefficient housing stock. Higher usage obviously results in higher bills. And Tasmanian incomes are lower on average than those in other states and territories, with a higher proportion of the Tasmanian population relying on Commonwealth income support as their major source of household income.

Furthermore, the 'Energy Affordability' chapter of the AER's *Annual Report on the Performance of the Retail Energy Market 2014-15* reveals that Tasmanian low-income consumers spend a higher proportion of their disposable income on electricity than low income earners in other Australian jurisdictions (AER 2015, pp41-60).

While quarterly bills are currently difficult for low-income households, bills issued at four monthly intervals would be more difficult. The 'bill shock' associated with large quarterly bills, especially in and following the winter months, would be exacerbated with the addition of an additional month's costs.

Consumer advocates in Tasmania, including TasCOSS – and consumer advocates elsewhere – are recommending access to more frequent billing to facilitate better planning, budgeting and

affordability. More frequent bills would also enhance the consumer experience for many consumers. This has been demonstrated in the telecommunications industry where monthly billing is widely practiced.

TasCOSS believes that we cannot overstate the difficulty – or the anxiety and stress – that less frequent billing could cause low-income consumers in Tasmania. In our view, it would far outweigh any temporary dissatisfaction that may be caused by estimated bills.

Does the rule change proposal ‘provide a proportional response to the issues identified’?

TasCOSS believes that the proposed rule change is unnecessary and is neither proportional nor appropriate to the issues identified by Ergon Energy.

We note that Ergon Energy’s proposed rule change is framed in the *Consultation Paper* as seeking ‘to enable retailers to delay issuing a bill to a small customer until a meter read is provided by the Metering Data Provider’ (p1). However, as mentioned above, the rule change proposal does not guarantee that delayed bills will be based on accurate meter data and not on estimations. By suggesting that ‘a maximum timeframe for withholding a customer bill due to a lack of the meter data could be introduced as a safeguard for consumers’ (*Consultation Paper* p9), the proposal simply extends the billing period to four months. There is a possibility that if this is achieved, four monthly bills could become the norm for standing offer energy contracts.

We acknowledge that there is inconsistency between the retailer’s obligation in the NERR to issue a bill at least once every three months and the requirement in AEMO’s Service Level Procedure for Metering Data Providers to make their ‘best endeavours’ to collect metering data at least once every three months. However, this inconsistency is addressed by retailers’ ability to issue an estimated bill ‘automatically’ (*Consultation Paper* p8) in the absence of metering data. While this is not an ideal solution and can cause disputes, it is also a temporary solution to a problem that is rectified by the provision of actual metering data and the settlement of individual accounts within a 12 month period.

In Tasmania the inability to read meters on a regular basis is related largely to access issues due to meter location and to unrestrained dogs on premises. A number of disputes are escalated to complaints to the Ombudsman and the Tasmanian Ombudsman in his *Annual Report 2014-15* considers the number of complaints on estimated electricity consumption (58 in total) as ‘quite high’ (p17). However, the Ombudsman states that investigators are ‘often able to reach a resolution’ that enables complainants’ meters to be read ‘into the future’, that is, a permanent solution to meter reading barriers is often found (p17).

While the Tasmanian Ombudsman considers the number of complaints regarding estimated bills as ‘quite high’, it could be argued that estimated electricity bills in Tasmania do not constitute a major or systemic problem. TasCOSS contends that the proposed rule change and its application in Tasmania would therefore not be a proportional response.

TasCOSS would prefer to see more focus put on improving the methodology for estimating bills so that fewer errors are made and that estimated bills more closely reflect actual patterns of use.

Conclusion

TasCOSS strongly opposes the proposed rule change due to the probability that the proposed change will result in less frequent billing for consumers on standing offer contracts and to the increased financial difficulty that this is likely to cause low-income and vulnerable consumers.

The proposal is clearly not in the long-term interests of consumers as it not only dismantles the fundamental consumer protection that ensures at least quarterly billing, but it will also exacerbate the financial stress associated with access to electricity for a large cohort of vulnerable customers.

The proposal also does not serve the long term interests of consumers because it is diametrically opposed to the trend toward more frequent billing that is enabled by 'smart technology' and preferred by many consumers and their advocates as a means to enhance affordability (and, consequently the consumer experience), and which is contemporary practice in the telecommunications industry.

Nor, in our view does the proposed rule change pass the 'customer protection test' for its very likely deleterious effect on customers experiencing financial difficulties due to low income or other vulnerability ('hardship customers').

We hope that the AEMC will consider our arguments and find, as we have argued, that this proposed rule change does not facilitate the efficient use of energy services, enhance consumer experience nor provide a proportional response to the issues identified.

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.