

WACOSS Summary Paper

Amendments to the Code of Conduct for the Supply of Electricity to Small Use Customers 2008

Pre-Payment Meters



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

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ABOUT WACOSS

The Western Australian Council of Social Service Incorporated (WACOSS) is the peak body of the community services sector across Western Australia. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist all Western Australians. With over 350 members, WACOSS has strong relationships with the community services sector and seeks to represent their interests, and those of the disadvantaged individuals and families they assist at a service level. Given this relationship, WACOSS is in a unique position to comment on issues in our society that socially impact upon disadvantaged members of the community.

WACOSS is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to energy market reform in Western Australia. WACOSS has developed a strong network with utility policy workers across Australia, as a part of the National Energy Consumers Roundtable, which provides us with information and expert opinion on these issues.

In January 2005, WACOSS commenced the Consumer Utilities Project, building upon the utility policy work WACOSS had undertaken over the previous four years. The Consumer Essentials Project, as part of the broader WACOSS Social Policy Team, continues to undertake this role and works with consumers and representative organisations, government and utilities to achieve better outcomes in the provision of essential services.

In identifying the needs of consumers, WACOSS has direct access to the issues of disadvantaged consumers who are living on low incomes through our Consumer Reference Group, which includes representatives from the Emergency Relief sector, Unions, Tenants Advocates, Financial Counsellors and Community Legal Centres. These agencies provide us with policy information and direction in relation to our work and look to us to represent the interests of their clients with regard to utility issues. WACOSS, through the Consumer Essentials Project has had to adopt the role of advocating in regards to essential service provision in Western Australia. This has been due to the level and severity of the utility issues being raised by community agencies and the absence of any other resourced body in Western Australia representing these consumer issues.

INTRODUCTION

The *Code of Conduct for the Supply of Electricity to Small Use Customers 2008* (the Code), under the *Electricity Industry Act 2004*, is the key regulatory mechanism delivering customer protection to electricity consumers in WA. The Code has been in operation since 1 January 2005 and applies to all retailers who sell electricity to a customer who consumes less than fifty megawatt hours of electricity each year (mostly residential and small business customers).

The Code is reviewed by the Electricity Code Consultative Committee (ECCC), a forum consisting of representatives from the state's two electricity retailers, relevant government departments and consumer and community advocacy organisations. WACOSS has been a member of the ECCC since its inception and has been actively involved in advocating for improved protections and regulatory measures for all consumers, as well as better standards and conditions in relation to the state's most vulnerable electricity consumers.

On 13 April 2010 the Economic Regulation Authority approved amendments to part 9 of the Code, which relates to pre-payment meters. This report is intended to inform consumer advocates and community service organisations in regards to what a pre-payment meter is and how it works, how pre-payment meter services will be rolled out in WA and the important new consumer protections that are part of these amendments. WACOSS advocacy on this issue and the position of the WACOSS in relation to pre-payment meters will also be outlined. Information for resolving disputes with your electricity retailer can be found at the end of the document.

In August 2009 WACOSS tabled a submission to the ECCC responding to the Proposed Amendments by the ERA to the *Code of Conduct for the Supply of Energy to Small Use Customers* related to pre-payment meters. In this submission WACOSS outlined its various concerns regarding the inequity associated with the use of pre-payment meters in WA as well as the various impacts they have on consumers, particularly those experiencing financial hardship. Furthermore, WACOSS declared that it does not support the roll-out of pre-payment meters to other areas of WA. WACOSS believes it makes better economic sense to invest in the improvement of services within communities and phase out existing pre-payment meters over time, than to expand the use of pre-payment meters across the state.

However, in the likelihood that pre-payment meters would be further rolled out across the state WACOSS also made several recommendations in the interest of providing the best possible consumer protection for pre-payment meter customers. These include calling for measures against the coercion and harassment of electricity consumers in relation to pre-payment meters, more comprehensive reporting measures, the utilisation of existing technology to ensure events of disconnection are recorded appropriately and do not become hidden, as well as arguing against a grandfathering clause (the exclusion of existing pre-payment meters from amendments to the Code for a given period of time due to the fact that they do not hold the technological capability to meet all requirements within the Code amendments.)

At present pre-payment meters are operating in various Remote Aboriginal Communities under the Aboriginal Remote Communities Power Station Project (ARCPSP) and Town Reserves Regularisation Project (TRRP). From 1 July 2010 new amendments to the Code will allow the state's electricity retailers to offer pre-payment meter services in any

area of the state that is specifically allocated by the Minister for Energy. This means that the jurisdiction for pre-payment meter services can now be expanded across WA, including within the Perth Metro area, at the discretion of the Minister.

However, on 14 April 2010 Synergy Power published a media release indicating that they have 'no plans to introduce pre-payment meters' in the South West Interconnected System (SWIS) (the part of the state Synergy supplies electricity to). The statement indicates that Ninga Mia is the only area currently within the SWIS designated by the Minister for Energy for the use of pre-payment meters, and that 'there are no plans to designate other areas in the South West Interconnected System, particularly in Metropolitan Perth, in the near future.' Synergy also reminds customers that as no other areas have been designated by the Minister, pre-payment meters are not available upon request. This media release can be viewed in full at:

http://www.synergy.net.au/press_releases/Media_Statement_Pre-payment_meters.pdf

This aside, as the powers of expansion are now solely in the hands of the minister, an expanded roll out of pre-payment meter services across other parts of the state is now possible. It is important that consumer advocates are aware of pre-payment meter services, what they mean for consumers and what protections now exist within the amended code to allow advocates to best assist their clients.

WHAT IS A PRE-PAYMENT METER

Most residential electricity customers pay for electricity by means of a credit meter arrangement. This means that electricity is paid for every 2 months after receiving a bill for the amount of electricity consumed in that time. In contrast, a pre-payment meter requires customers to pre-purchase credit on a 'recharge card' in order to pay for electricity prior to it being used. When credit on the pre-payment meter recharge card has expired household electricity is disconnected until a new card is able to be purchased.

WACOSS has serious concerns about the automatic disconnection component of pre-payment meters. Disconnection from electricity, even for short periods of time, can have a significant effect on individuals and families.

In its paper 'Cut Off: the Impact of Utility Disconnections', the Public Interest Advocacy Centre identified a number of issues that resulted from the disconnection of essential services. Direct impacts from the disconnection of essential services included;

- Emotional and psychological impacts including feelings of shame or failure which followed the incidence of disconnection.¹
- Direct financial impacts resulting from the disconnection of the essential service. This can include high-cost credit obtained in an effort to regain connection to the service. Examples of this type of credit may be high-interest credit cards and pay-day loans.²
- Significant health and safety impacts may arise when a home is disconnected from essential services. The reduced capacity to heat water and control air temperature may have significant health impacts for individuals and groups.³ Disconnection may also prompt consumers to employ strategies for heating and lighting that create additional hazards (for example the use of candles for lighting and ovens for space heating).⁴

Indirect consequences of disconnection from essential services may include:

- Additional travel costs as people stay with friends and relatives;
- Increased food costs due to lack of storage;
- A reliance on higher cost fuel such as LPG for cooking;
- Costs relating to reductions in overall personal health as a result of disconnection.⁵

WACOSS POSITION ON PRE-PAYMENT METERS

In WACOSS's submission to the ECCC: *Proposed Amendments by the ERA to the Code of Conduct for the Supply of Energy to Small Use Customers Related to Pre-Payment Meters*, published August 2009, WACOSS put forward arguments against extending the roll-out of pre-payment meter services to other areas of the state. However, in the event that an expansion of pre-payment meter jurisdictions in WA would occur, WACOSS also made

¹ Public Interest Advocacy Centre. *Cut-Off II: The Impact of Utility Disconnections*. January 2009.

² Kildonen Child and Family Services, 'Response to the Productivity Commission's inquiry into Australia's Consumer Protection Framework'. May 2007.

³ Warm Front Study Group. *Health Impact Evaluation of Warm Front – Summary Results*. 2007.

⁴ Public Interest Advocacy Centre. *Cut-Off: The Impact of Utility Disconnections*. February 2005

⁵ Oppenheim & McGregor. *The Economics of Electricity Energy Efficiency in Arkansas*. Prepared for Entergy Corp. February 2002.

numerous recommendations in the interest of providing the fairest and most equitable consumer protections possible for pre-payment meter customers. These recommendations called for protection for consumers against being pressured in relation to pre-payment meter services, more stringent reporting measures for electricity retailers and the provision of adequate technology to report disconnection data among other protections. WACOSS also argued against the grandfathering of current pre-payment meters (all of which are located in Remote Aboriginal Communities) in the interest of ensuring equitable rights and services for electricity consumers across the state regardless of their location.

As part of the submission WACOSS also recommended that the Code explicitly state that consumers cannot be coerced or harassed into having a pre-payment meter. This recommendation was included in the final amendments to the code.

WACOSS has expressed serious concerns regarding the automatic disconnection of customers once pre-payment credit (and the maximum accruable debt on the meter of \$20) has expired. Disconnection from electricity, even for short periods of time, can have a significant effect on individuals and families. The maximum accruable debt of \$20 is finite and only works to delay inevitable disconnection if affordability is the underlying issue. As such, WACOSS recommended that pre-payment meters should revert back to a normal credit meter when a customer runs out of credit, rather than that customer being automatically disconnected.

WACOSS also has major concerns about the level of technology currently available in pre-payment meter systems. At present there is only one location in WA where pre-payment meters are technologically capable of providing data on the number of times a customer is disconnected from their electricity supply and the duration of that disconnection. As such WACOSS has expressed its concern that incidences of disconnection for pre-payment meter users will not be evident or reported. Given that improved record keeping and technology requirements are excluded within the grandfathering clause applied to pre-payment meters that are already operating (see p. 9), the hidden nature of pre-payment meter disconnection will continue in communities in which pre-payment meters have already been installed. WACOSS does not support the grandfathering of any pre-payment meter systems in relation to important new consumer protections.

WACOSS also called for a trial period of 6 months, after which the customer may terminate a pre-payment meter contract at no extra cost. Although the final amendment includes a trial period, its length is only 3 months. WACOSS also recommended that pre-payment meter customers be offered one free reversion to a credit meter regardless of the trial period.

Furthermore, WACOSS has stressed that customers on pre-payment meters do not have access to retailer financial hardship policies or utility assistance schemes such as HUGS, even if they are experiencing extreme financial hardship. As such, pre-payment meters remove the capacity of people experiencing financial hardship to access essential services and render regulated consumer protections redundant. A trial is currently underway in Warmun Community in relation to the provision of HUGS to households on pre-payment meters. However at this stage no pre-payment meter customers outside of the trial area are able to access assistance schemes such as HUGS or Power Assist.

Pre-payment meters also complicate the provision of concessions and rebates to those who are entitled to receive them. Current metering technology is only capable of charging a single programmed flat tariff. This technology deficit needs to be rectified in order to regulate how concessions and rebates are passed onto customers if a further pre-payment meter role out occurs.

WACOSS is also concerned about the access to recharge card facilities within Remote Aboriginal Communities and have asked the ECCC to consider how best to increase access to recharge card facilities within these communities.

The purchasing of pre-payment meter recharge cards is also likely to be much more difficult for customers on Income Management. People on Income Management have 70% of their income managed by Centrelink, leaving only 30% for discretionary income. If these customers cannot use a Centrelink Basics Card to purchase their pre-payment meter recharge card and are not able to use Centrepay to pay for electricity, they will be forced to use the small amount of discretionary income they are left with to pay for electricity costs.

The *WACOSS submission to the Electricity Consultative Committee in response to the Proposed Amendments by the ERA to the Code of Conduct for the Supply of Electricity to Small Use Customers Related to Pre-Payment Meters* is available at:

http://www.wacoss.org.au/images/assets/SP_Uilities/Sub_ECCC_PPMs_aug09.pdf

AMENDMENTS TO THE CODE

The Code amendments announced on 13 April 2010 include improved consumer protection measures for pre-payment meter customers. These new protections will come into effect on 1 July 2010.

The amended protections are outlined below, however if you wish to read the Code in its entirety, it is available at:

<http://www.erawa.com.au/cproot/8453/2/20100413%20D28032%20Final%20Decision%20on%20PA%20to%20the%20CoC%20for%20the%20SoE%20to%20SUC%20-%20Amendments%20related%20to%20PP%20Meters.PDF>

Harassment and Coercion

The new amendments ensure residential electricity customers are protected from being bullied or manipulated into installing a pre-payment meter at their place of residence. The Code stipulates that an electricity retailer may only provide a pre-payment meter service at a residential address if they have received 'verifiable consent from the customer'. Furthermore, a retailer must not engage in conduct that is 'misleading, deceptive or likely to mislead or deceive' when offering or providing pre-payment meter services to residential customers. Retailers are also forbidden from 'harassing, coercing, or exerting undue pressure on a customer in relation to pre-payment services'.

Trial Period

Pre-payment meter customers are also entitled to a trial period of 3 months. If at any time during this period the customer requests to be returned to a standard meter no charge will apply. After the expiry of the 3 month period the customer is required to pay a 'reasonable charge' for reversion to a standard meter. However, if a customer is experiencing financial hardship they may at any time request that their pre-payment meter be replaced with a standard meter at no charge. The retailer is required to send the customer notice of the expiry of the trial period (and inform the customer of their right to reversion free of charge) no more than 40 and no less than 20 business days prior to the expiry date.

If reversion to a standard meter is requested by a customer, the retailer must arrange with the distributor to do so within 1 business day. The distributor must then revert the pre-payment meter at the customer's supply address to a regular credit meter in accordance with the following stipulations:

- (a) within the metropolitan area –
 - (i) within 1 business day of receipt of the request, if the request is received prior to 3pm on a business day; and
 - (ii) within 2 business days of receipt of the request, if the request is received after 3pm on a business day or on a Saturday, Sunday or public holiday in Western Australia;
- (b) for supply addresses located within the regional area –
 - (i) within 5 business days of receipt of the request, if the request is received prior to 3pm on a business day; and
 - (ii) within 6 business days of receipt of the request, if the request is received after 3pm on a business day, or on a Saturday, Sunday or public holiday in Western Australia.

Disconnection

Once all pre-paid credit on a meter has expired customers will continue to receive electricity until the maximum debt limit of \$20 is reached, at which point their electricity supply will be automatically disconnected. This debt is then required to be paid back at a rate no greater than \$2 per day once new credit has been purchased. Pre-payment customers may only be disconnected between the hours of 9.00am and 2.00pm during a business day.

Record Keeping

There are also new protections in relation to record keeping. Electricity retailers are now required to record all of the following events:

- a) the total number of complaints
- b) what action was taken by the retailer to address each complaint
- c) the time taken for the appropriate procedures for dealing with the complaint to be concluded
- d) the number of customers reverting to a standard credit meter (both within the 3 month trial period and the overall total)
- e) the number of instances where a pre-payment meter customer has: been disconnected; not received electricity other than being disconnected; and the duration of these events

- f) the number of customers who have informed the retailer that they are experiencing payment difficulties/financial hardship
- g) the number of customers disconnected three or more times in any three month period for longer than 240 minutes

If a retailer identifies that a residential pre-payment meter customer has been disconnected three or more times in any three-month period for longer than 240 minutes on each occasion they must use best endeavours to contact the customer as soon as is reasonably practicable to provide:

- a) information about different types of meters available to the customer and the opportunity to switch meters free of charge; and
- b) Information about and referral to relevant financial assistance programs, consumer representative organisations, and/or information on independent financial and other relevant counselling services.

Grandfathering

For currently operating pre-payment meters to comply with the new record keeping requirements stipulated in the Code they require an improvement in their technological capability. Due As such, the Code also includes a grandfathering provision that gives pre-payment meters which meet any of the following criteria a period of 24 months (from 1 July 2010) before they are required to comply with the new amendments:

- a) a pre-payment meter installed and operating prior to 1 July 2010; or
- b) a pre-payment meter installed between 1 July 201 and 31 December 2010; or
- c) a pre-payment meter in a remote or town reserve community in which the Aboriginal and Remote Communities Power Supply Project or Town Reserve Regularisation Program is being implemented

This means that the pre-payment meters that are already installed in Aboriginal Communities will not have to comply with the new amendments to the Code for another two years.

HOW TO HANDLE A PROBLEM WITH SYNERGY

If your client has a problem with Synergy regarding bill payment or a complaint about their service or electricity supply, it is best to make direct contact with Synergy as soon as possible.

Synergy is required to respond to customers' needs and complaints under a range of different policies and regulations that protect their customers from unfair conduct.

You can contact Synergy to make an inquiry, set up an alternative payment plan or make a complaint by any of the means below:

- Telephone:** 13 13 53
- TTY:** (08) 9221 8608
- Fax:** (08) 9221 4628
- Online:** http://www.synergy.net.au/contact_us.xhtml
- Post:** Customer Services Branch, Synergy
GPO Box K851, Perth WA 6842
- In person:** 228 Adelaide Tce
Perth WA 6000

It is important to have as much information available as possible about your bill or complaint issue before you contact Synergy. Keep a record of your dealings with Synergy, including the dates and times you contacted them and how they responded.

If you have not been able to resolve your complaint through Synergy's complaints processes, you can contact the Energy Ombudsman.

HOW TO HANDLE A PROBLEM WITH HORIZON

If your client has a problem with Horizon Power regarding billing payments or a complaint about their service or electricity supply, it is best to make direct contact with Horizon Power as soon as possible.

Horizon Power is required to respond to customers' needs and complaints under a range of different policies and regulations that protect their customers from unfair conduct.

You can contact Horizon Power to make an inquiry, set up an alternative payment plan or make a complaint by any of the means below:

- Telephone:** 1800 267 926
- Fax:** (08) 9159 7288
- Email:** service@horizonpower.com.au
- Website:** www.horizonpower.com.au
- Post:** Customer Services Branch, Horizon Power
PO Box 817, Karratha WA 6714
- In person:** Stovehill Road
Karratha WA 6714

It is important to have as much information available as possible about your bill or complaint issue before you contact Horizon Power. Keep a record of your dealings with Horizon Power, including the dates and times you contacted them and how they responded.

If you have not been able to resolve your complaint through Horizon Power's complaints processes, you can contact the Energy Ombudsman.

THE ENERGY OMBUDSMAN

If your client has a problem with their electricity or gas retailer the first step is to contact the retailer directly. However, if the issue remains unresolved, or you are dissatisfied with how the retailer has dealt with the issue, the Energy Ombudsman may be able to help.

The Energy Ombudsman provides a free, independent and informal dispute resolution service between customers and their utility providers when they have not been able to resolve it themselves. All electricity and gas utilities are required by law to be a part of the Energy Ombudsman scheme.

You can ask a question, send feedback or lodge a complaint with the Ombudsman by contacting them through any of the ways listed below:

Freecall:	1800 754 004* <i>*Calls made from mobile phones will be charged at the applicable rate.</i>
Phone:	9220 7588
Translating and Interpreting Service:	131 450
National Relay Service:	1800 555 727
Freefax:	1800 611 279
Fax:	(08) 9220 7599
E-mail:	energy@ombudsman.wa.gov.au
Post:	PO Box Z5386 St Georges Terrace Perth WA 6831
In person:*	12th Floor, St Martins Tower 44 St Georges Terrace Perth WA 6000

*Office hours are 9.00am to 4.30pm, Monday to Friday (excluding Public Holidays)

CONCLUSION

It is important to remember that the expansion of pre-payment meter jurisdiction has not yet occurred. However, the power to do so is now solely in the hands of the Minister for Energy and as such it is important that consumer advocates are armed with the knowledge required to best help their clients if or when a further roll out does eventuate.

If you have any questions in relation to pre-payment meters and their roll out in WA please contact Misty Hayden Senior Policy Officer - Consumer Essentials Project, at misty@wacoss.org.au or by phone on 08 9420 7222.