

30th November 2009

Mr Paul Kelly
Executive Director
Licensing, Monitoring and Customer Protection
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

Western Australian
Council of Social Service Inc.
ABN 32 201 266 289

Dear Mr Kelly

**RE: Invitation for Submissions on Clear Energy Electricity Retail
Licence
and Standard Form Contract**

WACOSS welcomes the opportunity to comment on Clear Energy's draft Standard Form Contract and Electricity Retail Licence application. Both documents have been submitted by Clear Energy to the Economic Regulation Authority (ERA) for consideration.

While WACOSS supports renewable electricity generation, we have some concerns regarding Clear Energy's proposed model and content of their draft standard form contract.

Application for Electricity Retail Licence

Clear Energy seeks a retail licence to sell renewable electricity to small use customers. Clear Energy will install renewable electricity systems such as photovoltaic (PV) panels and micro wind-turbines at residential and small business properties.

Clear Energy will provide and install "Electricity Supply Equipment"¹ and a Meter to customers, and charge customers for the total amount of electricity generated by the equipment. It will then be up to the customer to sell any excess electricity back to the grid through the Renewable Electricity Buyback Scheme (REBS). The REBS will buy back excess renewable electricity at rates equal to electricity purchase rates, less the GST component.²

Customers entering into contracts with Clear Energy will face significantly higher electricity bills, as they will be required to pay for the total amount of energy generated at the property. While customers can sell any excess electricity back to the grid, there may be a gap in time from purchasing the electricity and receiving payment for excess electricity sold.

WACOSS is concerned about cash flow issues for customers based on the timing of the REBS payments following the initial expense to purchase

¹ Clear Energy. *Agreement for Renewable Electricity Supply and Installation of Renewable Electricity Supply Equipment*. Jackson McDonald Lawyers. October 2009.

² Synergy. *Fact Sheet: Grid-Connected Small Scale Renewable Energy Systems*.

City West Lotteries House
2 Delhi Street
West Perth
Western Australia 6005

Phone (08) 9420 7222
Fax (08) 9486 7966
Email info@wacoss.org.au
www.wacoss.org.au

the electricity from Clear Energy. Mechanisms must be put in place to align payments made to Clear Energy and payments received through the REBS to ensure that customers are not out of pocket for extended periods of time.

Clear Energy must also demonstrate that they have an effective financial hardship policy, as per Part 6.10 of the Electricity Code of Conduct for the Supply of Electricity to Small Use Customers (the Code), to assist customers who may have difficulty paying their bills due to a financial hardship situation.

Contestable Customers

Clear Energy has not identified the electricity tariff that they plan to charge their customers. The 'Electricity Charges Schedule' on page 19 of the Clear Energy Agreement does not contain any prices and there is no information regarding Clear Energy's 'Standard Price' contained in the document.³

If Clear Energy plans to sell electricity at a 'competitive' price, as stated in its overview document, they must only sell to contestable customers. Only customers that consume more than 50MWh of electricity per year are considered to be contestable customers.⁴ There is nothing in Clear Energy's Agreement that conveys a requirement for a customer's energy consumption to be more than 50MWh per year.

It is not clear whether a customer must first already be considered a contestable customer in order to become a Clear Energy customer, or whether the 'Electricity Supply Equipment' installed by Clear Energy would make a customer contestable through the amount of electricity it will generate.

WACOSS asserts that customers must be informed about the amount of electricity that is likely to be generated through Clear Energy's 'Electricity Supply Equipment'. For example, if a photovoltaic system installed by Clear Energy will generate 50MWh's or more of electricity per year, customers must be aware of this and the upfront and overall costs they will face as a result.

Electricity consumption of 50MWh's per year equates to an annual bill of approximately \$8, 000.⁵ The average household bill is considerably less than this. Customers considering entering into a contract with Clear Energy must be aware of this significant annual cost. The REBS will offset most of this cost, however as stated earlier, WACOSS has concerns regarding the period of time customers will be out of pocket after paying for the electricity generated and receiving the REBS payment.

Information provided to potential customers of Clear Energy must be very clear. Any associated costs must be outlined to customers in order for

³ Clear Energy. *Agreement for Renewable Electricity Supply and Installation of Renewable Electricity Supply Equipment*. Jackson McDonald Lawyers. October 2009.

⁴ Office of Energy. *Electricity Retail Market Review Issues Paper*. 2007

⁵ Ibid.

them to assess the net costs and benefits to them and enable them to make informed decisions.

WACOSS also asserts that it is important to preserve the contestable threshold of 50MWh's of electricity consumption per year. The electricity market in Western Australia is not a suitable market for competition to be introduced at a residential level at this time. Interstate and overseas evidence suggest that the benefits of competition for small use residential customers are unclear and minimal at best.⁶

Standard Form Contract

WACOSS would like to make comment on parts of Clear Energy's Draft Standard Form Contract with respect to low income or vulnerable customers. While these comments are made in response to Clear Energy's draft contract, WACOSS notes that these comments are applicable to all Standard Form Contracts for the sale of electricity.

10.4 If you don't pay your bill

Part 10.4 (a) of the draft contract states that *"If you do not pay the full amount payable for any bill by the due date then we may:*

*(iii) charge you interest at the Specified Rate on the amount you haven't paid. Interest will be applied immediately should your account become overdue."*⁷

WACOSS does not support the application of interest on overdue charges for residential customers, particularly those on low incomes or experiencing financial hardship. While this provision is also contained in Synergy's Standard Form Contract, Synergy does not charge interest to residential customers. WACOSS asserts that Clear Energy should replicate Synergy's position on this matter and not charge interest on overdue amounts to its residential customers.

18.3 Events beyond your control

Part 18.3 of Clear Energy's Draft Standard Form Contract refers to customers obligations under the contract if an event occurs beyond your control. This part states that *"you must pay your bill by the due date shown on the bill even if an event occurs which is beyond your control."*⁸

'An event beyond your control' may cause a financial hardship situation for a customer, in which case the customer should be dealt with under Clear Energy's financial hardship policy and according to Part 6 of the Code. The customer should therefore not be required to pay the bill by the due date, but allowed to enter into an arrangement with Clear Energy

⁶ WACOSS. *Submission to the Office of Energy Electricity Market Review Issues Paper*. January 2008.

⁷ Clear Energy. *Agreement for Renewable Electricity Supply and Installation of Renewable Electricity Supply Equipment*. Jackson McDonald Lawyers. October 2009.

⁸ Ibid.

to make payments towards the bill that are reasonable to the customers financial situation.

25.4 We can end the contract

Part 25.4 of the draft contract "*We can end the contract, (or turn off your electricity) or remove the Electricity Supply Equipment, without notice to you and you will have to pay us for the amounts due under clause 25.5 immediately if you:*

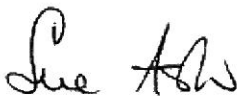
*(d) commit an act of bankruptcy"*⁹

If a customer declares bankruptcy it is due to a situation of severe financial hardship. A customer should not be required to pay the amounts due to the retailer. The customer should be provided with options, such as a waiver of fees, charges and debt, as per Part 6 of the Code.

In addition, the current wording of Part 25.4 (d) in the draft contract is not customer friendly, it implies that it is the customer's fault that they are bankrupt and that declaring bankruptcy is wrong. Part 25.4 (d) should be reworded to *becomes bankrupt* as is used in Synergy's Standard Form Contract.¹⁰

WACOSS would like to thank the ERA for the opportunity to comment on Clear Energy's Electricity Retail Licence application and draft Standard Form Contract. WACOSS supports the intention of Clear Energy to supply renewable energy to customers, however suggests that mechanisms must first be put in place to ensure potential customers of Clear Energy are protected.

Yours Sincerely



Sue Ash
WACOSS CEO

⁹ Ibid.

¹⁰ Synergy. *Standard Electricity Agreement, Terms and Conditions*. January 2008.