



28 September 2009

Ms Khayen Prentice
Review of Regulatory Instruments
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE VIC 3000

By email: khayen.prentice@esc.vic.gov.au

Dear Ms Prentice

Re: Essential Services Commission (ESC)'s Review of Regulatory Instruments – Amendments to the Energy Retail Code

Thank you for the opportunity to provide comment on the Essential Services Commission (ESC)'s *Review of Regulatory Instruments – Amendments to the Energy Retail Code* (the Code Amendments).

The Energy and Water Ombudsman (Victoria) (EWOV) wishes to comment on five amendments of the Energy Retail Code (the Code) relating to the following clauses:

- Clause 4.2(f) of the Code: Contents of a Bill – Information;
- Clause 8.1 of the Code: Refundable Advances – Domestic Customers;
- Clause 12.2(d) of the Code: Requirements for an Instalment Plan
- Clause 26.6 of the Code: Energy Efficiency Advice; and
- Clause 31(c)(ii) of the Code: Agreed Damages Terms

Clause 4.2(f): Contents of a Bill – Information

In light of the Victorian smart meter rollout which has now commenced, EWOV welcomes the inclusion of information about substituted reads on retailers' bills. EWOV is however mindful of the likelihood that customers may not understand what substituted data is. EWOV recommends retailers define what a substitution is on their bills. Customers may also question the difference between substituted and estimated data. EWOV suggests the ESC gives some thought to a potential explanation section on a retailer's bill outlining what estimations and substitutions are where relevant and also providing details of the basis for calculating the substituted data. Some retailers already provide this kind of detail on their

bills¹. Alternatively, retailers could provide this explanation on a bill insert or refer customers to their website information for further details.

With regard to bill content requirements, EWOV proposes that the bill should show the following components in relation to estimated and substituted data:

- the total number of intervals in the billing period;
- the total number of substituted / estimated intervals;
- the percentage of substituted / estimated data; and
- an explanation in plain English of the substitution methodology used or the reason for the estimation (e.g. no access to a manually read meter).

Regarding an explanation of the basis of a substitution, EWOV suggests the information provided to customers should be clear and concise allowing for reasonable conclusions and maintaining customer confidence in the accuracy of retailers' billing methods. Information provided could be a code referring to what the substituted data was based on, for example a customer's usage data at the same time last week / last year.

EWOV notes that the ESC has not addressed the issue of substituted data in regard to clause five of the Code - the basis of a bill. If customers ought to be advised of substituted data based on their bills, the ESC may want to give some guidance to retailers on what the basis of this substitution can be. Again, this information can also be provided on a customer's bill insert or by way of referral to a retailer's website. If the ESC considers a further review of clause five, EWOV would welcome the opportunity to provide additional comments.

Clause 8.1: Refundable Advances - Domestic Customers

As outlined in the ESC's Draft Decision to the Code Amendments, EWOV welcomes the ESC's review into retailers' practices where customers are being asked to pay refundable advances due to no availability of their credit rating.

EWOV in its submission to the Ministerial Council on Energy Standing Committee of Officials' *1st Exposure Draft of the National Energy Customer Framework*² noted that a retailer is sufficiently protected by a requirement to pay it after connection, given that the retailer can de-energise if it is not paid. As noted by the ESC, it has been EWOV's recent experience that customers may be asked to pay a security deposit only because they have no credit history and we consider that this is unreasonable. We therefore welcome the ESC's decision having regard to 'relevant default' by the particular customer which eliminates the risk of classifying customers with no credit rating as having an unsatisfactory credit rating.

EWOV further encourages the ESC to consider whether customers paying by Centrepay or direct debit should be exempted from having to pay a security deposit. Such exemptions could also be included in the first dot point of clause 8.1(b). EWOV believes that a retailer's interests are sufficiently protected where a customer commits to paying by one of these methods. EWOV also suggests that it should be possible for a customer to pay a security deposit by instalments if the customer so chooses. On that note, we welcome the ESC's inclusion of the first dot point in clause 8.1(b) ensuring that customers are offered an instalment plan prior to being asked to pay a refundable advance.

¹ see Victoria Electricity's billing information

² see pages 21/22 of MCE SCO table with EWOV comments added (www.ewov.com.au > Policy and Research > Public submissions 2009)

Clause 12.2 of the Code: Requirements for an Instalment Plan

EWOV notes that the ESC intends to delete clause 12.2(d) of the Code which outlines that retailers must provide customers with energy efficiency advice and advice on the availability of an independent financial counsellor prior to offering an instalment plan. EWOV queries whether an instalment plan is to be offered to all customers or whether it is a specific mechanism to deal with customers in hardship. If the latter, EWOV recommends not deleting this sub-clause due to the fact that hardship customers may benefit from energy efficiency advice and the availability of a financial counsellor in the long term. Both these tools assist in potentially reducing a customer's usage and providing a hardship customer with every opportunity to control household utility spending. A hardship customer is then in a better position to budget and pay for arrears and ongoing usage.

Clause 26.6 of the Code: Energy Efficiency Advice

It is EWOV's view that one valuable and helpful tool to assist customers experiencing payment difficulties is to provide energy efficiency advice, either over the phone or online. EWOV notes that such advice can significantly improve a customer's understanding of energy consumption with the potential to decrease their usage charges. EWOV is also mindful of the Code providing protection for small business customers within the usage threshold limits. The Code Amendments however now only provide for a retailer obligation to give energy efficiency advice to domestic customers upon request, excluding small business customers. EWOV is aware of the fact that small business customers do not receive the same level of payment assistance as domestic customers. Due to this differentiation, EWOV points out that assistance with regard to potential cost reduction is crucial for small businesses and should be given to them upon request as well. This would also ensure Code consistency.

Clause 31(c)(ii) of the Code: Agreed Damages Terms

EWOV welcomes the clarification of the monetary amount an early termination fee comprises of and to limit this amount to \$20 covering the administrative fee and imbalanced hedging program components. This provides for clarity and consistency in customer charges.

We trust the above comments are of assistance. Should you require clarification or further information, please contact Frances Wood, Manager Public Affairs and Policy, on (03) 9649 7599 or at frances.wood@ewov.com.au.

Yours sincerely



Janine Young
Deputy Ombudsman
Energy and Water Ombudsman (Victoria)