



8 March 2012

Attn: Ms Sarah Proudfoot  
Acting General Manager, Retail Markets  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

By email: [AERinquiry@aer.gov.au](mailto:AERinquiry@aer.gov.au)

Dear Ms Proudfoot

**Re: The Australian Energy Regulator's approval of minimum amount owing for disconnection, r116 of the National Energy Retail Rules.**

Thank you for the opportunity to provide comment on the Australian Energy Regulator (AER)'s approval of minimum amount owing for disconnection, r116 of the National Energy Retail Rules.

The Energy and Water Ombudsman (Victoria) (EWOV) supports the AER's proposal for a published national minimum disconnection amount of \$300 (GST inclusive) for both electricity and gas.

As an industry-based external dispute resolution scheme, EWOV provides alternative dispute resolution services to Victorian energy and water consumers by receiving, investigating and facilitating the resolution of complaints. In making this submission, EWOV's comments are based on our experience in dealing with actual disconnection complaints that come to us after they have not been resolved between the customer and the retailer.

### **Question 1: Should the AER publish the approved minimum disconnection amount?**

EWOV agrees that it is good regulatory practice to publish the minimum disconnection amount. Transparency is paramount so that consumers and consumer advocates are aware of customer rights. It is EWOV's experience is that energy customers do not generally allow an amount

below the \$120<sup>1</sup> threshold to remain on their account to avoid disconnection (even though it is publicised).

**Question 2: Should the minimum disconnection amount be the same for both gas and electricity?**

EWOV supports the AER's proposal to have one minimum disconnection amount for both electricity and gas. This is consistent with current Victorian practice and will avoid confusion for customers and energy retailers. EWOV appreciates that this may impact disconnection for dual fuel accounts, as the gas account would have to be over \$300 and disconnected before the electricity account could also be disconnected. However, a single minimum disconnection amount provides a consistency across fuel types that simplifies the issue for both customers and retailers.

**Question 3: Should the AER apply the same minimum disconnection amounts to all states and territories applying the National Energy Retail Rules?**

To ensure an equal level of protection for customers of all states and territories, EWOV agrees with the AER's proposal that the minimum disconnection amount be applied nationally. The proposed amount of \$300 is not a reduction to any state or territory's current minimum disconnection amount and in the majority of instances, it is a significant increase<sup>2</sup>. Therefore there is no loss of customer protections.

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

EWOV agrees that the inclusion of the GST in the minimum disconnection amount will provide greater clarity for energy retailers and customers. Currently in Victoria the minimum disconnection amount is \$120, exclusive of GST. In the last three financial years, EWOV has investigated 11 actual disconnection complaints where the energy retailer has not complied with its obligations (under the Energy Retail Code). In these cases the energy retailer had not factored in GST and disconnected a household for an amount less than the minimum disconnection amount<sup>3</sup>. By including the GST in the disconnection amount, EWOV would expect that this scenario would not be repeated in future disconnection assessments made by energy retailers.

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<sup>1</sup> Currently in Victorian the minimum disconnection amount is \$120 excluding GST, this is published in the Energy Retail Code 14 (a).

<sup>2</sup> Currently in Tasmania and New South Wales there is no official minimum disconnection amount. In South Australia the minimum is set at \$100, in the Australian Capital Territory it is set at \$200 and in Queensland the minimum amount is already set at \$300, for electricity only.

<sup>3</sup> In the 2009-10 financial year six Wrongful Disconnection Payment (WDP) Investigations were found payable because the customer was disconnected for less than the minimum. In the 2010-11 financial year this number was three, and in the 2011-12 financial year, two have been found payable for this reason.

**Question 5: Do stakeholders consider a minimum disconnection of \$300 (GST inclusive) to be appropriate?**

EWOV supports the AER's proposed minimum disconnection amount of \$300 (GST inclusive). This amount would provide a level of protection to customers who do not have immediate capacity to pay their bills, but are willing, without causing a sudden disconnection and further hardship. The current Victorian minimum disconnection amount of \$120 (exclusive GST) has been in place since January 2009<sup>4</sup>. Given the increase cost of electricity and gas in Victoria, and the expectation of future cost increases, EWOV believes that this review and increase to the minimum disconnection amount is appropriate.

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

EWOV suggests that regular reviews occur regarding the minimum disconnection amount in line with continuing rising costs of electricity and gas. EWOV suggests a set review period of either annually or every two years.

We trust the above comments are helpful. If you require further information or have any queries, please contact Belinda Crivelli, Senior Research and Communications Officer on 03 8672 4460 or at [Belinda.Crivelli@ewov.com.au](mailto:Belinda.Crivelli@ewov.com.au).

Yours sincerely,



**Cynthia Gebert**  
**Energy and Water Ombudsman (Victoria)**

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<sup>4</sup> Previously in Section 8 of the Electricity Industry Guideline No. 4 Confidential Version and included publicly in Version 5 of the Energy Retail Code.