

20 September 2023

Mr Alex Kroon
Assistance Director
Utility Services Regulations
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

Sent via email: publicsubmissions@erawa.com.au

Dear Alex

Draft Decision – 2023 Review of the Compendium of Gas Customer Licence Obligations

Wesfarmers Kleenheat Gas Pty Ltd (**Kleenheat**) is pleased to provide comment on the consultation draft Compendium of Gas Customer Licence Obligations, proposed to replace the current Compendium (last updated in 2020), which will take effect on 1 January 2024.

The ERA proposes to align the Compendium with the recently replaced Electricity Code and seeks comment on additional matters raised by stakeholders.

Kleenheat is pleased to provide the following comments in response to the ERA's questions:

Issue 1: Aligning the Compendium with the Electricity Code

Comment sought:

- a. Do you agree with the proposed amendments to align the Compendium with the Electricity Code to provide gas customers with the same protections as electricity customers?
- b. If no, please provide detailed reasons why the Compendium should not be aligned with the Electricity Code.

Seeking alignment with the electricity code should be pursued only where the benefits of making the regulatory change outweigh the costs and regulatory intervention is necessary due to market failure.

In Western Australia, the electricity and gas residential retailers operate in fundamentally different markets. The retail residential gas customer base is contestable and smaller, household spending on gas is much lower, and the relative importance of the two energy sources varies.

Consumers use household electricity for refrigeration, cooling, lighting, communication channels, and electronic appliances. The availability of electricity can directly impact the health and safety of the consumer through life support, security, and food safety.

The importance of gas to the customer is lower, with disruptions having a lesser impact on the consumer and its cost comprising a smaller share of the consumer's household spend. The relative importance of electricity to the consumer is reflected in the Western Australian government's

prioritisation of electricity to consumers through annual electricity credits and other energy assistance payments.

The contestability of the residential gas market and the smaller residential gas customer base means that gas retailers have significantly fewer customer numbers to spread increased compliance costs.

Western Australian residential gas consumers have benefited considerably from gas contestability and competition in the market through reduced retail prices. The increase in regulation requiring sophisticated system changes, procedural changes, education, monitoring, and reporting puts at risk the ability of retailers to continue to offer low prices to consumers and ultimately risks the ongoing viability of the contestable gas market. Western Australian consumers are facing unprecedented cost of living pressures, and the ERA should be aware that the consumer will ultimately bear the additional costs to retailers of meeting regulatory obligations.

Family Violence Protections

Kleenheat strongly supports the ERA's proposal to require a retailer to develop and publish a family violence policy. Kleenheat believes all licensees have a role to play in raising awareness of family and domestic violence and helping to prevent family and domestic violence from occurring in our community.

However, Kleenheat does not support the disconnection moratorium. As detailed in the draft decision, the Electricity Code includes a moratorium to ensure that the electrical security equipment of customers affected by family violence, such as cameras, alarms, and phones, remain operational.

Kleenheat found that the pause on disconnection during the pandemic resulted in reduced customer engagement and some customers accruing significant debt.

Gas costs are much smaller than electricity, and with payment assistance available to all customers, gas retailers should be able to assist and guide an engaged customer through this challenging time.

The Hardship Utilities Grant Scheme (HUGS) is available once per household per financial year and to be eligible the customer needs to have entered into and complied with a payment arrangement for at least 90 days or be disconnected. It does not make sense to implement a provision that leads to poorer customer engagement, thereby causing the customer to be ineligible for HUGS for a year. Additionally, by imposing a moratorium on electricity and gas, a vulnerable customer could face significant accrued debt from both energy sources at the conclusion of the nine-month period.

The definition of vulnerable customer is proposed to extend to persons named on the customer account. Kleenheat allows a customer to add a secondary contact to the account, usually to help the customer with language barriers, if they are elderly, or where the customer works outside regular business hours. A person could be a secondary contact at multiple supply addresses and the secondary contact's residential address is not recorded. Kleenheat would like clarification from the ERA that the family violence protections only relate to the supply address and not the address where the secondary contact may live. The latter would create significant difficulties, particularly given the contestability of the market whereby retailers do not have visibility across all households.

Part 1 - Variations to contracts

Kleenheat maintains that a standard form customer should be able to agree to be billed outside the standard billing cycle. Allowing a customer to otherwise agree to an extended billing cycle means the customer is kept well informed. For example, if the retailer becomes aware that the actual read date will be delayed beyond 105 days, the retailer can contact the customer to advise and ask the customer if they consent to be billed outside the time frame. Given the lower cost of gas to electricity, gas customers are not impacted by bill shock to the same degree. Customers also prefer to pay for gas based on actual usage rather than estimated usage. Kleenheat is unaware of cases where customers are disadvantaged by having the ability and choice to contract out of, or otherwise agree for this clause not to apply.

Further, changes to the Compendium for the sake of alignment with the Electricity code without addressing known problems should be avoided.

Part 4 - Billing

Kleenheat supports amending the Compendium to no longer prescribe how bills are issued or a minimum billing cycle. Further, Kleenheat does not object to simplifying adjustments by treating them as overcharges or undercharges.

Part 6 - Payment difficulties and financial hardship

Assistance available to all residential customers

Kleenheat supports amending the Compendium to offer payment extensions and payment plans to all customers who request. However, Kleenheat does not support entitling customers to two payment plans and two extensions per year.

Electricity customers are billed six times per year, and the retailer must offer two payment plans and two payment extensions per year. Gas customers are billed four times per year. Offering a customer two payment plans and two extensions per year will entitle a gas customer to continuous payment arrangements.

Whilst Kleenheat does not generally deny any customer payment assistance, Kleenheat believes where a customer repeatedly defaults on payment arrangements, the retailer should not be obliged to continue to offer payment arrangements without the option to decline. Kleenheat supports entitling customers to one payment plan and one payment extension per year, allowing retailers to offer more at their discretion.

Assessments

Kleenheat supports amending the Compendium to remove the requirement for a retailer to refer a customer to a relevant consumer representative for assessment.

Outstanding debt and ongoing consumption

Kleenheat does not support the amendment to require the retailer to offer customer assistance in managing their bills for ongoing consumption. Historical consumption may not indicate future



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consumption and may lull the customer into a false sense of security to continue or increase consumption behaviour instead of encouraging a reduction in consumption. Consumption of gas is also seasonal, and this amendment will increase the complexity of systems modifications and make it harder for customers to understand how their payment arrangements are calculated.

Review and agreement to variation of instalment plan

Kleenheat does not support being unable to vary an instalment plan without a customer's consent. Whilst Kleenheat rarely varies an instalment plan without a customer's consent, removing this flexibility may be at the detriment of the customer. Changes to the Compendium for the sake of alignment with the Electricity code without addressing known problems should be avoided.

Part 7 - Disconnection

Minimum bill debt for disconnection

Kleenheat does not support the Compendium setting a minimum disconnection amount of \$300.

A usual residential customer's gas cost is between \$20 - \$50 per month. Accordingly, a gas customer may not reach the \$300 threshold for 6 to 15 months.

Kleenheat found that the pause on disconnection during the pandemic reduced customer engagement. In many cases, people in entrenched hardship were not identified early. Disconnection is a last resort; however, it can lead to proper customer engagement and customers accessing other emergency relief services besides HUGS.

The HUGS grant is available once per year up to a value of \$640. It is often the case that a customer in hardship has exhausted the HUGS grant through electricity usage before reaching eligibility for gas. Additionally, a customer may not be eligible for HUGS due to their residency status or not be in financial hardship. It is detrimental for the retailer to continue to provide credit to a customer (for more than 12 months in some cases) who ultimately cannot access the grant. The customer is left with a higher debt level than if early engagement had occurred.

If the proposal is adopted, regardless of the issues identified, Kleenheat would advocate for a threshold of \$150.

Part 10 – Information and communication

Consolidating information provision requirements

Kleenheat supports the proposal to consolidate the information provision clauses.

Providing notice of tariff variations to customers

Kleenheat supports the proposal to provide at least five business days' notice where there is a variation to non-regulated tariffs, fees, or charges.

Kleenheat does not support having to give advance notice to changes to the distributors' reference ancillary services and non-reference services. Changes in these charges are unlikely to influence the customer's decision to remain with the retailer. Accordingly, Clause 51(5) – where a retailer is not



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required to provide the information, should also include a variation of a tariff, fee, or charge that is a direct result of a change to the distributors' charges or fees.

Kleenheat would like confirmation that under clause 51(4)(c), the notice must identify the tariffs, fees, or charges that are being varied, and it is not a requirement to identify the customers' tariffs, fees, or charges that are not being varied.

Part 13 – Reporting

Kleenheat supports the proposal to remove Part 13 of the Compendium to avoid duplication with the gas licence conditions.

Issue 2: Bill smoothing

Comment sought:

- a. Do you agree with the proposal to retain the Compendiums bill smoothing provisions?
- b. If no, please provide reasons for your response.

Kleenheat agrees with the proposal to retain the Compendiums bill smoothing provisions.

Issue 3: Prepayment meters

Comment sought:

- a. Do you agree with the proposal to remove all references to prepayment meters from the Compendium?
- b. If no, please provide reasons for your response.

Kleenheat agrees with the proposal to remove all references to prepayment meters.

Issue 4: Meter reads and customer self reads

Comment sought:

- a. Do you agree with the proposal to retain existing clause 4.6(b) of the Compendium to allow a retailer to reissue a bill based on data provided by the customer?
- b. Do you agree with the proposal to align the Compendium with the Electricity Code, to allow bills to be based on energy data provided by distributors or metering agents?

For all questions, please provide reasons for your response.

Kleenheat proposes expanding clause 4.6(b) of the Compendium to allow the customer to provide a reading directly to the distributor. Currently, if a customer reads a meter (at the retailer's request), the retailer sends the read to the distributor for validation. If validated, the distributor returns the read (as an estimate read) to the retailer, who then re-issues the bill.

Advancements in customer self-read technology mean significant efficiencies and savings can be gained by the industry through customer self-reading meters and sending read data directly to the distributor.

Issue 5: Paper billing charges

Comment sought:

- a. Should the Compendium be amended to include a clause that prohibits retailers from charging a fee for a paper bill (unless a bill has been previously provided)?
- b. If yes, should the prohibition be applicable only to standard form contracts or both standard and non-standard form contracts?
- c. If a prohibition should be introduced, should it be applicable only to a subset of customers, such as vulnerable customers and those on concessions?
- d. For retailers, what is the impact and cost of these options?

For all questions, please provide reasons for your response

Kleenheat does not support including a clause prohibiting charging a paper bill fee. The price of gas (including discounts) to customers is based on several factors, including the cost to serve, with paper billing contributing to this cost. Removing a retailer's ability to charge for paper billing may affect the price at which the retailer can sell gas, affecting all customers. Additionally, paper bill fees incentivise customers to help reduce paper waste and minimise environmental impacts. Many customers would still be receiving paper bills without this incentive.

If a prohibition is adopted, Kleenheat believes it should only apply to the subset of customers who cannot access electronic services.

Issue 6: Providing the basis of an estimate within a timeframe

Comment sought:

- a. Should the Compendium be amended to provide that, on request, a retailer must provide the reason and basis for an estimate within a timeframe?
- b. If so, how long should a retailer have to provide the customer with this information? For all questions, please provide reasons for your response.

Kleenheat does not support amending the Compendium unnecessarily and cannot envisage a situation where a retailer would not provide this information to the customer as soon as requested. Additional obligations give rise to additional compliance costs which are ultimately borne by the customer.



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Issue 7: Increase minimum time for shortened billing cycle

Comment sought:

- a. Should the Compendium be amended to increase the minimum shortened billing cycle from 10 days?
- b. If yes, what should the minimum number days be?

Kleenheat does not place customers on a shortened billing cycle and cannot comment on this issue.

Issue 8: Reducing the maximum billing interval time

Comment sought:

- a. Do you agree with the proposal to retain the maximum billing interval at 105 days?
- b. If no, please provide reasons for your response

Kleenheat agrees with the proposal to retain the maximum billing interval of 105 days.

Kleenheat sees merit in more frequent billing cycles; however, unless the distributor can provide energy data more frequently, the stakeholders' suggestions will not work. Applying customer self-read technology may be an option in this space and, if adopted widely, could promote more frequent billing. Smart metering would also allow for more frequent billing.

Kleenheat proposal: Commencement date

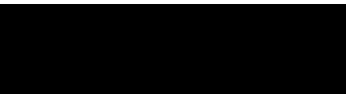
The ERA published its draft decision on the Compendium review on 23 August 2023 proposing a staged commencement of 1 January 2024 and 1 April 2024.

Kleenheat proposes a commencement date for the new Compendium of 1 July 2024.

Kleenheat welcomes the delayed implementation of the family violence protections to 1 April 2024, however does not believe this is adequate to deliver the substantive modifications to our internal processes and systems required to comply with all the amendments. Effective system and process development takes time to design, test, deploy, and retrain staff. Kleenheat seeks a commencement date for the new Compendium of at least six months after the ERA publishes the final decision.

Should you wish to discuss any points raised in this submission please contact Deanna Power at dpower@kleenheat.com.au

Yours sincerely



Rick Newnham
Kleenheat Commercial Manager