



Western Australian
Council of Social Service Inc

*Ways to make
a difference*

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13 June 2007

Dear Mr. Kelly,

RE: ORIGIN ENERGY GAS STANDARD FORM CONTRACT

Please find the West Australian Council for Social Service's (WACOSS) attached submission regarding the proposed Origin Energy Gas Standard Form Contract. Standard form contracts have the potential to be important mechanisms for consumer protection as they provide a direct interface between the essential service provider and consumers.

WACOSS welcomes the opportunity to comment on the proposed contract and hopes that our submission contributes towards the contract being an accessible, fair document, providing information, protections and certainty for consumers and the provider alike.

If you have any questions regarding WACOSS's submission, please do not hesitate to contact Mr. Aden Barker, Senior Policy Officer at the WACOSS Consumer Utilities Project on 9420 7222.

Yours Sincerely,

Lisa Baker
Executive Director

Ways to make a difference

[Social Policy & Advocacy] [Organisation Development Services] [Member Services]

***Public Consultation on Origin
Energy Retail Ltd.
Standard Form Contract***



wacoss

Western Australian
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***Response by the Western Australian Council of
Social Service to the Economic Regulation
Authority***

June 2007

Contact for further information
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INTRODUCTION

The Western Australian Council of Social Service Incorporated (WACOSS) is the peak body of the community service 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 298 members, WACOSS has strong relationships with the social 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 members of the community experiencing disadvantage.

WACOSS is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to energy and water market reform in Western Australia. WACOSS has developed a strong network with utility policy workers across Australia, 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 Utilities Project works with consumers and representative organisations to achieve better outcomes in the provision of essential services.

WACOSS has direct access to the issues of consumers facing disadvantage or who are living on low incomes through our Consumer Reference Group, which includes representatives from the Emergency Relief sector, Unions, Financial Counselors 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. We have taken on this role 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 issues.

EXECUTIVE SUMMARY

WACOSS's response to Origin Energy's proposed Standard Form Contract is located within the context of our concerns for essential service provision and regulation in Western Australia. All Western Australians should have access to safe, reliable, affordable essential services, regardless of their capacity to pay.

Our submission focuses on the rights and obligations of both the retailer and customers within the context of the Standard Form Contract. In our response we present principles for consumer protection, which should underpin the Contract. These principles address gas provision's special status as an essential service and the accompanying market characteristics of potential consumer vulnerability, the need for effective regulation and appropriate consumer protection frameworks.

The submission is divided in two parts. The first part of the submission deals with specific parts of the proposed contract as they relate to sections of the *Energy Coordination (Customer Contracts) Regulations 2004* and is organised by section of the *Regulation*. The second part of the submission focuses on other aspects within the proposed contract that present as a concern for us regarding issues of equity and fairness.

WACOSS recognises that customer contracts are a vital mechanism for the protection of essential service consumers in an increasingly deregulated market. Standard Form Contracts have the capacity to provide a direct interface between the retailer and customer – setting-out the rights and obligations of each. These contracts are also intended to be the mechanism for the delivery of certain consumer protections, outlined in the relevant regulation.

Because of the role of Standard Form Contracts in delivering consumer protection, it is important that they provide adequate, easily accessible information to customers, ensuring that they are made aware of their rights in addition to their obligations. Details of how to access information additional to that contained within the contract should also be easily accessible with relevant regulation referred to directly within the body of the contract.

In order to achieve accessibility, contracts must be presented in a format that can be easily read and interpreted by a wide range of consumers. This is especially important in guaranteeing access to important consumer information for customer's experiencing barriers to effective market participation such as lower educational attainment, disability and language and cultural barriers.

WACOSS believes that, on balance, the language of the proposed contract focuses too heavily on customer obligations, not providing information adequate to the task of supporting consumers in their dealings with the provider. WACOSS also asserts that a copy of the customer contract as well as a copy of the

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provider's Customer Charter and tariff rates should be provided to any customer prior to commencement of service. Many consumers are not aware of the existence of such documents and therefore are unlikely to request them otherwise.

The WACOSS submission gives consideration to the proposed Standard Form Contract in respect to its consistency with the *Energy Coordination (Customer Contracts) Regulations 2004* (referred to hereafter as the *Regulations*) and the *Australian Gas Association Natural Gas Customer Service Code (AG 755-1998)* (referred to hereafter as the *Code*) which the *Regulations* refer to extensively.

Absence of comment on any section of the proposed Standard Form Contract should not be interpreted as support for, or opposition to the proposed clauses submitted to the Economic Regulation Authority.

REGULATORY CONSIDERATIONS

The comments below refer to aspects of the proposed Customer Contract, within the context of specific sections of the *Energy Coordination (Customer Contracts) Regulations 2004*.

Clause Number	Issue & Relevant Clause	Comments and Recommendations
<p><i>Energy Coordination (Customer Contracts) Regulations 2004 (EC(CC)R)</i></p> <p>§ 5.1</p>	<p>“A Customer Contract must be in a format that is easy to read”</p>	<p>WACOSS asserts that the proposed contract does not meet the test of being easy to read. Subject headings within the document are relatively infrequent and there is no subject index at the beginning of the contract to facilitate the location of relevant information.</p> <p>Information important to consumers is spread throughout the document in a non-intuitive manner meaning that the consumer may have to read the entire document through in order to locate the required information. Information regarding billing process provides an example of this, being spread across several sections and addressed on pages 3-4, 6, 8, 11, 13 and 19. Additionally, information pertaining to the definition of the Contract is contained on pages 1 and 17-19.</p> <p>Greater ease of access for consumers would be facilitated by information grouped under clear headings such as Connections and Disconnections, Billing & Tariffs and General Contract Information. Greater use of sub-headings may also assist consumers in navigating the document.</p> <p>Reference to a right to interpretation assistance, or the availability of the contract in languages other than English should also be supplied at the beginning of the contract.</p>
<p>EC(CC)R</p> <p>§ 5.2</p>	<p>“A customer contract must be expressed in clear, simple and concise language”</p>	<p>The proposed Customer Contract, in its current form, fails to express itself in clear, simple and concise language. There are many examples of this throughout the document including the use of terms such as <i>Force Majeure Event</i>, which</p>

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<p>EC(CC)R § 5.2 (cont.)</p>		<p>require the average consumer to refer to the attached glossary in order to make sense of the contract. The contract contains significant amounts of duplication, partly due to the inclusion of terms relevant for business users of the service. WACOSS recommends that having separate contracts for residential and business customers would not only reduce the length of the contract, but also improve the document's accessibility.</p>
<p>EC(CC)R § 7</p>	<p>Supplier Details</p>	<p>Section 7 of the regulations refer to the provider's need to provide comprehensive contact information for consumers within the body of the contract. Whilst this information is included, it is not provided until the end of the contract. WACOSS recommends that this information be brought forward to the beginning of the contract to better facilitate customer awareness.</p>
<p>EC(CC)R § 9</p>	<p>"The contract should explain the respective functions of the retail supplier and the gas distribution operator in relation to supply."</p>	<p>In its current form, the proposed contract does not do this. Further definition around this topic may actually have the effect of directing consumer complaint away from the provider as is appropriate, assisting customers in having their complaints dealt with by the appropriate body.</p>
<p>EC(CC)R § 10</p>	<p>"A customer contract must specify any code, standard or similar document that — (a) the retail supplier has agreed to comply with; and (b) is relevant to matters dealt with in the contract."</p>	<p>Specific sections within the <i>Regulations</i> are only referred to intermittently and infrequently within the body of the contract. Additionally, sections of the contract governed by the <i>Code</i> are referred to poorly, requiring customers to refer to the glossary to ascertain which code the provider is referring to.</p> <p>WACOSS recommends that in cases where there is reference to regulation or customer obligation, that the full name of the relevant regulation be stated in the first instance, with an abbreviated name being used thereafter. Additionally, the relevant section of the regulation should be cited in cases where the contract refers to specific regulation. Appropriate referencing of regulation will assist consumers and the provider by facilitating their access to the relevant regulation and by providing additional weight to the obligations of both customers and providers contained within the contract.</p>

<p>EC (CC)R § 12</p>	<p>Section 12 of the Regulations deals with the issue of disconnections and reconnections. Part f) of this section refers to the requirement of the contract to specify “any charges payable by the customer in respect of disconnection or reconnection“.</p>	<p>While referring to the application of additional charges in the case of disconnection and reconnection, the contract does not specify what these charges actually are.</p> <p>WACOSS recommends that the cost of disconnection and reconnection to the customer be contained within the relevant section of the proposed contract. This will both provide clarity for consumers around the issue of disconnection. The disconnection of essential services can lead to the experience of significant detriment by consumers. The psychological stress experienced as a result of disconnection will only be exacerbated by the absence of relevant information regarding the consumer’s financial situation with the provider.</p>
<p>EC(CC)R § 14 (1)</p>	<p>“A customer contract must describe the fees and charges payable by the customer under the contract and the circumstances in which those fees and charges are payable.”</p>	<p>While the contract clearly states the different components of service that a customer may be charged for, no direct reference is made to the level of the tariffs.</p> <p>Tariff-related information is particularly important in the case of page 5 of the proposed contract where it is stated that the provider reserves the right to increase the supply charge in cases where the “consumption of Gas in any period of 12 consecutive months was less than 10 Gj”. Whilst stating that the supply charge may be increased, there is no indication as to by how much. This information may prove crucial in the decision-making of consumers considering accepting the retailer’s offer.</p> <p>Additional clarity is required within the proposed Customer Contract around the frequency of meter reading with respect to how tariffs will be applied above or below this consumption threshold. Information should be supplied regarding the frequency of meter readings for the purpose of checking consumption and applying the appropriate tariff. Information should also be provided as to the customer’s ability to request a tariff review.</p>

<p>EC(CC)R</p> <p>§ 14 (1) (cont.)</p>		<p>The proposed Contract refers to section 9.2.4 of the <i>Code</i> in regards to the frequency of metering. WACOS suggests accidental error as that there is no §9.2.4 located within the <i>Code</i>. The <i>Code</i> only extends to §5.2.2.4.</p> <p>WACOSS has concerns as to what may happen in cases where a customer ends the contract when it has run for less than a year. Will average consumption be calculated as if the contract had continued to run or will the customer be required to pay the additional tariff for consumption under 10Gj (if that situation applies).</p> <p>WACOSS recommends that gas tariffs be clearly stated to consumers either within the body of the contract or as an attachment which accompanies the contract (and which the contract refers to). The provision of information regarding price is vital in facilitating consumer choice in a competitive essential service market.</p>
<p>EC(CC)R</p> <p>§ 21</p>	<p>Section 21 of the <i>Regulations</i> refers to information that Customer Contracts are required to contain in regards to dispute resolution. This section of the regulations refers to section 2.5.1 and 2.5.2 of the <i>Code</i>. Under section 2.5.1 of the <i>Code</i>, the retailer is required to provide information to assist consumer's in the dispute resolution process.</p>	<p>Detailed information regarding the retailer's complaints handling processes are only available after page 20 of the proposed contract. Additionally, no phone number is provided in regards to the complaints process, until page 21 of the proposed contract.</p> <p>WACOSS asserts that the access to free, fair services for complaints resolution is a key principle that should guide the operation of essential service markets and the provision of market information. WACOSS recommends that the proposed contract place information regarding the retailer's complaints-handling processes closer to the front of the document, where they may be more readily accessed by customers.</p>

CONSUMER CONSIDERATIONS

Page Number	Issue and Relevant Clause	Comments and Recommendations
1	Contract Commencement	The contract should state clearly as to whether customers are required to sign the contract schedule referred to in this section. Additionally, information contained within the relevant schedule or contract section should state the identity of all parties to the contract, including the provider and the customer/account holder.
3	<p>Refundable Advances</p> <p>“Depending on your creditworthiness we may require you to provide us with Security in the form of a Refundable Advance against your future Gas bills before we connect your Supply Address or continue to supply Gas to your Supply Address. We may require the Security as either or both:</p> <ul style="list-style-type: none"> • a Payment Deduction Authority for us to deduct payment for bills from your nominated bank account; or • a Refundable Advance. “ 	<p>WACOSS is concerned about the inclusion of Refundable Advances in the proposed Standard Form Contract. There is a significant risk that requesting Refundable Advances may actively and arbitrarily discriminate against certain groups of customers. These groups include those whom have experienced previous payment difficulty and people whom have not yet established a credit record in regards to gas. Young people, single parents and people from culturally and linguistically diverse (CALD) backgrounds are over represented in this group¹. WACOSS recommends that such advances only be paid at the request of the customer, not the retailer.</p> <p>WACOSS recommends in the interest of social equity and non-discrimination that Origin, if deciding to pursue Refundable Advances, provide clearer definition around who will be requested to provide them, under what circumstances and as to whether there may be some exemptions under this policy. WACOSS recommends that customers appropriate for exemption from a request for a Refundable Advance may be those experiencing financial hardship or other types of social disadvantage.</p>

¹ Public Interest Advocacy Centre, ‘Cut Off: The Impact of Utility Disconnections’, February 2005, p. 12

Page Number	Issue and Relevant Clause	Comments and Recommendations
4 & 21	Refundable Advance & Glossary	<p>Whilst parts of the proposed contract refer to the possibility of a billing cycle shorter than three months, it is not explicitly stated within the proposed contract that customers may have access to a shortened billing cycle to assist them in making regular payments. WACOSS recommends that the contract explicitly state that customers have the right to request a shorter billing cycle and that the retailer may not require customers to go onto a shorter billing cycle as a result of non-payment.</p> <p>WACOSS believes that shorter billing cycles have the capacity to assist consumers in budgeting for services, however, consumers that have a history of payment difficulty should not be forced onto a shorter billing cycle as this has the potential to cause additional difficulties, for instance, the increased likelihood of late payment charges.</p>
8	<p>In the event of payment difficulties: Origin Will Provide you with:</p> <ul style="list-style-type: none"> • “the option of paying your bill in accordance with an Installment Plan; • the option of having us redirect your bill to a third person for payment by that third person; • information about Government assistance programs; and • information about financial counselling services.” 	<p>WACOSS supports the statement by the retailer within the proposed contract that it will provide the customer with appropriate options that will assist in the payment of outstanding monies, facilitating continued connection. WACOSS recommends, however, that there be further definition within the contract as to what constitutes a repayment plan and examples of such plans.</p> <p>Additionally, further information should be supplied regarding the availability of government assistance programs. This information should contain program details, eligibility criteria as well as contact details outside of the retailer.</p>
9	<p>Overcharging: “In the event that the overcharged amount relates to a Meter error... the Correcting Refund will only relate to errors for (at a maximum) the 12 months prior to your most recent bill”.</p>	<p>WACOSS recommends that in the interest of fairness, the contract should not limit the Correcting Refund to errors 12 months prior to the most recent bill, but should be for any overcharged amount from any period.</p>

Page Number	Issue and Relevant Clause	Comments and Recommendations
16	Disconnection Payments: “The fees payable by you for the disconnection of your Gas supply may include fees for removing or physically disconnecting the Meter”	The charging of additional fees in addition to the overdue amount has the potential to worsen an individual or family’s financial situation at a time when they are already extremely vulnerable. WACOSS believes that the charging of disconnection and reconnection fees places an additional barrier to the reconnection of an essential service and should not be charged.
20	Information Available To You	While complying with the requirements of the Regulations, the contract does not provide any useful information to consumers regarding the availability of concessions, rebates and grants. WACOSS recommends that this information should either be contained within a tariff schedule supplied to customers along with the contract or else within the body of the contract.

