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Ms Caroline Coutts-Kleijer
Senior Project Officer (Customer Protection)
Level 4, Albert Facey House
469 Wellington Street
PERTH WA 6000

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

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

Ms Caroline Coutts-Kleijer

RE: Comment on Alinta Sales Pty Ltd's (t/a Alinta Energy) proposed replacement standard form contract for the supply of gas to small use customers.

The Western Australian Council of Social Service (the Council) would like to thank the Economic Regulatory Authority (the Authority) for the opportunity to comment on Alinta's proposed replacement standard form contract for the supply of gas to small use customer.

The Council has made a number of recommendations in relation to the proposed contract terms listed in the standard form contract. They relate specifically to the following:

- Concern around Alinta having the final say on who is a residential customer
- Safeguards for debt collection fees
- Interest rate charges
- Notification to customers the right to refer a complaint to the Energy Ombudsman
- Being more specific about the documentation required for new gas connections
- The legitimacy of clause 15.3 and 20.8, concerning the refundable advance
- Mentioning that disconnection cannot occur when the reason for disconnection is in dispute
- Concern around the term 'turned off' in clause 22
- Unfair to expect former tenants or property owners to provide safe and unrestricted access to a former supply address
- Clearer language for customers in clause 29

Please note that no part of this submission is confidential. Should you have any queries in relation to this or any other matter, please do not hesitate to contact Chris Twomey, Director of Social Policy on (08) 9420 7222 or chris@wacoss.org.au.

Yours Sincerely

Irina Cattalini
Chief Executive Officer
WACOSS

Concern around Alinta having the final say on who is a residential customer

The Council believes that clause 3.3 is misleading. The Council has concerns around the language used and in particular the sentence that states *"We can decide whether you qualify to pay the residential price."* The Council believes that Alinta should not have the final say over who is deemed to be residential customer, but rather if a dwelling meets the requirements needed to be deemed a residential customer then the customer should qualify to pay the residential price.

Safeguards for debt collection fees

Clause 7.3 states that "If you still haven't paid your bill in full after two [2] overdue notices, we can refer your debt to a debt collection agency. If we do, you must pay the agency's fees and any reasonable legal costs incurred in recovering your debt."

The Council is opposed in principle to the use of debt collection agencies, and notes that the *Gas Marketing Code of Conduct* is silent on this issue. We are particularly concerned by the manner in which the use of debt collectors can adversely impact on households experiencing financial hardship, leading to an escalation of debt and of financial stress that may run counter to and undermine the intent of the utilities financial hardship policy.

In general third party debt collector's act as either:

- mercantile agents—where a business is acting as agent for the original creditor, collecting the debt on their behalf (contingent debts)
- debt purchasers—where a business purchases the right to collect the debt at a discount from the face value of the outstanding debt.[1]

The Council is concerned that Alinta could enter into debt purchaser arrangement with a debt collection agency that offers the lowest discount from the face value of the debt, as this may be the best commercial arrangement. Such an arrangement will be detrimental for the consumer. For this reason, the Council recommends that provisions are made to include safeguards that ensure that customer's whom default on bills are only liable for reasonable debt collection fees.

Interest rate charges

The Council holds concerns pertaining to clause 7.5 which states:

> *"The interest rate you pay on amounts you haven't paid us will be the standard interest rate we publish for customers paying the standard price you pay. We can change the standard interest rates from time to time, and when we do we will publish the change [see clause 3231.2 about how we publish things].*
>
> *[The interest rate will be three [3] percentage points above the quoted rate for a one [1] month bank bill quoted by one of the Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited or National Australia Bank Limited.]"*

The Council is concerned that the interest rate charged cannot be located on Alinta's website[2], and should be noted under the fee's section. As it stands, Alinta may currently be in breach of its contract, as the term listed above is unchanged from the current contract and in the above clause Alinta states that they publish this figure. Although it is possible that this information may currently be published elsewhere, the Council could not find it on the Alinta website. We maintain that for reasons of transparency and best practice, it is imperative that the interest rate should be easily accessible.

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[1] ACCC Debt collection practices in Australia - Summary of stakeholder consultation, May 2009

[2] The Council searched on Alinta website using the search function with the term "interest" and "late fee" and could not locate the interest rate charged on late payments.

Moreover, allowing Alinta to pick their bank bill rate from a range of banks means that they may choose a rate that bests suits their business needs, as opposed to the actual cost of credit to the organisation.

Additionally, clause 15.3 Security, states that, "*The refundable advance will be kept in a separate account and separately identified in our accounting records. Interest will accrue on the refundable advance at the bank bill rate [as defined in the relevant regulations]. Interest will accrue daily and will be capitalised every 90 days"*

The Council believes that it would be unethical for Alinta to profit from either the refundable security advance or the 'interest rate you pay on amounts you haven't paid us' commonly known as "late fee". Having a discrepancy (the noted plus 3%, in addition to being allowed to choose between different bank institutions) between these two amounts could lead to Alinta profiting from such charges. This may occur via the application of high late fees, or from a security deposit 'refundable advance' where Alinta earns more in interest than it is giving back to the customer whom provides the refundable advance.

Notification to customers of the right to refer a complaint to the Energy Ombudsman
Clause 12 of the proposed standard form contract states, *"If you are not satisfied with our handling of your complaint, you may refer the complaint to the gas industry ombudsman".* The Council holds concern that despite this, section 12.1 of the Gas Compendium states.

> "(3) For the purposes of subclause (2)(b)(ii)(B), a ***retailer*** or ***distributor*** must at least –
>
> (a) when responding to a ***customer complaint***, advise the ***customer*** that the ***customer*** has the right to have the ***complaint*** considered by a senior employee within the ***retailer*** or ***distributor*** (in accordance with its ***complaints*** handling process); and
>
> (b) when a ***complaint*** has not been resolved internally in a manner acceptable to the ***customer***, advise the ***customer*** –
>
> (i) of the reasons for the outcome (on request, the ***retailer*** or ***distributor*** must supply such reasons in writing); and
>
> (ii) that the ***customer*** has the right to raise the ***complaint*** with the ***gas ombudsman*** or another relevant external dispute resolution body and provide the Freecall ***telephone*** number of the ***gas"***

There is an obligation under section under 12.1(3)(b)(ii) of the gas compendium to actively inform the customer of their right to refer the compliant to the Ombudsman. As such the Council recommends that the wording in the standard form contract be changed to reflect that requirement.

The Council notes that technically the Gas Ombudsman is also the Energy Ombudsman - for clarity changing the wording to refer to the Energy Ombudsman would bring the contract terminology in line with the common usage and avoid unnecessary confusion. This would also be consistent with the change of name and branding to '*Alinta Energy'.*

Being more specific about the documentation required for new gas connections
The Council maintains that Clause 15.1, where Alinta does not have to supply gas to a new connection unless the customer supplies any documentation[3] is rather ambiguous and could be used

[3] Clause 15.1 (d) [vii] you have arranged for us to be provided with any notices and other information that we have requested.

to delay new gas connections if Alinta so decides. The Council recommends that this be rephrased to clearly indicate that only reasonable and related documentation can be requested.

The legitimacy of clause 15.3 and 20.8, concerning the refundable advance

The Council holds concerns around the need for such an arrangement given that first time renters who do don't have a credit history and/or have never held an Alinta account could be adversely affected by this clause - particularly when moving into their first home and need to establish funds for bond, furniture and other such associated expenses. Moreover, there is no mention of this requirement in the Compendium or other legislation reviewed by the Council is preparation for this this submission.

The Council holds reservations around the application of such practises under the Compendium and would like this clause and clause 20.8 (Refundable advance) to be reviewed by the ERA to ensure that they comply with the compendium and legislation.

Mentioning that disconnection cannot occur when the reason for disconnection is in dispute

Clause 20.1 Unpaid bills outlines when Alinta has the capacity to turn off a supply address gas, or arrange for the network operator to do so if bills are unpaid. The Council is concerned that there remains no mention that this cannot occur if the reason for disconnection is currently being disputed by the Energy Ombudsman office. The Council recommends that this be noted under this clause, in addition to clause 21.

Concern around the term 'turned off' in clause 22

Clause 22 stipulates, that

> "Whenever *your* gas is turned off under the *contract*, *we* can remove the *meter* or physically disconnect the *meter* [or arrange for the *network operator* to do this], at the same time *your* gas is turned off, or at a later time.
> The *fees* for turning off *your* gas and turning *your* gas back on can include separate *fees* for:
>
> [a] removing or physically disconnecting the *meter*; and
>
> [b] replacing or physically reconnecting the *meter*."

Throughout the contract a customer can have their gas 'turned off' under the following clauses:

- Unpaid bills, clause 20.1
- Not allowing access to the meter, clause 20.2
- Emergencies, clause 20.3
- Health or safety reasons, clause 20.4
- Legal requirement, clause 20.5
- Planned maintenance, clause 20.6
- Unauthorised use of gas, clause 20.7
- Refundable advance, 20.8

Clauses 20.3, 20.4, and 20.5 can be utilised without the need for Alinta to undertake the requirements of clause 21 (rightly so). However, with the current wording, if a supply address has its gas 'turned off' for any reason, Alinta has the right to remove or physically disconnect the meter given that the contract states "at the same time your gas is turned off, or at a later time" and then they can charge the customer a fee for doing so.

The Council recommends that clause 22 be amend to ensure that customers who have their gas 'turned off' under clauses 20.3, 20.4, and 20.5 cannot then have their meter unnecessarily removed or physically disconnected and be charged accordingly.

Unfair to expect former tenants or property owners to provide safe and unrestricted access to a former supply address

Clause 24.4 "What happens when the contract ends" states that Alinta can "arrange for the network operator to remove any network equipment at any time after the contract ends, and you must let the network operator have safe and unrestricted access to the supply address to enable it to do so." This clause does not take into account that people move away from a premises when they discontinue to rent or sale the property. Once this occurs access to the property is beyond the control of the former customer. As such the Council maintains that it is unreasonable to hold former customer's to account "…for the safe and unrestricted access to… [their former] supply address…"

Clearer language for customers in clause 29

Clause 29 Protection for us [Exclusion clause]. The Council recommends that this is stipulated in a more concise and clear manner in order to avoid any confusion for new customers and so it clearly outlines that this clause is only applicable to the extent permitted by law.