

**Submission From
The Salvation Army Western Australia Division**



**Review of the
Code of Conduct for the Supply of Electricity to
Small Use Customers**

**Electricity Code Consultative Committee
(ECCC)**

Submitted to:

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Introduction:

The Salvation Army has provided social and community services to the Australian community for more than 130 years. In particular, The Salvation Army has supported marginalised, disadvantaged people through a range of practical service options and programs.

The Salvation Army in Western Australia operates over 63 Centres that provide community support services through networks of Salvation Army Churches and Community Centres. Each day The Salvation Army extends practical advocacy and emergency relief support, through its Community Support Services, to large numbers of people.

The Community Support Services response includes:

- Emergency relief;
- Financial Counselling;
- Crisis accommodation and support referrals;
- Outreach support;
- Referrals to generalist, gambling, drug and alcohol, children's services, and other specialist counselling services;
- Family violence interventions including outreach and refuge responses;
- A whole suite of early intervention and post-vention programs.

These programs range the full gamut of highly targeted and specific intensive families, young people, single men and women and vulnerable older people.

The Salvation Army welcomes the opportunity to comment on proposed changes to the Electricity Code, through the Electricity Code Consultative Committee (ECCC) Draft Review Report 2009, knowing such a Code will further assist in the protection of already disadvantaged people accessing and utilising electricity services.

This submission covers some of the key elements of an effective system, taking a client centred approach towards better outcomes for already disadvantaged people.

Acronyms used:

Electricity Code Consultative Committee (ECCC)
National Energy Customer Framework (NECF)
Economic Regulation Authority (ERA)
Energy and Water Ombudsman Victoria (EWOV)

Outline of the Structure of this Submission:

The submission will comment on specific areas of the Code that The Salvation Army considers need to be amended and conclude with a recommendation for each area of change. Recommended amendments are printed in bold italic type throughout the document.

Recommendation 1:

Part 4 Billing: Division 2: Contents of a Bill

Customers need to have clarity on their accounts. If debt is being pursued by a retailer from the past, customers need to know where the debt has come from, and it needs to be kept separate to any current billing.

The Salvation Army believes, that customers should not continue to be penalised for a period of financial hardship if they are keeping up payments on current consumption charges. Past financial difficulties should not contribute to a situation which could potentially spiral customers into further debt.

With the differentiation between historical debt and current consumption, customers are given the opportunity to budget for payments that will have them meet their current consumption charges as well as continue to make payments on their existing historical debt.

This approach would be most beneficial preventing customer disconnections, since it would allow customers to prioritise the payment of current consumption and give them the ability to see a reduction in their existing historical debt, through regular ongoing payments.

It is imperative that the issue of historical debt be addressed and The Salvation Army does support the original recommendation put forward by the ECCC, in the Final Review Report, May 2007.

Amend clause 4.4 (3) (now clause 4.5 (3), by adding the following words to the end of the clause:

‘And in relation to a bill which includes a historical debt (or part thereof) in the amount billed, the bill must separately identify the basis of the current and historic debts, including the addressor addresses at which the electricity was consumed and date/s of consumption’.

Recommendation 2:

Part 5: Payment Clause 5.6.1 & 2

Customers facing financial hardship need to have late fees waived. The National Energy Customer Framework (NECF), provides for consumers defined as hardship customers, to be exempt from late fees. It has been evident across community services that there can be a lack of application with these exemptions.

A way to ensure this occurs would be to have a customer defined as a 'hardship customer' under the Code, and have their fees waived. This will ensure alignment of the Code with the NECF.

Waiving of already Levied Fees:

In Victoria late payment fees are waived (Section 40C of the Electricity Industry Act 2000 (Vic). Only customers not deemed to be small retail customers are liable to pay a late payment fee. This could also occur in Western Australia.

The levying of late fees, before an agreed payment plan is set in place, currently remains on a customer's bill. This can be:

- Before the customer receives a concession, or
- Before the customer makes a complaint to the retailer or Ombudsman.

For those people experiencing financial hardship, late fees can have an adverse impact on the situation by compounding existing debt a consumer is already having difficulty in paying. The cancellation of fees would go a long way in encouraging a customer to move forward to resolve their issues and maintain current payments.

The Salvation Army considers that change to the Code could be as follows:

Amend Clause 5.6.1 and 5.6.2 by adding 'd' to Late Payments along with a further replacement of (2):

.....(c) *the residential customer has made a complaint directly related to the non-payment of the bill to the retailer or to the electricity ombudsman and the complaint remains unresolved or is upheld. It the complaint is resolved in favour of the retailer, any late payment fee shall only be calculated from the date of the electricity ombudsman's decision; or*

(d) if the customer is a 'hardship customer'.

(2) If the customer is charged a late fee before A,B,C or D occur, the retailer must waive the fees already charged for the bill in question.

Recommendation 3:

Part 6: Payment Difficulties and Financial Hardship

Division 1: Assessment of Financial Situation:

It is stated in the ECCC Review, that Queensland, South Australia and Victoria all place an obligation on the retailer to provide assistance to consumers who they believe are experiencing payment difficulties.

It is in the best interest of electricity retailers to identify customers experiencing problems with paying their bills as soon as possible. This will prevent debt increasing further. It needs to allow for a referral to a relevant program that is most suitable for the situation presenting, be it 'bill smoothing' or payment through instalments.

This does not excuse the consumer or consumer representative from being proactive in contacting the retailer, but rather it recognises that in some instances the retailer may be aware of a possible financial situation prior to contact being made by the customer who is seeking assistance.

A straightforward change to the Code would be sufficient, based on the proposed NECF.

Amend 6.1 Assessment:

(1) If a residential customer informs a retailer that the residential customer is experiencing payment problems, or if it becomes apparent to the retailer that the customer is experiencing payment difficulties, the retailer must (subject to clause 6.2) within 3 business days, assess whether the residential customer is experiencing payment difficulties or financial hardship.

Recommendation 4:

Part 6: Payment Difficulties and Financial Hardship

Division 1: Assessment of Financial Situation

6.2 (2) The 10 days temporary suspension of actions does not state 10 ‘working’ days. The suggested amendment is:

Amend 6.2 Temporary Suspension of Actions

*(2) A temporary suspension of actions must be for at least 10 **working** days.*

Recommendation 5:

Part 6: Payment Difficulties and Financial Hardship

6.2 Temporary Suspension of Actions

6.3 Subdivision 2: Hardship Policy

With no reference to the Economic Regulation Authority’s (ERA) role in providing guidelines that utilities should follow when formulating their hardship policy, there is no oversight once the policy is reviewed, to ensure that utilities are meeting the guidelines set by the ERA.

The guidelines allow continuity across the utilities and also provide a way to introduce change to the ‘hardship policy’, without needing to change the Code.

The guidelines need to be enforceable to be effective.

Amend 6.10 Obligation to Develop Hardship Policy

*(1) A retailer must develop a hardship policy to assist customers in meeting their financial obligations and responsibilities to the retailer. **This policy must be reviewed on an annual basis to the satisfaction of the ERA.***

Recommendation 6:
**Division 2: Residential Customers Experiencing
Payment Difficulties or Financial Hardship**
6.4 Alternative payment Arrangements:

Averaged out regular payments over a period of time, to prevent large payments through increased use of heating or cooling, during summer and winter in the form of 'Bill Smoothing' is extremely helpful for low-income consumers.

In the Code, there is reference to the option of Bill Smoothing under Part 4 Billing, Division 1: Billing Cycles, Clause 4.3.

Bill Smoothing should be offered, since it can assist consumers to routinely budget regular payments, preventing price hikes at peak usage times, i.e. heating in winter and cooling in summer.

Amend 6.5 Alternative Payment Arrangements

- (1) *A retailer must offer a residential customer who is experiencing payment difficulties or financial hardship at least the following payment arrangements:*
- (a) *additional time to pay a bill; and*
 - (b) *an interest-free instalment plan or other arrangement under which the residential customer is given additional time to pay a bill, or to pay arrears (including any disconnection and reconnection charges) and is permitted to continue consumption; and*
 - (c) ***bill smoothing.***

Recommendation 7:
Part 7: Disconnection
Division 1: Conduct In Relation to Disconnection:
Subdivision 1: Disconnection for Failure to Pay Bill:

This segment does not state grounds for disconnection. It could be more specific and it is suggested a 'Reminder Notice' stating why the disconnection occurred, should be issued.

Amend 7.1 General Requirements

- (1) *Prior to arranging for disconnection of the customer's supply address for failure to pay a bill, a retailer must:*
- (a) *Give the customer a reminder notice, not less than 13 business days from the date of dispatch of the bill, including:*
 - (i) ***the grounds authorising the disconnection;***
 - (ii) *the retailer's telephone number for billing and payment enquiries; and*
 - (iii) *advice on how the retailer may assist in the event the customer is experiencing payment difficulties or financial hardship.*

- (b) *Use its best endeavours to contact the customer; including telephone, email, post and face-to face;*
- (c) *Give the customer a disconnection warning, not less than 18 business days from the date of dispatch of the bill, advising the customer:*
 - (i) ***the grounds authorising the disconnection;***
 - (ii) *that the retailer may disconnect the customer on a day no sooner than 5 business days after the date of receipt of the disconnection warning; and*
 - (iii) *of the existence and operation of complaint handling processes including the existence and operation of the electricity ombudsman and the Free call telephone number of the electricity ombudsman.*

Recommendation:

Part 14: Service Standard Payments

Division 1: Obligations Particular to Retailers:

In line with Victorian regulation, The Salvation Army supports an increase in the wrongful disconnection payment to \$250.00 per day. This would reduce the number of wrongful disconnections, the rationale being a disincentive for retailers. The Energy and Water Ombudsman Victoria (EWOV) reported a substantial drop in disconnection-related cases after the higher wrongful disconnection payment was introduced to Victoria on 8th December 2004, with a significant decline trend continuing.

A wrongful disconnection has a number of unfair implications for the consumer.

Amend 14.1 Facilitating Customer Reconnection

- (1) Subject to clause 14.5, where a retailer is required to arrange a reconnection of a customer's supply address under Party 8:
 - (a) *but the retailer has not complied with the time frames prescribed in clause 8.1 (2); or*
 - (b) *the retailer has complied with the time frames prescribed in clause 8.1(2) but the distributor has not complied with the time frames prescribed in clause 8.2(2),*

The retailer must pay the customer \$250 for each day that reconnection is late.

Conclusion

The Electricity Code Consultative Committee's (ECCC) Review of the Electricity Code, to provide advice back to the Economic Regulation Authority (ERA), after consultation and participation with other consumer representatives in the code review is commended by The Salvation Army.

The object of the Code is to:

- Define standards of conduct and levels of service in the supply and marketing of electricity to customers;
- Provide for compensation payments where standards are not met; and to
- Protect customers from undesirable marketing conduct.

In meeting these objectives, the regulation and control of the conduct of retailers/distributors, who supply electricity is essential, recognising people facing financial hardship and who significantly depend upon essential utility services, need to have opportunity to participate and improve their social and economic independence.

Out of a desire to make a positive difference to people's lives, The Salvation Army is highly motivated in its recommendations, recognising the effect a reviewed Code containing the suggested change, will have upon the marginalised customers of electricity retailers and distributors.

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