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Submitted by **email** to Leanne Nash (leanne.nash@industry.nsw.gov.au)

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Proposed amendments to the NSW Social Programs for Energy Code

The Australian Energy Council (the Energy Council) welcomes the opportunity to provide comments to the NSW Government regarding its proposed approach to implementing the NSW Government's energy affordability package via amendments to the Social Programs for Energy Code (the Code).

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council supports the principles underpinning the proposed amendments to the Code, and in particular the Government's objective of providing further assistance to concession recipients. We do however hold some concerns regarding the proposed approach to implementing the objectives as effected by the proposed amendments to the Code.

We urge the Government to consider the objectives of the proposed amendments (which ultimately aim to assist concession customers) in the context of customers' likely experience of these measures and the cost of compliance for retailers.

Key issues

Transition arrangements

The Energy Council notes the Government's concern to ensure that the rebate increases are effective 'retrospectively', as at 1 July 2017. We appreciate the importance of Government efforts to provide further assistance to concession customers. Some of our members have informed us that they have already begun to pass on the increased rebate amounts to customers, notwithstanding the lack of any regulatory requirement to do so at this stage.

We are, however, concerned at the approach to implementation of the rebate increases retrospectively where a customer has changed retailers between 1 July and the Code's implementation date. In these circumstances, the draft amendments require that a retailer refund a former residential customer the amount of the rebate increase that it would otherwise have paid, had the new rebate amounts been effective at 1 July 2017 (or when the customer was first eligible for the concession, if that was a later date).

This approach requires retailers to issue refunds of amounts (some of which may be very small) to previous customers. Retailers do not maintain up-to-date contact details for past customers, and we would expect that there will be many instances where the customer has changed address at the same time as it changed retailer. Even where the previous customer is easily contactable, the amount of the refund will in many instances be small (and will depend on the date at which the customer churned). For example, a customer in receipt of the Low Income Household Rebate who churned on 2 July would receive a refund of 28 cents.

The table below illustrates the range of rebate amounts for key concession items (Low Income Household Rebate, NSW Gas Rebate and Family Energy Rebate).

Concession	July	August	September	October
Low Income Household Rebate	\$0.14 - \$4.25	\$4.38 - \$8.49	\$8.63 - \$12.6	\$12.74 - \$16.85
NSW Gas Rebate	\$0.05 - \$1.70	\$1.75 - \$3.45	\$3.45 - \$5.04	\$5.10 - \$6.74
Family Energy Rebate (if also eligible for the Low Income Household Rebate)	\$0.01 - \$0.42	\$0.44 - \$0.85	\$0.86 - \$1.26	\$1.27 - \$1.68
Total for low income household with eligible gas and family energy rebate	\$0.21 - \$6.40	\$6.57 - \$12.74	\$12.95 - \$18.90	\$19.11 - \$25.27

Family Energy Rebate (if not eligible for Low Income Household Rebate)	\$0.08 - \$2.55	\$2.63 - \$5.10	\$5.18 - \$7.56	\$7.64 - \$10.11
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We understand that, as a result of initial consultation, the Department has heard suggestions of alternative approaches to implementing the concession increases, in circumstances where a customer has churned during the transitional period. We note the key principle outlined by the Department: that a customer should receive no more and no less than they are entitled to under the Code. While we support the intent of this principle, in our view it should be weighed up against the overall objective of assisting concession customers. Where the rebate refund is of low value and would require some effort on behalf of customers to receive (for example, because the customer has settled its final accounts with its former retailer), there is a high risk of a negative customer experience. As a practical matter, customers may have to take certain steps to process the rebate refund – for example by phoning the retailer to provide details for a direct deposit.

The value of the concession rebate to the customer in these circumstances should be considered in the context of:

- the time and effort required of customers to receive the rebate refund; and
- the cost of compliance by retailers required to reactive old accounts, calculate concession rebate amounts and manage communications and payment to past customers.

In our view, the balance of these concerns is best reflected if a minimum value is attached to a rebate refund, in circumstances where the customer has churned and already settled its final account with the former retailer.

Energy Offer Information Program

We support the key obligation under the draft Energy Offer Information Program, requiring retailers to contact concession recipients on standing offer contracts. In our view, the provision of targeted information to concession customers on standing offer contracts will prompt customer engagement with energy markets. We would encourage the NSW Government to consider streamlining the requirements for energy consumption and price information in this context with the work that the AER is undertaking with industry and consumer groups regarding the communication of energy offer information and prices (including comparator rates). Adopting a uniform approach will assist customers to compare the offers provided by existing retailers with other offers available on the market, and support competition in retail energy markets.

Retailers' experience in small customer energy markets indicates that some customers remain resistant to changes to their energy offer (let alone changes to their retailer), despite repeated attempts by retailers to move customers onto alternative offers. Such customers may view a retailer contacting them every six months as pestering behavior, and feel hassled by the correspondence. In this context, repeat contact by retailers on a six monthly basis may have the adverse effect of decreasing customer confidence in the energy market.

We would recommend a two-stage approach to the requirement that retailers contact concession customers on standing offers, so that after several attempts on a six monthly basis (say, 3 or 4 such attempts), the timeline changes to require the retailer contact such customers annually. In our view, this approach would decrease the risk that customers have an adverse response to the information provided by retailers, while delivering the aim of the proposed amendments.

Reporting requirements

We note the new reporting requirements in draft clause A5.14. We query why the obligation to report on the number of concession recipients on standard retail contracts applies on a monthly basis, while the obligation to contact those customers arises on a six monthly basis. In our view, it would be preferable for the reporting obligation to align with the obligation to contact customers and both should occur on a six monthly basis.

Implementation

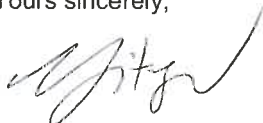
The Energy Council supports approaches to streamlining applications processes in the concession context. However, the change to administering the system and application processes to ensure reciprocal eligibility for Low Income Household and Gas Rebate concession entitlements will require time to implement. To ensure a satisfactory customer experience, we would support incorporating transitional arrangements into the amended Code to ensure smooth implementation of the new arrangements.

Conclusion

Subject to our comments above, we support the proposed amendments to the Code as part of measures to assist concession customers and improve customer engagement with competitive retail energy markets.

Any questions about our submission should be addressed to Tess Fitzgerald, Retail Policy Manager by telephone on (03) 9205 3115.

Yours sincerely,



Tess Fitzgerald
Retail Policy Manager
Australian Energy Council