

Essential Services Commission
Level 37, 2 Lonsdale St
MELBOURNE VIC 3000

Lodged by email: retailenergyreview@esc.vic.gov.au

27 March 2020

Changes to the Back-billing Rules 2020

The Australian Energy Council (the '**AEC**') welcomes the opportunity to make a submission to the Essential Services Commission (the '**ESC**') on the Changes to the Back-billing Rules Draft Decision (the '**Draft Decision**').

The AEC is the industry body representing 23 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 AEC strongly supports the approach taken by the ESC in implementing this Victorian Government policy. As the ESC is aware, the AEC were concerned when this reform was included in the Ensuring Energy Contracts are Clear and Fair Draft Decision, and submitted that implementation in the form proposed would create significant unintended consequences, including an increase in prices for all energy consumers.

Whilst an alternative approach was proposed in that submission, the AEC considers that the approach proposed by the ESC effectively achieves the intent of this policy, ensuring that customers do not receive significant back-bills for matters outside of their control.

Draft Decision 1 – New Back-billing rule for Retailers

The AEC accepts that it is Government Policy that retailers should only be able to back-bill a customer for 4 months, unless it was a result of the customer's fault or unlawful act or omission. Most commonly, this will mean that unless the billing delay was due to the customer failing to provide access to a manually read meter, customers will not receive large back-bills.

In the event that the bill is delayed or inaccurate due to the failure to provide access or an unlawful act or omission by the customer, then consumer protections included in clause 30(2)(d) of the Energy Retail Code will provide the customer with an extended period to repay the arrears. The AEC considers this to be a fair outcome, and as such supports the draft decision.

Draft Decision 2 – New back-billing rule for Distributors

The AEC strongly supports draft decision 2. As the ESC notes in the Draft Decision, the new clause 15A of the Electricity Distribution Code, and clause 12.3 of the Gas Distribution System Code, harmonises the Victorian framework with the national electricity framework.

The AEC considers that this draft decision aligns with the Government's policy intent, and importantly will incentivise all responsible parties to ensure that back-billing is avoided wherever possible. Without this draft decision, there is a risk that the incentives of retailers and distributors to be misaligned, potentially resulting in an increase in costs for retailers, and ultimately increasing consumer bills.

The AEC considers that all parties in the supply chain should be encouraged to develop systems and processes that deliver accurate and timely bills to consumers wherever possible.

Draft Decision 3 – Commencement date of code amendments

The AEC was initially comfortable with the ESC's proposed 1 January 2021 commencement date for this change, however in light of the impacts of COVID-19, the AEC considers that a delay is necessary.

In recent days, retailers have been notified that a number of gas distributors are unlikely to be undertaking scheduled reads as usual, which will ultimately result in a significant increase in estimated bills. In addition, retailers are expecting that they may need to suspend billing and collections for some customers in the coming months. These two issues, in addition to others that are likely to present themselves, will increase instances where back-billing is required.

COVID-19 will undoubtedly create a significant burden on retailer billing systems and operations. The AEC suggests that resolution of these issues should be prioritised, and regulatory changes such as this should be postponed. AEC members will provide further detail about the issues faced at this time, including the expected timeframes for resolution post the end of this crisis.

For any questions about our submission please contact me by email at ben.barnes@energycouncil.com.au or on (03) 9205 3115.

Yours sincerely,



Ben Barnes
Director, Retail Policy
Australian Energy Council