



Submission to:  
The Australian Energy Regulator

Response to:  
**Minimum Amount Owing for Disconnection**

From UnitingCare Australia

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*UnitingCare Australia is the national body for social services in the Uniting Church in Australia, supporting service delivery and advocacy for children, young people, families, people with disabilities, and older people*

## UnitingCare Australia

UnitingCare Australia is the national body for the UnitingCare Network, one of the largest providers of community services in Australia. With over 1,600 sites, the network employs 39,000 staff and is supported by the work of over 28,000 volunteers. We provide services to children, young people and families, Indigenous Australians, people with disabilities, the poor and disadvantaged, people from culturally diverse backgrounds and older Australians in urban, rural and remote communities.

UnitingCare Australia works with and on behalf of the UnitingCare Network to advocate for policies and programs that will improve people's quality of life. UnitingCare Australia is committed to speaking with and on behalf of people who are the most vulnerable and disadvantaged, for the common good.

### Principle

As a position of principle, the UnitingCare network does not believe that anybody should be disconnected from the essential service of electricity due to the inability to pay. So we believe that the public policy objective from governments should be to enhance policies and programs that will help to reduce disconnection while for regulators and energy businesses - retailers in particular, - the focus should also be seeking to rebuild customer trust by minimising disconnections.

In referring to the AER discussion paper about the minimum disconnection rate, we note the following extract:

*"Part 6 of the Retail Rules sets out the circumstances under which a retailer can arrange for the disconnection of a small customer's premises. Such circumstances include:*

- *Where a customer has failed to pay a bill or security deposit;*
- *Where a customer denies access to the meter;*
- *Where a customer has illegally used energy."*

Taking these circumstances in turn, we do not believe that any residential customer should be required to pay a security deposit for electricity provided to the primary place of residence. We could only accept a security deposit being required for non-residential property, e.g. holiday house, where there was a history of non-payment, but this is a fairly extreme circumstance.

With regard to metering, we are aware of the AEMC lead metering rule changes which are in the process of being implemented, whereby each small use customer has a metering coordinator. So this criteria for disconnection is no longer relevant.

We accept that disconnection is appropriate where a customer has deliberately used energy illegally. We suggest that this is a very small number of customers compared to the large

number of households being disconnected for inability to pay. Which leads to the section of the retail rules relevant to minimum amounts owing for disconnection to be applied. Again, from the AER discussion paper:

*“In particular, r. 116 (1) of the Retail Rules states that:*

*Despite any other provisions of this Division but subject to sub rules (2), (3) and (4), a retailer must not arrange for the de-energisation of a customer’s premises to occur:*

*.....*

*(g) for non-payment of a bill where **the amount outstanding is less than an amount approved by the AER** and the customer has agreed with the retailer to repay that amount;*

*(emphasis added)”*

The remainder of our submission focuses on this particular issue, responding to the questions posed in the discussion paper.

**Question 1: What other factors (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection?**

We support the factors for consideration listed in the discussion paper.

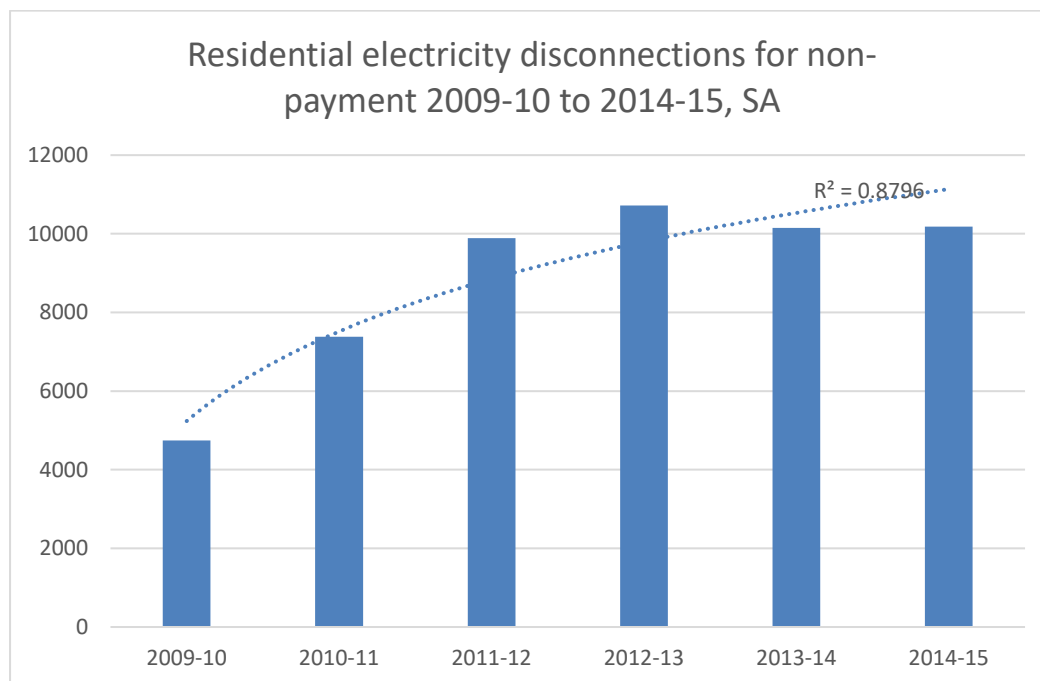
Regarding other factors that the AER should consider, we assert that consideration must be given to the rate of change of energy prices being charged for customers. Energy bills are not received in a vacuum meaning that consideration needs to be given to the level of financial stress that household and small businesses are experiencing when they receive their energy bills. Where this rate of price change is greater than CPI, then retailers should be obliged to put additional measures in place to limit disconnections. Simply ramping up prices and then disconnecting more customers due to their inability to pay higher prices, is not acceptable.

The other data that the AER needs to consider is the rate of disconnection. For some jurisdictions this has risen significantly over the last 5 to 10 years, suggesting both additional hardship and a failure of reasonable efforts by retailers, to rein in disconnection rates. We have reproduced three figures below, using AER data<sup>1</sup> to illustrate this data. AER needs to give consideration to both the absolute levels of disconnection, (standardised, eg disconnections per 1000 customers), and trends over recent years. Where increases are

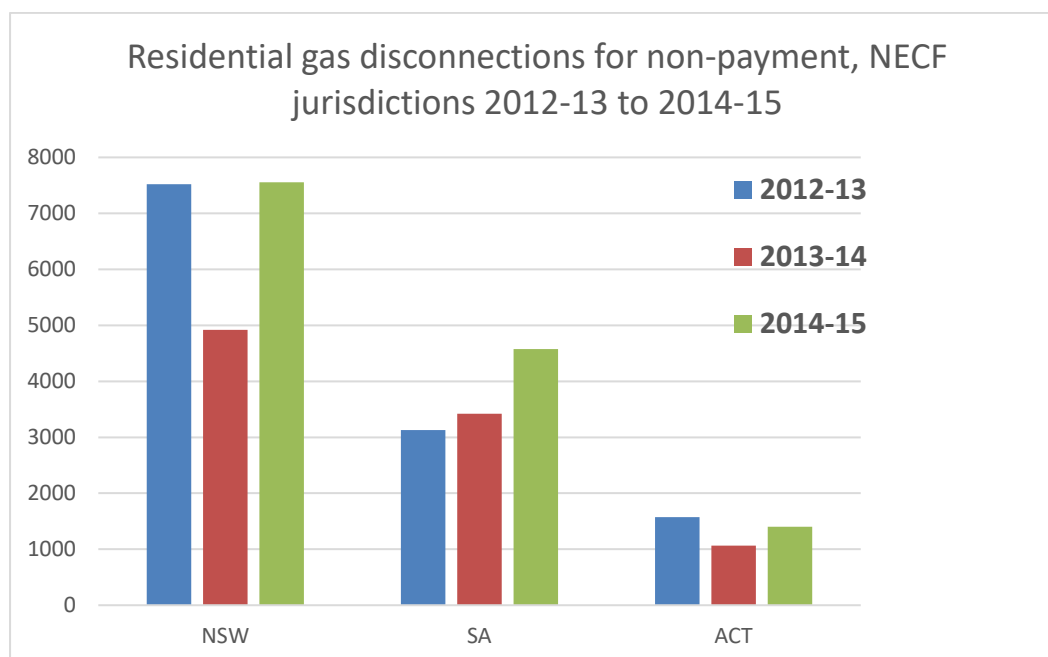
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<sup>1</sup>AER annual report on the performance of the retail energy market 2014-15. <http://www.aer.gov.au/retail-markets/performance-reporting/aer-annual-report-on-the-performance-of-the-retail-energy-market-2014-15>

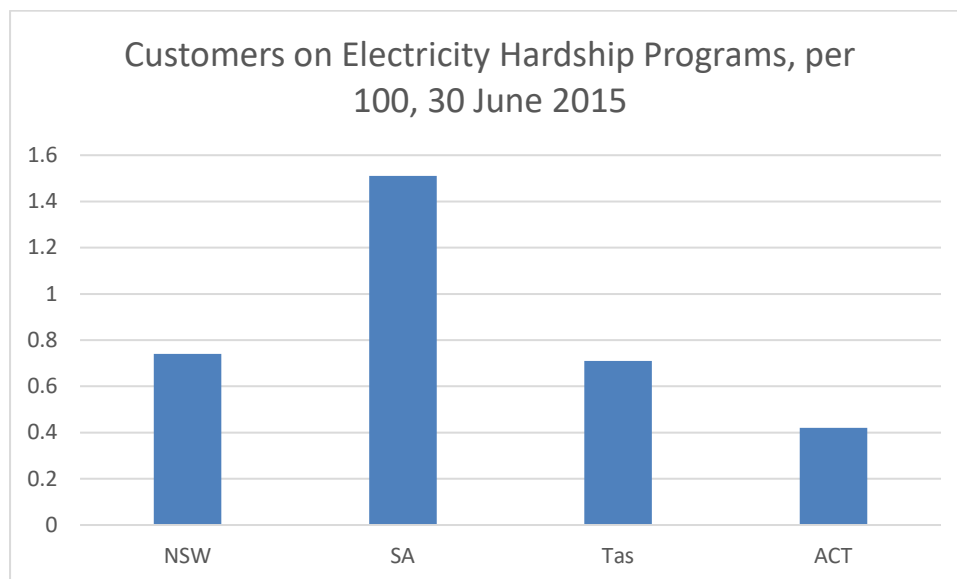
occurring these should be used as a 'flag' for a problem with disconnection levels and prompt greater expectations from the regulator of increased efforts by retailers to reduce disconnections.



In this situation, a doubling of disconnections over 4 years is an indicator of great concern. We have added a trend-line to this data set, with a logarithmic function giving best 'fit'. This suggests that the rate of increase in disconnections is decreasing, while we opine that the actual number is still way too high.



The third figure deals with hardship levels, a relevant and closely related indicator to disconnection rates



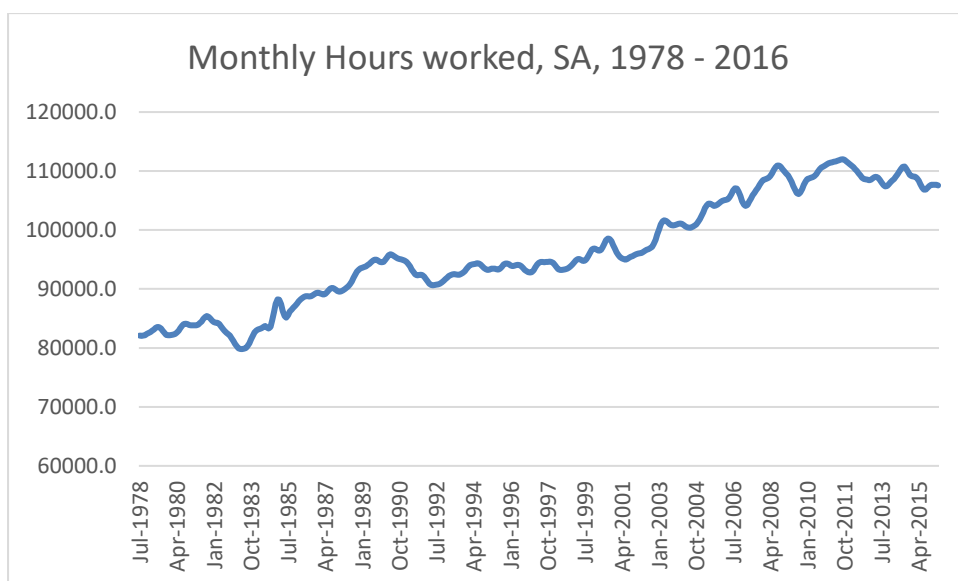
**Question 2: What other data (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection?**

**Question 3: What are stakeholders' experiences of the operation of the minimum disconnection amount to date?**

The AER should also be aware that financial counsellors still continue to see some clients who are spending up to two thirds of their income on rent plus utilities, leaving very little money for other necessities, including food and medical care.

UnitingCare Australia surveys also show that electricity is rated second in terms of priority for payment by an overwhelming majority of clients, only rent rates higher as a payment priority.

Movements in employment and income are also indicators of the financial stress of a community. For example, in South Australia rising levels of unemployment, growing numbers of people employed part-time wanting more hours and consideration of total hours worked over a month, see below, all indicate that a significant number of households are experiencing substantial income pressure as a result of a very sluggish labour market. So actual incomes that are static or declining when combined with rising essential electricity costs provide clear indication of a likelihood for increased levels of disconnection from electricity due to inability to pay.



Regarding experience of the operation of minimum debt for disconnection our financial counsellors and related services recognise the tension that is at play here. At one level would like to be able to see our clients having more time to pay their bills. At the same time, when a person is using Centrepay or a shortened billing cycle and has payment of energy bills as a high priority, then a \$300 energy debt is significant, and would take quite some time to repay.

We also recognise that \$300 is well below an average quarterly electricity bill so being a little late with payment of one quarterly bill automatically exceeds \$300 benchmark , for a vast majority of households.

We strongly encourage the AER and retail businesses to regard the minimum debt disconnection amount as a flag that a customer is struggling to pay their bills and needs some additional assistance, rather than as a signal to commence disconnection. Support can be provided through a hardship program, help with energy efficiency, eg though jurisdictional services or possibly a no interest loan scheme support. It is recognised that retailers generally are aware of the financial stresses on their customers, and many have significantly improved there dealing with customers experiencing 'energy stress' over the last couple of years.

It is our strong view that current experiences of a service providers constantly reinforce the reality that electricity bills are too high and are contributing to substantial financial and emotional stress. Disconnection from supply for essential energy service needs must be an absolute last resort.

**Question 4: Do stakeholders consider retaining a minimum disconnection amount of \$300 (GST inclusive) to be appropriate? Why / why not?**

**Question 5: If stakeholders do not favour retaining the current minimum disconnection amount, should it be:**

- a. increased? Why and to what amount (inclusive of GST)?**
- b. decreased? Why and to what amount (inclusive of GST)?**

Our conclusion is that if disconnections must be utilised then, on balance, the current level of minimum disconnection can be retained, but used mainly as a signal of struggle for a household to pay and as a signal for additional assistance and information to be provided to that household, before disconnection is actively considered. Note that if there was to be any change in the minimum disconnection amount, we would tend to support an increase rather than a decrease from the current \$300 level, to reflect rising energy bills.

**Question 6: When should the AER next review the minimum disconnection amount?**

Noting the current trend for rising levels of disconnections due to inability to pay coupled with known electricity price rises for 2016 17 and increasing uncertainty in energy markets across Australia, we believe that a three-year timeframe would be an appropriate period for review.