



Energy & Water
Ombudsman NSW

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Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Sarah

47503 – Review of the Minimum Disconnection Amount

Thank you for the opportunity for EWON to participate in the AER Minimum Disconnection Amount Forum on 22 September 2016.

EWON also welcomes the opportunity to comment further on the *AER approval of minimum amount owing for disconnection* consultation documents.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. Many of the complaints EWON receives relate to actual or impending disconnection.

Engaging with customers over unpaid energy bills

A central issue discussed at the AER Minimum Disconnection Amount Forum was that the process followed prior to disconnection was crucial for prompting customers with unpaid bills to engage with their retailer.

A number of participants raised the concern that any increase to the minimum disconnection amount would delay engagement with customers with unpaid energy bills. A retailer commented at the forum that an increase would possibly reward 'bad' customer behaviour without disagreement from other retailers. I am very concerned that this attitude is re-emerging in this type of forum.

EWON agrees that the prospect of disconnection can be a crucial prompt for customers, who are experiencing difficulties, to approach their retailer for assistance. However, being disconnected from an essential service causes significant hardship and social isolation and therefore disconnection for non-payment should always be a last resort measure.

Strengthening a consumer protection by altering the minimum amount for disconnection does not 'reward bad behaviour'. EWON's experience over nearly 18 years is that consumers do not choose to leave their energy bills unpaid – it is an affordability issue not a behavioural issue. Further, energy debt is most often only one aspect of the financial stress that is affecting a household or individual.

EWON strongly believes that it is incumbent on retailers to earlier identify customers who may be experiencing difficulty, and to take action to engage with those customers before there is a serious prospect of disconnection. If there is indeed a small number of customers who may be choosing not to pay, this initial engagement should affect that choice. EWON expects to see a greater level of engagement with customers in financial difficulties and this should be enhanced by the establishment of the AER Sustainable Payment Plan Framework, and its adoption by retailers. I expect that all retailers will proactively adopt the Framework as evidence of their commitment to assisting vulnerable customers. Increasing the minimum amount for disconnection will not prevent retailers from effectively engaging with their customers.

The minimum disconnection amount

In our original submission, EWON supported the factors the AER is taking into account when considering the minimum disconnection amount. In particular that, in principle, customers should not be disconnected from an essential service for relatively small amounts or being one quarterly bill behind, nor should they be disconnected solely due to an inability to pay.

EWON notes the AER's updated findings that the most recent available data indicates that electricity customers across all jurisdictions face quarterly bills for standing and market offers of greater than \$300, with the majority closer to \$400. We also note that the AER considers this information may support an increase in the minimum disconnection amount.

EWON also previously commented that the analysis done by the AER on average energy bills may not apply to those customers, of whom there are many in NSW, who rely solely on electricity for their energy needs.

Based on the most recent information provided by the AER, and the comments made at the forum, EWON would support a decision by the AER to increase the minimum amount owing for disconnection, if the decision is based on the principles outlined above.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely


Janine Young
Ombudsman
Energy & Water Ombudsman NSW