



Energy & Water
Ombudsman NSW

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14 May 2004

Mr Jim Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

Thank you for the opportunity to comment on the Draft Report and Draft Determination *Review of Regulated Retail Prices for Electricity to 2007*.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of energy providers in NSW. We have provided comments on the Tribunal's review in relation to our experiences with customers.

Please contact me or Amanda Hamilton-Foster, Policy Officer, on 8218 5266 if you would like to discuss this matter further.

Yours sincerely

A handwritten signature in cursive script that reads "Clare Petre".

Clare Petre
Energy & Water Ombudsman NSW



Independent Pricing and Regulatory Tribunal

Review of Regulated Retail Prices for Electricity to 2007

Draft Report and Draft Determination

May 2004

Response by the
Energy & Water Ombudsman NSW

Introduction

We note that the purpose of this paper is to seek comments on the Tribunal's Draft Report and Draft Determination for electricity regulated retail tariffs.

While we are not in a position to comment on all areas of the pricing review, in this submission we have raised issues from the perspective of EWON's experience as an independent dispute resolution mechanism for customers of energy providers in NSW.

For ease of reference, wherever possible we have adopted the same numbering as the draft papers.

5 IMPLEMENTING THE DETERMINATION

EWON supports the Tribunal's decision to maintain price limits on increases on final bills for customers. In addition, we agree that it is appropriate not to allow increases in tariffs that are currently over-recovering.

6 OTHER ISSUES CONSIDERED BY THE TRIBUNAL

6.4 Regulated Retail Charges

EWON supports the Tribunal's decision not to allow an increase in the late payment fees. We note that Schedule 2 of the Determination retains the current rules¹ regarding the application of the fee and the circumstances in which the fees can be waived. In our experience, the conditions for levying and waiving late fees as set out in Schedule 2 are important to ensure that customers experiencing genuine financial hardship are not adversely impacted by the levying of late payment fees.

However, we note that Schedule 2 does not clarify whether or not more than one late payment fee could appear on an account. While it is uncommon for this to occur, EWON has seen situations where a customer has more than one late payment fee charged on a single bill. The following scenarios are taken from recent customer complaints investigated by EWON which illustrate the problem:

1. A customer moved into a property but did not open an account for 12 months. On opening an account, four bills were produced covering the 12 month period she had been in occupation of the property, and one of the bills included an amount for a security deposit. All four bills had the same due date. The customer made only a small payment against the arrears with cash and EAPA. It appears from the retailer's records that the customer called the retailer after that due date to request a payment arrangement, but this was refused until the customer made a large upfront payment. The next bill she received had her current consumption charges, the remainder of her arrears and five late payment fees. The retailer advised that this is because the customer failed to pay the four accounts and the security deposit by the due date.

¹ Mid-term review of regulated retail prices, Determination June 2002, Schedule 2 (clause 8)

2. A customer was charged for a security deposit and for an account establishment fee. The customer did not make any payments against these charges. The retailer's billing ledger shows that a late fee was levied for each of these charges, and the customer's next bill consequently showed two late payment fees.

EWON suggests it may be appropriate to provide guidance in the Determination as to whether or not it is appropriate for a customer to have more than one late payment fee appear on a single bill. We would be happy to provide further information to the Tribunal on this issue if required.

6.3 Promoting Competition

EWON notes the Tribunal's comments in relation to the role of regulated retail tariffs in promoting competition. We agree with the Tribunal that it is inappropriate to allow "artificially high regulated retail tariffs to promote competition".² As we have stated in our earlier submission, EWON has had contact with a number of customers who have been unable to enter the competitive market and have no other option for electricity supply than through a standard form contract. EWON does not support any pricing strategies that would operate to penalise customers for not entering the competitive market.

PASS THROUGH OF NETWORK MISCELLANEOUS CHARGES

We note that under clause 5.8, the Tribunal will allow a standard retail supplier to pass through to a customer any network miscellaneous charges. We note that network miscellaneous charges are currently regulated under Rule 2001/2³, which outlines the conditions that DNSPs must satisfy before they can levy the fee. The draft determination for network prices has retained some of the provisions from Rule 201/2 regarding when miscellaneous fees can be applied⁴, but not all.

In particular, the provisions regarding informing customers have not been captured in either of the draft determinations. EWON believes it is important that customers be informed in advance if there are any charges for services they request so that they can make an informed decision. EWON also submits that if there is an out of hours fee, such as the reconnection outside business hours fee, customers should be advised of the times when *outside business hours* apply and made aware that they can choose not to pay this additional fee by seeking reconnection during business hours.

We suggest that the Tribunal consider amending clause 5.8 to ensure that all customers are made aware of the amount of miscellaneous fees and when those fees will apply.

² Appendix 4, page 47

³ Charges for Miscellaneous Services Provided by Distribution Network Service Providers, May 2002

⁴ Draft Determination, Annexure 3, see clause 3.2