Submission to:

The Australian Energy Market Commission (AEMC)

Response to: Draft National Energy Retail Amendment (Meter read and billing frequency) Rule 2016 No. 1

From UnitingCare Australia

May 2016

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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 those who are the most vulnerable and disadvantaged, for the common good.

This short submission responds to the proposed rule change:

Schedule 1 Amendment to the National Energy Retail Rules

(Clause 3)

[1] Rule 24 Frequency of bills (SRC)

In subrule 24(1), omit "3 months" and substitute "100 days".

Our response

Any change that allows a longer timeframe between bills would make payment more challenging for people on lower incomes, due to uncertainty in timing of bills leading to payment being out of phase with regular payment approaches.

We therefore cannot support the proposed Rule Change.

Context

From our network's financial counselling and other related services around the Country, we know that a vast majority of lower income households put a very high priority on paying their electricity bill on time. Electricity is the second highest priority for payment behind rent (mortgage) for a vast majority of low and moderate income households.[1]

This reality, coupled with rising and uncertain electricity bills over the past decade is the single largest presenting issue for people seeking financial counsellor assistance.

About 30% of households in lower income states, eg South Australia and Tasmania have transfer payments as their major source of income. Many of these people utilise Centrepay

[1] Based on past surveys undertaken for UnitingCare Australia by the Australia Institute

to make payments for electricity, in this way they can improve certainty for electricity bill payment and reduce the likelihood of bill shock from unexpected high bills. Many lower wage and casualised workers have similar strategies. A regular quarterly (90-92 day) billing cycle is an essential element of greater payment certainty and reliability for lower income households

<u>The Rule Change Proposal</u>

We understand the rationale behind the proposed rule change and the value of greater accuracy in billing. However we are concerned about potential adverse impacts particularly for lower income households that could flow from giving retailers the opportunity to charge using a billing cycle other than the current quarterly billing arrangement.

The potential change to the billing cycle would most likely have an impact on Centrepay customers, and other customers with a regular deduction payment process, as these payment arrangements are invariably set up based on a quarterly billing cycle. A 100 day billing cycle has the high potential to have billing occurring outside of a predictable, regular payment routine, and lead to billing being even further out of phase with predictable quarterly payment, over time. Billing based on a billing cycle that is not a multiple of 7 days would result in payments being out of phase with household income receipts, adding to confusion and difficulty for lower income households.

Secondly the potential for a 100 day billing cycle would mean that potentially, individual electricity bills could be 10-11% more than they currently are, based on a longer billing cycle. An increase in this order of magnitude would be very difficult for a number of lower income customers to manage through their regular payment routine, even if the total amount paid over 12 months was the same.

A third concern is that it is possible that Centrepay customers (who structure their payments to pay each bill in full, each billing period) won't pay their bill in full, because the billing cycle is longer than the quarterly cycle, and so these customers could quite well lose "pay on time discounts," despite the customer continuing to pay on time for their established billing cycle.

We note that retailers, Financial Counsellors and other help services have worked diligently over many years to help households in the first and second quintiles of the income distribution to be able to manage their energy payments. Disrupting established billing cycles could undo many years of behaviour change work which would be very disappointing.

We also recognise that these outcomes are not intended by the proponents of the rule change. However, the rule change as proposed, leaves open the possibility for 'out of phase' billing causing detriment for a significant number of consumers, in the future.

Conclusion

Our concern with the proposed rule change is that a measure designed to benefit retailers, and give customers greater accuracy in their billing, could wittingly or unwittingly lead to consumer detriment due to a much less predictable billing cycle with the potential for higher cost to customers through loss of 'pay on time' and maybe other discount arrangements. The short-term additional cost burden from bills from longer billing cycles out of phase with established quarterly billing cycles would add to consumer burden. We believe that the proposed change would result in costs that are greater than the benefits that would be derived from the greater certainty in billing that would follow from the proposed rule change.