



Council of Social Service of New South Wales

66 Albion St, Surry Hills NSW
phone 02 9211 2599 **fax** 02 9281 1968
email info@ncoss.org.au **web** www.ncoss.org.au

abn 85001 797 137

27 July 2007

Manager
Ministerial Council on Energy Secretariat
GPO Box 9839
Canberra ACT 2601

NCOSS Submission to Retail Policy Working Group Composite Paper

The Council of Social Service of NSW (NCOSS) is an independent non-government organisation (NGO) and is the peak body for the non-government human services sector in NSW. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in New South Wales.

Thank you for the opportunity to comment on the Retail Policy Working Group (RPWG) “Composite Paper,” that works towards a national regime for the regulation of energy markets (non-economic distribution and retail).

NCOSS has an interest in the regulation of energy markets primarily as a result of our interest in matters affecting low income and disadvantaged households. NCOSS believes that energy is an essential service. Energy supports fundamental human needs including safe food (storage, preparation) and safe shelter (hygiene, lighting, temperature control). Energy supports equipment that is critical to wellbeing and independence (health, communication). Beyond these fundamentals, energy supports family life and community engagement (social interactions, employment, education). Except in rare and exceptional circumstances, a regular connection to supply is not discretionary or optional. Reliable, safe and affordable supplies of energy must be guaranteed as far as reasonably possible.

Many low income and disadvantaged households struggle to keep up with energy bills. They spend a higher proportion of their incomes on energy than other Australians and may not be able to reduce or shift their consumption. Some low income households are relatively high level consumers of energy as a result of characteristics such as family size, a disability or illness. As many as one-third of Australian households are at risk of being unable to pay an energy bill at some time; continuity of supply ought to be maintained in all but extraordinary situations.

NCOSS is further concerned that low income consumers face particular disadvantages within a competitive market in negotiating goods and services. These include:

- a reduced ability to access all available information on a product or service;

- lower levels of income to purchase goods ‘upfront’ at a lower rate or negotiate bulk purchase discounts;
- a limited ability to take risks (low levels of disposable income to offset the costs associated with a ‘bad choice’).

Although market forces may be able to self-regulate for some consumers, the tendency will be for low income consumers to pay a premium for their involvement in the market as a result of the above factors.¹

In NSW approximately 26,000 households are disconnected as a result of incapacity to pay for their electricity charges. Approximately 20% of NSW households in the lowest income quintile struggle to pay their essential services bills on time. Reform of energy markets must ensure strong consumer protections for these households, with an emphasis on maintaining continuity of supply.

NCOSS has worked with others in the COSS network and the National Consumers’ Roundtable on Energy to produce a joint response to the detail of the composite paper (attached), which NCOSS endorses.

In addition, NCOSS would like to highlight the following issues for the consideration of the Working group:

- Credit risk assessment.* Assessment of credit risk by energy retailers often works to the disadvantage of low income users, and create unnecessary barriers to gaining access to an essential service. Any assessment of credit risk that relies on historical information about debt be restricted to information about utility debt
- Hardship programs.* NSW has taken positive steps towards the introduction of hardship programs as a regulated requirements for energy retailers. Hardship programs should be mandatory for all retailers to ensure that consumers who experience difficulty in paying energy bills, on standard or market contracts, remain on supply and are offered appropriate arrangements to pay bills with continuing regard to their capacity to pay.
- Late payment fees.* Late payment fees discriminate against low income people who may face continuing difficulties making payments on time. NCOSS believes that late payment fees, currently banned in several jurisdictions, should be prohibited under the new framework as they are regressive in nature and impact disproportionately on low income households. Late payment should be regarded an indicator of potential financial stress and a precursor to offering hardship options.
- Centrepay.* NCOSS believes that all standing offer contracts for electricity and gas supply must include Centrepay as an option for method of payment
- Strong marketing codes.* Our concern about the regulation of marketing to ensure on one hand that consumers are protected from inappropriate, aggressive and misleading conduct; and on the other hand that the benefits promised by competition – choice and

¹ Research from the United Kingdom has shown that low income families will pay a “poverty premium” to access essential goods and services that are enjoyed at a cheaper rate by higher income households. See Lucy Ward. “Poor families face 1000 a year ‘poverty premium,’ say charities.” *Guardian*. Monday March 5, 2007.

value – are accessible as a result of comprehensible and complete information that facilitates choices based on comparison.

f) *Security bonds*. A security deposit will place pressure on households that are attempting to establish the delivery of other essential services, and erode savings and credit that may have been available to respond to future episodes of financial stress. As a result, NCOSS reiterates that security deposits place an unnecessary barrier on low income households that are attempting to connect to an essential service. NCOSS supports strong regulation to minimise the barriers posed by security bonds to accessing essential services, and provisions to ensure that bonds must be refunded once the customer has paid in electricity charges an amount equal or greater than the amount of the security deposit, or after a period of 6 months, whichever is sooner.

I trust that you will take into consideration the recommendations included in this submission. If you require further information, please contact Linda Frow, A/Director, on 9211 2599 or email lindaf@ncoss.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'L. Frow', is positioned to the left of a vertical red line.

Linda Frow
A/Director