

14 May 2010



Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230
ipart@ipart.nsw.gov.au

Dear Chair

Draft Report – Review of regulated retail tariffs and charges for gas 2010–2013

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit, law and policy organisation that works for a just and democratic society by taking strategic action on public interest issues. PIAC has, as a key area of work, energy and water policy. The Energy + Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water.

This letter is PIAC's response to the *Draft Report – Review of regulated retail tariffs and charges for gas 2010–2013* (the Draft Report). PIAC previously made a submission to the Issues Paper for this process.ⁱ This letter is to further inform IPART of PIAC's views on late payment fees.

The Draft Report allows for significant increases to the late payment fees faced by gas customers of AGL and Origin Energyⁱⁱ, representing most residential gas consumers across the state. PIAC considers that these increases are unnecessary and likely to impact proportionately more on low-income and vulnerable households at a time when increasing network tariffs are putting strain on household budgets.

PIAC believes that no late-payment fee should be charged.ⁱⁱⁱ An IPART decision to that effect would be consistent with Queensland regulations, where late-payment fees cannot be charged on standard contracts, and Victorian legislation, which does not allow late-payment fees on any gas retail contracts.

PIAC notes that IPART and the retailers have proposed exemptions for certain customers who would otherwise face late-payment fees. These will be of benefit to many vulnerable consumers. If late-payment fees are retained, PIAC is concerned that many households in financial difficulty will not be covered by these conditions.

In 2009, PIAC published the *Cut-off II* report into utility disconnections that showed that around one third of disconnected households had no contact with their retailer in the period leading up to disconnection.^{iv} The same report showed that around half

of disconnected households did not know that Energy Accounts Payment Assistance (EAPA) vouchers existed. This leads PIAC to believe that a number of households in financial difficulty will not fit the late-payment fee exemption criteria.

If IPART insists on allowing a late-payment fee to be charged, PIAC recommends that the exemptions include all Commonwealth Health Care Card holders. IPART has previously used this as an indicator of households likely to be facing difficulty meeting the cost of essential services.^v

In addition, if a late-payment fee is to be levied, the amount should be consistent with the late-payment fees allowed under regulated electricity contracts, to avoid confusion for customers. In March 2010, IPART released the *Final Report – Review of regulated retail tariffs and charges for electricity 2010–2013* that allowed an increase in late-payment fees to \$7.50 for all standard retailers.^{vi} PIAC acknowledges that the remainder of the costs incurred through late payment would need to be recovered by the retailer, through the regulated tariffs. This would be a more appropriate compromise between full user-pays and consumer welfare than allowing full cost recovery for late payment fees.

Thank you for your consideration of these issues, and if you have further questions please contact Mark Ludbrooke, Senior Policy Officer on 8898 6518 or mludbrooke@piac.asn.au.

Yours sincerely



Robin Banks

Chief Executive Officer

Direct phone: +61 2 8898 6508

E-mail: rbanks@piac.asn.au

-
- ⁱ Joel Pringle, *Gas Prince Regulation* (2009) <http://piac.asn.au/publications/pubs/sub2009124_20091223.html> at 13 May 2010.
- ⁱⁱ The Independent and Regulatory Tribunal of NSW, *Draft Report – Review of regulated retail tariffs and charges for gas 2010-2013* (2010) [51] <http://ipart.nsw.gov.au/investigation_content.asp?industry=1§or=1&inquiry=205> at 13 May 2010.
- ⁱⁱⁱ Joel Pringle, above ni, [4].
- ^{iv} Jessie Connell and Wesley Hill, *Cut Off II: The Experience of Utility Disconnections* (2009) [23] <http://piac.asn.au/publications/pubs/cutoffll_20090130.html> at 13 May 2010.
- ^v Independent and Regulatory Tribunal of NSW, *Final Report – Review of regulated retail tariffs and charges for electricity 2010-2013* (2010) [182] <http://ipart.nsw.gov.au/investigation_content.asp?industry=2§or=3&inquiry=196> at 13 May 2010.
- ^{vi} Ibid 190.