

Independent Pricing and Regulatory Tribunal  
PO Box 290  
QVB Post Office NSW 1230

Attention: Mr James Cox

4 May 2007

Response to IPART Review of Regulated Electricity Tariffs and Charges for  
Small Customers 2007-2010

**About Redfern Legal Centre**

Redfern Legal Centre (RLC) is an independent non-profit community-based organisation with a prominent profile in the Redfern area of over 25 years' standing. We provide free legal advice and assistance, community education and advocacy on law and policy reform issues.

Redfern Legal Centre has a dedicated credit and debt legal service. Our practice deals with clients from a variety of backgrounds who are experiencing the legal consequences of their financial difficulties. We prioritise the needs of Aboriginal, Non-English speaking people, people with disabilities (especially mental health and drug and alcohol affected people), young people and low income earners.

**Our view in summary**

The proposed increase in electricity prices over the next three years will increase the financial pressure on households. Electricity bills can comprise a significant proportion of low-income earners' cost of living. We are concerned that an increase in electricity prices will push more households towards debt or towards defaulting on their existing debt.

**Summary of recommendations**

**To ease the adverse impact of proposed price increases on low-income households, the following measures should be taken:**

- Gradual increases
- Rebates and vouchers are also increased in line with increases
- Wide range of flexible options for payments and payments in arrears
- Provision for arrears to be written off on compassionate grounds
- Flexible payment plans
- No late penalties

If you have any queries or require further information please contact

---

73 Pitt St	Phone (02) 9698 7277	General enquiries	Interviews by
Redfern	Fax (02) 9310 3586	Monday to Thursday	appointment
NSW	email <a href="mailto:info@rlc.org.au">info@rlc.org.au</a>	9 am-9 pm	Monday to Thursday
2016	<a href="http://www.rlc.org.au">http://www.rlc.org.au</a>	Friday 9 am-6 pm	6:30pm-8:00pm

Helen Campbell, Executive Officer, Redfern Legal Centre, on 02 9698 7277 or [helen@rlc.org.au](mailto:helen@rlc.org.au).

## **Responses to specific issues**

### **Legal consequences of failure to meet electricity payments**

Electricity is a basic need. Electricity costs already consume a substantial proportion of low-income earners' budgets. We are concerned that our clients may experience great difficulties in paying their electricity bills should prices increase as proposed.

People who cannot meet their electricity payments may experience a range of legal consequences. In addition to cutting off a customer's electricity supply, an electricity company may commence legal action against a client who defaults on an electricity bill.

One potential consequence of this is that the electricity company may apply to recover the debt through a garnishee order. A person whose wages or government benefit is subject to a garnishee order will be left with less disposable income to pay for other essentials like housing, water, heating and food.

In addition, a default on an electricity bill will damage the person's credit rating. An adverse credit rating may make it difficult for the person to enter an agreement with another electricity provider in the future, should their circumstances improve. An adverse credit rating impacts not only on their ability to obtain electricity, but in fact their capacity to obtain credit for any other purpose in the future. A person in this situation may be refused credit or charged a higher interest rate for future loans.

In this way, a person may enter a cycle of debt which can continue indefinitely.

### **Hardship from Being Disconnected**

Electricity is an essential service. However, disconnection rates in NSW during the period 1999-2000 ranged from 27,000 to 31,000. A high proportion of these disconnections involved low income families.<sup>1</sup>

Disconnection causes severe hardship. Families will often forgo other necessities, such as meals and transport costs in order to pay their bills. They may also be forced to turn emergency relief providers for help, or may be forced to sell their possessions.

---

<sup>1</sup> Energy and Water Ombudsman NSW, *Annual Report 2001-2002*, 2.

### Money taken out of pension, leaves them short for other bills

According to NCOSS, households receiving Government pensions, which makes up a relatively significant portion of households in New South Wales (26.6%), are liable to be significantly disadvantaged by the proposed increase in electricity prices. For this portion of the New South Wales population earning less than \$300.00 a week, it is anticipated that the electricity bill stands as a major household expenditure. An increase in monies spent on electricity will more than likely have an adverse impact on household funds available for other essentials, such as housing costs (which made up 17.8% of low-income household costs<sup>2</sup>), food and non-alcoholic beverages (19.9%), etc.

### Effect on credit rating

Those households likely to face difficulties in meeting increases in their electricity costs (either their electricity or other bills whose settlement is affected by competing bills) are likely to have their credit-worthiness compromised, affecting their capacity to obtain credit for other goods and services in the future. Where an over-due account is recorded in a person's credit record, a credit provider may refuse an application for credit.

We expect that this will have significant impact on low income households. Many would face major problems if they need to buy a household item or meet competing bills, but don't have savings and can't get affordable credit.

### Conclusion

Specific measures should be mandated to ease the impact of electricity price increases on low-income and vulnerable households.

---

<sup>2</sup> Australian Bureau of Statistics