

15 December 2009

Independent Pricing and Regulatory Tribunal of NSW  
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Thank you for the opportunity to comment on IPART's Issues Paper: *Review of regulated retail tariffs and charges for gas 2010 - 2013*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON believes that the voluntary transitional pricing arrangements currently in place for the standard suppliers have been beneficial to both retailers and customers. We support retaining them for 2010 – 2013, while acknowledging the significant challenges outlined in the Issues Paper in forecasting costs during this three-year period.

We also support regulation of the quantum and application of miscellaneous charges for gas, and consider that wherever possible these should be in line with the same charges for electricity.

We have responded to those issues raised that are relevant to EWON's work, and for ease of reference we have adopted the same question numbers as in the Issues Paper.

If you would like to discuss this matter further, please contact me or Prue McLennan, Investigations Policy Officer on 8218 5250.

Yours sincerely



Clare Petre  
Energy & Water Ombudsman NSW

*Response to*

*IPART's Issues Paper: Review of regulated  
retail tariffs and charges for gas 2010 - 2013.*

*15 December 2009*

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EWON's Response to selected questions in IPART's Issues Paper:  
*Review of regulated retail tariffs and charges for gas 2010 - 2013.*

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1. Do Voluntary Transitional Pricing Agreements (VTPAs) continue to be an appropriate form of regulation for the Standard Retailers' regulated retail gas tariffs, given the objectives and context for this review?

Are there enhancements that can be made to the current approach?

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EWON supports the continuation of the current approach to regulated gas tariffs for another three years.

Although the next three-year period contains many factors that will make it very difficult to forecast the costs in supplying small retail customers, and significant price increases are expected due to external factors beyond the retailers' control, the price constraints in the VTPA continue to provide some safeguards for customers.

We remain concerned about the impact of increased energy prices on vulnerable customers, and support the NSW Government's proposed *Customer Assistance Policy* which aims to provide additional assistance to customers in financial difficulty, so they may stay connected to essential energy services.

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3. Is there adequate information available for customers to make informed choices when choosing a gas supplier? If not, what measures could be implemented to address this?

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To make an informed choice between competing gas retailers, customers need to have access to accurate and independent pricing information. This is currently not readily available to gas customers in NSW.

A number of web-sites claim to offer a quick online comparison, however in EWON's experience not all sites offer rates from every retailer, and the information is not necessarily kept up-to-date. This means the information presented can be potentially misleading, and it is not EWON's policy to recommend any of these sites to customers at present.

It would promote further competition in the gas market in NSW if an independent comparator site could be maintained by either IPART or Industry & Investment NSW, as for example the [Essential Services Commission](#) does in Victoria, or the [Queensland Competition Authority](#) does in Queensland.

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5. Do stakeholders consider that the Standard Retailers' proposals are reasonable in general? Are there any specific issues or individual components of the proposals that stakeholders wish to comment on?

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Under the present VTPA, the Weighted Average Price Cap (WAPC) applies to the 'bundled' tariff comprising both network and retail components. We appreciate that this bundling will no longer be feasible for the 2010-2013 period, so the proposal by most retailers to retain the price cap for just the retail component appears reasonable in the circumstances.

Our specific comments about the automatic pass-through of network charges and costs associated with climate change measures are contained in our response to Questions 8 and 9 below.

***Declining block tariffs***

We note that the tariff structure currently used in gas retailing is a declining block tariff, where the highest tariff is for the first step, and the next step is cheaper.

Two consequences of this tariff structure appear to be:

- it seems inequitable, in that it places the highest tariff on the users of the smallest amount of gas, which would include some of the most vulnerable customers
- it also seems to be out of step with current messages on reducing greenhouse gas emissions, as it appears to reward higher usage with the lower step tariff
- it is inconsistent with the approach to electricity supply, where any block tariffs are inclining rather than declining

***Increasing the number of steps in AGL's tariff structure***

AGL has proposed to increase the number of steps in its declining block tariff from two to six. We note the reason for this is to align it with the proposed network pricing structure from Jemena.

EWON believes that the pricing information that appears on customers' bills should be as clear and informative as possible, and we are concerned that having six tariff steps will unreasonably complicate the appearance of these bills and therefore the information for customers.

The potential for an increased number of customer queries about the interpretation of this complex billing information may lead to increased demand on AGL's call centres, which are already experiencing high levels of demand as a result of their current billing system issues. This could also flow over into increased customer complaints to EWON, if customers lose confidence in the accuracy of the billing information they receive.

We note that no other standard retailer has proposed a six-step tariff structure, and we query the need for AGL to do this.

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#### 8. Should IPART accept the Standard Retailers' proposal to pass network charges through to customers?

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We note that the distribution network charges are regulated by the Australian Energy Regulator (AER), and retailers have no ability to control these costs. It may be reasonable that these are passed through, but this is not a matter for comment by EWON.

However, we note the comments at page 17 of the *Issues Paper* that if Jemena's proposed increase of 34.3% in their network tariff is approved, this would result in a retail price increase of 15%. EWON has concerns about the effect of these increases on vulnerable customers, particularly as they have already experienced a significant price increase in their electricity bills in July 2009, with further increases forecast for 2010.

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#### 9. What is the most appropriate way to address uncertain costs associated with national climate change measures in the new VTPAs?

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In relation to the costs associated with national climate change measures, three of the four retailers proposed an automatic pass-through, and one (Country Energy) anticipated that these could be addressed under the special circumstances provisions.

As there is still a lot of uncertainty about the imposition of these costs, we would be cautious about proposals for an automatic pass through, and would be inclined to prefer the added scrutiny that the special circumstances review implies. As we understand the standard retailers will only face the market price of the Australian Emission Units (AEUs) in the final year of the regulatory period, which may be the last time that gas prices are subject to regulation, the special circumstances approach may be more appropriate.

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19. Can the supply of gas be considered an essential service? If not, to what extent are the risks inherent in gas retailing different to those in electricity?

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Public education messages about energy efficiency and reducing greenhouse gas emissions regularly advocate the installation of a gas hot water system as more efficient than electricity. The NSW Government's *Building Sustainability Index* (BASIX) encourages all new homes to install either solar or an instantaneous gas hot water system in order to accumulate the number of points required to gain a BASIX Certificate. In combination with the increasing number of apartment blocks with a common gas hot water system installed, this suggests there is a steady increase in the number of homes reliant on gas at least for hot water, and often for cooking and heating as well.

For most households, access to gas hot water, cooking and heating could be considered an essential service, particularly for families with young children, or ill or elderly family members.

Effective price constraints and consumer protection measures for hardship customers are particularly important in ensuring access to gas for those customers whose household circumstances render it an essential service.

We note that EWON has received a number of complaints from customers who wish to connect to reticulated gas supply but who cannot do so for reasons of lack of availability or cost of connection. Many of these customers express the view that gas should be considered an essential service for environmental, efficiency and cost reasons.

We note that there are significant areas of NSW where a reticulated gas supply is not available.

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22. Is it reasonable for the Standard Retailers to introduce a new fee for the payment of gas bills by customers using a credit card?

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If such a new fee were to be introduced, EWON believes there should be clear disclosure of this fee, so that customers can make an informed choice about the most appropriate payment method to suit their individual circumstances. This applies equally to current customers who have previously been able to make credit card payments without incurring a fee, and to all customers opening a new account.

As costs associated with administering credit card payments may previously have been a component of the general retail costs, can we expect to see an equivalent reduction in these costs if this fee is to be introduced?

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### 23. Is it reasonable for the Standard Retailers to change the level of the late payment fee?

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EWON suggests that miscellaneous retail charges such as late payment fees should be set at the same level for both electricity and gas. From a customer's perspective, there does not appear to be any valid reason why charges for a range of retail activities by an energy retailer should vary according to the source of that energy.

We note that Country Energy plans to levy their miscellaneous charges on the same basis and with the same conditions as the regulated electricity retail charges. Origin Energy has indicated that it intends to propose a revised set of fees before the end of February 2010. ActewAGL did not specify their approach to miscellaneous charges.

AGL's proposal to increase the late payment fee from \$8.50 to \$14.00 appears excessive when the regulated late payment fee for electricity is currently \$7.00. This 75% increase on the previous fee appears excessive in the circumstances.

AGL has included a list of circumstances when this fee will be waived. In the interests of consistency, EWON would like to see the same conditions apply to late payment fees for gas as those set out in clause 3 of Schedule 5 of IPART's Draft Determination: *Review of regulated retail tariffs and charges for electricity 2010 – 2013*, December 2009.

The additional provisions in that Draft Determination for restricting the application of late payment fees which were not listed in AGL's proposal are:

- during the period where there has been an agreed extension of time for payment
- where a customer has made a billing related complaint in relation to the electricity retail bill to the Ombudsman or another external dispute resolution body where that complaint is unresolved
- where the standard retail supplier is aware that the customer has contacted a welfare agency or support service for assistance
- where payment or part payment is made by *EAPA voucher*
- where a customer is receiving the Energy Rebate
- on a case by case basis as considered appropriate by the *Ombudsman*.

We further note that Rule 303 of the draft National Energy Customer Framework states that:

*A retailer must waive any fee payable under a customer retail contract with a small customer who is a hardship customer for late payment of a bill for customer retail services.*

EWON would support the application of all the above provisions to all the standard gas retailers in relation to late payment fees.