

14 May 2010  
Independent Pricing and Regulatory Tribunal of NSW  
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Thank you for the opportunity to comment on IPART's Draft Report: *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. EWON does however have some concerns around the tariff restructure proposed by AGL.

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 in NSW.

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.

### *AGL Tariff Restructure*

In EWON's submission to IPART's Issues Paper: *Review of regulated retail tariffs and charges for gas 2010 – 2013* we noted concern about the AGL proposal to restructure tariffs for residential consumers by introducing six tariff blocks. EWON acknowledges that the bulk of residential consumers will not be directly affected by this aspect of the proposed tariff restructure, as it will primarily affect large consumers.

What was not clear in the Issues Paper and the AGL submission was the tariff restructure proposal relating to fixed charges. This proposed change has three outcomes which are of concern to EWON.

First is that the result of this proposal will see small consumers bearing an increased percentage tariff rise. The figures provided in Table 6.2<sup>1</sup> indicate that in the first year the proposed impact for low usage consumers will be 5.3% while for medium consumers and high consumers the

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<sup>1</sup> IPART Draft Report: *Review of regulated retail tariffs and charges for gas 2010 – 2013* April 2010, p66

increase will be 2.9% and 2.6% respectively. Over the three year regulated period the rises in the tariff are 16.5% for low consumers, 11.9% for medium consumers and 10.4% for the highest consumers.

The second concern is that this tariff proposal sees an effective 0.1% decrease in tariffs for low use business customers. In the current economic climate and with customers already impacted by increasing utility prices, we query the outcome of a reduced tariff for business customers but an increased tariff for residential customers.

Finally, while low usage is not necessarily directly correlated with disadvantage it is clear from our experience that many aged pensioners and single person households are in the category of low usage consumers. EWON receives many complaints about the existing balance of fixed charges to consumption charges especially from customers who have little or no gas consumption from late spring through to early autumn, and/or who make significant efforts to reduce their gas consumption to save money. This proposed tariff restructure will increase this area of customer dissatisfaction.

### *Miscellaneous Charges*

EWON welcomes the IPART proposal to set a standard administration fee for the passing through of network charges. We also welcome the clarification of the issue of merchant service fees and their non-application for standard contracts.

### **Late Payment Fee**

In relation to the late payment fee we note the AGL decision to retain the current fee and Country Energy's ongoing non-application of this fee. EWON also notes that the previous IPART review of regulated gas tariffs rejected EWON's argument that gas and electricity fees should be consistent in NSW. In that Final Report IPART argued that:

*Most standard suppliers in the NSW retail gas sector (including AGL, Origin and ActewAGL) have significant operations in other states, so there is likely to be more focus on achieving consistency across states rather than consistency with the NSW electricity sector.*

Further IPART also argued:

*In the gas sector some suppliers levy the late payment fee on the disconnection notice, while electricity retailers levy it on the reminder notice. The associated costs may therefore differ.<sup>2</sup>*

Given that late payment fees are not charged in Victoria for standard contracts and that IPART is proposing to standardise the charging of this fee consistent with the electricity practice of levying it on the reminder notice, EWON again argues for consistency with the electricity determination.

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<sup>2</sup> IPART Final Report and Voluntary Transitional Pricing Arrangements Gas 07-01, June 2007, p9

In relation to fee exemptions, EWON notes that the current electricity exemption “on a case by case basis as the Ombudsman considers appropriate” is not proposed to be included for gas. EWON would argue that exemptions should wherever possible be consistent with the electricity determination. Furthermore, as the approved Ombudsman scheme in NSW for all energy customers we strongly believe that gas customers should be afforded the same consumer protections as electricity customers.

Finally EWON welcomes the proposed exemption where a customer is a hardship customer<sup>3</sup>. Our only concern is that this proposal is not clear. One interpretation of ‘hardship customer’ could be a customer who participates in a retailer’s hardship program, however EWON’s preference is for a broader interpretation so that ‘hardship customer’ is any customer experiencing payment difficulties who self identifies or is identified by the retailer or an advocate such as a community worker or financial counsellor.

#### **Other Fees**

We note that there is also inconsistency between electricity and gas fees with the account opening fee and the charging of meter reading fees upon the closure of an account for gas customers. It is of concern that more retail and network costs are being removed from the general tariff and are being separated out as individual fees. It appears to follow a pattern set by other industries (e.g. banking, telecommunications, airlines), where even the methods of receiving bills and the methods of paying are subject to fees and charges. The charging of these fees and charges additional to the tariff are concerning for an essential service and can adversely impact the most vulnerable customers.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy and Projects on 8218 5250.

Yours sincerely



**Clare Petre**  
**Energy & Water Ombudsman NSW**

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<sup>3</sup> IPART Draft Report: *Review of regulated retail tariffs and charges for gas 2010 – 2013* April 2010, p55