27 January 2016

Mr Ben Shafran
Director
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

energy & water
OMBUDSMAN S A

ABN 11 089 791 604
GPO Box 2947
Adelaide SA 5001

Free call 1800 665 565
Free fax 1800 665 165
contact@ewosa.com.au
www.ewosa.com.au

Dear Mr Shafran

Submission on the Consultation Paper:
Meter Read and Billing Frequency Rule Change

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on the Australian Energy Market Commission's *Meter Read and Billing Frequency Rule Change Request* Consultation Paper.

In this submission, the EWOSA primarily addresses matters that are specifically of interest to the EWOSA Scheme.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to *(inter alia)* the connection, supply or sale of electricity, gas or water.

Billing is the largest complaint category for EWOSA, accounting for 43 per cent of all issues raised in 2014-15. This is up from 40 per cent in 2013-14. Thus any efforts to improve meter reading, as well as billing accuracy and frequency, are of significant interest.

We support the assessment framework proposed by the Australian Energy Market Commission (AEMC) for the *Meter Read and Billing Frequency Rule Change Request*.

The remainder of the submission provides responses to many of the questions specifically raised in the Consultation Paper.

Question 1 (a)
What proportion of consumers are likely to be affected by the issue identified by Ergon?
While the proponent of the rule change request is concerned with the differences in the requirements on retailers to provide small customers on a standing or standard retail contract with a bill every three months and the less stringent requirements on Metering Data Providers (MDPs) to read meters in a timely fashion, as well as the associated impact this has on the need for retailers to estimate bills, the issue of estimated bills is more widespread.

Indeed, some customers who have market contracts with energy retailers also receive estimated bills and we believe any rule change proposed by the AEMC should take this fact into account.

In 2014-15, billing issues accounted for 43 per cent (5,270) of all complaints received by EWOSA. Many of these complaints were for high bills (1,368), account errors (823), backbills (477), meters (400), no bill or delayed bill (296) and estimated bills (272).

While the quantity of complaints is lower than the previous financial year across all of these categories (apart from meters) and not all of these complaints would have been directly associated with meter reading difficulties and problems arising from the practice of estimating bills, the data does still show that the issue is significant for energy consumers.

It should also be noted that some of the reduction in complaints regarding billing reflects the resolution of teething problems associated with the implementation of new billing systems by some energy retailers.

Question 1 (b)
Is the availability of meter reads an issue for retailers other than Ergon?
The availability of meter reads and the need to estimate bills is an issue for retailers other than Ergon. Indeed, it is an issue for many electricity retailers. Sixty per cent of the electricity retailers who are members of EWOSA had customers who complained to EWOSA about estimated bills in 2014-15.

Question 1 (c)
To what extent will other developments, including the roll out of more advanced meters, address the issue identified by Ergon?
As more advanced meters are rolled out, the issue of meter reads and estimating bills should decline in importance, because retailers will have the ability to read meters remotely. From a EWOSA perspective, this should reduce complaints associated with high bills, account errors, backbills, no bills or delayed bills and estimated bills.

The AEMC is currently considering consolidated rule change requests to update the business to business (B2B) communications framework. An alternative to Ergon's rule change request would be a rule change which required improved information sharing between energy retailers and MDPs, so that the timing of meter readings and the timing of issuing bills would be better coordinated. This may be worth investigating as part of the B2B communications framework rule change request. If such a rule change was taken account of in the B2B communications framework, it may mitigate the need to make a separate rule change associated with Ergon's rule change request.

It is interesting to note that the proponent on page 6 of their rule change request states:
"Importantly, the MDP does not have visibility on the billing timelines of retailers, rather only the meter reading scheduling and completion dates. This means that any potential change to the existing rules should take into consideration market participant roles and access to information."

A rule change which improved information sharing, provided that such sharing did not contravene any privacy laws or requirements, so that the timing of meter readings and the timing of issuing bills would be better coordinated, could be a relatively simple and cost-effective way of reducing the issues associated with meter reads and estimated bills.

Question 3 (a)
Do bills based on actual consumption enhance consumer experience and allow consumers to make more informed usage decisions compared to estimated bills?
Yes, more accurate information is better to base energy usage decisions upon. Estimated bills introduce some uncertainty about the amount of energy consumed and what customers can do to improve their energy consumption patterns. It is also important to note that retailers are required to inform customers on their bill whether their consumption has been estimated (National Energy Retail Rules: Rule 21 (3)), so a customer should know whether their consumption is actual or estimated.

Estimated bills are especially problematic for customers who receive consecutive estimated bills. This can lead to significant bill catch up and a much higher bill when they do finally receive a bill based on actual consumption. For customers experiencing financial difficulties and having troubles paying their bills, this can be particularly stressful. This issue can be even more pronounced if the customer has a problem with an appliance or if seasonal factors, such as air conditioning use in summer, are not taken account of in estimated bills, but then are incorporated in the customer's bill based on actual electricity consumption.

It is important to note this comment from the proponent on page 7 of their rule change request:
"The most important consideration in improving the rules is the customer outcome. Based on current experience, EEQ has found that issuing bills based on estimated consumption (unless agreed previously with the customer) generates an increase in the number of customer complaints and subsequent requests for billing adjustments based on actual meter data. Our internal complaints data indicates that estimated bills are one of the most common reasons for a customer complaint."

Question 3 (b)
Would delays to the frequency of retail bills cause significant issues for small customers? If so, would a maximum timeframe limit on billing frequency, e.g. four months, sufficiently manage these issues?
As mentioned above, almost 300 customers complained to EWOSA about receiving no bill or a delayed bill in 2014-15. While this is down from 763 complaints in 2013-14, which in part reflects the resolution of teething problems associated with the implementation of new billing systems by some energy retailers, the data shows that delays to bills and receiving no bills are significant issues for some small customers.

While we believe the proponent's rule change request would most likely lead to a reduction in the number of estimated bills, it may also lead to an increase in delayed bills, as well as higher bills if the delay was protracted. This could cause major issues for some small customers, particularly those struggling to pay their bills.

The rule change request would therefore most likely shift complaints between EWOSA's billing complaint sub-categories, rather than reduce overall complaints. It is possible there would be an increase in total complaints and a worse outcome for some customers.

A maximum timeframe limit on billing frequency would help to manage the issues of delayed bills and no bills, particularly if energy consumers were made aware of this limit and would therefore be less concerned if their bill did not arrive when it was first expected.

Question 3 (c)
Should the frequency of retail bills be considered a consumer protection?
Many energy retailers offer a higher frequency of bills – such as monthly, rather than quarterly – as part of their assistance package to hardship customers. This means there are a larger number of bills, but the amount required to be paid on each bill is smaller. Many such customers, who are struggling to pay their bills, find this a better way to manage their payments, as it fits better with their income.

Thus it is already the case that the frequency of bills is both considered as, and is acting as, a consumer protection. This is appropriate.

Question 4 (a)
Would more frequent meter reading by the Metering Data Provider provide an efficient solution to the issue identified by Ergon in its rule change request?
We believe that tighter requirements on MDPs, such as more frequent meter reading or estimating small customers' consumption, would lead to higher costs. These higher costs would ultimately be passed on to energy customers and may result in tighter requirements on MDPs not being an efficient solution.

As mentioned above, an alternative to Ergon's rule change request – as well as to tighter requirements on MDPs, such as more frequent meter reads – would be a rule change which required improved information sharing between energy retailers and MDPs, so that the timing of meter readings and the timing of issuing bills would be better coordinated.

This may be worth investigating as part of the B2B communications framework rule change request the AEMC is currently considering. If such a rule change was taken account of in the B2B communications framework, it may mitigate the need to make a separate rule change associated with Ergon's rule change request. It may also provide an efficient solution to the issue identified by Ergon.

Question 4 (b)
Would more frequent meter reading impose additional costs on the Metering Data Provider? If so, how much are costs likely to increase?
As mentioned above, requiring more frequent meter reading would be likely to result in higher costs for MDPs, which would ultimately be passed on to energy customers.

We have no estimates on how much such costs would be likely to increase.

Question 6 (a)
Do the issues identified by Ergon in its rule change request apply to standing offers for the supply of gas?
Issues associated with meter reads and billing frequency are also relevant for gas retailers and consumers. Many gas retailers are affected by the need to estimate bills. Indeed, just over 70 per cent of gas retailers who are members of EWOSA had customers who complained to EWOSA about estimated bills in 2014-15.

Question 6 (b)
Should the same solution developed for standing offers for the supply of electricity be applied to standing offers for the supply of gas?
For consistency, it would be best if any proposed rule change was the same for gas as it was for electricity, particularly if this involved improved information sharing between gas retailers and MDPs regarding the timing of meter reads and the timing of issuing bills.

This would be likely to reduce compliance costs for retailers involved with selling both types of energy, as well as MDPs. It would also limit the incidence and extent of any subsequent higher bills for consumers.

Should you require further information or have any enquiries in relation to this submission, please telephone me on (08) 8216 1851 or email me at antony.clarke@ewosa.com.au.

Yours faithfully

Antony Clarke
Policy and Research Officer
Energy and Water Ombudsman SA