

Care Financial Counselling Service

2 December 2005

Independent Competition and
Regulatory Commission
PO Box 975
Civic Square ACT 2608

& by email to icrc@act.gov.au

Attention: Mr Paul Baxter, Senior Commissioner
Mr Ian Primrose, CEO

Dear Mr Baxter and Mr Primrose,

Postal Address

PO Box 763
Civic Square ACT 2608

Re: Report 12 of 2005**Issues Paper: Retail prices for non-contestable electricity customers**

Thank you for your letter of 4 November drawing our attention to the Issues Paper and enclosing an electronic copy.

December is one of the busiest times of the year for a financial counselling agency, so I trust it is not inappropriate to keep our comments brief and to the point. In any event, I note the Issues Paper will be followed by a Draft Decision with a further period for written comments in the New Year. If the ICRC believes that it is possible and appropriate, we would suggest a forum with community groups be convened when the Draft Decision is available to allow the Commission to further outline its reasoning and to obtain feedback in a practical and resource efficient manner.

We are pleased that the Commission has made specific reference to the potential impacts of its decision on low income consumers. We also note the section regarding "Safeguards" on page 9 of the Issues Paper. Several specific questions followed that reference and we will deal with each of those in the order they appear in the paper:

Questions in the "Safeguards" section of the paper:

Q: How are the needs of electricity customers experiencing difficulties with bills addressed? &

Q: How are the needs of gas customers experiencing difficulties addressed?

A: Care's core business is financial counselling and that has been the case since the agency opened in 1983. Our clients are low to moderate income consumers experiencing problems with credit and debt. Care's recently released Annual Report (copy enclosed) notes the agency responded to 2175 new requests for assistance last financial year. How we respond to the problems our clients report will be driven by our clients and their priorities.

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Maintaining connection to utilities tends to be an escalated priority. Care makes (and receives) referrals from the ESCC regularly. The significance of the ESCC's role and the existence of the CSO regime cannot be overstated. The impacts include:

- the maintenance of supply when that might otherwise not be the case,
- considerably better, more proactive and supportive responses from utility providers,
- the opportunity to reduce the consumer's amount of indebtedness and
- the ability to structure a response that engages the consumer and makes them part of finding a sustainable solution.

There have also been some more inventive efforts to tackle the problems our clients face, both in their behavioural approach to utilities usage and understanding of the issues. The WEST program is the best example of that lateral thinking in action and we acknowledge the role that the ESCC has played in design and delivery of that program.

What the existence of the ESCC, the CSO regime and community support agencies cannot do however within this framework alone is tackle other structural impediments to affordable, sustainable utility consumption by low income consumers. Those impediments include:

- inappropriate or energy inefficient rental properties and
- insufficient income (likely to increase as a problem as the impacts of welfare and other Commonwealth reform agendas impacting low income consumers are felt).

Q: How are the needs of customers of alternative retailers addressed?

A: Because of the type of services Care and the co-located Consumer Law Centre provide, by far the most frequent interactions we have with other product or service providers involve the financial services industry. We can and do negotiate reductions to debts that our clients are responding to with financial services providers. These negotiations are fundamentally different however from those relating to the ACT utility market. They inevitably commence (and often remain) adversarial. Reductions or waivers usually come down to the exercise of commercial judgment, based on considerations such as any issue in the enforceability of the debt or the customers' capacity to pay, as opposed to the cost of seeking such payment. The big difference is the CSO capacity – but then the product and service types are also fundamentally dissimilar. Cutting off access to a credit card is likely to have very different consequences to cutting off the power or gas.

As an example of a comparably “essential” service, public housing rental debt is a useful case study. We note that Housing ACT has recently tested a debt waiver process, as a tool in establishing or maintaining tenancies where unaffordable tenancy related debt is an issue. Although the development has been a positive one, the process is far from straight forward largely because it relies on the Financial Management Act powers and their exercise. As a service agency that has assisted clients to access both processes, the ESCC/CSO process is much better –

faster, clearer, more reliable and easier to understand for both consumer and advocate.

Other comments or observations about the paper:

We understand the Commission's separation of the reference into two key areas of investigation – whether the tariff should continue and if so what it should be. Our ability to interact with either stream is limited, but to the extent we feel sufficiently informed by our client work to make comment, we note:

- The overwhelming majority of our clients who present with utility debt or affordability problems are ActewAGL customers. Put another way, we have seen nothing in our client work that would suggest competition has had much of an impact on our target group.
- Choices, such as they exist in the ACT market, appear to target consumers other than our clients. For example product bundling offers, with attached savings packages, are likely to be taken up by low income consumers in much lower numbers if at all, because of the nature of products being bundled.
- The only activity in the market that seems to have the needs of lower income consumers in contemplation is the discussion of pre-payment meters. To the extent we can draw conclusions from these discussions that remain in an early stage of development, it would appear the consumers who take up these offers as budget management tools, are likely to pay more for their usage.

We have been making similar observations to these to the ICRC for a number of years. Competition alone does not deliver outcomes to lower income consumers equally or sometimes at all.

We look forward to the Draft Decision in due course and thank the ICRC for the opportunity to comment.

Yours sincerely,

David Tennant
Director.