

Consultation on proposed amendments to customer payment under the Remote Area Energy Supply (RAES) Scheme

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1. Background

The Remote Area Energy Supply (RAES) scheme (administered by the Department for Energy and Mining) provides electricity to around 1,500 off-grid customers across 10 townships and 15 Aboriginal communities in remote South Australia (SA). Cowell Electric Supply Pty Ltd (CES), is the current retailer contracted by RAES to manage and maintain generation, distribution and retail of electricity supply to these communities. Under the *Electricity Act 1996* and this contract, CES is required to be licenced by the Essential Services Commission of South Australia (ESCOSA). CES is therefore licenced to undertake its functions through the Electricity Retail, Distribution and Generation Licence issued by ESCOSA.

The cost of generation and distribution to supply electricity to customers on the scheme is around 75 cents per kilowatt hour (kWh). RAES residential customers pay a subsidised rate, which is equivalent to average on-grid tariffs in South Australia. There is a considerable gap between the cost of supply to off-grid customers in the RAES scheme and average tariffs, which is borne by the South Australian Government. Only State and Commonwealth Government customers located within the scheme pay the full cost of electricity supply.

2. Issues

Customers living in community housing in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands, Oak Valley, and Yalata areas are not currently charged for their electricity supply or consumption. As a result, consumption is significantly higher than other off-grid towns in SA and other States and Territories. It is rare, if not unique, in Australia for the State to fully subsidise electricity usage.

There are a number of issues associated with fully subsidising these customers, and also issues associated with introducing charging for electricity to these customers.

High Consumption

The lack of incentives to manage consumption levels is raising a number of significant risks. Consumption has been increasing steadily over time, and if this trajectory continues, there is an increased potential for blackouts for extended periods to be experienced.

The current generation system cannot be expanded any further without major upgrades, which would come at a significant cost. In addition, as the majority of the current electricity supply is generated by diesel fuel, there is a significant environmental impact to consider. A three-megawatt solar farm project is currently underway to help reduce some of the diesel use and cost to the program, however as maximum demand will still need to be met by diesel generation (when variable renewable energy is not being generated), a reduction in consumption is needed to avoid an increased risk of blackouts for these communities.

Absence of Price Signal

In October 2012, Bushlight, the energy division of the Centre for Appropriate Technology (CAT), was contracted by the South Australian Government to undertake research (desktop, fieldwork, qualitative and quantitative) to develop an understanding of energy use in Anangu communities within the RAES scheme. CAT presented a range of recommendations for demand reduction.

One of the key findings of the report was that the absence of a price signal (a charge for electricity) means that there is no feedback mechanism for residents to understand their energy consumption, and no financial reason for households to reduce their electricity use.

Remote location and access to infrastructure

As mentioned, the relevant communities have not previously been charged for electricity. One of the challenges of introducing electricity charging to these communities is the lack of reliability for customers to receive physical bills. As there is no door-to-door mail service, residents rely on the local community office to receive mail and operating hours can be unreliable. Householders may not check in with the office unless they are expecting mail, therefore bills may not reach the intended recipient for quite some time.

In other remote communities in Australia, prepayment meters have been utilised for many years, which removes the need for a physical bill. However, the old-style prepayment meters are being replaced by “smart meters” which require telecommunications to be available. With the introduction of Telstra 3G and 4G services in the relevant communities, this is now a viable option, which will be discussed further in this paper.

Large and transient households

It is not uncommon to find large numbers of people living within one household¹ in the relevant communities. In many cases, just one or two people from the household are responsible for all household costs. In a traditional electricity billing system, where one person is an account holder, this would mean that the introduction of charging would add an additional cost to these same persons.

In the relevant communities, household numbers can fluctuate frequently, as large numbers of visitors are common. This may mean that the persons responsible for the financial aspects of the household will incur the costs from the visitors stay.

In addition, due to the transitory nature of households, it can be difficult to identify one person to be an account holder for any length of time.

3. South Australian Government Measures

The South Australian Government is introducing a package of measures as part of the Future Sustainability Program, aimed at improving service delivery and realising operational efficiencies across the entire RAES scheme.

These measures include:

- Installation of smart meters to improve energy efficiency and service delivery across the entire RAES scheme.
- The introduction of more flexible payment options, including development of a customer prepayment framework, to reduce the current and future risk of customer indebtedness.
- The staged introduction of electricity charging for community housing residents in the APY Lands, Oak Valley, and Yalata.

The introduction of electricity charging will affect all community residents in the communities of Amata, Iwantja, Kalka, Kaltjiti, Kanpi, Mimili, Murputja, Nyapari, Pipalyatjara, Pukatja, Umuwa, Watinuma, Yunyarinyi, Yalata, Oak Valley, and associated homelands connected to these networks. For the purposes of this paper, these customers will be referred to as “*relevant customers*” and the aforementioned communities referred to as “*relevant communities*” and include the associated homelands.

¹ <https://www.aihw.gov.au/reports/indigenous-australians/housing-circumstances-of-indigenous-households/contents/summary>

Special consideration is being given as to how these changes are introduced, particularly regarding the introduction of charging households in the relevant communities that have previously not paid for electricity. This includes:

- a three-year engagement and education program including door-to-door energy education visits from trained local workers. More information about the education program can be found in *Appendix 1 – Future Sustainability Education Program*
- a staged tariff introduction, starting at 10 cents per kWh and working toward standard RAES residential tariffs, to allow time to adjust to the new cost
- development of a prepayment customer protection policy which considers the special circumstances of new to payment customers utilising the prepayment for electricity system
- the application and accessibility of concessions for new to payment customers.

The objectives and anticipated results of these changes include:

- a reduction in diesel use of around 450,000 litres per year
- a reduction in emissions by around 1.2 million kilograms per year
- a reduction in demand of around 1,600 megawatt hours per year
- an avoidance of the need to purchase additional assets
- community members having a better understanding of energy – where it comes from, the importance of its conservation, and how to use it efficiently. This will assist in daily life in community, but also when community members move to other areas where charging already exists, reducing the risk of debt
- an increase in job opportunities for community members, both through employment during the education program and future roles in generation and distribution within the scheme.

The Department for Energy and Mining (DEM) is now consulting on the proposed payment method which will apply in conjunction with the introduction of electricity charging to the relevant customers in the relevant communities.

This paper seeks feedback on the anticipated impacts of utilising the different payment methods as well as how best to address these impacts.

4. Current Framework

In South Australia, the National Energy Customer Framework (comprising the National Energy Retail Law and National Energy Retail Rules) applies to customers who are connected to the National Electricity Market (NEM), as defined in the National Electricity Law.

For customers not connected to the NEM (referred to as off-grid customers), ESCOSA issues a retail licence to the relevant provider of electricity to these customers under the *Electricity Act 1996*, which prescribes the retailer's obligations to the customer.

As mentioned above, CES is licenced to undertake its functions in the relevant areas through the Electricity Retail, Distribution and Generation Licence issued by ESCOSA. As part of this licence, CES must comply with any codes or rules made by ESCOSA, that ESCOSA has advised as being applicable.

Also, as part of their licence, retailers must obtain ESCOSA's approval to offer prepayment metering to their customers. In the absence of this, the retailer operates a standard postpay billing system.

In a standard postpay billing system, the customer pays for their electricity *after* they have consumed it. At the end of a billing cycle (typically quarterly), the customer is sent a bill from their energy provider.

In a prepay system, the customer is required to pay for electricity use *before* they consume it. Payment is made (at a store, via a website, over the phone, via centre pay, or by setting up auto debit) to the retailer and 'credit' is applied to the meter. Due to the nature of prepayment systems, customers do not receive bills from their energy retailer.

One of the ways prepayment can be administered is through the functionality within a 'smart' meter. Smart meters have a display that enables customers to access information about their energy consumption, including their current credit balance. The recent installation of smart meters throughout the RAES scheme will provide all customers with the necessary technical capability to utilise a prepayment functionality.

To approve a retailer's application to offer prepayment meter systems, ESCOSA requires evidence of the retailer's ability to meet the requirements of the *Prepayment Meter System Code*.

The Prepayment Meter System Code is an industry code made and administered by ESCOSA under its powers in the *Essential Services Commission Act 2002*. The Code closely reflects the requirements contained in Part 8 of the National Energy Retail Rules regarding 'Prepayment meter systems' which apply to customers in the NEM. This includes the requirement for the retailer to obtain the explicit informed consent of the customer prior to entering a prepayment metering arrangement. The Code was designed to offer protections in relation to identified customer risks that arise from the use of prepayment systems.

This Code applies to each retailer as a condition of its retail licence. It applies only to retailers that have the approval of ESCOSA to implement a prepayment meter system pursuant to their retail licence. A submission to utilise prepayment in the RAES scheme has been submitted to ESCOSA by CES.

ESCOSA has recently noted that, due to changes to the operating environment, it is likely that customer protection provisions can be improved. Accordingly, ESCOSA has commenced a review of the Prepayment Meter System Code. An issues paper for the review was released on 17 March 2021 which sought feedback on customer protections in the Code to identify potential issues and solutions. The findings of the ESCOSA review are scheduled to be released in October 2021.

In accordance with current retail licences, the default payment method for electricity customers on the RAES scheme is postpayment. However, as noted earlier in this paper, it is acknowledged that due to a range of factors, utilising the traditional postpayment system in remote communities comes with large challenges and risks to the customer.

5. Proposed Payment Options

Recognising the issues associated with servicing the relevant customers, in terms of their remote location, access to infrastructure and household configurations, and acknowledging the fundamental behavioural changes associated with introducing payment for the use of electricity, DEM has considered two possible payment options to facilitate the introduction of charging for electricity.

Option 1 - Standard Option

Utilise the current postpayment system as the default payment method for the relevant customers, with the option for customers to 'opt in' to the use of prepayment.

Option 2 – Prepayment Option

Require payment prior to electricity being consumed as the only payment method for the relevant customers.

These options are further discussed below.

Option 1 - Standard Option

As mentioned, the default payment method for customers on the RAES scheme is via a postpayment system. That is, customers receive an electricity bill from their electricity retailer at the conclusion of a billing cycle once electricity has been consumed.

As this is the default method for payment, it is not expected that any regulatory changes will be required to implement this payment option for the relevant customers. Retailer obligations set out in CES's licence include frequency of billing, under/over-charging and payment difficulties.

Whilst there are benefits to using this form of payment, it is acknowledged that due to a range of factors, utilising the traditional postpayment system also comes with some challenges and risks which require further consideration.

Potential Benefits

Lower risk of short-term disconnection

- Under postpay arrangements, customers have the ability to consume electricity in advance of payment being required. Customers are also likely to continue to stay connected for a period while accumulating debt, should they be unable to pay their bill.

Visibility of customer hardship

- Customers who are unable to pay bills are seen by retailers through the accrual of debt. The retailer has an obligation to offer such customers assistance, such as a hardship program and referral to government concessions and financial support.
- Customers can continue to accrue debt and stay connected provided they enter into and adhere to a payment or hardship program with their retailer.

Physical record of consumption

- Due to the nature of postpayment systems, customers receive regular bills from their energy retailer. This means that customers will have a consolidated record of their historical energy use and charges. This enables the customer to compare historical usage and make decisions

regarding future electricity usage on this basis. It should be noted, however, that historical data is also accessible with smart meters.

Consistency with on-grid customers

- The use of the postpayment method is the default payment method for customers covered by the National Energy Customer Framework. The National Energy Retail Law and National Energy Retail Rules, which details retailers' obligations with respect to, amongst other things, customer billing processes, apply to customers who are on-grid. As such, the use of the postpayment method for these communities would ensure consistency between on-grid and off-grid customers.

Potential Risks

Risk of Debt

- Given that the communities in question have never paid for electricity, there is concern that these customers may accrue a level of unserviceable debt within a short period of time as they adjust their consumption behaviour to the new charging environment. This is a particular risk if the current high levels of electricity consumption continue.

Under the traditional postpayment system, there is no immediate feedback for how much electricity is being consumed, therefore no prompt to consume less. This can lead to bill shock when the bill is received by the customer as well as impact the ability of the household to meet other financial obligations. Debt will continue to accrue until such time as the arrears are paid in full or the customer is disconnected for non-payment.

In its "*Loans and Phones*" Project - Final Report² in August 2018, MoneyMob Talkabout identified the high risk of debt that exists for customers of mobile and landline telephone contracts in the APY lands.

Sixty-four information sessions regarding phones were delivered during the project. These information sessions, in addition to raising awareness about payday loan (small amount credit contracts) and phone contracts, terminology and complaint mechanisms, resulted in the discovery of a concerning amount of bills and debts owed to Telstra. The findings in this report, along with reports from other regions, led to a Federal Court order for Telstra to pay \$50 million in penalties for what was described as unconscionable conduct.

Among the findings, the report identified that culturally there is a level of shame that accompanies bills, debts and finances in the community, and talking publicly among friends and community members was daunting, even embarrassing, for some. This finding would likely further increase the risk of debts being accrued from new postpay electricity bills, as it is unlikely that community members would discuss their bills and assist each other through any payment difficulties.

Disconnection for non-payment

- Disconnection is used as a last resort method for managing the accumulation of debt when a customer is not paying their electricity bills, nor complying with their agreed payment or hardship plans.

² The Loans and Phones Project was a short-term educational program undertaken by MoneyMob Talkabout, with the purpose of delivering financial literacy education in Anangu Pitjantjara Yankunytjatjara Lands (APY Lands). Over a nine-month period, the project delivered financial literacy education on the APY Lands to educate, raise awareness and develop skills in relation to the real cost and affordability of small amount credit contracts and mobile and landline telephone contracts.

- Customers may have already accumulated a significant debt before disconnection is exercised.
- Reconnection can be challenging as a customer will need to contribute to reducing a debt and adhere to a payment plan to manage to pay back the debt as well as cover ongoing electricity costs. This challenge can also result in a subsequent disconnection of the customer.

Account Responsibility

- The postpayment system does not easily facilitate whole of household contribution as the electricity bill will generally be in the name of one member of the household. If debt is accrued, it is the responsibility of the person named on the account.
- Appropriate allocation of electricity costs relies on customer communication when a customer moves out of a property and a new customer assumes responsibility for the electricity account.
- As electricity is not paid for in real time, the system is not conducive of visitors contributing to the consumption of electricity as they may not be present when the bill is received.

Postal issues

- There is no door-to-door postal service in the relevant communities. Currently, community members are required to collect mail from the community office.
- This raises the risks of the timeliness of the customer receiving their bill, as well as the risk that the customer's bill may never reach the account holder. If bills are not received in an appropriate timeframe, in a reliable manner, accumulation of debt may become a larger issue.
- It is likely that successful implementation of a postpayment system would require a special service for the delivery of electricity bills be established.

Literacy issues

- The electricity bill will be the first time a person becomes aware of how much they owe for electricity they have used.
- Many people with a reasonable degree of English literacy and numeracy, who have paid the electricity bill for some years have a degree of difficulty interpreting their bill. As demonstrated by "*Loans and Phones*" postpayment billing for customers in the relevant communities is high risk.
- Difficulty reading electricity bills can result to customer confusion and disengagement.

Option 2 – Prepayment option

Under this option prepayment will be the default payment method for residential customers in the relevant communities. This differs from the standard option whereby the Code requires customer consent prior to the prepayment method being adopted. Reversion to a postpay approach would not be permitted under this option.

When utilising prepayment, customers are provided a prepayment meter card which they use to "top up" their meter balance. The card's magnetic strip tells the system which meter to add the credit to.

Payment can be made in the local store via a prepayment meter card with either debit card or cash. A receipt for payment is issued and, providing mobile network coverage is available, credit will be automatically added to the meter. If communications are not available, a transaction number on the receipt can be manually entered into the meter and credit applied. Payment can also be made via a web portal, by phone, direct debit, or CentrePay.

The meter provides information on credit balance and provides a warning when low credit mode has been entered (at \$5). If credit is not “topped up” before it is exhausted, the customer can choose to accept \$10 of emergency credit, as specified in the current Prepayment Metering Code. If the meter is not topped up before emergency credit runs out, self-disconnection occurs in accordance with the time frames permitted in the prepayment code.

Customers can only self-disconnect between 10:00am and 3:00pm weekdays. If emergency credit runs out outside of these times, customers can access ‘friendly credit’, allowing the meter to go into a negative balance and for the customer to stay connected until the next period (10am weekdays). This is a requirement of the Code to ensure that disconnection does not occur outside of store trading hours.

When a customer has self-disconnected, any emergency or friendly credit that the customer has used must be paid back to bring their balance back into credit before the customer can reconnect their supply.

Education materials on how to pay for credit and how to monitor the credit balance will be provided to all customers.

The retailer will monitor customer self-disconnections and actively engage with such customers to offer assistance.

Potential Benefits

Budgeting

- Generally, a prepayment method can be a useful way for customers to budget, including those customers on low incomes. Customers can pay smaller amounts as they go, rather than having to pay a much larger amount for the previous three months usage.
- Customers who pay via the prepayment method also have the freedom to pay for electricity at times that they choose. This provides customers with flexibility to pay in a manner that suits them, and their income flows, rather than being locked into a payment cycle set by the retailer under a postpayment approach.

Lower risk of debt

- Prepayment removes the ability for customers to build up high arrears, which then may prove difficult to pay, and can result in debt collection action and disconnection.
- This is considered potentially the largest benefit in these circumstances given the relevant customers have not been required to pay for their electricity previously and will be new to managing their budgets to pay for their consumption.

Instant consumption feedback

- The prepayment method enables customers to receive feedback as to their energy usage in real time, and provides the ability to adjust consumption accordingly.
- Customers generally come to understand their household usage within a short time through using a prepayment approach.
- The requirement to pay for electricity prior to when it is consumed could also establish a stronger link between decisions about consumption and the resulting frequency and amount of prepayment.

Account responsibility

- The prepayment option can provide benefits as the electricity costs will not necessarily be borne by a single account holder.
- For shared households it therefore provides a fairer and easier way for all to contribute, rather than having a quarterly account that one person is responsible for.
- For households where there are short term visitors, it can again provide an easier way for all to contribute rather than the increased energy costs being borne by the account holder at the end of the billing period.

Easier reconnections

- As debt is managed under the prepayment option, a benefit is that customers can be reconnected at zero cost or for a relatively small amount of money.
- Customers also avoid additional fees associated with late payment, disconnection and reconnection under this option.
- When using a smart meter, the retailer has the ability to provide remote connection in seconds. This ensures customers who have self-disconnected and are in need of support can be reconnected quickly.

Close to real-time data

- As consumption data is collected by the meter and provided to the retailer on a daily basis, there is increased visibility of customer consumption patterns. This information can then be used to:
 - act as an energy education tool
 - assist in energy reduction and therefore cost of the program and carbon emissions
 - identify high energy consumers, providing an opportunity to offer additional support.
- This consumption data can be accessed by the customer via their smart meter, which provides a more detailed substitute for the information that would usually be provided on a customer's bill when utilising the postpayment.

Familiarity

- Friends and relatives of the relevant community members in Western Australia and the Northern Territory already pay for electricity via a prepayment system, which is recognised as paying via "power card". The RAES system will operate on the same or similar principle.
- Many community members, especially those close to state borders, have had experience using or seeing power cards. This understanding is also present in the Oak Valley and Yalata communities.

Assistance

- Using smart meters, the retailer is able to monitor activity and target education where required proactively. While this would also be possible with postpayment, identifying a customer's payment difficulties does not occur until debt builds along the billing cycle. The retailer can therefore provide assistance or add credit to a customer's meter much faster if required under a prepayment system.

Potential Risks

Self-disconnection

- There is the possibility of self-disconnection where the customer's credit reaches a zero balance. It should be noted that warnings at the meter prompt the customers to add credit, and later emergency credit options are available.
- Concerns are raised in relation to self-disconnection if the customer is not able to afford credit or able to access methods to top up credit.
- These concerns will be managed through the use of smart meters, which allow the retailer to identify customers that have self-disconnected, make contact and offer assistance.
- In addition, there is the facility of emergency credit that can be actioned by the customer to provide time to make payment arrangements.
- Self-disconnection will only occur during the times permitted by the Prepayment Meter System Code (10am – 3pm weekdays). Friendly credit exists outside these times, which would be required to be reimbursed.

Information provision

- Lack of information regarding the prepayment system can be cited as a concern. Without sufficient information customers may not be aware of how the prepayment system operates and how to apply credit leading to unnecessary disconnection.
- It is a requirement of the Code that information regarding operation of the prepayment system be made available to customers, provided in the form of a Written Disclosure Statement.
- To ensure the target audience fully understand the system, door to door education will be delivered by local community Anangu people, in language, who have been trained by MoneyMob Talkabout.
- Culturally sensitive education materials will be provided to facilitate this education, being pictorial and presented in both English and in Pitjantjatjara. The materials will include information such as the methods available to purchase credit and add credit to a meter, emergency credit, friendly credit, who to call for assistance, and how to use less electricity.
- Multiple visits will be made to each household to ensure an understanding of how to pay and where to go to for support. In addition, demonstration meters will be provided to the education staff so that households can understand the various functions of the meter.
- Information will be readily available on the retailer's website, as well as the MoneyMob Talkabout website, including videos and who to contact for more support.

Visibility to agencies and welfare services

- Customers who lose supply when they cannot afford to buy credit may not be visible to agencies, such as community welfare services, that may otherwise provide assistance.
- Retailers are currently not required to disclose information regarding customer self-disconnections on prepayment systems. This is currently being reviewed in South Australia as part of the Prepayment Metering Code review.

Application of concessions

- In some instances, customers may be unaware or unable to access all of the concessions available to customers on postpayment systems. The nature of some concessions or schemes (such as the Emergency Electricity Payment Scheme in SA) mean that the eligibility criteria is applicable to postpayment customers only, in their current form.
- Eligibility criteria will be reviewed, and a new process established to apply concessions and schemes to prepayment customers.

Consultation Question 1

Are there any other benefits or risks that can be identified based on the above options?

6. Preferred Approach

Given the listed benefits and costs, it is considered that Option 2 - the prepayment method, should be the default payment method for residential customers in the relevant communities. It is proposed that customer consent will not be required for the payment method and the customer will not have the option to opt out of the default payment method for postpayment.

The prepayment method will apply to residential customers in the relevant communities which are in the customer class for the new tariff. Residential customers in the relevant communities which are in an alternative customer class already subject to charging will remain on their current charging arrangements.

This payment method will minimise debt accumulation risk, enables a fairer distribution of cost within households and provides the ability for immediate feedback on how much electricity is being consumed. This option also has lower implementation risk in terms of administrative challenges.

This approach will bring South Australia in line with the majority of remote Aboriginal communities in the Northern Territory (NT), Western Australia (WA), and Queensland (QLD) who have established prepayment methods for electricity.

There have been a number of reports published regarding the pros and cons of prepayment (or Pay as You Go) systems versus postpayment options. However, as noted above, there are measures that can be implemented to mitigate the risks often associated with the concept of prepayment meters and ensure overall the regime maintains robust customer protections.

7. Proposed Customer Protections

As this is a new policy, the department has considered the customer protection frameworks and is proposing a suite of fit for purpose customer protection measures.

These customer protection measures aim to ensure that:

- appropriate processes are in place for self-disconnection, monitoring and reconnection support
- prepayment customers have access to the same concessions and financial support as postpayment or on-grid customers
- support is provided for customers experiencing hardship through retailer CES Electric and on-ground financial counselling services.

These measures will be monitored throughout the introduction of charging and will be reviewed on an annual basis, in conjunction with key community stakeholders and organisations. Further, these measures will be in addition to other protections provided as part of the CES licence.

7.1 Life support customers

Under the South Australian Prepayment Meter System Code, customers utilising designated life support equipment are not permitted to be supplied electricity via a prepayment system. Due to the remoteness of the RAES townships and communities, there are no customers on the RAES scheme registered as utilising designated life support equipment. If a life support customer is recognised in the scheme, special arrangements will be provided to ensure these customers remain connected, in so much as the system allows. It is important to note that whilst every endeavour is made to provide a continuous electricity supply to the region, environmental factors and system constraints mean that interruptions to supply are common in the very remote areas serviced by the RAES scheme.

The National Energy Retail Rules define life support equipment to mean any of the following:

- An oxygen concentrator
- An intermittent peritoneal dialysis machine
- A kidney dialysis machine
- A chronic positive airways pressure respirator
- Crigler najjar syndrome phototherapy equipment
- A ventilator for life support
- In relation to a particular customer - any other equipment that a registered medical practitioner certifies is required for a person residing at the customer's premises for life support

Any customers needing such support will be identified during the door-to-door education visits prior to the introduction of charging, as described further in Appendix 1. A prepayment agreement will seek information regarding life support needs to prompt a customer to be forthcoming with this information and ensure visibility for the retailer.

It is proposed that for customers who fall into this category payment arrangements will be made with the customer on a case by case basis.

7.2 Identification of hardship customers

Currently, the ESCOSA Prepayment Meter System Code identifies a customer as potentially being in hardship where a customer informs the retailer that they are experiencing payment difficulties, or when the retailer's prepayment management system identifies that a customer has self-disconnected three or more times in any three-month period for longer than 240 minutes on each occasion.

If the customer is identified to be in potential hardship, the Code requires the retailer to make contact with the customer as soon as possible to provide information about State Government assistance programs; information on independent financial and other relevant counselling services; and to offer for the removal (or rendering non-operational) of the prepayment meter system so that the prepayment meter system operates as a standard meter should the customer wish to do so.

Smart meters have been installed across the RAES scheme, which will enable the ability to identify when customers have self-disconnected. This will provide the ability to identify customers in potential hardship and enable contact to be made with the customer.

The customer will not, however, have the option of removal of the prepayment meter system. To address the risks associated with this, hardship assistance measures, including the application of concessions and treatment of self-disconnection, discussed below, are proposed to be applied.

The retailer will continue to be required by the Code to provide information about and referral to State Government assistance programs and provide information on independent financial and other relevant counselling services.

ESCOSA's review of its Code is consulting on whether the current threshold for identifying payment hardship is sufficient.

7.3 Managing self-disconnections

A number of measures are being proposed to help customers manage the risk of self-disconnecting from their electricity supply.

Multiple options are proposed to be available to the customer to ensure that the meter can be recharged at any time of the day. The proposed options are:

- at the local store
- via website payment portal
- via CentrePay or direct debit
- by calling the retailer
- through electronic funds transfer

While recharging via a local store is seen as the main avenue for the customers in remote communities, this may not always be convenient. Visits to local stores are a frequent necessity for remote community members for food and other needs, however, local stores are not open at all hours and there may be costs involved for some customers in getting there given their remote location. For those without internet or phone access, the store would also be the only option for payment.

For this reason, customers will not be able to self-disconnect before 10am and after 3 pm weekdays and not at all on the weekend (stores in the relevant regions are open between 10am to 3pm weekdays and some hours over the weekend).

Therefore, if a customer runs out of credit outside of store trading hours, the meter will enter friendly credit mode and not disconnect the customer until they are able to make a payment. Friendly credit must be paid back before new credit is added to the meter.

A small amount of emergency credit is available should a customer not 'top-up' their credit before it is exhausted (this amount is currently \$10, however this is a matter under consideration in the ESCOSA Code review). This emergency credit allows time for the household to add credit to their account and ensure electricity is still available. If the customer does not 'top-up' prior to the emergency credit being exhausted, then their energy supply will be disconnected. To be reconnected, the customer must make a payment that brings their balance back into credit.

Monitoring

To ensure that customers who lose supply when they cannot afford to buy credit are visible to government departments and other agencies, such as community welfare services, all prepayment customers will be monitored. Those experiencing frequent and long periods of self-disconnection will be highlighted and processes put in place to provide assistance to be reconnected. This is to be written into the contract requirements of CES (or any other retailer contracted in the future) and overseen by DEM.

Daily monitoring of customer self-disconnections will take place by the utilisation of the smart meter operating system. Reports can be generated to identify meters that have previously self-disconnected, or that are currently disconnected (as discussed in section 6.3.2). The information can then be analysed to highlight customers who have self-disconnected, including how frequently and for what length of time.

The two main focus areas of customer monitoring will be:

- any customer who falls into ESCOSA's potential hardship criteria as defined by the Code (240 minutes, three-times over a three-month period)
- any customer who has been self-disconnected for 24 hours or more (a measure in addition to the requirements of the current Code).

Customers who have been identified in one of the focus areas will then need to be contacted to establish the reason for self-disconnection.

In the first instance, it is suggested that the customer is contacted via text or voicemail, providing information about ways to access assistance to reconnect and who to contact if in need of support (anecdotally, text or voice messages can be a more successful way of relaying information). If reconnection is not established, a phone call is then made to the lead customer, or other customers listed, at the address. If no contact can be established, a community support person is engaged to make a visit to the household to establish the reason for self-disconnection (this is discussed in section 6.3.4).

The reasons for self-disconnection can vary and may include circumstances such as:

- forgetting to recharge or deciding not to recharge until convenient
- choosing to self-disconnect when electricity is not going to be consumed during long periods away from the home for family or cultural reasons
- not understanding how to recharge
- not having funds to recharge.

Assistance for customers self-disconnecting for these reasons may therefore be different compared to that required for customers who are self-disconnecting due to financial reasons. The following information would then be needed to be assessed and acted upon:

- Does the customer know how to pay?
- Does the customer have the funds to pay?
- Is the consumption high?

Relevant assistance would then be provided, such as education on payment, energy efficiency, access to relevant concessions and support that may be available to the customer. If financial hardship is suspected, referral to a financial counsellor (such as MoneyMob Talkabout) would be made, who can then provide support to be reconnected. Discussions are currently taking place with the Department of Human Services (DHS) to enable access to assistance for customers who are experiencing hardship when utilising prepayment.

Reporting

CES will produce a weekly report summary of all self-disconnections including:

- the number of self-disconnections
- self-disconnections that are flagged on the customer monitor list
- report of actions taken for customers on monitor list
- support provided to customers identified in hardship, including credit applied to the meter.

This report will be provided to the RAES administration team as part of DEM and contractors MoneyMob Talkabout to assist in continued support.

In addition, a quarterly summary report will be generated which will provide an overview of total self-disconnections, reasons for self-disconnections, and actions taken. This report will be shared with relevant bodies such as ESCOSA and SACOSS to ensure transparency. As this is a public report, it is important that the data be high level so as not to identify individuals in any way.

On-ground support

As part of the Future Sustainability education program, key people in each community will be identified to support community members on the ground. These people include:

- MoneyMob Talkabout project staff, including Anangu Energy Education workers based in each community.
- MoneyMob Talkabout financial counselling team, with an office based in Mimili and Pukatja and staff conducting visits to other communities.
- Other financial counsellors including those servicing Yalata and Oak Valley.
- Community service representatives that have agreed to provide assistance when needed.

This assistance will need to evolve throughout the program and after its conclusion based on availability of individuals.

Customer Contact

In addition to the retailer making contact with the customer, sufficient opportunities will be provided for customers to contact the retailer or financial counselling support services (MoneyMob Talkabout during and after program). Information regarding who to contact will be made in the following ways:

- Three house visits will be made by Energy Education Workers, which will include clear advice as to who to contact when in need of support with information left with the household.
- Community information stalls will be set up to provide the same information as household visits to reiterate messages from house visits.
- Stickers on meter box and instructions left in the house to explain how to recharge and who to contact if having difficulties paying for whatever reason.
- Who to contact notices and information will be displayed in community stores and centres.
- Service providers and stores in each community will be provided with who to contact flyers and provided information so as to be able to direct people in need of assistance.
- Community support people will be identified and promoted through the above means to provide on-ground assistance.

7.4 Application of Concessions

As with all RAES customers, remote customers under the prepayment method will be able to access concessions and benefits such as the Cost of Living Concession and Energy Bill Concession.

Currently within the RAES scheme, Concession SA Electricity payments are made directly into the customer's nominated bank account. It is noted that the customers in question have never received this concession as they have not traditionally paid for electricity.

Therefore, as a support measure, arrangements have been made with the DHS to ensure that all prepayment customers in the relevant areas have the Energy Bill Concession applied directly to the smart meter on a fortnightly basis, administered through the retailer.

In addition, as part of the education program, all households will be visited and provided information about the Cost of Living Concession and other concessions to ensure they are receiving all of the support available to them.

Currently access to the Emergency Energy Payment Scheme (EEPS) is not available to prepayment customers as part of the eligibility criteria is to have an energy bill with proof of debt. While it is proposed that access to this scheme will be provided to customers on a prepayment system, arrangements to enable the best way for this to apply are currently underway with DHS.

7.5 Transitional arrangements

As mentioned earlier, the introduction of charging for electricity the affected communities will start at special 10 cents per kWh tariff, less than a third of the standard residential tariff in the RAES scheme. This tariff will be reviewed annually as part of the standard tariff review. The introduction tariff is designed to increase over time to fall in line with RAES standard residential rates, taking into account the welfare of the affected communities. The introduction of payment is to act as a price signal to reduce consumption, which will be a key consideration when assessing any tariff adjustments.

7.6 Availability of Offers

Generally, customers on prepayment methods may be concerned that competitive tariffs may not be available, so they may end up paying more for their energy. It is however important to note that there is no retail competition for customers on the RAES scheme, and that the prepayment tariffs will not be higher than those charged to postpayment customers elsewhere on the scheme. As mentioned, the introduction rates for customers captured by this proposed change will start at a low rate of 10 cent kWh.

Consultation Question 2

The department seeks stakeholders' views on the proposed fit for purpose customer protection measures discussed below, as well as any suggestions for further protections.

8 Proposed Implementation Pathway

As noted above, ESCOSA is responsible for administering the licensing regime that applies to electricity entities, as established under the Electricity Act. It is responsible for issuing, varying or transferring licences to participants in the electricity supply industry where those participants engage in activities including the retailing of electricity where not connected to the NEM.

Under section 21 of the *Electricity Act*, ESCOSA must make a licence subject to conditions determined by ESCOSA. This includes requiring compliance with applicable codes or rules made under the *Essential Services Commission Act*.

In addition, ESCOSA must make a licence subject to any further conditions ESCOSA is required, by regulation, to impose on the licence.

An amendment is proposed to the *Electricity (General) Regulations 2012* (the Regulations) which will require ESCOSA to impose a licence condition on the retailer that customers of a prescribed class pay for electricity via a prepayment method. The licence condition will provide that the retailer, at their sole discretion, may provide an alternate payment method for a customer of the prescribed class. This will enable an alternative payment method for a life support customer if determined necessary in consultation with the customer.

This class of customer would include residential customers in the remote Aboriginal communities and associated homelands of Anangu Pitjantjatjara Yankunytjatjara (APY), Yalata on Aboriginal Lands Trust (ALT) and Oak Valley on Maralinga Tjarutja (MT) supplied through the RAES Aboriginal Communities (AC) scheme.

Residential customers that currently pay for their electricity consumption will not be included in the prescribed class of customer³.

CES is currently contracted by RAES to provide retail and distribution services on behalf of the scheme to the townships and communities proposed to be impacted by this reform. CES undertakes this function through its Electricity Retail, Distribution and Generation Licence, administered by ESCOSA. Should this arrangement cease, the drafting of the proposed regulation would ensure ESCOSA was required to impose the condition on the licence of the new party responsible for retailing electricity to the customers of the prescribed class.

³ Residential customers that currently pay for electricity include service providers such as NGOs and State and Federal Government employees.

ESCOSA may consider whether the proposed regulatory changes warrant further amendment to the CES Licence or Code. However, these will be matters for consideration of ESCOSA.

These proposed amendments will ensure prepayment is the default payment method for residential customers in the aforementioned remote communities.

Consultation Question 3

The department seeks stakeholders' views on the proposed implementation pathway.

9 Proposed Timeline

The new regulations are proposed to commence from December 2021, noting that charging for electricity for the relevant communities will not commence until 1 July 2022. The proposed timeline includes the following key stages:

- Regulation change effective - Early December 2021
- ESCOSA implementation of new conditions to CES licence - January 2022
- Commencement of charging – 1 July 2022.

10. Consultation Process

The Department for Energy and Mining invites comments on this proposal from all interested parties by 5pm (ADST) on Friday, 17 September 2021.

The consultation process will include:

- Community meetings and education stalls conducted in each of the relevant communities, including information in language regarding this paper and opportunity to provide feedback.
- Online stakeholder sessions to further explain the paper and to answer questions.

Stakeholders can provide written submissions to the consultation by emailing:

dem.consultation@sa.gov.au

All submissions will be published on this website including your name and organisation (if applicable), however your contact details will not be published. Please indicate clearly on the front of your submission if you would like it to be treated as confidential, in full or part, and the reason why it should not be made publicly available.

Once the consultation is closed, DEM will review all submissions and responses from stakeholders when finalising the regulation changes.

Contact

For all enquiries regarding this proposed consultation, please email us at dem.consultation@sa.gov.au

Appendix 1 – Future Sustainability Education Program

As part of the introduction of charging for electricity, a three-year engagement and education program is underway. MoneyMob Talkabout, a specialist non-government organisation with experience in delivering similar programs in remote Aboriginal communities, has been engaged to develop and implement a community education and engagement program.

Engagement

The Aboriginal Affairs and Reconciliation Division of the Department of the Premier and Cabinet, along with other State and Commonwealth Departments with a presence on Aboriginal Lands, have been consulted in the development of the program, and continue to be consulted throughout its delivery.

Visits to all communities and community councils in the APY Lands, Oak Valley, and Yalata, have been undertaken, with both MoneyMob Talkabout and RAES representatives, to explain the reasoning behind the introduction of charging and to consult on the delivery of the education in communities. These visits will continue to take place throughout the program delivery.

Engagement with other key stakeholders, such as social services groups and in-community services providers, is made on a regular basis to provide input into the program and to assist in its ongoing development.

Education

Pawa Aṭunmankunytjaku is the name given to the energy education program for the introduction of charging for electricity. It was developed in conjunction with local Anangu people employed with sub-contractors Iwiri, an Anangu organisation in Adelaide and means 'to take care of power'.

The Pawa Aṭunmankunytjaku program is divided into two main themes. The first is to provide information about the introduction of charging for electricity and why it needs to happen. The second focuses on energy efficiency – namely, how to use less and pay less.

The first round of house-to-house visits will focus on the following:

- introduction to energy fundamentals – what is electricity, how it is produced, the cost and environment effects of its production and consumption
- introducing the concept of payment – why it is needed, when is it happening, how much will it cost me, why am I now being charged?
- basic tips to reduce energy consumption
- where to go for further assistance and information.

The subsequent visits will include subjects such as:

- revisit energy fundamentals and why reducing energy is important
- the cost of electricity - expected cost to households if consumption continues at current levels (from smart meter data)
- ways to reduce energy consumption – energy efficiency behaviours and appliances
- how to pay for electricity.

It is appreciated that the introduction of payment will not be an easy concept to understand or accept, so the delivery of this information needs to be treated sensitively and with respect to current circumstances.

The approach for the program is to employ local community members as Energy Education Workers to deliver house-to-house education in each of the communities and associated homelands. This program follows the recommendations made to the department from the Centre for Appropriate Technology, and follows a similar model undertaken in the Northern Territory - the Manymak Energy Efficiency Program.

Energy Education Workers have been employed in many of the communities and will continue to be recruited throughout the program. Paid training has taken place for the first group of workers, facilitated by MoneyMob Talkabout and sub-contractors Uniting Communities.

In addition, information stalls will be set up in communities and at football games to provide community members with the opportunity to access information and ask questions. A range of materials have been developed to support the education program including:

- an introduction video, explaining the changes and why they need to happen
- a visual poster book, in English and Pitjantjara, explaining each of the concepts
- a video explaining payment and how to do it
- various materials such as mugs, leaflets and stickers.

Materials will continue to be developed throughout the program in line with the needs of community members. More information about the progress of the program can be found on MoneyMob Talkabout's website at moneymob.org.au/pawa-atunmankunytjaku