

28 August 2006

The Rules Administrator
M-co The Marketplace Company Pty Ltd
GPO Box 1686
NSW 2001

Thank you for the opportunity to comment on *RC04/06: Proposed Amendment to Rules 7 and 13 and insertion of new Rule 38 of the Gas Retail Market Business Rules*.

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

EWON considers that the proposed rule changes should lead to fewer complaints from customers who wish to keep their gas supply contract intact when moving premises, and who previously would have had to enter an interim contract with the owner of the gas DPI at the new premise. We therefore support the proposed changes.

If you would like to discuss this matter further, please contact me on 8218 5250, or Damien Sams, Investigations Policy Officer, on 8218 5262.

Yours sincerely



Clare Petre
Energy & Water Ombudsman NSW



Energy & Water
Ombudsman NSW

Response to

The Marketplace Company Ltd

Assessment Report for Proposed Rule
Amendment

CR04/06: Change of User on Move-in

8 August 2006

Submitted by

Energy & Water Ombudsman NSW

28 August 2006

Introduction

EWON notes that as a result of the proposed rule amendments and changes, small retail customers who are moving to a new premise will be able to continue to be supplied gas by their existing retailer even where the current supplier of gas to the new premise is a retailer other than the customer's existing retailer.

EWON also notes that as a result of the proposed rule changes there is an intention that barriers to entry into the retail market by new participants will be removed and the costs faced by participants in the gas retail market will be reduced.

For ease of reference, we have structured this submission using the same subheadings used in the *Assessment Report*. We have only made comments on those areas of the *Report* that we feel would be warranted by our experience as the authorised dispute resolution body for NSW customers and which have the potential to impact on consumers or the efficient operation of the market.

Nature of the Proposed Amendment

Proposed Operation of Rules

Background and Current Operation of Rules

EWON has experience in handling and responding to complaints by consumers regarding the difficulties and barriers they face when moving premises and wishing to be billed by the same gas retailer. These can include having to enter a standard form supply contract with another retailer (the retailer with billing rights over the gas distribution point of the new premise) and having to pay a security deposit to that retailer. Or in the case of a second-tier retailer holding billing rights to the gas distribution point of the new premise, having to enter a negotiated supply contract with that retailer.

EWON views the adoption of rules allowing customers to retain their retailer when moving premises as beneficial for both consumers and the gas retail market.

Proposed Operation of Rules

EWON considers it reasonable that the Change of User (COU) on move-in proposal only applies to consumers of less than 1TJ per annum who have been supplied gas by the incoming user within the month prior to the COU transaction being raised, and who request that they continue to be supplied gas by that user at the new premise.

It is also reasonable that customers be offered the option of a special read of the gas meter at the new premise if there has been no meter read within the 10 days prior to the move-in date and the customer is unable to offer a self-read.

Gas network operators in NSW may currently charge a customer's retailer for conducting a special read (AGL Gas Network's fee for example is \$25.00 GST-inclusive¹). Such network access charges are regulated by IPART. Retailers may choose to pass on such miscellaneous network charges to their customers or choose to absorb these costs themselves. AGL Retail Energy, for example, pass on a special read fee to their customers (their fee is \$37.51 GST-inclusive) that includes a retail margin of \$12.51. EWON notes that this is consistent with IPART's *Voluntary Transitional Pricing Arrangements to 30 June 2007 (VTPAs)*, as agreed to with each standard gas supplier in NSW. The *VTPAs* allow each standard gas suppliers to raise miscellaneous fees (including special read fees) in line with the principles outlined in the relevant supplier's *VTPA*.

EWON considers that the incoming user (ie. the customer's existing retailer) should be required to advise the customer of the cost of a special read prior to the COU transaction proceeding. This could be achieved by the retailer publishing their special read fee in the section of their website used by customers requesting relocation of their contract to a new supply address. Alternatively, the retailer's call centre representative could advise the customer of the fee at the time the customer calls their retailer to request contract relocation to a new supply address.

EWON also notes that there are a number of non-standard retailers of gas currently operating in NSW that fall outside the scope of IPART's *VTPAs*. Such retailers face no regulatory constraints on the amount they can charge customers for miscellaneous services such as a special read. This may lead to large disparities between the special read fees of standard gas suppliers and non-standard gas suppliers respectively, as well as amongst standard gas suppliers.

One solution to this disparity may be for the rule changes to require that the incoming user (the customer's existing retailer), regardless of whether they are a standard or non-standard supplier of gas, be entitled to charge no more than the special read fee charged by the relevant gas network operator. This would eliminate any complexities or disparities in the application of special read fees by incoming users, ensure customer confidence in the transaction is maintained and potentially reduce customer complaints.

¹ IPART's [Revised Access Arrangements for AGL Gas Networks, April 2005, Final Decision](#), section 13.4.8, p 194.

Other Relevant Matters

BRIC Conclusions regarding Estimated Reads

EWON supports the concept that a customer wishing to transfer their contract to a new premise should be offered the choice of an estimated read at no cost or a special read if the customer is not able to provide a self-read. As noted above, if the retailer proposes passing onto the customer the cost of a special read, EWON considers it important that the incoming user advise the customer of the likely cost of a special read before asking the customer their preferred method of move-in read.

Regulatory Issues

EWON notes the two issues of technical non-compliance with the *Gas Supply (Natural Gas Retail Competition) Regulation 2001* that may arise through implementation of the proposed amendments and changes. EWON also notes the BRIC has raised these matters with IPART, which is responsible for administering breaches of retailers' operating licences, and that IPART has not raised any concerns that would prevent the implementation of the changes.

Conclusion

EWON is satisfied that the proposed changes outlined in *RC04/06* should result in fewer customer complaints about the time taken to resume a billing relationship with the customer's existing retailer following relocation to a new supply address. EWON is also satisfied that the potential risks associated with moving a customer into a new supply address on the basis of an estimated read will be offset by the ability of retailers to later rebill a customer using a pro rata obtained from the first available period of actual reads, as well as the option of the customer to request a special read (which must occur within 11 days after move-in) at the time of the transfer request.