



## **Energy Efficiency and Customer Bills:**

**Response to the Ministerial Council on Energy's Energy Bill  
Benchmarking Consultation Regulatory Impact Statement**

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# Introduction

## The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected. PIAC seeks to:

- expose and redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate on issues affecting legal and democratic rights;
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to unmet legal need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the (then) Law Foundation of New South Wales, with support from the (then) NSW Legal Aid Commission, PIAC was the first, and remains the only broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Services Program. PIAC also receives funding from Industry and Investment NSW for its work on energy and water, and from Allens Arthur Robinson for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

## Energy + Water Consumers' Advocacy Program (EWCAP)

The Energy + Water Consumers' Advocacy Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the Program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the Program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW (CPSA);
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers;
- Institute of Sustainable Futures (ISF), University of Technology (UTS);
- Indigenous consumer representative; and
- Western Sydney Community Forum (WSCF).

## The current consultation

PIAC welcomes this opportunity to comment on the Ministerial Council on Energy's Energy Bill Benchmarking Consultation Regulatory Impact Statement (the Consultation RIS).

Energy Bill Benchmarking is a project of the Consumer Information Implementation Committee, established by the Council of Australian Governments' (COAG) Ministerial Council on Energy (MCE) under the National Framework for Energy Efficiency (NFEF). In December 2004, the MCE approved the *NFEF Stage One Implementation Plans*, which noted that:

Energy retailers will be required to include average energy consumption data on energy bills and also to allow end users to compare their energy consumption against an appropriate benchmark. The objective of this measure is to motivate energy consumers with above average energy consumption to implement energy efficiency improvements.<sup>1</sup>

PIAC supports the principle of empowering consumers with information that will allow them to make informed use and/or purchasing decisions. PIAC also supports the use of regulatory measures to correct market failure, including the failure to provide consumers with the information they need to make informed decisions.

However, PIAC is concerned that a number of aspects of the project outlined in the Consultation RIS will not benefit consumers, particularly low-income and disadvantaged households. PIAC is particularly concerned about the inability to evaluate the effectiveness of bill benchmarking, and the lack of detailed costings available against which to judge this scheme. These points are expanded below, along with recommendations on alternative ways to move the project forward.

For the reasons detailed below, PIAC cannot support the Energy Bill Benchmarking project as outlined in the Consultation RIS. It is hoped that PIAC's concerns and recommendations will be accepted as constructive feedback and incorporated into the project planning.

## Costs and benefits

PIAC acknowledges the difficulty in establishing the cost per unit of energy saved through bill benchmarking programs, as highlighted by Carolyn Bartsch of Ergon Energy during her presentation at the Bill Benchmarking forum hosted by MCE in Melbourne on 17 November 2009.<sup>2</sup> This, however, is no reason to disregard consideration of whether bill benchmarking is a cost-efficient way to reduce energy use and carbon dioxide emissions.

For bill benchmarking to be effective, consumers must be convinced that benchmark figures are relevant to their individual circumstances. Matters of relevance include local weather conditions and patterns, household size and energy use patterns. For example, a five-member household with people home during the day will consider their above-average usage to be acceptable if they believe that the average includes a number of single-person dwellings. This leads to the conclusion that if bill benchmarking is to motivate a significant demand response it must include different benchmarks appropriate for different classes of customer and household type.

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<sup>1</sup> Standing Committee of Officials of the Ministerial Council on Energy *Energy Bill Benchmarking Consultation Regulatory Impact Statement* (2009) [3] <<http://www.ret.gov.au/Documents/mce/energy-eff/nfee/committees/consumer/focus.html>> at 30 November 2009.

<sup>2</sup> Carolyn Bartsch, 'Bill Benchmarking' (Paper presented at the Energy Bill Benchmarking – Stakeholder Consultation Forum, Melbourne, 17 November 2009) 16.

There are a number of factors that complicate the surveying of data to this depth and the need for retailers to then cross-reference billing addresses to household-type data. Further complication leads to higher costs, ultimately borne by consumers and disproportionately affecting lower-income households.<sup>3</sup>

Further, PIAC considers that the simplicity of the information provided on bills impacts on consumer awareness and understanding of the benchmark. Bartsch noted the effectiveness of a graphic representation over other measures.<sup>4</sup>

Taking into account bill simplicity and the relevance of benchmarks to individual households, there is a need for retailers to be able to identify household types for individual bills. Given that retailers do not hold this information, this means that an effective bill-benchmarking program requires expensive administrative changes and almost inevitably the collection and retention of additional—and arguably irrelevant—personal information giving rise to additional obligations under the *Privacy Act 1988* (Cth). As Bartsch estimates that the effectiveness of the bill-benchmarking program will be limited to 12-24 months<sup>5</sup>, PIAC recommends that the MCE consider other options to achieve similar outcomes.

## Aspirational Targets

The Consultation RIS briefly canvasses an alternate approach to bill benchmarking: aspirational targets.<sup>6</sup> The Consultation RIS illustrates how aspirational targets have been applied to water supply, and the success of these programs in raising awareness. PIAC considers that the use of aspirational targets would be a more appropriate measure than energy bill benchmarking due to the lower costs involved. Aspirational targets could be adjusted on a state or regional level, though this would limit the potential for raising awareness through one national advertising campaign.

It is acknowledged that some consumers will still be interested in richer data comparisons and benchmarks for their household type and regional weather conditions and patterns. If the MCE wishes to ensure this information is available to consumers, PIAC recommends that this not be done on bills. An online benchmark comparator would allow for more complex information to be presented, whilst bypassing the administrative issue of retailers needing to identify the household composition of each customer bill with the associated privacy implications for the consumer and the retailer.

If an online comparator is to be provided, PIAC maintains that the cost of this service should not be recovered from the customer base, but should be funded from government revenue. PIAC adopts this approach out of concern about costs imposed on low-income and disadvantaged households and in recognition of the benefits to government and the community broadly through reducing new infrastructure demands by limiting consumption.

## Conclusion

Bill benchmarking, in and of itself, is not a process that will reduce carbon dioxide production. Rather, it is a tool that is intended to increase the motivation of consumers to pursue energy saving measures already

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<sup>3</sup> Independent Pricing and Regulatory Tribunal of New South Wales, *Market-based electricity purchase cost allowance – 2009 review* (2009) [16] <<http://www.ipart.nsw.gov.au/documents/DraftReport-market-basedelectricitypurchasecostallowance-2009review-12March2009.pdf>> at 30 November 2009

<sup>4</sup> Standing Committee of Officials of the Ministerial Council on Energy, above n 1, 28.

<sup>5</sup> Bartsch, above n 2, 16.

<sup>6</sup> *Ibid* 54.

otherwise available to them. Therefore it needs to be recognised that there will be alternate ways to achieve the same outcomes.

If the MCE remains convinced of the benefits of using household energy bills as a means to encourage energy efficiency and reduce carbon dioxide production, PIAC considers that the use of aspirational targets, instead bill benchmarking, is the appropriate way to achieve this. The costs of an effective bill-benchmarking program are likely to be high relative to the outcome in terms of units of energy saved, although this is hard to ascertain from the information provided in the Consultation RIS. No method for measuring the effectiveness of the scheme in terms of units of energy or carbon dioxide emissions saved has been provided, nor is it clear that there is any way of making these measurements.

Energy costs are rising due to a number of factors, including capital expenditure and environmental policies. Therefore, it is imperative that the Council of Australian Governments does not introduce new policies that will place additional financial burdens on low-income and disadvantaged households unless there is clear evidence that such policies are both necessary and likely to be successful in achieving the policy objective. PIAC is not convinced that this is the case with the bill-benchmarking program as outlined in the Consultation RIS.

### **Recommendations**

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- 1. That the Energy Bill Benchmarking process be replaced by an Aspirational Targets program.*
- 2. That any benchmarks in addition to Aspirational Targets be available online, and that the costs of an online comparator not be recovered through energy bills.*