

NATIONAL ENERGY CUSTOMER FRAMEWORK

Consumer rights and protections for low-income and vulnerable households are at risk if the NSW Minister for Energy, The Hon Ian Macdonald, approves the new national framework for energy consumer protections.

The First Exposure Draft of the National Energy Customer Framework (NECF) is the latest round in a process being managed through the Council of Australian Governments (COAG). It cannot be passed into law without the approval of the relevant Minister from each state and territory, along with the Federal Minister for Resources and Energy, The Hon Martin Ferguson.

PIAC has been working with other members of the National Consumers Roundtable on Energy (NCRE), including ACOSS, the St Vincent de Paul Society, and the Consumer Utilities Action Centre, to compare the proposed level of

consumer protections against what is considered to be best practice among the states and territories. This work has exposed the proposed package as inadequate in that it will lead to an erosion of consumer protections in some jurisdictions.

Areas of focus included the requirements for customer hardship policies and the ability of retailers to disconnect customers from supply where they are experiencing difficulty paying their bills. One proposed diminution of protections

for NSW residents is the removal of the obligation on retailers to provide a payment plan to all customers who are experiencing difficulty paying bills. Whilst the NECF will maintain this obligation for customers in hardship programs, a customer experiencing difficulty paying bills may not be defined by the retailer as a hardship customer, therefore may not be offered a payment plan and any associated protection from disconnection.

The result of this policy change will be more customers facing disconnection if they can't

afford to pay their bills. With electricity bills set to rise by over 20 per cent and employment tipped to worsen over the coming years, PIAC fears increasing rates of disconnection as hardship worsens. This policy change could undo much of the progress made by retailers in improving their support programs for customers in hardship.

Also as part of the NECF submission, PIAC commissioned a report from a lawyer with expertise in energy regulation, to ensure that the legislative drafting would realise the stated policy intent of the NECF. One of the major points raised in this report was the need to modify the objective of the law, so that it properly reflected the intent to regulate end-user policy and the relationships between the customer and electricity industry. The report recommended that the existing objective could remain, but required the addition of further sub-objectives to ensure that the law will be interpreted so that consumers received safe, affordable and sustainable energy supply in a way that is equitable and fair.

PIAC supports the move towards federal regulation of energy consumer policy, however these are just two examples of the changes that the NSW Minister for Energy must insist upon before approving the draft legislation. The NSW Government has failed to adequately protect consumers against the 20 per cent rise in electricity bills from 1 July and against the loss of protections inherent in government ownership of electricity businesses.

PIAC calls on the Minister to take note of the changes recommended by community groups and consumer advocates to the NECF package lest we see a further erosion of consumer protections and fast-rising disconnection rates.



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NSW HOUSEHOLDS TO PAY MORE FOR ELECTRICITY

The Independent Pricing and Regulatory Tribunal (IPART) recently confirmed that NSW residents will pay 20 per cent more for electricity from July. This means the typical Integral and Country Energy customer will pay an additional \$203 each year and customers of EnergyAustralia will have to find an extra \$182 for their energy bills.

These significant increases are in part because the wholesale cost of purchasing electricity has increased beyond the amount allowed in IPART's 2007 retail price determination. Prices are also on the rise on account of the Australian Energy Regulator's (AER) network price determination.

Recognising that NSW households are already experiencing financial pressure, the NSW Minister for Energy, the Hon Ian Macdonald, asked IPART to consider the most effective way to alleviate the impacts of rising prices.

IPART responded by recommending that the NSW Government bring forward all elements of the package developed to assist NSW households to cope with the impacts of electricity privatisation.

IPART also recommended that the Government consider indexing the pensioner rebate to energy prices or calculate the rebate as a percentage of the bill. Moreover, the regulator asked the Government to consider expanding the eligibility criteria for the pensioner rebate to all Commonwealth Health Care Card holders.

The NSW Government has agreed to bring forward the privatisation 'safety net' package but has neglected to amend the manner in which the pensioner rebate is calculated or to further expand the eligibility criteria.

PIAC is disappointed at this half-hearted response.

The Australian Council of Social Service (ACOSS) reports that 12 per cent of Australian households already experience difficulties paying their utility bills. IPART has also revealed that almost 20 per cent of electricity customers in the Hunter and Central Coast were unable to pay their electricity account at some stage over the previous three years. More alarmingly, IPART reports that in excess of 18,000 NSW households had their electricity disconnected last year because they were unable to pay their bills.

PIAC holds grave concern that, without an adequate response from the Government, the July price hikes will combine with the economic downturn and increase the number of households experiencing difficulty with their bills. These circumstances will also further the financial pain of households that already suffer the indignity of payment difficulties. PIAC is particularly concerned that this could lead to an increase in the number of electricity disconnections.

Reliance on the privatisation 'safety net' package alone to offset the impacts of price increases will also weaken the capacity of this initiative to fulfil its original function of assisting NSW energy customers to overcome unfavourable impacts of the sale of electricity assets.

To protect low-income and other disadvantaged customers from the impact of price increases now and into the future, PIAC urges the NSW Government to either index energy rebates to energy prices or calculate them as a proportion of energy bills, and to expand eligibility to all Commonwealth Health Care Card holders. PIAC also contends that energy retailers need to invest additional resources in their hardship programs and commit to not increase the number and proportion of customers who experience disconnection over the years ahead.



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ENERGY WHITE PAPER

Early indications from the Energy White Paper process show that the Federal Government is set to lock Australia into a future of reliance on fossil fuels and disregard for consumer issues. PIAC hopes, however, that consumer feedback can help create a policy shift that ensures that the White Paper will assist in Australia's attempts to meet carbon emission reductions in a way that does not push vulnerable households further into hardship.

The Energy White Paper, to be produced by the Department of Resources, Energy and Tourism (DRET), will guide energy policy until 2030 and beyond. The White Paper will examine

Australia's energy needs over this period and explore options for meeting these needs, from mineral exploration through to end-use consumer policy. A Strategic Directions Paper and six discussion papers have been released to highlight priorities for the process, and will be followed by a Green Paper later in 2009. This will lead to the release of the Energy White Paper.

Consultations on the Strategic Directions Paper and six discussion papers closed in May, with consumer and environmental representatives expressing concern about the business-as-usual approach presented in those papers. Unless these positions are

reversed in time for the release of the Green Paper, medium to long-term energy policy will severely blunt incentives for Australian industry to reduce carbon emissions, thereby restricting Australia's ability to meet its carbon emission reduction targets.

These problems can be attributed in part to the composition of the consultative committee. Whilst the membership of this committee was recently amended to include one community representative and one environmental consumer representative, these changes were made after the Strategic Directions Paper and discussion

papers were released. This means that the papers intended to guide the Energy White Paper process were developed by a group made up of ten members of the fossil fuel lobby, no government representatives from departments with a focus on environmental or social outcomes, and no community or environmental consumer representatives.

As a result of this industry capture, the documents released thus far focus on meeting the energy needs of Australia under business-as-usual energy forecasts, without adequately taking into account policies to reduce Australia's carbon emissions. By putting in place the incentives to continue the mining and burning of carbon intensive energy sources such as coal and oil, the White Paper development process threatens to derail the research and implementation of the technological changes required for Australia to move towards an energy industry that plays its part in avoiding and mitigating climate change.

Another concern for consumers is the possibility that the Energy White Paper will be used to promote retail price deregulation. NSW, like all other states and territories except Victoria, has price controls on the retail of electricity and gas due to the lack of competition in these markets. However, there remains in the Commonwealth bureaucracy a belief that removal of price restraints will create adequate competition in energy retail markets, without any harmful effects to households already in or at risk of energy hardship.

PIAC remains concerned that barriers to entry for new market participants and inadequate protections for low-income households will combine with price deregulation to the detriment of affordable energy supply, and result in increases in the rate of disconnection from supply due to inability to pay.

With the Green Paper due before the end of 2009, PIAC is strongly advocating for DRET to take consumer concerns into account so that the end result is an Energy White Paper that addresses both the needs of low-income and vulnerable households, and the need to move towards low-emission energy resources.

PENSIONER WATER REBATE REVIEW

Whilst some low-income consumers in NSW have access to an adequate water rebate, others receive an entirely insufficient concession, and some get no rebate at all. Particularly in light of pending water price increases, EWCAP contends that it's time the NSW Government acted to ensure all low-income consumers have access to an appropriate water rebate.

EWCAP has been informed that pensioners who are customers of Sydney Water are eligible for a rebate of 100 per cent of the water service charge, 83 per cent of the sewerage service charge, and 50 per cent of the stormwater service charge. Over the course of a year this amounts to a valuable saving of around \$475 on water bills.

By comparison, most pensioners who reside in non-Metropolitan NSW receive a rebate of just \$87.50 for water and \$87.50 for sewerage. Not only is this well below what Sydney Water customers receive but, as it's a fixed amount, its utility declines with every water price increase.

Following the recent price determination for residents for Gosford and Wyong, the argument that Sydneysiders deserve a greater rebate because they pay markedly more than residents of the Central Coast is no longer valid. A comparison of forecast water bills across the three providers reveals customers of Gosford and Wyong will pay as much as Sydney Water customers as of July 2009.

More alarming is the fact that some pensioners miss out on the water rebate all together. Tenants, including park and village residents, are unable to benefit from this much-needed support because they are not a direct customer of the water utility or don't own the land on which their home resides. This is particularly concerning given park residents include some of the more economically and socially disadvantaged residents of NSW.

In its submissions to the Independent Pricing and Regulatory Tribunal (IPART) price determinations for Hunter Water and Gosford and Wyong

Councils, EWCAP joined other consumer advocates to argue that it is time to remove these inequities. EWCAP is pleased to note that IPART was receptive this argument and recommended the NSW Government review the sufficiency of the current rebate provided to pensioners who are customers of Hunter Water, Gosford Council and Wyong Council, and also reassess the way in which the rebate is calculated.

Adding weight to these recommendations is the Draft Report to the Independent Inquiry into Secure and Sustainable Urban Water and Sewerage Services for Non-Metropolitan NSW. In this report, prepared by former Deputy Premier, The Hon Ian Armstrong, and former head of the Premier's Department, Colin Gellatly, the authors advocate for a review of the pensioner concession scheme.

EWCAP was pleased to learn that, when questioned about the lack of access to rebates for some residential park and retirement village residents, the NSW Minister for Water, the Hon Phillip Costa, informed NSW Parliament that he'd asked the Department of Water and Energy (DWE) to examine pensioner concessions across NSW.

EWCAP contends that this examination must seek to address the inequity of existing rebate amounts across providers or regions; secure access to rebates for residential tenants and park and village residents; and broaden eligibility criteria to include Commonwealth Health Care Card holders. EWCAP looks forward to joining DWE and other stakeholders in developing a water rebate that will assist low-income households to maintain access to this essential service.

Water Reform - A National Consumer Forum

On 3 July, 2009, The Consumer Utilities Advocacy Centre, the Australian Council of Social Service and PIAC hosted Water Reform - A National Consumer Forum in Melbourne.

This forum brought together consumer, welfare and environmental advocates, along with industry and government representatives, to build an understanding of national water reform and its impacts on consumers. The forum also aimed to develop a national voice in the interest of consumers. With new connections made and information shared, this was the beginning of ongoing engagement on national water reform for many of the organisations present. For more information on this issue, please contact Mark at mludbrooke@piac.asn.au.

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