

Well Connected

THE NEWSLETTER OF THE UTILITY CONSUMERS' ADVOCACY PROGRAM (UCAP); A PROJECT OF THE PUBLIC INTEREST ADVOCACY CENTRE (PIAC)

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SOCIAL RESPONSIBILITY IN UTILITIES

The need for utility providers to do more for positive social outcomes was the focus of a major conference convened recently by UCAP which brought together community and consumer organisations as well as a range of utility providers and representatives of the Government.

The conference, titled Social Responsibility in Utility Services, held on 11 September 2002 was opened by the Minister for Energy, the Hon Kim Yeadon, who emphasised the strength of the consumer protection arrangements in NSW. Other speakers were the Director General of the Ministry of Energy and Utilities (MEU), Brian Steffen; UCAP's Senior Policy Officer, Trish Benson; the Energy and Water Ombudsman of NSW (EWON), Clare Petre; Pat Le Lievre, a member of UCAP's Reference Group; Graeme Lees from EnergyAustralia; and Chris Field from the Board of the newly

established Consumer Utility Advocacy Centre (CUAC) in Victoria.

The conference was an excellent opportunity for consumer advocates and utilities' staff to explore the legislative framework and how it can facilitate a greater emphasis by the providers on social equity. A number of speakers highlighted examples of the utilities' existing social justice initiatives.

EnergyAustralia has responded to an approach by a Migrant Resource Centre to vary its policy on waived security deposits for newly arrived refugees. Both EnergyAustralia and Country Energy have begun providing capital to community organisations for the creation of 'no interest loans' schemes which are directed towards funding purchases of new, energy efficient appliances by households.

A point which PIAC focussed on was the difficulty of evaluating social policy initiatives such as these

using the standard economic approach of a cost/benefit methodology. A broader framework is needed which takes account of a wider range of social benefits.

PIAC also used the occasion to make public its preference for the future administration of the EAPA scheme. The Energy Accounts Payment Assistance vouchers are distributed by community organisations to assist households to pay their energy bills. Currently the scheme is funded and administered through the NSW Department of Community Services. Energy retailers receive 80 cents for each voucher they process towards a customer's bill.

DOCS have been considering moving EAPA to a project management basis. PIAC believes this needs to be funded adequately if the community organisations are to remain involved with the scheme. The 80 cents per voucher is proposed to be retained for this purpose rather than paid to the retailers. PIAC believes the retailers

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receive other considerable advantages from the operation of the EAPA scheme such as reduced costs in debt management and disconnections. Further, it would be appropriate for the costs of processing vouchers to be recovered from their entire customer base.

PIAC believes, further, that responsibility for the scheme should revert to the Ministry of Energy and Utilities. The MEU already has taken over from DOCS the administration of the energy pensioner rebates. There seems no reason for these two energy related community service obligations to be administered by different departments. Given the proper emphasis by DOCS on child protection and funding for the community welfare sector it would seem that EAPA is not core business for the Department.

While the number of social initiatives undertaken by utilities is hardly overwhelming, the conference was a small step in encouraging the providers to rethink their role as good corporate citizens by supporting initiatives in the communities they serve.

MERVYN DAVIES RESIGNS FROM ENERGYAUSTRALIA

Mervyn Davies who was General Manager - Networks at Energy Australia has resigned from this position at EnergyAustralia. Mervyn had forty years experience with EnergyAustralia where he held a number of positions. Mervyn has often been of great assistance to PIAC since UCAP's inception and we wish him and his family the best in retirement.

UNDERGROUNDING OF ELECTRICITY CABLES

Proposals for the undergrounding of all electricity cables in urban areas of NSW have been a matter of public debate since last year. As reported previously, both the Independent Pricing and Regulatory Tribunal (IPART) and the Ministry for Energy and Utilities (MEU) were commissioned by the Government to investigate various aspects of the feasibility of this proposal. Following extensive consultation by the Tribunal a final report was given to the Minister for Energy, the Hon Kim Yeadon, and released on 19 September.

PIAC welcomes the report and its commonsense approach to what has been a very contentious issue. We had argued that a pure 'costs-benefits' analysis needed to take account of not only the direct impact of undergrounding but also the opportunity costs of spending money on such a program rather than health and education. It is pleasing to see this reflected in the final report.

The Tribunal found that the benefits of undergrounding could be priced at between \$350 and \$400 per customer. This is a total of \$535 to \$625 million for the community over a 40 year lifespan in net present terms.

Total costs were assessed to be in the range of \$1.4 - \$2.4 billion. However, these are net present values which discount costs over time. The actual costs of undergrounding for each customer were calculated to be \$2,300 - \$3,800 (in 2002 dollars). These

costs include street lighting costs but do not include the costs of undergrounding other overhead infrastructure such as communication cables. These may incur costs of an additional \$2,000 per household in real terms.

In conclusion, the Tribunal has recommended that a 'beneficiary pays' approach should be adopted. A mixture of funding is identified with perhaps 60 per cent of costs recovered through local council rates or levies; about 15 per cent funded by the State; about 6 per cent by electricity customers and 20 per cent by electricity distributors.

The final report can be obtained by ringing IPART on 9299-8400 or from their website at www.ipart.nsw.gov.au.

EXTERNAL REVIEW OF UCAP AND FUNDING ISSUES PAPER

PIAC with the financial support from the Ministry of Energy and Utilities has conducted an external review of UCAP. The review was undertaken by Nexus Management Consulting Pty Ltd and was completed in July this year. The review was extremely positive about UCAP. The PIAC Board is considering the recommendations.

As part of UCAP's workplan that has been agreed with the Ministry of Energy and Utilities, PIAC committed to developing a funding options paper for UCAP. This has been prepared for discussion with the energy industries and water industries and Government about the future funding of UCAP.

Copies of the review and the

funding options paper can be obtained by contacting PIAC or from the PIAC website at www.piac.asn.au/publications

REDFERN

In late 2001, EnergyAustralia contacted the Utility Consumers' Advocacy Program (UCAP), to see if PIAC could assist them with some non-paying customers on the Block in Redfern.

Despite PIAC having a number of contacts within the Koori community, it was not until Shaz Rind was employed at PIAC as our Indigenous Solicitor that UCAP staff could propose a solution.

EnergyAustralia agreed to the following solution for the non-paying customers and this involved these households signing an agreement with EnergyAustralia where:

- ◆ these customers undertake to pay their next quarterly bill and their previous arrears be written off;
- ◆ PIAC and EnergyAustralia would assist these households to gain access to the Government funded Energy Accounts Payments Assistance Scheme (EAPA) which is a voucher scheme that assists customers to pay their energy bills;
- ◆ after these households have paid their first quarterly bill they will receive the following energy efficient devices, free of charge:
 - AAA rated showerhead
 - two compact fluorescent light bulbs
 - a cistern weight
 - tap aerators.

EnergyAustralia also agreed to fix the minor water leaks in the

properties, as well as providing the energy efficiency devices to all their customers on the Block and not just to those customers who were in arrears to EnergyAustralia.

We decided that there needed to be an Aboriginal Liaison position on the Block to make the arrangements with the households and this has been ably done by both Shane Phillips and Gloria Homer.

This is a very innovative project and EnergyAustralia must be congratulated for the concessions that they were prepared to make for the households on the Block to enable them to pay their energy bills in the future.

CONSULTATION ON CONSUMER PROTECTION

Consumer protection arrangements in electricity and gas are to be reviewed. The NSW Government has commenced a period of public consultation over a series of changes proposed for the relevant Regulations and market rules.

The Ministry of Energy and Utilities has released a formal Consultation Paper to obtain public comment on the areas it has identified as needing reform or improvement. These areas include:

- ◆ the requirements for residential customers moving into new premises;
- ◆ the volume of information which second tier retailers must provide to prospective 'market' customers;
- ◆ the lack of obligations on retailers for the mooted introduction of pre-payment meters; and
- ◆ the use of estimated meter

reading for issuing bills to low volume customers.

A number of minor changes also have been proposed which will clarify the intent of other provisions and in some cases correct the use of the wrong word - for example, where the original intent was for 'more than' and not 'less than'.

Stakeholders also will be able to raise further proposals for change.

PIAC notes that the NSW Government remains committed to effective consumer protection within retail competition. We will participate in the consultation process and expect to make a formal submission to the Ministry.

ELECTRICITY PRICES AND NETWORKS

All utility prices include a component of costs for the distribution networks which deliver energy or water to the end-user. The Independent Pricing and Regulatory Tribunal is currently looking at how these costs should be calculated before being passed through to final bills paid by end-users.

The regulated tariff paid by 'standard' or non-market electricity consumers already makes formal allowance for both network and retail costs. The NSW electricity distribution industry is to have a new determination of the allowable network revenue within the next 15 months.

In the lead up to the new determination the Tribunal already has examined what is known as the 'form of regulation' which determines how to measure the

revenue actually earned by the businesses. The next phase has the Tribunal inquiring into the 'cost of capital' in order to better determine exactly how much revenue the businesses must earn in order to achieve commercial rates of return. This commercial performance is a legal requirement of the publicly owned distributors in NSW.

An additional area of work is the development of more uniform measures of the reliability of the electricity networks. Price matters less when end-users cannot obtain a reliable supply. However, the costs needed to improve reliability over the coming years also needs to be factored into the Tribunal's decisions on revenue and rate of return.

These issues are extremely contentious and regarded by many as opportunities for utility providers to maximise their profits. They are especially challenging for PIAC and community organisations as we lack the resources to enter into the mostly very technical debates.

FUTURE WATER SUPPLY

Some sections of the community have been warning for years about the failings of markets and competition reform. Now, with reform to the water industry in its late stages, several legislatures around the country are examining the potential failures of the new, commercially based approach.

The impacts of price changes on consumer behaviour and the effects of competition reform on the environment have been examined by a Senate committee. A final report from this body is due soon.

PIAC was greatly interested to see an admission by the National Competition Council that changes to the way in which water is priced have little impact on long term demand from consumers. Other issues such as poor planning for the impacts of storm water run-off have been raised with the committee.

A House of Representatives committee is inquiring into future water supplies for rural areas. Emphasis has been given to adequate levels of water supply and whether there is a role for the Commonwealth in this area. Submissions were still being accepted at the time of writing. PIAC intends to stress the history of market failure in relation to domestic water supply in rural areas.

A lot of work has been done recently by the Aboriginal and Torres Strait Islander Commission (ATSIC) and the Lingiari Foundation on native title rights to water in Australia. PIAC has noted the analysis of these bodies of competition reform to the water industry largely excluding any consideration of the water rights of Indigenous peoples.

An ongoing role for the Commonwealth appears inevitable despite the national competition agreements having ceded most responsibility to the states and territories.

In NSW the Legislative Assembly Standing Committee on Public Works has been taking submissions on the future planning and funding needs of infrastructure for urban water supply. PIAC's submission noted the very different level of regulation around the rights of domestic water users between the

Sydney metropolitan area and urban areas in other parts of the State. It also made the point that recent decisions of the NSW Government around the contents of Sydney Water's operating licence have meant that the public has little access to timely information on the reliability and service life of the existing supply network. In turn this effects the ability of the community to participate in a meaningful way in debates about future funding needs and how these might impact on prices.

An electronic version of Well Connected is also available. If you would like to receive Well Connected electronically, in addition to, or in place of, a hard copy, please send an email to Fabiola Rofael at PIAC at frofael@piac.asn.au

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