

Well Connected

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

No 5 March 2000

ISSN 1442-2433

UCAP HAS A DECISIVE WIN

EnergyAustralia, the electricity distributor/retailer published in the *Sydney Morning Herald* their new fees and charges on 1 March 2000. These resulted from the Independent Pricing and Regulatory Tribunal's (IPART) Determination on electricity pricing which was released in late December. The fees and charges were to take effect from 1 March.

One of the charges was a new account establishment fee of \$35. It is UCAP's understanding that EnergyAustralia had been recovering the costs of establishing an account across all customers. UCAP believes that this new fee was inequitable as it would mean that private renters, and in particular, people on low and fixed incomes would pay this fee every time they moved. The Smith Family research indicates that people on low and fixed incomes move on average three times a year. With the imposition of this

fee, people on low incomes could incur an additional charge of \$105 per year.

UCAP wrote a letter about the impacts of the fee on people on low incomes to Mr Paul Broad, the Managing Director of EnergyAustralia. EnergyAustralia responded quickly by withdrawing the fee. This fee will be considered in EnergyAustralia's restructure of their tariffs as from July 1, 2000. Further, they have undertaken to consult with UCAP about the restructure of their tariffs before they are implemented.

UCAP wants to congratulate EnergyAustralia for providing such a timely and appropriate response.

UCAP strongly believes that if any of the electricity distributors/retailers want to charge additional fees that had previously been charged to all customers then the equity issues need to be addressed.

GAS AND COMMUNITY SERVICE OBLIGATIONS

UCAP is becoming increasingly concerned that the NSW Government has not made the required policy decisions about the provision of pensioner rebates in competitive energy markets.

The three gas distribution/retailers currently provide a rebate as a requirement made by the NSW Government. These rebates are inequitable because different amounts are provided by the businesses.

The most urgent of these policy decisions concerns the mandating of the rebates provided by the gas industry as a Government provided community service obligation (cso). People on low incomes who have gas appliances should be eligible for Energy Accounts Payments Assistance (EAPA) vouchers and these too should be a government mandated community service obligation. The

Utility Consumers' Advocacy Program

Trish Benson, Senior Policy Officer
email: Trish_Benson@fcl.fl.asn.au

Jim Wellsmore, Policy Officer
email: Jim_Wellsmore@fcl.fl.asn.au

Level 1, 46-48 York Street, Sydney NSW 2000
DX 643 Sydney

phone: 02 9299 7833
fax: 02 9299 7855

reason for this is that gas is in part a substitute for electricity. This would cost the Government approximately \$1.3 million, provided that the current numbers of recipients remains the same.

There is a need to legislate for all gas retailers who supply gas to residential consumers to provide a pensioner rebate. If gas rebates are not made a cso and gas retailers are not required to provide a rebate, many people on low incomes will not benefit from the introduction of competition and the lower prices that competition supposedly provides. Conversely, if it is a legal requirement for retailers to provide a pensioner rebate, there may well be issues about the administrative costs for retailers who provide rebates to a small number of pensioners.

Finally, UCAP is concerned that there is a discrepancy between the gas and electricity industries in how distribution networks relate to consumers. The electricity networks have a direct relationship with an end-use consumer because they have to connect the consumer. There is no such relationship between a gas distribution network and the end-use consumer. This discrepancy has implications for who delivers pensioner rebates. As the gas and electricity industries converge, there needs to be clarification as to whether the distribution networks or the retailers provide pensioner concessions. There is a view in the electricity industry that it should be the distribution businesses, while the gas industry, on the whole, believes it should be the retailers. The Government has to weigh up whether this discrepancy between the two industries matters given that in an era of retail competition, there will be some instances in which the one business will be providing both gas

and electricity services.

PIAC urges the NSW Government to ensure that people on low and fixed incomes benefit from competition and receive their due entitlements in a seamless and timely matter.

INTERVENOR FUNDING

It has come to UCAP's attention that it might be worth considering a model of funding that has been adopted in parts of North America.

Broadly, the model works like this. The utilities' regulator has the power to tax the industry under investigation. For example, pricing inquiries are able to recoup some or all of the money spent in conducting such inquiries.

There is also the ability for c o n s u m e r / c o m m u n i t y organisations representing particular groups of consumers to approach the regulator and request to be recognised as representing a particular constituency. The c o n s u m e r / c o m m u n i t y organisations would then contract a consultant who would undertake work which is relevant to the inquiry being undertaken by the regulator. After the work has been done, the consultant presents the bill to the regulator who then determines whether the work has been useful to them and if so the regulator pays all the consultant's bill or part, if not all of the work was considered relevant.

The regulator's taxing mechanism and the funding for the intervenor funding is then included as part of the industry's regulated operating and maintenance costs.

For the NSW economic regulator, (IPART), a taxing mechanism would be an opportunity to provide the Tribunal with an independent source of funding and should be further investigated. The

provision for intervenor funding needs much further discussion between community/consumer organisations because while it may have some advantages, the model is not one that includes a role for c o n s u m e r / c o m m u n i t y organisations to undertake their own advocacy.

The *IPART Act* has to be reviewed during 2001 so this would be an appropriate time to have a wider discussion about some of these important issues.

NATIONAL ADVOCACY FOR ELECTRICITY CONSUMERS

The Australian Competition and Consumer Commission (ACCC) has the responsibility for determining the National Electricity Code (NEC) for the national market. The Code is in turn administered by the National Electricity Code Administrator (NECA). In the lead up to its Code review published last December, the ACCC was lobbied by several groups representing various 'end-users' in the national market concerning a perceived dominance in the national market of 'supply-side' or producer voices.

In the December determination the ACCC directed NECA to form a review group to examine the role of such a national body and whether it would be viable. The basic proposition is that all electricity consumers would fund this new body through a small surcharge on their tariffs. The review group has only met twice at the time of writing.

PIAC has expressed to the review group, NECA and the ACCC, a number of concerns with the basic concept of a national advocacy body representing all end-users. These concerns had been raised some twelve months earlier with

some of the same key players.

It should not be assumed that residential consumers and large industrial/commercial end-users will share common interests in the operation of the national electricity market. For example, price falls in one part of the market might only be balanced by price rises in another. It needs to be borne in mind also that commercial interests will include energy retailers seeking to sell electricity to households.

The large industrial/commercial end-users already commit considerable resources to advocating for their particular interests. It is the residential segment of the market which is under-resourced in terms of being able to commission expensive consultancies or fly to the numerous meetings where decisions are made concerning the national market. Our concern is that the model of a single advocacy body will see the smallest consumers being used to subsidise the existing lobbying activities of the largest.

CONSUMER CONFERENCE ON CONTESTABILITY

The past three months have seen the conclusion of a major pricing determination for the NSW electricity industry, the finalising of key access rules in gas, the early development of the rules for retail competition and the completion of our main input to a forthcoming determination on prices for water, sewerage and stormwater services. This presents UCAP with an opportunity to return its focus to resourcing key consumer representatives.

Thus we now are turning our attention to the next major issue in the NSW utilities sector - the

advent of full retail contestability in gas (from 1 July this year) and electricity (from 1 January, 2001).

Contestability for residential consumers already is presenting a great number of major policy issues. Getting an appropriate framework in place is vital to ensuring not only that choice for consumers is a reality but also that people's rights are identified and protected.

This is to be the focus of a UCAP one-day conference being planned for the middle of the year. Key speakers are being approached and we will inform you of the exact date as soon as this can be confirmed.

Key invitees to this conference will be the members of the customer consultative groups of the various utility providers. Others to be invited include community organisations and representatives of utility providers, government and regulators.

ELECTRICITY DETERMINATION

After a process lasting over 12 months the IPART published in late December its determination for retail and distribution pricing for electricity in NSW. This was a very lengthy document. The key aspects for residential consumers included:

- continuing caps on prices for residential consumers;
- detailed argument for IPART to be given the power to set price caps after the introduction of full contestability from 1 January, 2001;
- clearer regulation of fixed 'miscellaneous charges';
- the introduction of regulation for security deposits; and
- a deferral of a decision on charging differential prices for varying levels of service and

reliability.

The decision on security deposits was particularly welcomed by PIAC and welfare organisations who consider this will assist both low-income consumers and the electricity retailers.

AGL'S ACCESS ARRANGEMENT

PIAC has submitted what we hope is our final submission to IPART on AGL's Access Arrangement. PIAC raised the following issues in its submission:

- the need for a greater price cap for residential consumers than the one proposed in IPART's Draft Determination of CPI-1 because of the possible increases to inflation because of the GST. PIAC has suggested a price cap of CPI-3.
- IPART needs to examine the cost allocation information provided by AGL as the majority of costs for non-networking assets and working capital have been allocated to residential consumers.
- PIAC is aware that AGL is offering pricing discounts to their large users. IPART needs to ensure that this revenue that is foregone is not included in prices to residential consumers.
- in the Draft Determination, IPART has used a stand alone cost methodology. PIAC has always supported a fully distributed cost methodology up to a certain point in AGL's distribution network and then postage stamp pricing rather than a stand alone methodology. AGL's fully distributed costing needs to be carefully examined by IPART

as some costs are rated as nil using fully distributed costs for the contract market, but have been transferred to residential consumers.

- price regulation is imperative for residential consumers is imperative after the introduction of retail competition on July 1, 2000.

PIAC has appreciated the many opportunities we have been given to comment on the Access Arrangement by IPART.

THE ELECTRICITY INDUSTRY & MISCELLANEOUS CHARGES

Late Fees

IPART's Determination, *Pricing for the retail supply of electricity to franchise customers* came into force on February 1. The Tribunal stipulated that the late payment fee (if the distributor has such a charge) is to be waived if the bill or part of the bill is paid with an EAPA voucher. It came to the attention of some of the welfare agencies who give out the voucher that Integral Energy could not modify their computer systems in time to waive the \$5 late fee automatically. Instead, the welfare agency would have to ring Integral every time a person used an EAPA voucher to pay a bill.

After representations from the EAPA Working Group, which is convened by the Department of Community Services, and UCAP, the Tribunal decided to clarify the Determination as follows:

- the Tribunal appreciates the efforts being made by retailers towards modification of computer systems so that bill payments by EAPA voucher can be tracked, but notes that

completion of this work may be several months away

- work being done by retailers to make it easier for customers and agencies to call the retailer to advise of a voucher payment is also appreciated, however not all customers or agencies will be able to call
- the Tribunal expects compliance with all aspects of its Determination, including the waiver of late fees where bills are paid by EAPA voucher. If the retailer's current computer systems do not allow this obligation to be met other than by not charging the late fee to any customer, then this or a similar course will be adopted by the retailer.

UCAP welcomes this clarification as it places the obligation back on the electricity retailer to comply with IPART's Determination.

Monitoring of Security Deposits

IPART has regulated security deposits charged by electricity retailers as part of their Pricing Determination mentioned above for the first time. UCAP believes that there is a need for on-going monitoring of the imposition of security deposits. There a number of means where this could be achieved. These include the retailers providing the information to the EAPA Working Group; the retailers providing the information to the Electricity Industry Consultation Group, convened by IPART, or the information could be collected by the Licence Compliance Advisory Board (LCAB) as part of their role of monitoring the retailers' licences. Information provided to the EAPA Working Group and the EICG would have to be done on a voluntary basis by the retailers. However, if the appropriate information was to be provided to

the LCAB it would be mandatory. UCAP believes that the LCAB is the most appropriate vehicle to collect the data and make it publicly available.

This is an extremely important issue because there is an expectation from consumer/community organisations that because of the regulation that the numbers of security deposits imposed will fall. We need to see whether this is happening or whether people will end up paying more as a security deposit (which is also a result of the regulation). Anecdotal evidence suggests this is indeed the case. For example NorthPower is charging \$230 instead of their old fee of \$200.

UCAP has written to the Ministry of Energy and Utilities requesting that this data collection occur and that it be undertaken by the LCAB and the information be made available to the EICG and the EAPA Working Group.

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 Sarah_Mitchell@fcl.fl.asn.au

PIAC
Level 1
46-48 York St
Sydney NSW 2000
ACN 002 773 524

PUBLIC
INTEREST
ADVOCACY
CENTRE