

Well Connected

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

No 6 June 2000

ISSN 1442-2433

UCAP CONFERENCE

Over seventy people representing regulators, gas and electricity utilities, government departments and consumer and community organisations attended the UCAP Conference, *Contestability and the Small Consumer*, which was held on 28 June 2000. The timetables for the introduction of competition for residential consumers in gas and electricity have changed. Gas is 1 July 2001 and electricity is 1 January 1 2002.

The Minister for Energy and Utilities, the Hon Kim Yeadon gave the keynote address to the conference. The Minister gave a number of important reassurances on retail competition to the conference and these included:

- minimum standard form customer contractual arrangements will stay in place for both network and retail services;
- aggrieved customers will be able to seek redress through the Energy and Water Ombudsman;
- there will be an ongoing obligation for customers to be supplied, and this will be at a regulated price;
- there will be a retailer of last resort protection (for consumers whose retailer becomes insolvent);
- the Government will provide independent information through advertising and other campaigns to inform customers about their rights, opportunities and obligations under full retail competition;
- a Marketing Code of Conduct will be developed to regulate market behaviour. This code must be enforceable, and the government will be strongly encouraging its use in both electricity and gas;
- customer bills should have sufficient information for customers to adequately compare retailer offers; and,
- the NSW Government is exploring options for protecting the privacy of customer information.

PIAC appreciated that the Minister also answered questions from the floor of the conference. The issues that were addressed included that:

- the Government is working on a policy for community service obligations (csos) when there is retail competition in the gas and electricity markets; and
- customer consultative committees are an important source of advice for the Government.

Dr Tom Parry, the Chairman of the Independent Pricing and Regulatory Tribunal (IPART) also addressed the conference. One of

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the main thrusts of Dr Parry's speech was that while there was general agreement within the electricity industry that IPART needed to continue to have price regulation for electricity provided to residential consumers, that nothing had been done by the NSW Government to effect this continued regulation. The fact that IPART would not be able to regulate prices for residential consumers after 31 December, 2000 had been progressively mentioned in various IPART reports/determinations including the Section 12A Report released in June 1999 and the final pricing determination released in December last year. Dr Parry's speech revealed IPART's concern at the lack of Government action on this issue.

Clare Petre, the Energy and Water Ombudsman gave a thoughtful speech about the impact which competition policy in electricity and gas may have on the consumers that contact her office. She raised issues such as right to supply, retailer of last resort and contractual arrangements. She thought that many people would change retailer believing that they would receive increased levels of service, for example, a more reliable electricity supply. The difficulty with this is that the electricity network is responsible for service reliability and not the retailer. Ms Petre's speech gave participants a broad understanding of many of the issues that need to be resolved before the introduction of competition for residential consumers.

Dr Don Anderson, the Director of the Energy Reform Unit of the NSW Government's Market Implementation Group outlined the work that his group was undertaking at both the national and state levels on the reforms to

the electricity industry. Dr Anderson also outlined the types of discussion papers that the MIG is developing and the working groups that are being convened to discuss these discussion papers.

The workshops that were held in the afternoon of the conference were very productive and some issues were hotly debated.

Overall, the conference was very successful and timely. It seems that the conference provided the participants the opportunity to raise and discuss a number of issues in non-technical language, the results of which will provide an invaluable contribution into the introduction of competition for residential consumers in the gas and electricity industries. The Conference papers will be published in the next month.

ENERGYAUSTRALIA TO FINANCIALLY SUPPORT THE COMMUNITY HOME ENERGY EFFICIENCY PARTNERSHIP (CHEEP)

PIAC along with a number of other organisations, including the Council of Social Service of NSW, The Smith Family, the Sustainable Energy Development Authority (SEDA), the Departments of Community Services and Trading and Sydney Water have been working for a number of months to develop a proposal to provide a retrofit service to all NSW households. The retrofit would include:

- AAA showerheads
- energy saving light globes
- draught sealing around doors
- ceiling insulation
- cistern water saving devices
- water saving tap aerators.

This product selection is based on

SEDA's Community Housing Energy Program (CHEP) where the average cost of a retrofit is \$270 per household (this includes labour costs and 20% of homes receiving ceiling insulation). The estimated greenhouse gas savings for the average retrofit is 0.8 of a tonne per household per annum and 10 tonnes over the life of a retrofit. The savings to the residential consumer are a reduction of between \$50 to \$90 per annum on their energy bills.

There are a number of possible funding options for such a proposal including:

- the Australian Greenhouse Office through their Greenhouse Gas Abatement Program;
- electricity distributors/retailers which would assist them to meet their licence conditions;
- households who could afford to pay would contribute to the costs of overheads;
- households who have a low income and are homeowners would pay the cost of the retrofit (excluding overheads).

People on low and fixed incomes, who pay high rents in the private rental market (and thus have the greatest financial stress) would not pay for the retrofit service.

Households that pay for the retrofit service could be given the option of paying for it through easily accessible institutions. The payment could be tailored to an individual's needs including staggering it over a number of years.

PIAC has approached a number of the electricity distributors with this proposal. EnergyAustralia have agreed to fund CHEEP to the extent of \$300,000 per year. Annual renewal of the funding will be conditional upon the achievement

of satisfactory electricity demand management outcomes as evidenced by the results of SEDA monitoring and upon feedback from regulators. The funding from EnergyAustralia will be specifically directed to providing energy efficient solutions for people on low and fixed incomes at no cost to them. A business plan for CHEEP will also have to be developed by CHEEP to satisfy EnergyAustralia that CHEEP can deliver outcomes.

PIAC and the other organisations that have participated in the development of CHEEP wants to thank EnergyAustralia for their commitment to CHEEP and particularly their commitment to people on low and fixed incomes.

CONSUMER CHOICE STILL ON THE HORIZON

Work continues to build on arrangements for a national market for electricity and gas. This is expected to include a national code of practice for energy retailers and a single system to enable households to transfer between retailers.

In NSW the Government's Market Implementation Group has established a number of working groups to work through various sets of issues associated with these new arrangements. PIAC has been invited to participate in the groups dealing with the code of conduct, the transfer rules, minimum standards for contracts between consumers and retailers and dispute resolution.

A number of issues papers covering these sets of issues are due to be released to aid the consultative process.

PRICING INFORMATION

Work still flows from last year's determination on prices for the NSW electricity industry by the Independent Pricing and Regulatory Tribunal (IPART). Among the many requirements set down by the Tribunal is a process of 'pricing disclosure' which requires each of the distribution businesses to have an accountable and transparent process for informing retailers, large users and domestic consumers of exactly how their electricity prices have been set.

PIAC has been participating in a working group convened by IPART. To date, the group has received a review of the first draft information disclosure booklets produced by the distributors. These have described in detail the methodology applied by each business. PIAC and other end-user advocates have asked that future drafts include greater detail on actual costs (shown in dollar terms).

This process is vital not only to give consumers the ability to check the pricing behaviour of their retailers but to allow comparisons between different distributors and retailers.

WATER PRICING

The last two issues of *Well Connected* have examined the issues arising from the determination of prices by the Independent Pricing and Regulatory Tribunal (IPART) for Sydney Water, Hunter Water and the Gosford and Wyong Councils. The latest development has been a decision by the Tribunal to issue a short-term determination which freezes Sydney Water's old charges until 1 October this year. A further *Issues Paper* has been released by the Tribunal that highlights key

areas of concern such as the impact of costs from the recently established Catchment Authority and a possible link between prices and water conservation.

As always these documents are available from the Tribunal's website at www.ipart.nsw.gov.au.

GOODS & SERVICES TAX ON RESIDENTIAL UTILITY BILLS

PIAC has collected the following information about the GST percentages that will be applied to residential utility bills.

EnergyAustralia	9.3%
Integral Energy	9.58%
NorthPower	9.5%
Australian Inland Energy	
	reducing their tariffs by .05% and then applying 9.95%
Advance Energy	
	0.909% price decrease through GST savings and a 10% GST will apply
AGL	9.86%
Great Southern Energy (electricity)	9.42%
Great Southern Energy (gas)	9.9%
Albury Gas Company	10%
Sydney Water	Water, drainage and sewerage services are exempt.
Hunter Water	Water, drainage and sewerage services are exempt.

As far as PIAC is aware the above figures are correct at the time this newsletter was published.

PUBLIC BENEFITS

Public benefits include:

- energy efficiency services
- protection for low income and people living in regional and remote areas

- support for renewable energy
- energy research and development.

This is a concept that has been developed in the US and some parts of Europe. Basically these benefits are funded by a levy that is applied to peoples' bills (and this can be applied in a number of ways). There is evidence to suggest that public benefits could decline after the introduction of retail competition unless appropriate mechanisms are put in place.

While public benefits are a worthwhile concept there are a number of major differences between the US and NSW which need further investigation. To this end, PIAC submitted to the MIG, the Department of Community Services, the Ministry of Energy and Utilities and the Sustainable Energy Development Authority for funding to develop an Issues Paper about public benefits which would then feed into the Market Implementation Group. The submission was unsuccessful. In light of this decision, PIAC would question the Government's commitment to the environment and social justice.

PIAC is pursuing other sources of funding for this project.

NATIONAL ADVOCACY FOR ELECTRICITY CONSUMERS

As reported in the last UCAP newsletter, the National Electricity Code Administrator (NECA) has formed a review group to review the feasibility and resourcing of an end-user advocacy group in the national electricity market (NEM). NECA also employed consultants, Pareto Associates Pty Ltd to write a report to the NECA review of end-user advocacy. The report provides:

- examination of precedents for end-user advocacy arrangements including reviews of relevant end-user advocacy and funding arrangements in Australia, the US and the UK;
- information that will assist NECA to determine a baseline for an amount of any end-user funding;
- outline for recommendations on possible governance arrangements or possible rules for eligibility for access to any agreed funding for end-user advocacy groups; and
- recommendations on guidelines for funding for specific projects and administration of the funds.

The report assumes that a NEM-funded end-user advocacy function will be established and that the report will assist NECA in establishing such a group.

Pareto suggest that the funding levels needed for a national end-user advocacy group of around \$2.7m per year which would impose costs of between \$0.20-0.40/household per year on customers.

The report suggests that there are two options for facilitating end-user advocacy. The first is a 'wise persons board' that could oversee funding to any end-user advocacy group that met defined criteria for distribution for distribution of the funds. The other is an "end-user centre" as per the proposal put up by some end-users to the ACCC. It is the consultant's view that an "end-user" centre would be the simplest and could be structured to be the most efficient.

The recommendations in this report ignore the many concerns that PIAC has expressed to the review group, NECA and the ACCC

over the past twelve months about this issue.

These concerns include that:

- there is an assumption that small residential consumers, including people with a disadvantage, have the same interests as large end-users;
- cost allocation between large and small users will be one issue where there will be major differences between the two groups;
- a levy on households (as the report advocates) will effectively mean that small consumers will be paying for the advocacy of large businesses. This is untenable and inequitable. Large businesses have power in the marketplace, it is residential consumers that do not;
- the report does not look at other advocacy models in utilities in, either Australia or overseas. PIAC has advocated that, telecommunications in Australia needs to be looked at, as it provides another model;
- if large businesses will not financially support, advocacy on their own behalf, in the national electricity market, it should not be done.

The report is available from NECA's website, www.neca.com.au. PIAC will be making further representations to NECA on this issue.

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