

Well Connected

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

No 8 December 2000

ISSN 1442-2433

ELECTRICITY LEGISLATION

Full retail competition in the NSW electricity industry moved a step closer on 5 December with the passing of the *Electricity Supply Amendment Bill 2000* by the NSW Parliament.

Broadly, PIAC is pleased with the content and the policy direction of the proposed legislation. It reflects a number of the policy positions we have developed and advocated in the past twelve months. The Government should take credit for a general emphasis on buffering small consumers from the negative impacts of retail competition. PIAC's view is that the final Act demonstrates the effectiveness of the consultative process established by the Government through its Market Implementation Group. Some concerns with the legislation were raised in Parliament by Independent MPs and the Government has

indicated it will address many of these through subsequent regulations required by the new Act.

Important provisions of this legislation include:

- a stipulation of the authority of the Independent Pricing and Regulatory Tribunal (IPART) to set a maximum price for those 'default' consumers who remain with their incumbent retailer;
- the creation of an Equalisation Fund to shield default retailers (and their customers) from movements in electricity pool prices;
- scope for the Energy and Water Ombudsman (EWON) to deal with disputes between residents and operators of caravan parks and boarding houses; and
- the application of a new Energy Marketing Code to all retailers and

'marketers', a term which includes park and village operators and boarding houses owners.

PIAC had been approached by the office of Independent MLC Richard Jones who convened a meeting with staff of the Minister for Energy and Utilities. A number of proposals were advanced by PIAC with the support of Richard Jones' staff. In particular, PIAC was keen to see that the proposed new legislation:

- clarified the enforcement powers of the EWON with respect to energy marketers who are not retailers; and
- enhanced the provisions relating to customer consultative groups contained in the current *Electricity Supply Act 1995*, to include a number of provisions successfully introduced in the case of Sydney Water through the Corporation's

Utility Consumers' Advocacy Program

Trish Benson, Senior Policy Officer
email: tbenson@piac.asn.au

Jim Wellsmore, Policy Officer
email: jwellsmore@piac.asn.au

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

phone: 02 9299 7833
fax: 02 9299 7855

Operating Licence.

Subsequent discussion between the Government and some Independents drew out a commitment to address these specific matters in the drafting of the new regulations.

The new legislation still allows for a staged introduction of retail competition in the under-160MWh market segments. Initially, a transitional period of three months is provided. Thereafter, the competition 'threshold' will gradually fall with all NSW consumers to be 'fully contestable' by 1 January, 2002.

The present task for the MIG and its various working groups is to advise the Minister on the content of the transitional regulations. The next three month period is to be used to consider the full regulations in more detail. PIAC continues to be an active participant in these working groups. In addition, we anticipate further communications with the Minister's office over the customer councils.

PRICE PROTECTION FOR ELECTRICITY CONSUMERS

The last issue of *Well Connected* contained a description of the investigation of default pricing being undertaken by the Independent Pricing and Regulatory Tribunal (IPART). At that time, the Tribunal had been directed to provide its report to the Government by 31 October. However, the complexity of the task, complicated by the somewhat late issue of the Government's direction to the Tribunal, has meant considerable slippage in that timetable.

This had meant that the release of the Tribunal's report would coincide with the debate in Parliament over the

Electricity Supply Amendment Bill 2000. The tabling of the Bill in mid-November provided the Tribunal an opportunity to re-draft their report in order to achieve consistency of language. PIAC understands that a draft report is to be submitted to the Government and a final report made available by the time this newsletter is published. It is expected that the final report will be made available to the public.

Great interest has accompanied the Tribunal's investigation. The new entrant or second tier retailers still hope that a significant proportion of the State's households will opt for a negotiated supply contract. As described in the last issue of *Well Connected*, the level of churn will be affected by the level of the price cap determined by the Tribunal. The kinds of protections for default consumers established in the amended *Electricity Supply Act* will become less effective as higher price caps force households into the competitive market.

What remains unclear, however, is the extent to which prices might be re-balanced for rural households and other 'unprofitable' consumers. The Equalisation Fund to be created by the Government could underpin 'postage stamp' pricing for those consumers who choose to remain with their default supply arrangements. The key factor, however, will be the specific proposals that arise from the Tribunal's investigation.

HOUSEHOLDS SAVE ON METERS

Regular readers of *Well Connected* will be aware that an important component of retail competition in electricity is the pattern of consumption - volume for each half-hour interval in a 24 hour

period. The first *Occasional Policy Paper* produced by UCAP in May 2000 compared the costs and benefits for residential consumers of using survey-based profiles rather than new technology interval meters.

Considerable interest had emerged from Victoria in a proposal for industry to engage in a mass roll-out of new meters for households. This was supported by the National Electricity Code Administrator (NECA) with its proposed code changes released mid-year including a requirement that all households install, through their respective electricity distributor, an interval meter. The cost to each household of such a requirement would be in the vicinity of \$200-\$400 - albeit recovered through electricity bills over a nominal ten year period.

The Code and any changes are required to be authorised by the Australian Competition and Consumer Commission (ACCC). The release of NECA's proposed changes prompted a round of submissions and consultations involving not only PIAC but the NSW Government and the industry's National Retailers' Forum. Ultimately, the views of these various groups was successful in moving the ACCC to approve an alternative approach to the introduction of interval meters.

The ACCC has required that current technology 'single register' or 'accumulation' meters remain in use where they are already installed. The introduction of interval meters can be arranged for new properties and where the old meters require replacement through age. Households will be free to take up a competitive retail offer and to install interval meters where they believe this will be to their benefit. The proposal of a mass roll-out will be

revisited in three years when more data is available concerning the implications of interval meters on costs for consumers and benefits in accuracy and efficiency of metering arrangements.

This is an important success for UCAP, in association with other bodies, because it means many households will avoid some of the direct costs associated with retail competition - a consistent policy goal of ours.

PIAC QUERIES NORTHPOWER'S PRACTICES

Simon Moran, a PIAC solicitor has written to NorthPower because it is our understanding that NorthPower are imposing security deposits on customers who default on direct debit or "pay as you go" schemes after these customers have been connected to the power supply.

PIAC believes that this practice is in contravention of the Independent Pricing and Regulatory Tribunal's (the Tribunal) electricity pricing determination that came into effect on 1 February 2000.

PIAC has sought an agreement with NorthPower on the following terms:

- NorthPower agrees to require security deposits only in the circumstances set out in their own customer connection contract;
- NorthPower agrees to refund all security deposits charged other than those required under their customer connection contract;
- NorthPower agrees to pay an amount of compensation, to be agreed in consultation with UCAP, to those clients who have been required to pay a security deposit,

other than in circumstances as specified in their customer connection contract.

PIAC has also requested information on the number of customers who have been required to provide security deposits and the circumstances in which they have been required.

PIAC / UCAP is awaiting NorthPower's reply with interest.

UCAP'S REFUNDING SUBMISSION

UCAP have put in a submission to the NSW Treasurer, the Hon. Michael Egan for continued funding up until July 2003.

In the submission, UCAP has identified a number of new work areas that would be undertaken during the funding period including:

- the provision of water services in rural and regional NSW;
- energy co-operatives for people on low and fixed incomes;
- different funding models for UCAP.

We hope that the NSW Government views the funding submission in a favourable light.

COMMUNITY HOME ENERGY EFFICIENCY PARTNERSHIP (CHEEP)

As readers of our newsletter will be aware, EnergyAustralia have committed \$300,000 per annum to the retrofit service that has been developed by a number of organisations. There has been an implementation committee established between representatives of EnergyAustralia and CHEEP. This implementation

committee has met and it was agreed that CHEEP would develop a project plan for a pilot of CHEEP in the Hunter.

The project plan has been approved by CHEEP will be approved by the EnergyAustralia Executive in due course. The project plan outlines how CHEEP will be delivered in the Hunter. It is proposed that the Sustainable Energy Development Authority (SEDA) will contribute some funding to CHEEP and the program will be delivered by SEDA. It is proposed that CHEEP will begin in the Hunter on 1 March 2000.

CHEEP have approached Hunter Water for a contribution to the Hunter Pilot. CHEEP spent two hours briefing the CEO of Hunter Water, David Evans and his senior management team who were very responsive to CHEEP.

CHEEP is meeting before Christmas to discuss an implementation plan which will include a plan for consultation in the Hunter region. Members of the CHEEP committee have had a preliminary meeting with community welfare agencies in the Hunter region.

REVIEW OF SYDNEY WATER

The aims and objectives established for Sydney Water by the Sydney Water Act have been the subject of a review undertaken by the Ministry of Energy and Utilities. This review was mandated by Parliament when the former Water Board was corporatised. An issues paper was prepared by the Ministry and circulated to a number of community, environmental and industry groups as well as several Government agencies. At the time of

writing a public report is expected by 20 December.

Given that the scope of the review was pre-determined by legislation, there were limits on what could be addressed in the submissions. PIAC made a written submission that concentrated on:

- the imperative of commercial success and the difficulty of Sydney Water to achieve a balance with their social and environmental concerns;
- the absence in the legislation of indicators or guidelines to Sydney Water to meet their social obligations; and
- the need to implement the recommendations of the McClellan Sydney Water inquiry regarding a memorandum of understanding between the Corporation and other agencies.

We look forward to the report being tabled in Parliament. Whether the Government intends to pursue further changes to Sydney Water since the initial round of McClellan reforms is unclear. As always, copies of the PIAC submission are available on request.

OCCASIONAL POLICY PAPER NO. 3

UCAP has published its third Occasional Policy Paper: *Extending the public benefits from a competitive electricity industry: enhancing environmental and social outcomes*. The paper was written by Craig Johnston, a social policy consultant. The Electricity Association of NSW part funded the paper for which we are extremely grateful.

If you would like a copy, please call and we send one to you as they are free or you can e-mail Sarah Mitchell at smitchell@piac.asn.au.

ENERGY AND WATER OMBUDSMAN'S (EWON) ANNUAL REPORT

Clare Petre, the Energy and Water Ombudsman has released EWON's 1999 – 2000 Annual Report. It makes extremely interesting reading. EWON's main highlights and achievements for the last financial year include:

- finalising a record 3,648 cases during the period, or 33.6% more than in 1998 – 99;
- finalising 73% of matters within 14 days by resolving the issue or referring customers back to their electricity or water provider with an invitation to contact us again if the matter was not resolved satisfactorily within a reasonable timeframe;
- providing comprehensive information to customers, members and the broader community about issues affecting energy and water customers. This included identifying to members a range of systemic problems with accounts, regulations and customer service issues;
- expanding our utility industry focus and incorporating membership of Sydney Water and its 1.4 million customers;
- implementing the first stage of a communications strategy aimed at reaching customers whose first language is not English, with initiatives targeting the Chinese-speaking community,

- continuing a regional visits program aimed at getting a better understanding of the issues affecting customers in country NSW, to inform them of EWON's role, and to establish better links with community groups in rural and regional areas;
- recruiting and training seven new permanent and casual staff, thereby expanding EWON's team of investigations officers to deal with the increased customer contacts generated by growing awareness of the role of the Ombudsman;
- working with gas supplier AGL to pave the way for its membership of EWON from 1 July, 2000;
- developing and strengthening contacts between EWON and energy ombudsman schemes in other States through the National Electricity Ombudsman Network (NEON), and with other ombudsmen and complaint handling bodies in NSW.

Clare Petre has made the observation, in the Report, "Unrequested disconnections in New South Wales have increased in the past few years, which is of great concern, given the obvious consequences for individuals and families of being without electricity". PIAC would echo this concern, especially as unrequested disconnections can be avoided by creative approach to credit management.

PIAC
Level 1
46-48 York St
Sydney NSW 2000
ACN 002 773 524
ABN 77 002 773 524

PUBLIC
INTEREST
ADVOCACY
CENTRE