

POWER+WATER

NEWSLETTER OF THE CONSUMER UTILITIES ADVOCACY CENTRE

ISSUE 4 • FEBRUARY 2012

Time for action

**Victorian Aboriginal
experiences of energy
and water**

■
**consumer
participation &
energy market
competition**

■
**energy & water
performance
reports out**

■
**caution needed
on supply
capacity control**

■
**new projects
on exempt
networks &
door-to-door**

C O N T E N T S

Victorian Aboriginal experiences of energy and water	3
Consumer participation and energy market competition	6
Powerline Bushfire Safety	8
Supply capacity control	10
Energy retailer performance	12
Hardship GSL and water supply restrictions	13
Government smart meters decision	14
New CUAC research projects	15
CUAC news and submissions	16



CUAC is an independent consumer advocacy organisation which ensures the interests of Victorian electricity, gas and water consumers—especially low income, disadvantaged, rural and regional, and Indigenous consumers—are effectively represented in the policy and regulatory debate.

CUAC believes all Victorians have a right to:

- affordable and sustainable electricity, gas and water
- have their interests heard in policy and regulatory decisions on electricity, gas and water
- not be disconnected from electricity, gas and/or water due solely to an inability to pay

CUAC:

- Provides a voice for, and strengthens the input of Victorian utility consumers—particularly low income, disadvantaged, and rural and regional consumers—in the policy and regulatory debate
- Initiates and supports research into issues of concern to Victorian utility consumers, through in-house research and building the capacity of consumers through its Research & Advocacy program
- Investigates and responds to systemic issues affecting Victorian consumers in the competitive electricity and gas markets and with regard to water.

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Wein, Paen, Ya Ang Gim:

Victorian Aboriginal experiences of energy and water

In December 2011 CUAC launched the report *Wein, Paen, Ya Ang Gim: Victorian Aboriginal Experiences of Energy and Water*. The report details the findings from research with Aboriginal consumers looking at their experiences and views on energy and water. It is now time to address the challenges.

The research

At the core of the research were ten community discussion groups with Aboriginal consumers held in Melbourne, the Mallee and Gippsland. The discussion groups incorporated a practical session, delivered by Kildonan Uniting *Care*, on energy consumption, concessions, and accessing help. The Energy and Water Ombudsman (Victoria), Department of Human Services and Sustainability Victoria also contributed consumer information.

Although the emphasis of the research was on the voices of Aboriginal consumers themselves, data was also collected from service providers and advocates, energy and water businesses and regulators, through meetings, interviews and questionnaires.

Utility stress

Difficulty paying bills was the single most common energy and water issue raised by Aboriginal consumers. Because Aboriginal people are over-represented among low-income Victorians, they are

more likely to be affected by rising energy and water prices. The larger average size of Aboriginal households and the practice of hosting friends and family for extended periods for funerals can also impact on consumption and bills. Another contributor to payment difficulty is the reliance on bottled LPG in many locations with larger Aboriginal communities.

The research suggested that energy disconnection and water restriction as a result of payment difficulty are more common among Aboriginal Victorians – with potentially serious consequences for health, wellbeing and safety. Lack of energy leaves consumers exposed to heat and cold which can cause or exacerbate illness. Energy disconnection and water restriction can also affect hygiene and nutrition, and the use of alternative heating, cooking and lighting poses safety risks.

Even where payment difficulties do not culminate in restriction or disconnection, utility stress impinges on health and wellbeing. Aboriginal consumers described making the difficult choice to prioritise electricity bills to stay connected, leaving little left over for other essentials. Unmanageable finances and the threat of energy disconnection or water restriction impact on self-esteem and contribute to stress, anxiety and depression.

To address these issues, the report makes a number of recommendations on improvements to energy concession design, including the introduction of a high-density living concession and extension of the Medical Cooling Concession. Concessions can only



be effective if consumers are aware of and claiming their entitlements, so we recommend that the Department of Human Services promote awareness among the Victorian Aboriginal community of available concessions and grants.

Accessing help

Most Aboriginal consumers who shared their stories in discussion groups were not aware of the hardship assistance offered by energy retailers and water businesses. Service providers and advocates also said that knowledge of utility concessions, grants and hardship programs was poor.

For any consumer struggling to pay bills, seeking help can be stressful or embarrassing. Participants suggested that Aboriginal consumers are more likely to feel intimidated by bureaucratic interactions. High mobile call costs, difficulty understanding call centre staff and low literacy skills can also hinder communication, thereby limiting access to help.

Once consumers are in communication with a utility business, they do not always receive effective help. CUAC heard that some energy businesses are not necessarily complying with consumer protection regulation regarding financial hardship.

To increase access, the report recommends that businesses identify and implement measures to raise awareness of hardship assistance. Further recommendations are that businesses offer a free same-day call back service and make public a direct telephone number for hardship teams.

Consumption and efficiency

Consumers who are able to control their energy and water consumption and improve efficiency of use can harness savings, but the research highlight constraints that can limit Aboriginal consumers' ability to do this.

Participants emphasised that Aboriginal people are often unable to afford the efficient appliances that can reduce consumption and costs.

Importantly, housing quality and its impact on energy and water consumption and costs was repeatedly raised in discussion groups, particularly with regard to public housing properties. Because the relationship between inefficient and poorly maintained housing and energy and water costs was such a major theme in the research, the report includes a number of recommendations in relation to public housing.

Market choice and door-to-door selling

The research found that, like many non-Aboriginal people, Aboriginal consumers are often confused by the different energy options available, and some are making switching decisions that are not necessarily in their financial interests. A number of research participants recounted stories of energy door-to-door selling misconduct, including harassment and refusal to leave when asked.

Awareness

A common theme cutting across all of the issues in the research was the need for greater awareness and understanding: both among Aboriginal consumers with regard to energy retail options, consumer rights, financial hardship assistance and energy efficiency, and, importantly, to businesses' understanding and awareness of their Aboriginal customers. The report makes a range of recommendations aimed at addressing this, including increased outreach, cultural awareness training and the employment of Aboriginal Liaison Officers.

Launch of the report

On December 5 2011, CUAC launched the report with an event at the Aborigines Advancement



Images from the launch (L-R): Dan Laws (Ngwala Willumbong Cooperative) facilitates discussion; Participants read quotes from the research; Wurundjeri elder Colin Hunter (City of Yarra) gives a Welcome to Country; Participants; Aunty Glenda Thorpe (MAYSAR) launches the report; Aboriginal dance group performs

League. Steering Committee member Dan Laws facilitated the day's discussion of the report's findings and recommendations. Colin Hunter and Sue Fraser, also members of the Steering Committee, spoke about their involvement in the project. CUAC was honoured to have Gunditjmara and Gunai/Kurnai woman Aunty Glenda Thorpe officially launch the report. The event was well-attended by participants from energy and water businesses, government and the community sector.

With the research phase complete, the project is now moving into its second 'action' phase, focused on implementation of the recommendations and collaborative action to address the challenges identified.

CUAC has been very pleased with the response to date. EWOV has considered and responded to our recommendations, committing to further outreach with the Aboriginal community. It will begin collecting voluntary data about Aboriginal complainants and, based on this data, will consider potential Aboriginal staffing needs. The state government is also preparing a response, and meetings are arranged with federal government representatives. A number of participants at the launch made specific commitments to take action on the issues, and we have also been contacted by some businesses and from local governments interested in discussing the report and/or working to implement its recommendations.

Organisations interested in working with CUAC should contact Jo Benvenuti, Executive Officer on (03) 9639 7600 or by email to jo.benvenuti@cuac.org.au

Download the report at www.cuac.org.au/research

Voices from the research

"Sometimes you're weighing it up, like do you worry about the electricity or do you worry about putting food on the table?"

- Consumer, the Mallee

"There's a sense of entrapment when you get on the phone with them. They speak fast and suddenly you feel like 'I'm powerless.'"

- Consumer, Gippsland

"The biggest problem is the quality of housing. The older public housing properties are really bad, and even some of the newer ones are a bit dodgy, and this impacts on bills for our mob."

- Consumer, Melbourne

"Often elders and those with a disability don't understand telemarketers and they just say 'yeah, yeah, yeah.' Door-knocking is a huge issue... they're shockers."

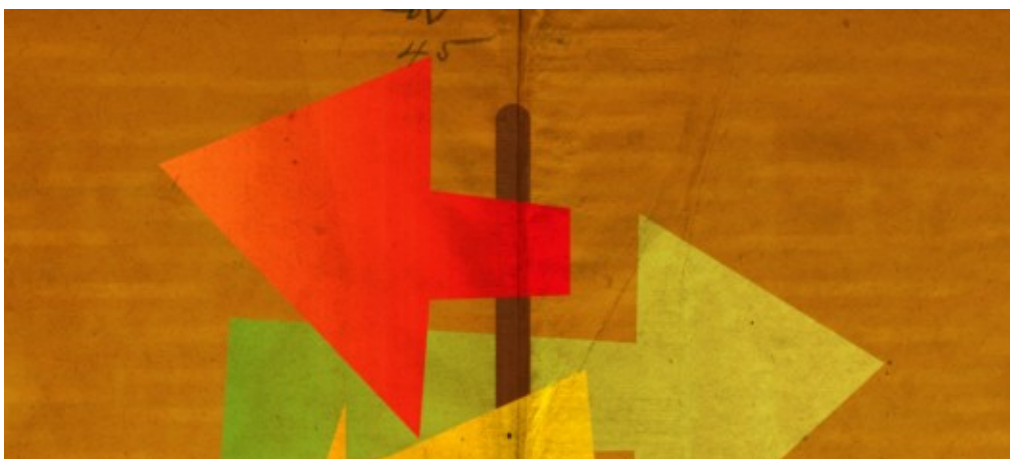
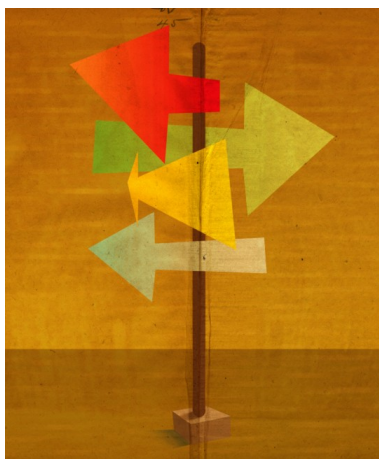
- Consumers, the Mallee

"Koori Liaison Officers would work well and help a lot of people. Non-Koori people at the businesses often don't understand where we're coming from."

- Consumer, Melbourne

"Education campaigns about energy issues should have a health slant... With Aboriginal people, it's good to focus on family."

- Consumer, Melbourne



Improving energy market competition through consumer participation

It has become clear in recent years that many consumers find it difficult to make effective choices in Victoria's retail energy market. A recently completed CUAC research project offers the first detailed examination of consumer participation issues and their implications for energy market competition in Victoria.

The research

CUAC's research began from the premise that where consumers are empowered to make effective choices, competitive pressure on retailers will be maximised and market outcomes will be stronger. While many commentators have simply used switching rates as a proxy to assess market health, this project considered a much wider range of information.

CUAC's research analysed the literature on consumer behaviour in competitive markets. The project also incorporated a survey of 327 Victorian energy consumers, meetings with community workers and a detailed analysis of online switching sites. Together, these paint a broader picture of the consumer experience of the market.

The result of this research is the report *Improving energy market competition through consumer participation*. The report highlights issues with market structure and consumer engagement and identifies a range of approaches to improve both the consumer experience and market competitiveness.

Findings

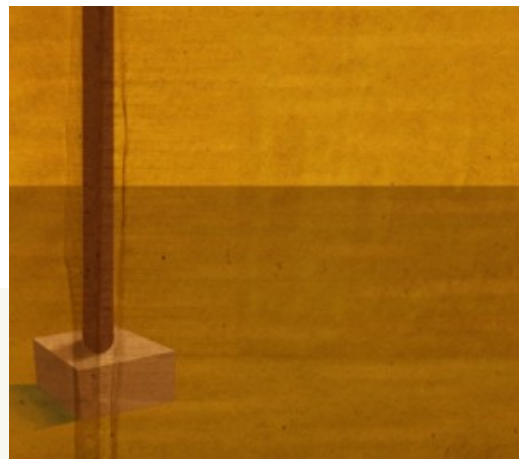
The research highlighted factors likely to reduce consumer engagement in markets for products like energy. Limited consumer capacity was identified as a major factor limiting the effectiveness of consumer participation.

For example, research from the UK found that the quality of switching decisions made by UK consumers was similar to the quality of decision that would be expected had they chosen an offer at random. This was attributed to limited consumer capacity to make complex comparisons.

Similarly, CUAC's survey of Victorian consumers found that many continue to have difficulty in understanding offers and are subject to misleading door-to-door sales conduct.

Other findings from the survey are that:

- 42 per cent of survey respondents found it difficult to understand energy offers compared to 32 per cent of respondents who find it easy;
- 33 per cent of survey respondents indicated that they thought that the price of energy is set by the government in Victoria;
- 37 per cent of consumers who had not changed energy providers indicated that the reasons were that it was "too hard to choose", "not worth the effort", or they "could not be bothered";



- 75 per cent of respondents to a voluntary, open-ended question about any energy market issue used this opportunity to comment negatively about door-to-door sales; and
- 74 per cent of respondents who had changed providers reported a degree of confidence in their switching decision.

Recommendations

The report makes a number of recommendations to improve Victoria's competitive energy market based on the findings. Key recommendations include:

- Government resourcing for a comprehensive and multi-faceted information campaign on energy;
- Regulation on the number and expression of energy offers to improve comparability and simplicity;
- A review of the role of discounts and bonuses along with the regulation of fixed charges, in some circumstances, to allow for comparison on the basis of variable charges alone;
- Improved resourcing and design for regulator-operated price comparison websites;
- Increased compliance and enforcement activity by regulators on door-to-door sales conduct.

CUAC will now be seeking to advance the findings and recommendations of this report to improve consumer outcomes and competitiveness in the retail energy market.

Download the report now at www.cuac.org.au/research, and come to the launch to join the discussion.

Improving Energy Retail Market Competition Report launch and discussion

The event is an opportunity to hear leading thinkers from the consumer movement, industry and regulators discuss the report and its findings along with retail energy competition more generally.

Confirmed speakers include:

- **Dr Ron Ben-David**, Chairperson, Essential Services Commission
- **Tim Nelson**, Head of Economics Policy and Sustainability, AGL
- **David Stanford**, the report author from CUAC

When

10:00 –12:00
Wednesday 7 March 2012

Where

The Royal Society of Victoria
9 Victoria Street, Melbourne

Cost

FREE

Registration

by Wednesday 29 February
online at:

<http://energymarketreport.eventbrite.com/>
or by contacting David Stanford
david.stanford@cuac.org.au or 03 9639 7600



Government responds on powerline bushfire safety

In its July 2010 report, the Victorian Bushfires Royal Commission made eight recommendations on electricity supply assets, including the recommendation that an expert taskforce further analyse two complex issues. To undertake this work, the Victorian Government established a Powerline Bushfire Safety Taskforce, which reported in September 2011. In December the Government released its response. CUAC examines the potential consumer impact.

Network safety

Sometimes faults occurring in the network can transmit electrical current to the ground. Under certain conditions, this can cause fire. Network safety equipment detects such faults and shuts off the affected area. Automatic Circuit Reclosers (ACRs) are one such device that can be set to detect a fault, turning off and then restoring the current after various intervals.

ACRs are useful in maintaining supply if there is a transitory problem. For example, where a tree branch contacts the wires, shutting off power, an ACR will automatically restore power if the tree branch blows to the ground, eliminating the problem. Without an ACR, the power supply remains off while a manual inspection and supply restoration takes place, often leaving consumers off

supply for a couple of hours.

What the Taskforce confirmed after laboratory testing was that under the most dangerous fire conditions, ACRs can themselves be responsible for fire starts. The testing showed that even one or two reclose attempts may be sufficient to start a fire. The downside is that limiting reclose attempts will increase the risk of loss of supply. As many of the ACRs can only be changed manually, adjusting the devices may take several weeks at the beginning of the bushfire season in preparation for potential dangerous days.

Remotely controlled ACRs are available and, if fitted to network assets, could be reset on high risk days. Rapid Earth Fault Current Limiters work in a different way but achieve a similar outcome on multi-phase networks (22 kilovolt). The Government has adopted the Taskforce recommendation to require that these devices be installed across the state over the next ten years, at a cost of approximately \$500 million. Distribution businesses will be required to specify the timing and rollout in their Bushfire Mitigation Plans.

Replacement of dangerous lines

The Government has committed to contributing up to \$200 million over the next 10 years to replace approximately 1000 km of the 100,000 kilometers of SWER and 22 kilovolt wires across Victoria. The decision as to priority replacement will be based on



an engineering and geographic assessment of the highest fire loss consequences.

Supply reliability trade-off and need for more research

There will be a trade-off between increased safety and supply reliability and in recognition of this, the government will provide \$40 million to help affected communities to respond to decreased supply reliability. A further \$10 million over five years will go towards identifying safe, reliable and cost-effective technologies.

Who pays?

The Government accepted the view of the Commission that the Victorian community as a whole will benefit from implementing its recommendations, meaning that it is inappropriate to make only those electricity consumers who are directly affected fund the total cost of the response.

The Victorian Government has therefore established a Safer Electricity Assets fund, to which it will allocate \$250 million over 10 years. The Commonwealth will be invited to contribute a further \$250 million. The rollout of ACRs and REFCLs (\$500 million over 10 years) by Powercor and SP AusNet will be offset by asset depreciation and avoided costs. It will result in a price increase of 0.1% for electricity households in these geographic areas, estimated at \$13 per household each year over ten years.

The Taskforce undertook considerable consultation with bushfire affected communities and made an assessment of risks, priorities and technological solutions. CUAC believes that the Government has

made a reasonable overall response to the Taskforce's analysis and recommendations. The final decisions about "who pays" has addressed our call for costs to be distributed in a way that maintains, as far as possible, both affordability and access to supply.

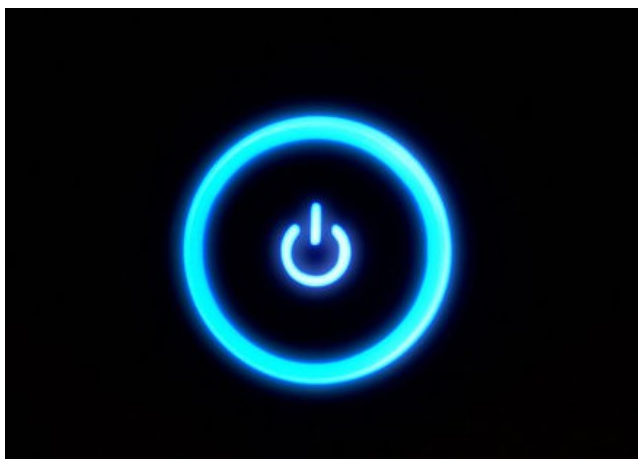
Consumer information needs on supply reliability

We support the commitment to ongoing research into technological options. In the meantime, CUAC would also like to see Government taking immediate action to ensure that those electricity consumers who are now likely to lose supply on high risk days receive clear, simple information explaining what to expect and how to respond with regard to, for example, keeping cool or minimising disruption to small business operations.

Your experiences and views

If you work with clients or live in a bushfire affected area, CUAC is interested in hearing your views about the government's powerline bushfire safety announcement. You can let us know by calling Jo Benvenuti, Executive Officer, on (03) 9639 7600 or email jo.benvenuti@cuac.org.au

CUAC is also planning to undertake a series of regional visits in 2012 to learn about current energy and water issues in rural and regional Victoria that we can feed into our advocacy work. Please contact Jo Benvenuti if your agency would be interested in meeting with CUAC as part of these visits.



Caution needed on supply capacity control

As part of its review of the customer protection framework around smart meters, the ESC recently released its final decision on capacity control. This technology presents both opportunity and risk, but with so many unknowns, Victoria should be proceeding with caution.

One of the possibilities opened up by smart metering technology is capacity control. There are two types of capacity control products:

- **Supply capacity control** operates by switching off all the power supply when a customer's load reaches a certain threshold. Power resumes after a short period, but will be disconnected again if the load exceeds the limit. Distributors may use this in emergencies to avoid blackouts by limiting power. Retailers may also offer tariffs which ration power to a certain threshold.
- **Direct load control**, whereby individual appliances can be turned on and off. For example, a customer may receive a cost saving on the bill by agreeing to have an air conditioner cycled on and off, thereby reducing the load on the network on hot summer days.

While retailers are currently prohibited from offering these products, the ESC's December 2011 decision opens up the possibility that the products will be offered before the risks and potentials have been carefully assessed and appropriate customer protections put in place. CUAC is concerned that this

decision may have detrimental consumer outcomes, particularly for vulnerable consumers.

Lack of clarity on current prohibition

In the immediate term, the wording of the final decision makes it unclear as to whether supply capacity control products can be used as a debt management tool at the present time. In part of the decision, the Commission confirms the current ban:

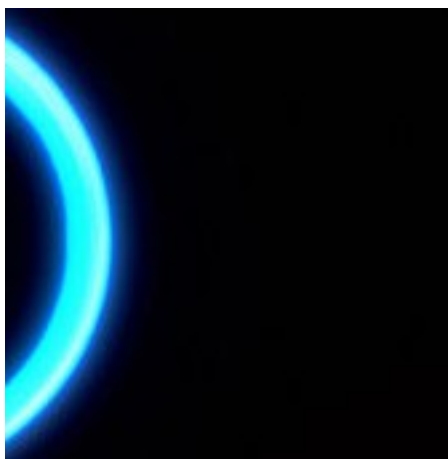
The Commission confirms that the ban on retailers offering supply capacity control for credit management purposes, as specified under clause 12A of the *Energy Retail Code*, will remain until 1 January 2014.

At the same time, however, the proposed amendments to clause 12A of the Energy Retail Code and to the definition of "supply capacity control" seem to suggest something different:

Clause 12A of the Code will be amended to state: "A retailer may not offer to provide a supply capacity control product to a customer for the primary purpose of credit management before 1 January 2014".

The definition of supply capacity control will be amended to state: "means the use, other than the emergency use, of the smart meter to temporarily interrupt electricity supply to a customer". The current words "for credit management purposes" will be deleted.

While these proposed Code amendments clearly prohibit a retailer from offering supply capacity control products for the **primary** purpose of credit



management, “primary purposes of credit management” is undefined, leaving room for retailer interpretation. The suggested wording potentially allows a retailer to argue that a supply capacity control product which they have offered to a customer has credit management as a secondary purpose, and therefore is permissible under the regulatory framework.

CUAC has raised this issue with the ESC, suggesting that if the intent is to entirely prohibit the use of supply capacity control products as a debt management tool, this needs to be clearly articulated in any amendments to the Energy Retail Code.

Transition to the NECF

With the transition to the National Energy Customer Framework (NECF), responsibility for energy retail regulation is set to pass to the Australian Energy Regulator in July this year. At present, there are no smart meter-specific protections in the NECF. Although consultation is currently underway on the development of national consumer protections in light of smart meters, the outcomes of this process and its completion date are uncertain.

CUAC’s concern, then, is that Victorian consumers may not be adequately protected as Victoria transitions to the national framework. Come 2014, retailers may start offering capacity control products in the absence of appropriate consumer protections. For this reason, in our response to the ESC’s draft decision, we strongly urged the ESC to prohibit the use of supply capacity control as a debt management tool indefinitely.

Unfortunately, the ESC took the view in its final decision that extending the current prohibition beyond 1 January 2014 was outside the scope of its

smart meter review, suggesting instead that the Department of Primary Industries was the appropriate body to address NECF transition issues.

Trials, research & consultation

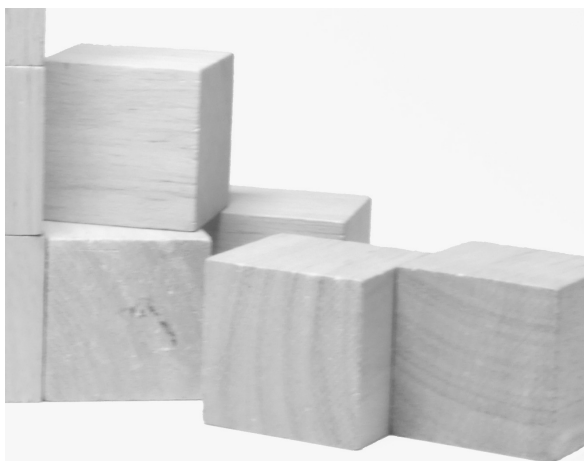
In its final decision, the ESC stated that it will allow the development of supply capacity control and load control products as part of voluntary customer trials.

As products are developed, the ESC will organise meetings for retailers to explain how the products might work, their costs and benefits, and the information that will be provided to customers. It has also committed to researching international experience with these products and consulting with stakeholders on the information customers would need to make an informed decision to participate in trials.

However, the final decision states upfront that the ESC “will not regulate or prohibit... supply capacity control and load control products for non-credit management purposes.” On the face of it, this suggests that the products can be offered to customers now, regardless of the outcome of trials, research, and consultation.

However, with so many unknowns around smart meter technology and the consumer response to it, customer trials, consultation and research need to occur before any supply capacity control and load products are offered to the market at large, potentially to the detriment of consumers

CUAC will continue to advocate for a comprehensive government review of the risks associated with supply capacity control and direct load control products, incorporating tests of consumer acceptance and the development of an appropriate regulatory framework, prior to any introduction.



Energy performance in serious decline

Victorian energy retailers continued to disappoint with their performance as the latest round of performance data is released by the Victorian regulator, the Essential Services Commission.

Each year, the ESC collects data from the licensed energy retailers on a range of measures to assess their performance in relation to pricing, customer service standards and assistance to vulnerable consumers. This data provides some useful insights into the state of the Victorian retail energy market and highlights the need for substantial improvements.

In short, the reports tell us that energy prices are rising, that customer service standards are falling and that more and more Victorians are being disconnected from energy supply. This declining performance indicates that the competitive market is in poor health, and should give policy makers and regulators pause for thought about approaches to improving market operation and protecting consumers.

Disconnection and hardship

The most alarming performance data deals with disconnection from energy supply. Electricity disconnections in particular rose dramatically in 2010-11, up by 33 per cent compared to the previous year. Since 2006-07, the rate of electricity disconnections has more than doubled.

CUAC is extremely concerned about the dramatic growth in disconnections and its impact on consumers. The increase in disconnections suggests that many households are struggling to keep up with

rising energy prices, and that the safety nets in place to support them (such as hardship programmes and concessions) must either be enforced by the regulator or strengthened.

The performance report figures show that at the same time that disconnections were increasing, hardship programme participation fell. This suggests that retailers are not sufficiently active in identifying and assisting consumers with payment difficulties.

Call centre performance

Also of concern in the report was the dramatic decline in energy retailer call centre performance. Over the past two years, the time the average customer must wait to speak to an operator has doubled, reaching 101 seconds. Rather than endure the delays, 8.5 per cent of callers simply abandoned their calls.

Complaints

This poor performance is reflected in the dramatic growth in customer complaints in 2010-11. The performance report figures show electricity complaints more than doubling to 110,047, while gas complaints rose to 20,473, a 50 per cent increase. EWOV complaints data mirrors these trends.

Competitive retail energy markets were intended to drive improvements in customer service as consumers become active in seeking more responsive suppliers. However, these figures indicate that customer service from Victoria's energy retailers is in serious decline. Government and regulators need to give this matter their urgent and serious attention.



Water supply restrictions down in 2010-11

In response to consumer groups' calls for improved hardship protections in light of rising prices, the ESC developed a hardship-related Guaranteed Service Level measure, introduced in 2011. The latest urban water business performance figures on restrictions suggest that the measure is working.

The hardship-related Guaranteed Service Level (GSL)

Under a GSL scheme, customers who receive specified types of poor service are entitled to automatic compensation. During 2010, the ESC consulted on the development of a new hardship-related GSL measure.

Under the new GSL, customers are entitled to a payment of \$300 if their water business restricts water supply or takes legal action without first making 'reasonable endeavours' to contact the customer and give them information about hardship assistance available.

Implementation of the hardship-related GSL for metropolitan and some regional-urban water businesses began on 1 January 2011, with the remaining regional-urban businesses to follow.

Performance report figures

In December 2011 the ESC released the 2010-11 Water Performance Report, the first performance report since implementation of the GSL. One of the most noteworthy trends in the report is a substantial drop in domestic restrictions. In 2010-11, 2,105 domestic customers had their water supply restricted

for non-payment, down 35 per cent (1,131)¹ from 3,236 domestic restrictions in the previous year. The number of domestic customers with a concession entitlement who had their supply restricted also dropped commensurately, down 35 per cent from 555 in 2009-10 to 359 in 2010-11. Importantly, the drop in restrictions was not accompanied by an increase in legal actions, which also decreased slightly.

GSL a factor

Closer examination of individual businesses' rate of restriction per 100 domestic customers indicates that the GSL was a factor driving this decrease in restrictions. Of the nine businesses who implemented the GSL, one (City West Water) saw restrictions remain at zero, seven saw a decrease from the previous year, and restrictions for the remaining business (North East Water) rose by 10 per cent. In contrast, of the seven businesses not included in the initial implementation, four had a higher rate of restriction in 2010-11 than in 2009-10.

When implementation of the GSL began, CUAC was disappointed that initial coverage did not extend to several of the regional-urban businesses. With the GSL now rolling out across the state, we hope to see a further drop in restriction rates as businesses focus on other ways of responding to payment difficulties and hardship. CUAC is very pleased to see the water industry rising to the challenge of helping customers to stay on supply, in stark contrast to the trend among energy retailers.

¹ This figure has been calculated with reference to the 2009-10 performance report and differs from that given on p. 21 of the 2010-11 performance report which we believe includes 70 non-domestic restrictions.



Government decision on smart meters

Decisions about the future of the rollout of smart meters across Victoria were on hold throughout 2011, pending the outcome of the Government's review of the program. The December 2011 decision means that the rollout will continue, but with a promise to deliver clearly identified benefits.

CUAC's recommendations to the review supported the continued rollout – we have come too far to go back. With nearly one million smart meters in situ and 1.5 million to go, cancelling the rollout would have seen consumers paying for two separate infrastructure and operations systems, stuck somewhere between the devil and the deep blue sea. We are now keen for the government to get on with the job of bringing some of the benefits to consumers.

Consumer understanding

CUAC is pleased that the Government has committed to helping consumers understand and control their energy use. In particular, we welcome the commitment to subsidising in-home displays to help low-income households control their energy bills. The government announced that some basic devices will be available at low cost by mid 2012.

Over a number of years, CUAC has argued that in order to benefit from smart meter technology, consumers must be informed about the basics - *What is a smart meter? Why am I getting one? What can it do to help me understand or control my energy use? Are they safe?*

This requirement extends to vulnerable consumers who, our research shows, may be left behind if their needs are not taken into account with specific engagement strategies and programs. For these consumers, non-text information and the opportunity to speak face-to-face with trusted agencies often holds the key to increasing understanding.

Flexible pricing

CUAC welcomes the decision to delay the introduction of flexible pricing until at least 2013, which will allow time to establish a robust policy framework and to ensure that consumers are given clear information about their options in advance. The Government's commitment to maintaining flat tariff options is also welcome. For some consumers, energy inefficient appliances, poor home insulation and lifestyle arrangements may mean that flexible tariff options are not in their best interest.

Cost recovery and governance

In a significant win for consumers, the government has also announced that it will toughen regulation of smart meter cost recovery to remove distribution businesses' automatic allowance for cost overruns of 10 to 20 per cent.

The Minister has also announced new program governance arrangements that will see the establishment of a Ministerial Advisory Council, giving the government better oversight of the program and an opportunity for consumer and welfare groups to have a stronger voice in the rollout process.



Embedded networks project

CUAC has begun work on research that will offer the first systematic examination of the experiences of electricity consumers in residential embedded networks.

In residential embedded networks, electricity is bought in bulk for the whole site and then on-sold to residents. In contrast, residential consumers outside of these networks buy their electricity from one of Victoria's licensed retailers. The regulations that apply to exempt sellers and licensed retailers are different; so too do the consumer protections extended to their customers.

Embedded networks are common in retirement villages, caravan parks, rooming houses and shopping centres. Increasingly, these networks are also becoming common in high-density residential apartment buildings.

Currently, very little is known about the customer experience in embedded networks. To enable us to better understand the experiences of this growing group of consumers, CUAC is interested in hearing from customers of exempt sellers about what their experience (positive or negative) has been. Our focus at this stage will be on residential electricity customers buying from an exempt seller.

If you live in such a development or have any information which could assist us with our project, we would like to hear from you. Please contact Deanna Foong on email deanna.foong@cuac.org.au or on (03) 9639 7600.

Door-to-door selling project

A new CUAC research project will aim to identify the most effective policy approaches to protecting consumers from door-to-door sales misconduct.

Through a comprehensive desktop review of developments in door-to-door selling practice and policy over time in Australia, the UK, the USA and Canada, CUAC will examine:

- patterns or commonalities in the practice of door-to-door selling;
- the extent and nature of misselling/misconduct;
- the range of policy approaches to door-to-door selling;
- the effectiveness of these policy approaches; and
- the drivers of policy change.

Based on the research, CUAC's report on the project will include a typology of policy approaches and an assessment of the evidence about their effectiveness in protecting consumers from door-to-door selling misconduct. This will form the basis for our recommendations to government, regulators and other stakeholders on improvements to policy to protect consumers.

As a first step, CUAC will soon be arranging meetings with policymakers and other key stakeholders to inform and help guide our desktop review of the policy and research literature. If you would like to be involved, please contact Caitlin Whiteman at caitlin.whiteman@cuac.org.au or phone (03) 9639 7600.

CUAC news — Merits review decision

Over the past 12 months, POWER+WATER has been covering developments in relation to the Australian Energy Regulator's most recent distribution pricing determination for Victoria. The AER handed down its final determination in late 2010. Not satisfied with this outcome, the distribution businesses elected to challenge aspects of the AER's final determination in a merits review appeal before the Australian Competition Tribunal (the Tribunal) to seek additional revenues.

CUAC, along with our consumer colleagues at the Consumer Action Law Centre (Consumer Action), decided to seek to intervene in the appeals process to ensure the consumer voice was heard. While our attempt to intervene was ultimately unsuccessful, much was learnt about the need to reform an appeals process that was skewed in favour of the regulated businesses.

After many delays, the final decision on the merits review was made public this month by the Australian Competition Tribunal. Unfortunately, the distribution businesses were successful in overturning some significant aspects of the original decision resulting in increased revenues, and therefore prices, for Victorian consumers until 2015. The decision will allow an increase in revenue across all businesses of approximately \$300 million or about 3 per cent of total allowable revenue over the five years to 2015.

Happily, a review of the laws governing the appeals mechanism will be undertaken in 2012. This was announced by the Standing Council of Energy and Resources ministers in December 2011. CUAC will be actively seeking to influence the outcomes of the review toward the introduction of a more balanced system of review by the time of the next distribution pricing determination in 2015.

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CUAC

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The Consumer Utilities Advocacy Centre is a specialist consumer organisation representing Victorian energy & water consumers in policy & regulatory processes.

<http://www.cuac.org.au>

CUAC Submissions, September—December 2011

CUAC made the following submissions between September—December 2011:

- Essential Services Commission—2013 Water Price Review Tariff Issues Paper
- Essential Services Commission—Compliance Policy Statement for Victorian Energy Businesses
- Essential Services Commission—Energy Retailer Contract Variation Requirements
- Essential Services Commission—Guideline 19: Energy Price and Product Disclosure Issues Paper
- Australian Energy Regulator—Exempt Selling Guideline Consultation Paper
- Australian Energy Regulator—Retail Pricing Information Guideline
- Australian Energy Regulator—Draft Statement of Approach, AER Price Comparator Website
- Australian Energy Market Commission—Proposed changes to the rules governing the economic regulation of monopoly energy distributors

All CUAC public submissions can be viewed on the CUAC website at www.cuac.org.au